

Talking Gold — June 2024

Gold Strategy Team

Gold Market Recap

Gold rose for the sixth month out of the last seven, appreciating 1.8% in May.¹ Spurred by renewed optimism for Federal Reserve (Fed) rate cuts this year following a cooler-than-expected inflation report mid-month, this rally pushed gold’s year-to-date gains to 13%.² Yet, these gains were not linear, as gold prices slightly pulled back toward the end of the month, as Fed officials started to reinforce their desire to hold rates longer for some time.

Despite the macro ambiguity, gold prices have maintained their momentum and closed the month above their 50-, 100- and 200-day moving averages. This long-term momentum has been supported by secular, and not cyclical, demand drivers, as global central banks desire to diversify their reserves. The increase in demand from China has had meaningful and consistent impacts. Yet, if Fed uncertainty turns into macro volatility over the coming months, this could increase gold demand via ETFs – adding a cyclical demand driver alongside secular factors supporting gold prices.

Gold Performance Drivers

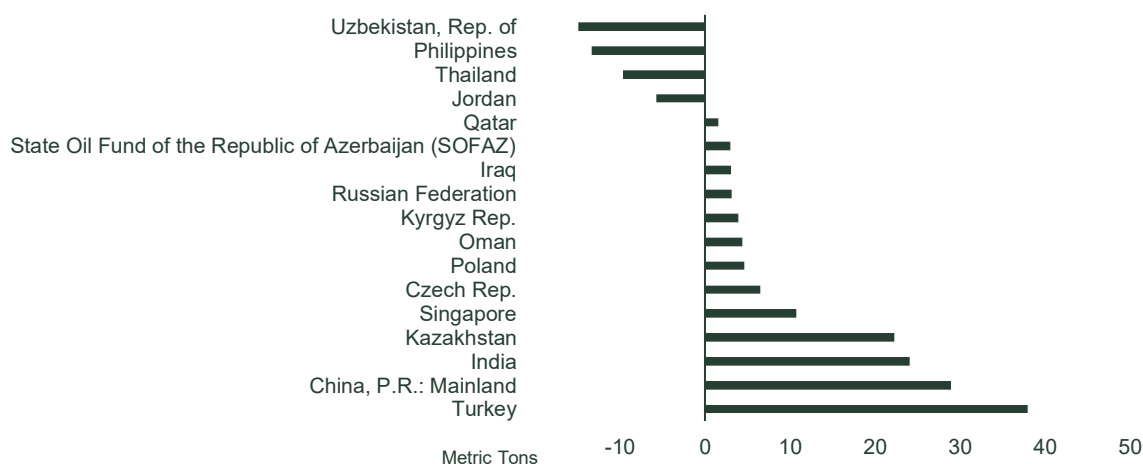
Flows: In May, global gold ETF holdings fell by 0.28%, an estimated 7 metric tons(t).³ This was the twelfth consecutive month of outflows, according to Bloomberg data.⁴ Net speculative positioning in COMEX gold futures increased to 142,139 contracts in May, which is significantly higher than the 3-year average of 66,458 contracts.⁵ The recent extension of long contracts highlights that money managers remain bullish on gold.

Factors: Gold consolidated well above the key level of US\$2,300/oz and traded comfortably within the range of US\$2,300-US\$2,450 throughout May. Gold’s 14-day RSI is near 50, indicating the yellow metal is neither in “overbought” or “oversold” territory.⁶

Fundamentals: Eight central banks increased their gold reserves by a ton or more in April. The central bank of Turkey was the largest buyer, increasing its official reserves by 8t.⁷ The National Bank of Kazakhstan (6t), Reserve Bank of India (6t), National Bank of Poland (5t), Monetary Authority of Singapore (4t), Central Bank of Russia (3t), and Czech National Bank (2t) were the other major buyers in the month.⁸

Gold’s Chart of the Month

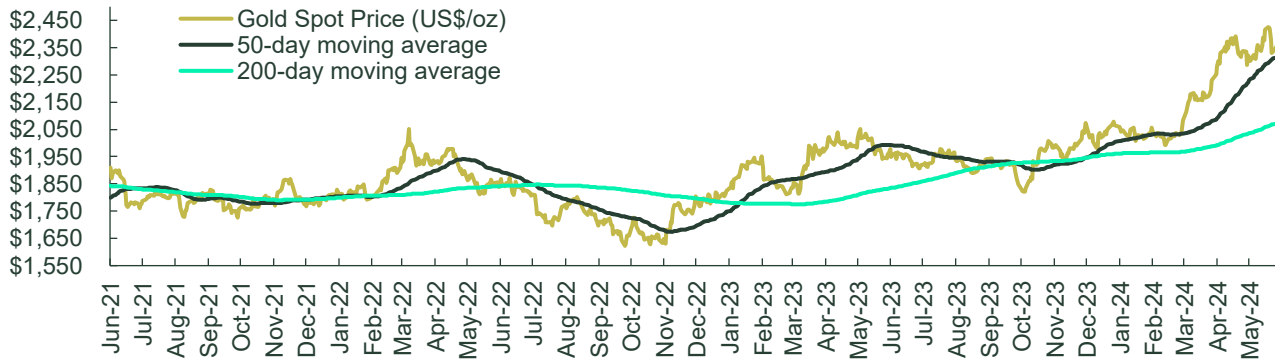
Figure 1: Central bank gold demand remains healthy in 2024



Source: IMF IFS, respective central banks, World Gold Council, and State Street Global Advisors, data as of May 31, 2024. **Past performance is not a reliable indicator of future performance.**

Gold Price Trends

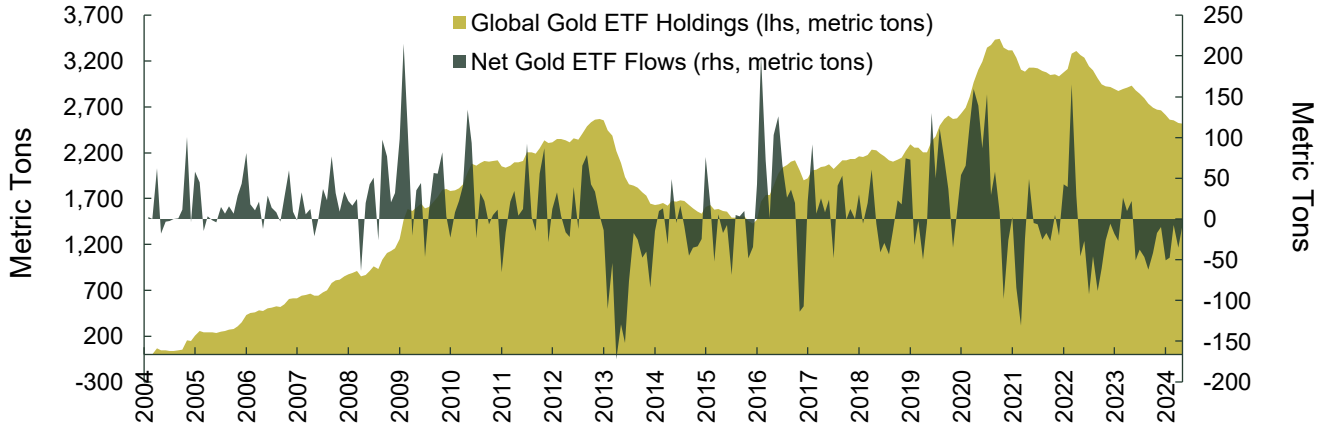
Figure 2: Trailing 3-year Gold Spot Price (US\$/oz) and Moving Averages



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from May 31, 2021– May 31, 2024. **Past performance is not a reliable indicator of future performance.**

Gold ETF Flows

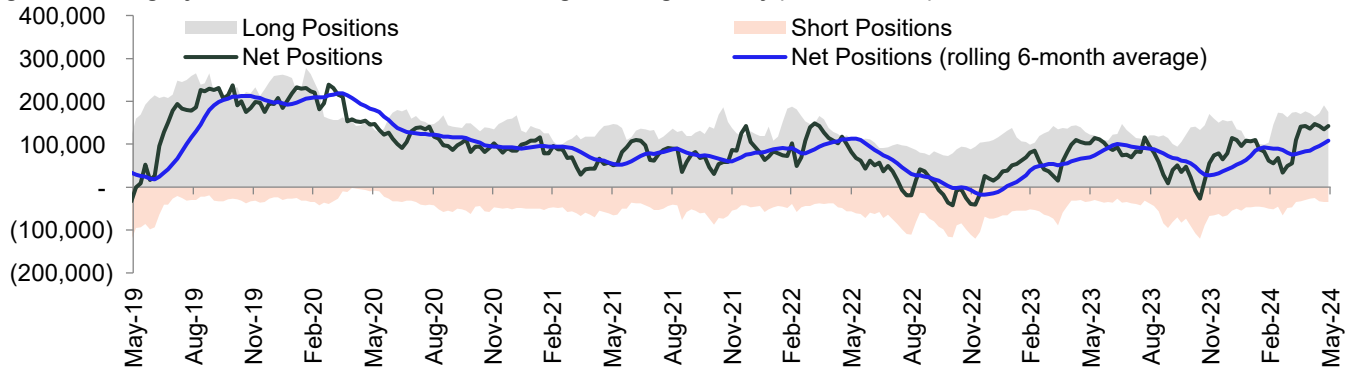
Figure 3: Global Gold ETF Holdings in Metric Tons



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from January 1, 2004 – May 31, 2024. **Past performance is not a reliable indicator of future performance.**

Gold Futures

Figure 4: Trailing 5-year COMEX Gold Futures Positioning — Managed Money (# of Contracts)



Source: Bloomberg Finance, L.P., State Street Global Advisors. Data from May 31, 2019 – May 31, 2024. **Past performance is not a reliable indicator of future performance.**