FIDELITRADE INCORPORATED

Monthly MARKET REPORT

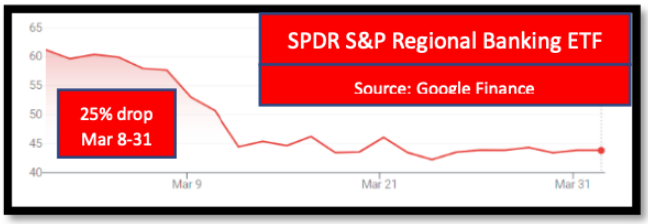
March Winds

A Fatal Banking Flaw, Inflation, and Increased Recession Risk

Investors shifted to precious metals for safe haven and liquidity protection in March following the the quick collapse of two mid-tier, venture-capital and crypto- friendly regional lenders following the voluntary winddown of another. Gold prices rose 7.18% to $1,986.20 (June COMEX futures) while silver prices rallied 14.64% to $24.155 (May COMEX). Platinum and palladium prices staged more modest gains of 4.32% to $1,003.1 (July NYMEX futures) and 3.31% to $1,468.00 (June NYMEX), respectively.

The banking crisis complicates the Federal Reserve's post-COVID inflation fight. Ongoing high interest rates make less sense in a stressed banking environment. Are SVB and Signature Bank's failures the start of extended turmoil or simply isolated aftershocks from the FTX fiasco? For now, it appears the latter. In any event, investors bought precious metals for safe haven, diversification, and lack-of-credit-risk qualities. A resulting Fed pivot or pause in hiking rates to shore up the banking sector could be supportive for metals prices.



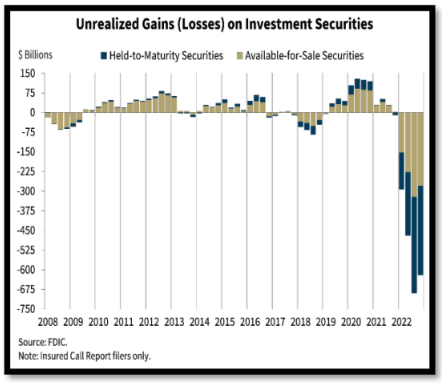


MARCH HIGHLIGHTS: GOLD BUGS COME OUT

In early March, a precious metals rally seemed unlikely. Spot gold prices traded as low as $1830.20 (June COMEX) on the seventh. Unemployment data pointed to economic strength; the dollar was firm; interest rates were striding higher. Perhaps a recession, with its lower interest rates – which would favor gold prices - was not in the offing. Despite the fact that central banks had bought a record amount of gold in 2022, interest in precious metals seemed to be waning – after all, between 2019 and 2022, gold prices had already gained nearly 42% and silver prices nearly 55%.

But March winds picked up on the 8th when a massive run on Silvergate Bank caused it to voluntarily shut. With the SVB and Signature collapses, investors looked at banks' balance sheets more closely.



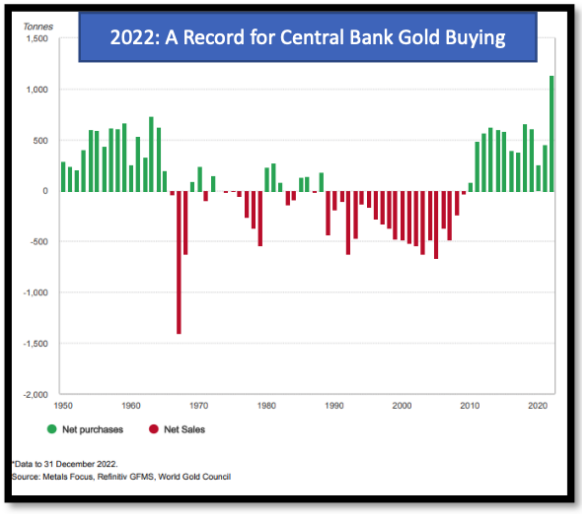


Did you know if US banks put certain investments in the "Held-to-Maturity" bucket, they don't have to value them at current prices? Due to rapid interest rate increases, banks had unrealized losses of $620B on safe investments like US Treasuries at the end of 2022. FDIC President Martin Gruenberg said there is a risk that "these unrealized losses could become actual losses should banks need to sell securities to meet liquidity needs."1 Note that banks who manage risk could have profits to offset these unrealized losses. We know that SVB did not do that. Today, depositors can pull funds with a quick tap. Trust is imperative for the fractional reserve system to function. Does it need updating, particularly for the not 'too big to fail' regional banks?

In an atmosphere of uncertainty, precious metals prices soared. Between March 8th and the 14th, gold prices gained $100.00, and silver added $1.84. On the 15th, Credit Suisse's troubles became public. Then rumors about Deutsche Bank flew. The idea of global contagion threw fuel on the fire – on the 20th, gold prices traded their monthly high of $2031.70 (June COMEX). Silver prices traded their March high on the 31st, touching $24.31 (May COMEX). At Fidelitrade, American Eagle and other popular coins were in very strong demand when the banking crisis news broke. In the GLD ETF, between the 8th and the 31st, there was demand for nearly 688,000 oz., a 2.4% bump in gold under management. In the gold futures market, money managers turned from bearish to bullish, adding to the buying.

LOOKING AHEAD

There are several serious issued to consider when thinking about where precious metals prices go next.



• Managing bank stress and battling inflation: Can the Fed walk this tightrope?

• The debt ceiling fight: Will politicians resolve this in a timely fashion – comfortably ahead of a date that could be as early as July? Will Democrats and Republicans take it to the wire? Or will the government fail to pay the bills?

• The Nasdaq 100 is up over 20% from its 2022 low, and is technically in a bull market. Is this a bear market rally or a sign of things to come?

• Escalation of tensions: President Putin plans to deploy tactical nuclear weapons in Belarus. If he does, it could lead to a new nuclear arms rivalry with the US and NATO, immensely complicating an already difficult geopolitical environment. Meanwhile, Russia and China are becoming closer and the war in Ukraine rages on.

• Central banks bought a record amount of gold in 2022 and have continued to buy in January. Will this trend continue for the rest of the year? What does asset diversification mean for the dollar in the long term?

[1] Martin Gruenberg, FDIC President, March 27, 2023, https://www.fdic.gov/news/speeches/2023/spmar2723.html

ABOUT THE AUTHOR

Jennifer Ropiak is a precious metals market specialist with over 30 years' experience, including 20 years of trading (15 at Morgan Stanley). In 2014, Jennifer launched Trusted Partner Metals, an independent consultancy whose clients span the metals industry including market development organizations, exchanges, blockchain startups, debt advisors, wholesalers and retailers. She also provides expert witness services.