

FIDELITRADE[®] INCORPORATED



INSIDE THIS ISSUE

Gold

Gold up 4.13%

Silver

Silver up 5.14%

Platinum

Platinum down 9.07%

Palladium

Palladium up 3.9%

MARKET UPDATE

2021 FOURTH QUARTER

In the final three months of 2021, gold prices moved \$72.50 higher to \$1,829.50 for a gain of 4.13%. The quarter featured price increases at a pace not seen in a generation and Federal Reserve Chairman retiring “transitory” as a descriptor for inflation. The ten-year real yield moved down to the -1% zone. Investors sometimes seemed indifferent to the risk of stagflation in Q4 as the S&P 500 gained 10.66%.

Silver prices posted a fourth quarter gain of \$1.14, or 5.14%, to close at \$23.31. Based on LBMA Prices, platinum prices were essentially unchanged, closing at \$959. Also based on LBMA Prices, palladium prices rallied \$74, or 3.90%, to settle the quarter at \$1,973.

In October, gold prices began at \$1,757 and rallied \$26.50 as price hikes seeped into government reports. September CPI gained 5.4% year-over-year in September and the Social Security Administration announced the largest Cost-of-Living Adjustment since 1983 (5.9%). Oil prices breached \$80.00 a barrel. Short term interest rates jumped—sometimes a negative for non-interest-bearing gold. However, real yields, as measured by ten-year Treasury Inflation-Protected Securities (TIPS) ticked lower to become even more negative (-0.96%), perhaps making gold attractive to long term investors.

Against this backdrop, by October 13 gold prices had traded up to \$1,800. Prices tumbled to \$1,760 the next day on a surprisingly strong retail sales report. However, they bounced back over the next four days. On the 21st, gold prices traded their October high of \$1,813.75. The

next day, Fed Chair Jerome Powell indicated tapering the Fed's pandemic-induced asset purchasing program was on the table.

On the 29th, we learned that the personal consumption expenditures price index—the central bank's favorite inflation gauge—rose at the fastest annualized pace in 30 years (4.40%) and that pay and benefits for the third quarter went up at the most rapid rate in 20 years (1.3%). Some investors may have thought the Fed would step up its fight against inflation, which could cause interest in the metal to wane. Gold prices moved lower during the latter part of the month to settle at \$1,783.50, a gain of 1.51%.

Meanwhile silver prices rallied sharply in October, up \$1.73, or 7.80%, to \$23.90. As measured by the LBMA PM Prices, platinum added \$46, or 4.78%, to \$1,009 and palladium prices tacked on \$73, or 3.84%, to \$1,972.

November featured the quarter's high, but gold prices ultimately stalled as the dollar firmed. Gold prices slid a small amount over the month (\$9.00, or 0.50%) to \$1,774.50. Ten-year Treasury yields fell to 1.43% and TIPS yields dipped further to -1.02%. The quick-spreading omicron variant began to accelerate around Thanksgiving, bringing the pandemic back into the foreground as an event risk.

On November 3, the Fed released taper plans but kept interest rates unchanged and reiterated that inflation would be transitory. Following that news, a series of data releases fanned a rally. On the 5th, nonfarm payroll growth shocked to the upside but the labor participation rate—a key indicator for the Fed—remained low (62%). Gold prices had their best week in two months, trading \$1,817. The October CPI figure, released on the 10th, rose to 6.2% on an annualized basis, a 30-year high. Gold prices soared to \$1,868—marking a rally of nearly \$100 in a week. On the 12th, consumer sentiment touched a ten-year low (66.8%) and on the 16th, we learned retail sales were up 16.3% year-over-year in October. Gold prices traded the November high of \$1,877. The dollar, in an uptrend throughout November, was trading 16-month highs. Perhaps that was a reason gold prices were unable to maintain the positive trend. Market participants wondered if omicron might lighten inflationary pressures. Additionally, President Biden renominated Jerome Powell as Fed Chair on the 22nd, bypassing the more dovish Lael Brainard. Gold prices slumped to \$1,816.00. By the 26th, prices had shed \$91 in 4 sessions. At the end of November, Chair Powell retired the word “transitory” as an adjective for inflation in the US. As the ICE Dollar Index gained 1.99% in November, gold prices closed the month like a lamb at \$1,774.50.

In November, silver prices shed over half of their October gains, slipping \$1.02, or 4.44%, to \$22.84. Platinum prices dropped \$65, or 6.44%, to \$944 and palladium prices lost \$205, or 10.40%, to \$1,767.

As December began, perhaps some investors thought the Fed might get ahead of inflation—reducing the need for gold's haven qualities. The 10th brought another high CPI number (a 6.8% rise in the 12 months ending November, a pace not seen since June 1983). On the 15th, the Fed doubled the tapering pace. To bring inflation in line, Fed projections were for three one-quarter point interest rate increases in 2022, and more in the following two years. With the dollar remaining firm, gold prices traded the December low of \$1,752. Gold prices then grinded higher for the last two weeks of the year, with uncertainty around both omicron and the Russia-Ukraine situation, a 39-year high CPI figure, and sharply lower non-farm payroll numbers. Prices ended 2021 trading \$1,829.50 for a monthly gain of \$55 (3.10%) and a quarterly rise of \$72.50 (4.13%), but an annual decline of \$71 (-3.74%).

In the other metals, silver prices closed the year at \$23.31, marking a monthly gain of \$0.47 (2.06%), a quarterly gain of \$1.14 (5.14%), but an annual loss of \$3.11 (-11.77%). Platinum prices ended the year at \$959, up \$15.00 (1.59%) on the month, down just \$4.00 on the quarter, and down \$116 (-10.79%) for the year. Finally, palladium prices closed 2021 at \$1,973, for a monthly gain of \$206 (11.66%), a quarterly gain of \$74 (3.90%), but an annual loss of \$397 (-16.75%).

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