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Monthly MARKET REPORT December 2024



Gold and silver prices fall in December; Trump's tariff talks hit futures traders.

As markets prepared for Trump 2.0 in December, interest rates moved higher (10-year Treasuries jumped 39 basis points) and the dollar rallied (DXY gained 2.6%). Precious metals prices fell against that backdrop.

There is concern President Trump's plans to grow the economy are inflationary and deficit widening. Fed speak is clear: interest rate easing will slow in 2025. In December, gold prices lost $40, or 1.49%, to $2,641.00[1]. Silver prices fell $1.70, or 5.46%, to $29.41. Platinum and palladium prices lost 5.53% and 8.59%, respectively.

From the vantage of FideliTrade's trading desk, the lower prices are not surprising. On a net basis, customers have been selling more than they have been buying for months. This held true in December. Coin premiums were low at year end. Will there be interest in 2025 bullion coins?

Tariff trouble in metals – even before any tariffs

Many professionals hedge their inventory price risk by selling CME futures contracts. (Other sellers include bearish traders). The price difference between spot, or metal available for delivery, and its futures contract is based on a formula. The costs of money, leasing silver, and shipping are the inputs. Shipping because futures settle in New York but most physical is in London.

Futures and spot prices move in sync – unless there is a stick in the wheel. President Trump suggested 25% tariffs on imports from Canada and Mexico to retaliate against drug flows and illegal immigration. That frightened some traders who were short futures.



The futures premium, usually a few dollars in gold and pennies in silver, had been pressing higher.

It exploded on the 11th, when gold futures prices traded $60 above spot. In silver, futures prices traded $1 over than spot. Why? **Canada is the fourth largest gold producing country** (6.1 million oz.), and Mexico (4 million oz.) is the 9th. Mexico produces the most silver - 202.2 million oz.

While many think Trump is only trying to gain an edge in trade talks, some dealers who were short thought it was safer to unwind their futures positions. If dealers actually had to import tariffed metal to cover their positions, losses would be huge. Futures premiums remain elevated but have retraced from the extraordinary levels seen on the 11th.

Looking Ahead

Tariffs

- History makes some nervous about tariffs. American exports collapsed after the 1930 Smoot-Hawley Tariff Act.
- Separately, in later years, tariff-protected industries like auto and steel did not innovate, and as a result, they declined. Can Trump win with tariffs, particularly with China?



Senator Reed Smoot and Representative Willis Hawley at the Capitol in December 1929. Their bill led to a 65% decline in US exports in 3 years.
***Source**: Library of Congress, NYT*

National debt limit

- Suspended in mid 2023, the debt limit is now back. If Congress does not raise it, government funds will run dry by summer.
- A stalemate until the end is unlikely, given the Red Wave. But expect fierce infighting by Republicans, as debt hardliners may challenge the Trump agenda. US debt stands at $36 trillion, with $900 billion earmarked for interest payments in 2025.

Central bank gold activity

- **China** (#7 in gold holdings) increased gold reserves in November (160,000 oz.) for the first time in 6 months.
- **Prior to that**, the PBOC (Public Bank of China) had bought gold for 18 consecutive months. Turkey (#12), Poland (#14), and India (#9) have been active this year.
- **The 2024 Central Bank Gold Reserves Survey lists why national bankers find gold appealing:**
    - Store of value
    - Performance during times of crisis
    - No default risk
    - Portfolio diversifier
    - Highly liquid

A possible additional reason: it is less likely gold can be weaponized like the dollar.

Top 20 Gold Reserves, by Country

#	Country	Flag	Tonnes	% of Reserves
1	United States		8,133.5	74.9%
2	Germany		3,351.5	74.9%
3	IMF		2814.0	
4	Italy		2,451.8	71.5%
5	France		2,436.9	73.0%
6	Russia		2,335.9	32.9%
7	China		2,264.3	5.6%
8	Switzerland		1,039.9	9.6%
9	India		867.8	11.0%
10	Japan		846.0	5.9%

#	Country	Flag	Tonnes	% of Reserves
11	The Netherlands		612.5	65.5%
12	Turkey		612.0	36.8%
13	ECB		506.5	38.3%
14	Poland, Rep. of		427.2	17.5%
15	Taiwan Province of China		422.7	6.0%
16	Portugal		382.7	77.3%
17	Uzbekistan, Rep. of		373.2	77.0%
18	Saudi Arabia		323.1	5.9%
19	United Kingdom		310.3	15.3%
20	Kazakhstan		290.1	56.1%

As of December 2024

Source: World Gold Council

Top 20 Gold Reserves, by Country
As of December 2024
***Source**: World Gold Council*

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[1] All prices are CME futures most active contract unless otherwise indicated

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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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