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Monthly MARKET REPORT

October 2023

Haven trade drives up gold prices despite higher yields; Is the Fed finished?

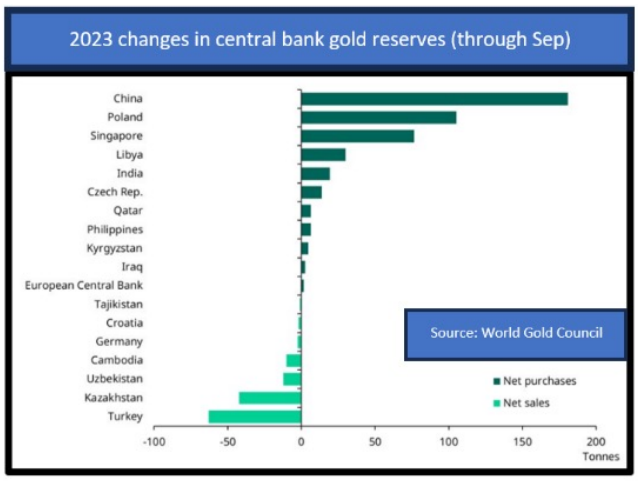
October: Long-dated interest rates jump again, Hamas attacks Israel

September 2023 Returns	
Gold +1.65%	Platinum +3.17%
Silver +0.44%	Palladium -10.30%
Based on most active CME contract	

The Hamas surprise attack against Israel on October 7th reversed a downward spiral in gold and silver prices. In a 3-week flight to safety, gold prices gained nearly $200.00 from October's low on the 6th of $1,823.50 to the month's high of $2,019.70 on the 27th. Silver prices also jumped – trading an October high of $23.88 on the 23rd, up over $3.00 from its low of $20.855 on the 4th. For the month, gold prices gained $128.20, or 6.87%. The other metals, not considered havens to the same extent as gold, had lower returns. Silver prices added just $0.10, or 0.44%. Platinum prices added 3.17%. Palladium prices tanked 10.35% on excess supply and growing concern over the metal's lack of applications in the green economy.

As October began, gold prices were trading $1,864.00 and had been in a general downtrend since May 4, when the year's high of $2,129.70 traded. As a reminder, the selloff was largely due to rising interest rates and a strong dollar. Longer-term yields, which began to rise more quickly in September, continued in October as the bond market continued to adjust to the Treasury's plans to issue more further-dated debt. 10-year Treasury yields topped 5% for the first time in 16 years.

Strong economic data perhaps dimmed the prospect of a recession, making gold a less attractive asset for some. As a result, gold prices were sitting at 11-month lows ahead of Hamas' invasion. Yet the market disregarded that gold does not pay interest and raced to take advantage of its haven status. It is possible central bank bidding could have been present at the lower prices, providing additional demand. Prices approached the recent high of $2,028.60 traded on July 20.

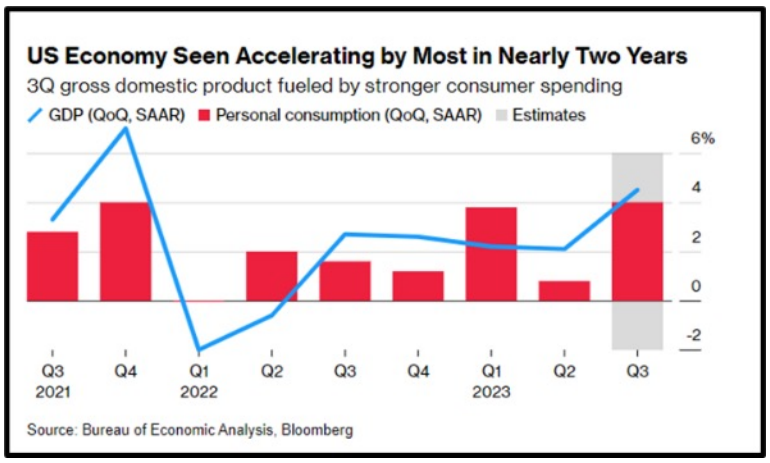


Looking Ahead

GEOPOLITICAL STRESSES: Are the Hamas conflict-induced higher gold prices sustainable?

The World Gold Council's Johan Palmberg suggests, "How long this effect will last will depend on the wider ramifications the conflict may have on the global economy. " Contagion in the Middle East is a risk. Separately, in Ukraine, Russian desperation is increasing as reportedly Russia is executing its

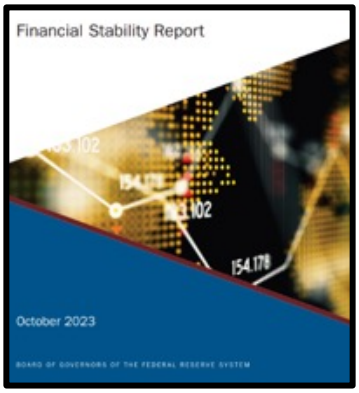
own soldiers if they fail to follow orders. From the US, the continuing resolution keeping the government open expires on November 17 and excludes support for Ukraine. Will the next CR – and hopefully there will be one in a timely fashion – include funding for Ukraine? Finally, tensions between China and Taiwan are ever simmering.



CENTRAL BANKS: Gold reserves rose 77 tonnes (nearly 2.5 million oz.) in September, largely in emerging market countries. China is the runaway buyer, followed by Poland. This buying could constitute approximately 25% of gold demand this year. Will this trend toward 'dedollarization' of reserves continue, providing ongoing demand for gold?

INTEREST RATES: 10-year Treasury yields jumped 29 basis points to 4.88% in October, after adding 50 basis points in September. Fed Chair Powell says these market moves cut the odds of further interest rate hikes—in a way, perhaps a positive note for metals. But, we still have evidence of a robust economy. Will the Fed need to tighten again to drive inflation back to the target 2% level? Inflation currently stands at 3.7% and has been trending down. Or is the Fed done?

MARKET RISKS:
The Federal Reserve's October Financial Stability Report discusses financial system vulnerabilities. On asset valuations, it noted that since its last report in May, "equity price-to-earnings ratios reached elevated levels" and real estate prices "remained high relative to fundamentals." On leverage: it remains high at the largest hedge funds. On funding: a subset of banks with uninsured deposits are at risk. There are also risks at money market funds (structural issues), some other mutual funds and stablecoins. Insurers, who own illiquid, risky assets also have funding risk. Which of these vulnerabilities, if any, jump out at you as most concerning?



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. The information contained in this article is for educational and informational purposes only.

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