FIDELITRADE INCORPORATED

Monthly MARKET REPORT

July 2023

Metals jump in quiet market as Fed tightens just 25bp; Equity investors complacent

July 2023 Returns	
Gold +2.09%	Platinum +4.97%
Silver +8.47%	Palladium +4.38%
Based on most active CME contract	

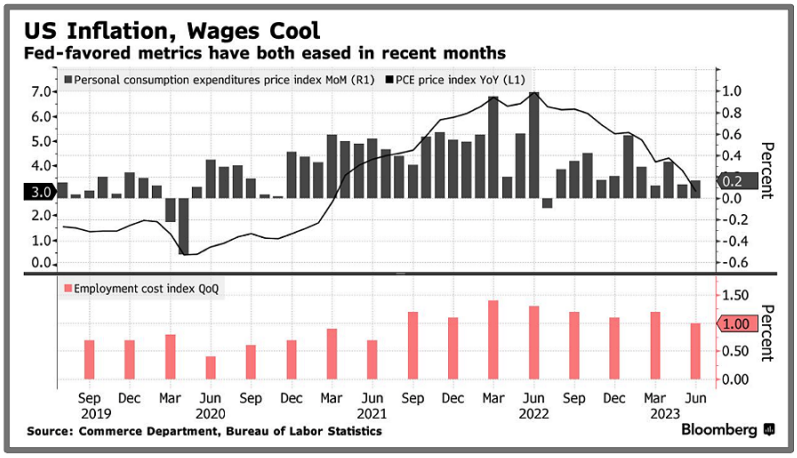
Precious metals prices posted solid gains in July. Silver prices, sometimes used as a proxy for economic recovery, posted the strongest performance. The grey metal's price can be more volatile than others; it added $1.95, or 8.47%, to close the month at $24.97 (September COMEX futures). Gold prices gained $41.20, or 2.09%, to settle July at $2,009.20 (December COMEX futures). In the PGMs, platinum prices tacked on $45.20, or 4.97%, and palladium prices gained $53.50, or 4.38%, to settle at $958.60 (October NYMEX futures) and $1,275.50 (September NYMEX futures), respectively.

Despite the upswing in prices, it appeared precious metals investors and traders spent much of July on the sidelines. Demand for coins and bars, which had begun to taper following the quick tamp down of the mini-banking crisis in the spring, continued to be muted in July. Perhaps investors are taking a step back to assess the impact of Federal Reserve actions on the economy and our chances of avoiding a recession.

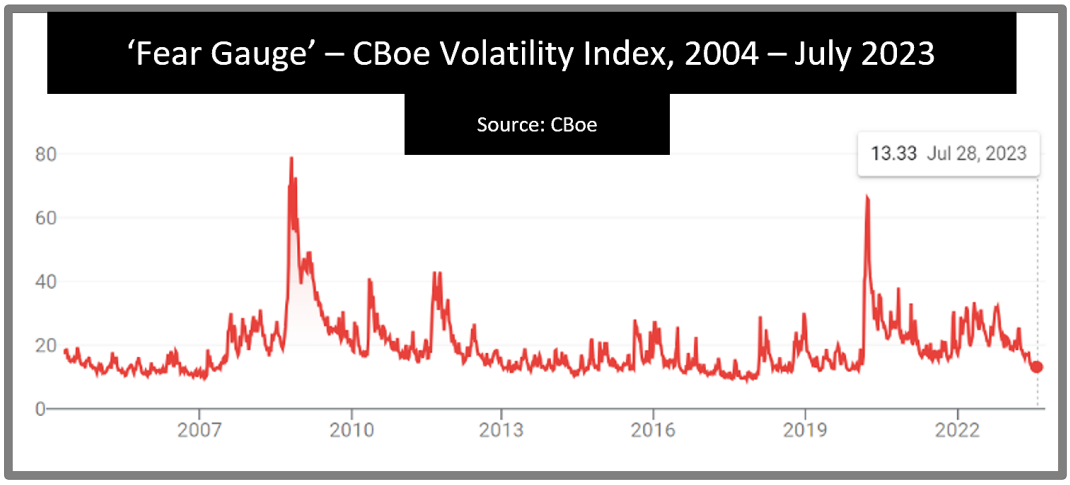
A traditional indicator of recession is an inverted yield curve. The 2-year Treasury yield has been higher than the 10-year for 12 months (FRED chart); the last time this occurred for this long was 1980-1981, after which we suffered two recessions.



However, inflation and labor costs have been on the decline, which has perhaps helped fan investor sentiment that the Fed may avoid a recession. (See US Inflation, Wages Cool chart).



Investors may also be noticing the general downtrend in the value of the dollar. The Fed's and other central banks' actions impact the greenback. It is a common belief that other central banks have more interest rate hikes to implement than the US does. From its high in September 2022 through the end of July, the US Dollar Index is off 10.70%, including a 1% drop in July. The dollar's downtrend could reflect some investors lack of interest in a safe haven, a role the dollar often plays during times of stress.



Meanwhile, "risk on" sentiment appeared to take a firmer hold. Demand for protection against a stock market selloff dwindled, as the CBoe's volatility index (the VIX, known as the market fear gauge) slumped to pre-COVID levels. Investors drove the S&P 500 to yearly highs in July. It added 3.11% for the month and is up 19.52% in 2023.

Despite a strong stock market with seeming investor complacency regarding stock valuations and despite tepid trading volumes in physical products, gold has played a role it does over the long term: provide returns and serve as a safe haven. Based on LBMA AM prices, gold is up 7.9% for the year, while silver is up 1.7% for 2023.

LOOKING AHEAD

1. **Keep fighting the Fed?** Some investors have opted against following the mantra of "Don't fight the Fed." These stock buyers are likely assuming the Fed is nearly done their inflation fight. However, what might it take to shake investors' confidence in a Fed soft landing? Will geopolitical issues hit the headlines again at some point? Here at home, what will the election season bring?

2. **Trading volumes:** At the moment, we are in a quiet time for buyers. On the other side, sellers are also quiet, leaving us to wonder which side will feel the need to act first.

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. Services include expert witness opinions in precious metals cases.

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