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In Gold We Trust® Report

May 15, 2025

The Big Long

incrementum

Ronald-Peter Stöferle
& Mark J. Valek

We would like to express our profound gratitude to our Premium Partners for supporting the *In Gold We Trust* report 2025

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Introduction
The Big Long

There is no fever like gold fever.

Richard Russell

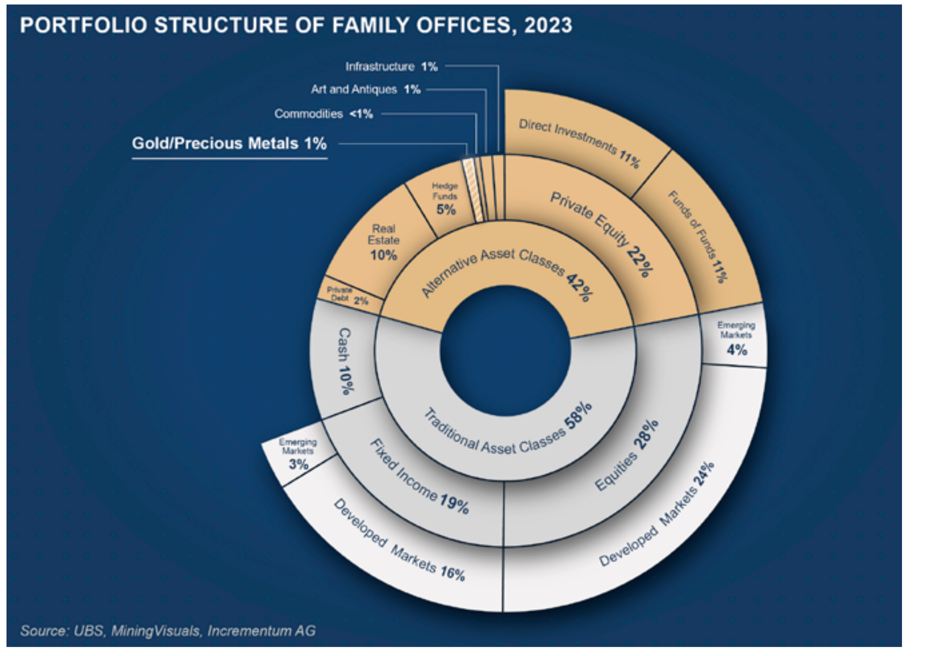
"The truth is like poetry – and most people hate poetry." This is how a bartender in the movie "The Big Short" formulates the unflattering insight that "If you tell the truth, you need a fast horse." Until recently, gold had a similar fate, especially in the Western financial industry. As a safe haven – i.e. safe-haven gold – it was long considered antiquated. As a yielding asset, i.e. as *performance gold*, it was dismissed as a pipe dream.

At its core, The Big Short – originally a book by Michael Lewis – was about detecting and monetizing economic misallocations. *The Big Short* illustrates how a combination of low interest rates, lax credit ratings, and excessive leverage created a dangerous euphoria amplified by seemingly infallible financial innovations and embellished ratings from credit rating agencies. Some saw what all could have seen – but few dared to go against the market and take on *The Big Short*.

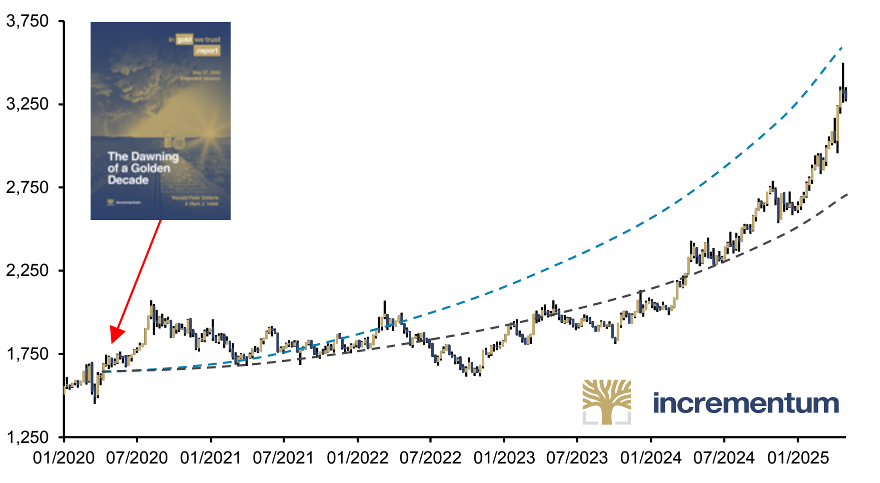
In a deeper sense, The Big Short is about philosophical opposites: contrarians versus the mainstream, Main Street versus Wall Street, critics versus believers in the system. Just as outsiders positioned themselves around the investors Michael Burry and Steve Eisman, the situation on the capital market has come to a head in recent months. **Investors are currently confronted with the following questions**:

- Are government bonds, even US and German benchmark bonds, still safe havens?
- Has the era of US dominance come to an end? Is the US dollar at the beginning of a bear market? Were the interim valuations of the MAG 7 ultimately hopelessly exaggerated?
- Is gold now too expensive?

The conventional answer to the last question is that it is too late to get into gold. The gold price is already too high, so further price potential is limited at best.



Gold, in USD, 01/2020–04/2025



Source: LSEG, Incrementum AG

The Golden Decade: The Beginning of the 2nd Half

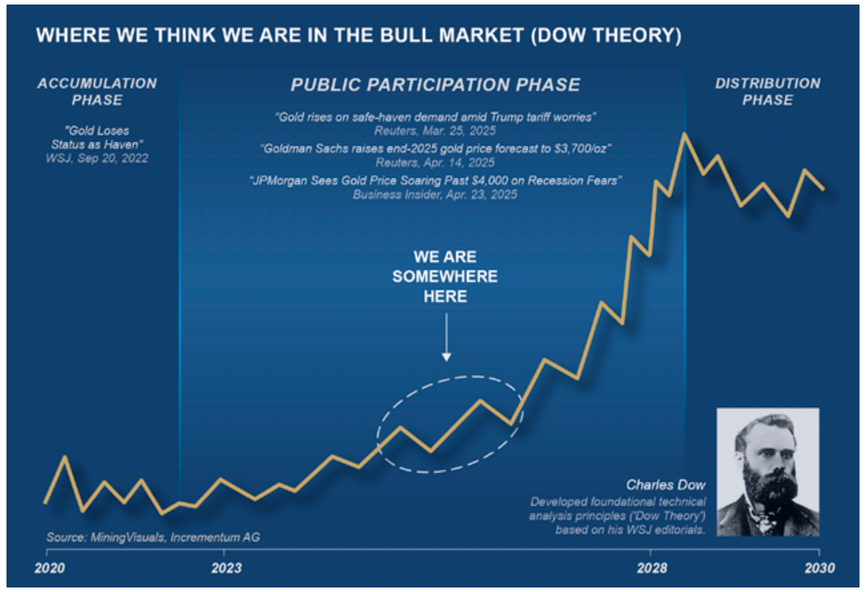
However, we are convinced that this widespread assessment is incorrect. Being strategically clever means acting unconventionally, especially in investing. Our core thesis is that the gold bull market of recent quarters manifests a long-term upward movement that we forecasted in the *In Gold We Trust* report 2020, "The Dawning of a Golden Decade". Back then, we were met with skepticism and sometimes even malice from the mainstream, like some of the protagonists in The Big Short in the mid-2000s. But the figures speak for themselves. **Since we proclaimed the golden decade, the gold price in US dollars has risen by 92% and the US dollar has depreciated by almost 50% against gold.**

Based on our *Incrementum Gold Price Model*,[1] introduced in the *In Gold We Trust* report 2020, we presented the following gold price projections – a base case scenario and an inflationary scenario – in 2020. Since the beginning of the year, the impulsive bull market has already lifted the gold price closer to the projection path of the inflationary scenario than to that of the base scenario.

Evidently, in May 2020 – when the first Covid-19 lockdowns had just ended – it was impossible to predict how turbulent the first five years of this decade would be. However, our analyses of the changes in the thinking and actions of political and economic players, both before 2020 and in the years thereafter,[2] clearly showed that the course was set for gold

There is no reason to deviate from this conviction halfway through the decade. Gold is the Ronald Koeman of asset allocation: defensively reliable, strategically astute, and at the same time equipped with offensive potential. Koeman, the highest-goal-scoring defender in soccer history, exemplifies this dual function. **Gold also fulfills both roles – it acts as defensive cover and opens up opportunities on the offensive.**

We are now witnessing how a secular bull market is slowly becoming mainstream. *The public participation phase* – also known as *the big move phase* – is the second of three phases in a bull market according to Dow Theory. This longest and most dynamic bull market stage is characterized by increasingly optimistic media coverage. At the same time, speculative interest and trading volumes rise, new financial products are launched, and analysts adjust their price targets upwards. **In our opinion, we are currently in the**



middle of this phase, which will eventually lead to a final mania phase.

The momentum of the gold price boom is impressive. Gold reached 43 new all-time highs in US dollars last year, the second-highest number after 1979 with 57, closely followed by 1972 and 2011 with 38 each. Since the beginning of the year, gold has recorded 22 new all-time highs as of 30 April.

Even if it may not seem so at first glance, given several all-time highs and the rapid breakthrough of the USD 3,000 mark, the current gold rally has been comparatively moderate by historical standards.

In recent months, gold has increasingly become the focus of public attention as it has reached numerous new all-time highs on an absolute basis and thus entered *terra incognita.* In our view, however, another aspect deserves even greater attention: **Anyone looking "under the hood" of the market will recognize that gold is also recording technical breakouts on a relative basis.** In particular, the relative strength now emerging against equities points to the start of a new trend phase.

In this context, The Big Long means one thing above all: holding remains the strategically sensible option for those already invested in gold. But for newcomers, too, an entry is still attractive. The ideal portfolio weighting of gold is debatable. However, it is significant that the investment mainstream usually only recommends and implements gold allocations in the low single-digit percentage range, if at all. This reluctance is because gold, as a nonproductive asset, does not pay dividends. However, historical observation shows: Gold outperformed yield-generating assets such as equities and bonds, particularly during market-critical phases. **Investors should certainly take this into account in their strategic asset allocation.**[3]

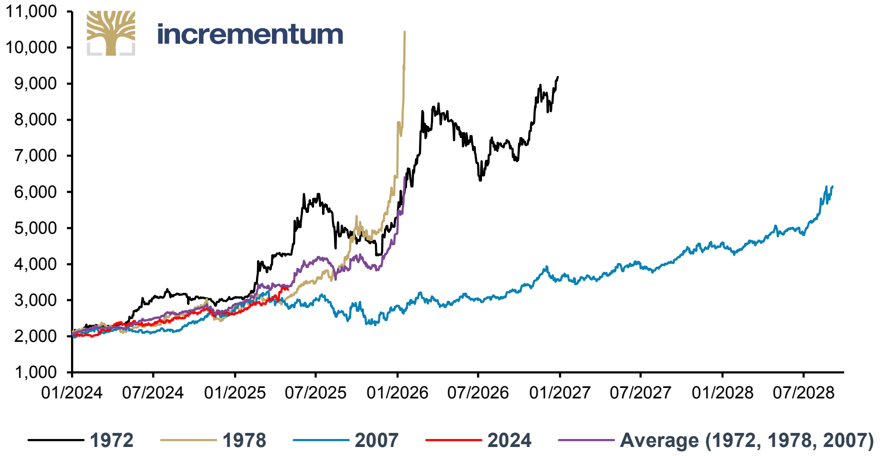
Gold, in USD, and New ATH Closes, 01/1970–04/2025

Source: 3Fourteen Research, World Gold Council, LSEG, Incrementum AG

The market is not a crystal ball, but a barometer.

Charles Dow

Historical Gold Breakouts (Start Price = 01/01/2024), in USD, 01/2024–09/2028



Source: TheDailyGold, LSEG, Incrementum AG

When dealing with the specific level of gold allocation, it is advisable to differentiate between *safe-haven gold* and *performance gold.* *The Big Long* emphasizes the potential of *performance gold* in the coming years: In our view, silver, mining stocks, but also commodities are among the promising portfolio components of The Big Long, which we presented in detail as part of our new 60/40 portfolio in "The New Gold Playbook" last year.

Despite all our confidence, we would like to emphasize: **A secular bull market is never without setbacks.** Corrections of 20, 30, and even up to 40% have been observed several times in previous bull markets. The price turbulence following *Liberation Day* on April 2 was a reminder of this, even if gold recovered quickly and marked further all-time highs in US dollars a few days later.

In the case of *performance gold,* such as silver or mining shares, corrections are usually even more pronounced, as the following chart shows. Consistent risk management is therefore essential.[4]

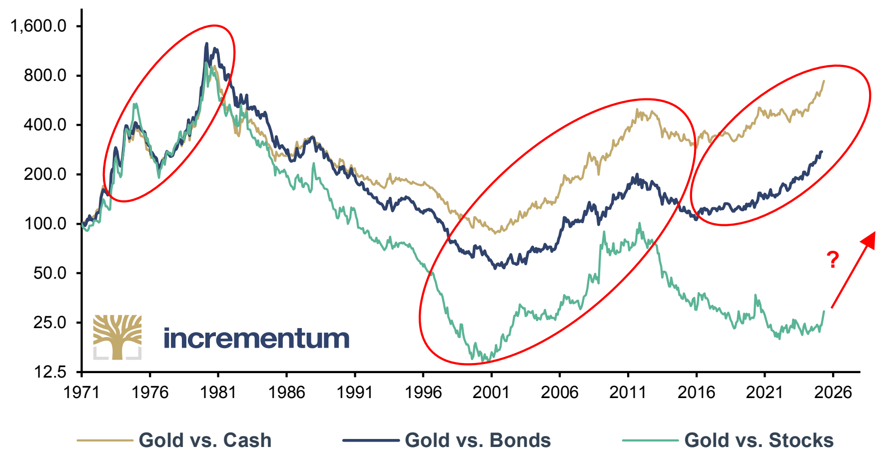
The Trump Shock: The Economic and Political Realignment of the US

Within a few weeks, Donald Trump has created a bear market in credibility and trust. With Trump's return to the White House, a profound realignment of the US and thus the global economy, and possibly even the global (monetary) order, has been initiated. Even if the consequences of Trump's many, sometimes seemingly chaotic measures are not entirely foreseeable, they significantly contribute to a positive environment for gold and *The Big Long.*

Trump's intention to fundamentally reform the US economy is of imminent importance for the global economy. The sweeping election victory, with majorities in the Senate and House of Representatives and a Republican-dominated Supreme Court, gives Trump enormous political power. Despite all the difficulties in interpreting his strategy, three fundamental trends can be identified that are to be halted or reversed:

- the steadily increasing government overindebtedness

Gold vs. Cash (US 3M TR), Bonds (US 10Y TR), and Stocks (S&P 500 TR) (log), 100 = 31/12/1970, 01/1971–04/2025



Source: Topdown Charts, Robert J. Shiller, LSEG, Incrementum AG

Don't argue with the tape. Relative strength is the market's voice—it always knows best.

Martin Pring

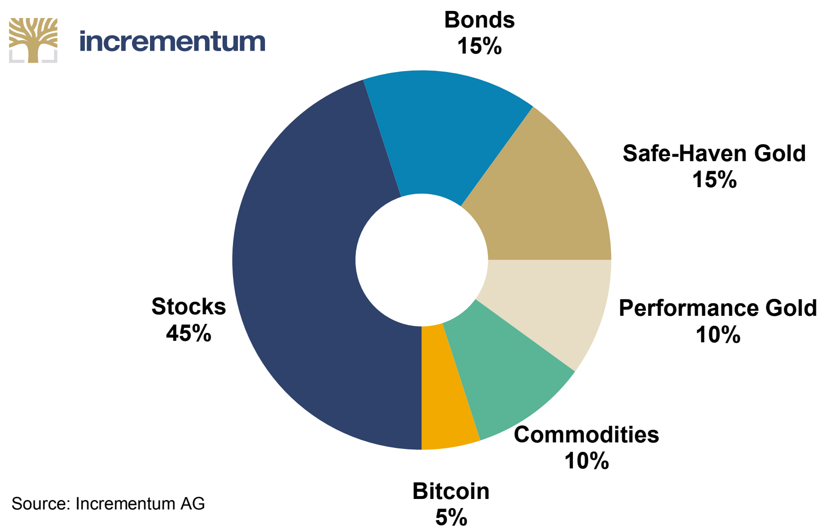
- the chronic trade deficits and the associated de-industrialization of the US
- the threat to the reserve currency status of the US dollar posed by de-dollarization

Deficits, DOGE & detox: The US on an austerity course?

The self-proclaimed *king of debt* has – at least verbally – abdicated. The stability-threatening dynamics of government debt, which we have regularly highlighted in previous *In Gold We Trust* reports, have entered the mainstream and are now the focus of the Trump administration. Few things illustrate this debt situation better than that, at over USD 1trn a year, the US now has to pay more interest on its national debt than it spends on its generous defense budget.

Part of the attempt to get a grip on overindebtedness is identifying bureaucratic inefficiencies. *DOGE* initially hoped to achieve annual savings of USD 1trn, corresponding to around 15% of Washington's expenditure. This would roughly halve the deficit and bring it almost below the 3% target set out in the *3-3-3 plan.* Musk has recently rowed back considerably and now mentions a savings potential of USD 155bn. It currently seems doubtful that DOGE activities will stop the spiral of overindebtedness in the long term.

The New 60/40 Portfolio: Subcategories



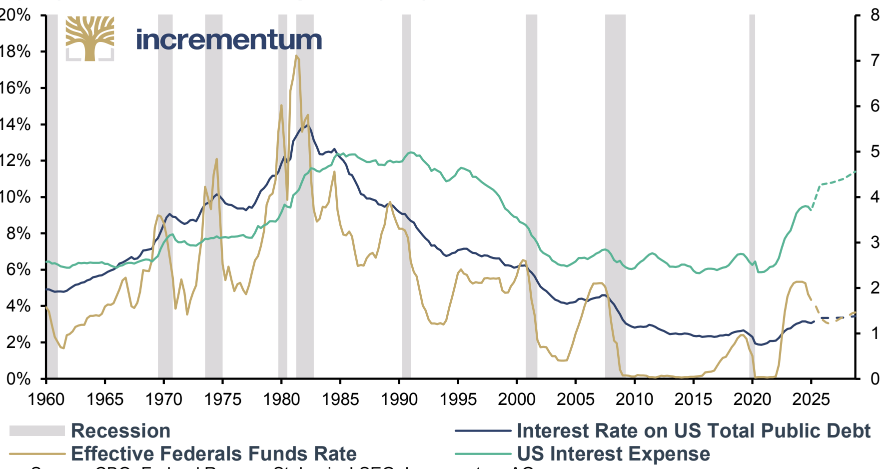
Source: Incrementum AG

There are indications that Trump and his team are willing to send the US economy into a *detox recession.* Conceptually, the idea is reminiscent of the teachings of the Austrian School, whose proponents emphasize that real value is created in the private sector. Shrinking the bloated state apparatus is intended to free up resources for entrepreneurship, comparable to a fasting process in which the organism is purged to become more resilient and efficient in the long term.

But as with fasting, detoxes are rarely pleasant. Pain, dizziness, psychological irritation, and ravenous appetite are all part of it, as is the temptation to break off the program early. The crucial question is: Will the government stick to the detox course – or will it revert to the sweet poison of debt-financed spending at the first sign of a marked economic downturn, severe market turbulence, or the threat of election defeats?

According to GDPNow, the detox recession is already taking hold in the US. Even if high import figures distort the GDP figures due to strong gold imports on the one hand and early imports in the run-up to *Liberation Day* on the other, the indicator adjusted for special effects has now slipped into the red. As negative as a recession is, the gold price tends to receive a tailwind from a recession in the US, as our analyses have shown in recent years.[5]

Interest Rate on US Total Public Debt and Effective Federals Funds Rate (lhs), and US Interest Expense (rhs), as % of US GDP, Q1/1960–Q4/2028e



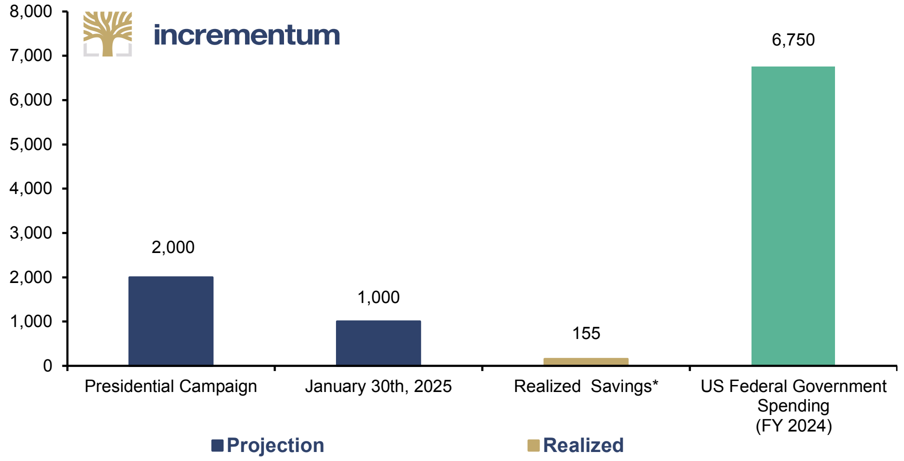
Source: CBO, Federal Reserve St. Louis, LSEG, Incrementum AG

The moment your interest payments exceed tax revenue, your country officially becomes a Ponzi scheme.

Michael Burry

If this trend continues, the pressure on the Federal Reserve to loosen monetary policy more aggressively will increase considerably. We therefore expect interest rate cuts beyond what is currently priced in. The following chart shows that in the 24 months following the first interest rate cut, the gold price generally experienced a strong tailwind. Interest rate cuts in quick succession or significant interest rate hikes of 50 basis points or more benefit the gold price.

Projected & Realized DOGE Savings and US Federal Government Spending, in USD bn



Source: The New York Times, DOGE, Incrementum AG
*Data as of 04/30/2025

To reduce the interest burden, the US would like to use unconventional methods in addition to operational savings. Possible playbooks have been formulated by the two thought leaders, Zoltan Pozsar[6] and Stephen Miran. The latter has explained in "A User's Guide to Restructuring the Global Trading System" how allies of the US should be persuaded to subscribe to ultra-long-term bonds with a maturity of 50 or even 100 years, while the Federal Reserve provides USD swap lines to secure liquidity in the eurodollar system.[7,8]

In addition, duty-free access to the US market and protection by US military power would become dependent on the willingness to guarantee Washington's long-term financing needs. The result? An acceleration of dollarization, combined with the integration of other countries into the US geopolitical sphere of power.

The Trump administration has also positioned itself against introducing a central bank digital currency (CBDC). *Executive Order 14178* stopped any government initiative establishing a central bank digital currency in the US. Instead, the government promotes private-sector innovations in digital financial technology, above all US-dollar-based stablecoins.

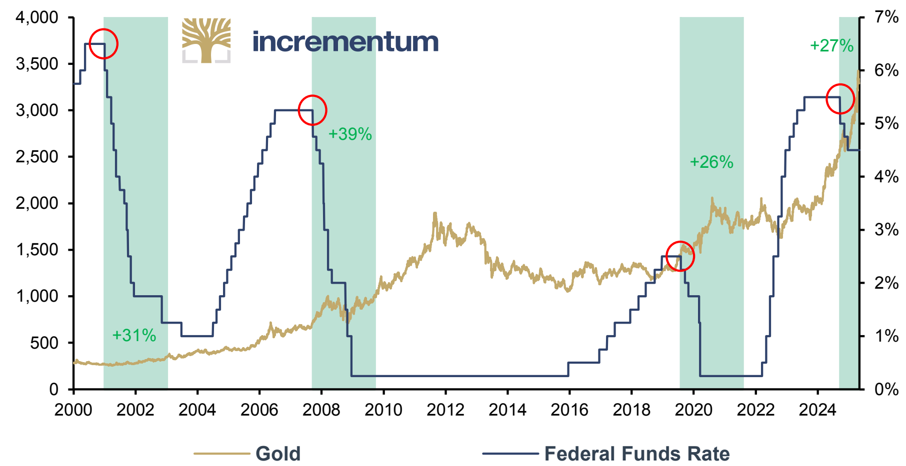
This strategy is not only ideologically based but also follows a financial strategy: Stablecoin issuers such as Tether and Circle are now among the largest buyers of US government bonds. In total, stablecoin issuers have over USD 120 bn in US Treasuries on their books, and the trend is rising sharply.

Industrial policy through trade policy: The return of the US as an industrial location?

Another component of the economic realignment is the reform of trade relations. For President Trump, the high structural current account deficit is evidence of the US being exploited by the rest of the world. He staged Liberation Day on April 2, when the US's new tariff policy was announced. According to initial calculations, the average US tariff is now almost 30%, significantly higher than in the interwar period at just under 20% due to the *Smoot-Hawley Tariff Act* in 1930.

The global response at that time was a wave of retaliatory tariffs, which crip-

Gold, in USD (lhs), and Federal Funds Rate (rhs), 01/2000–04/2025



Source: LSEG, Incrementum AG

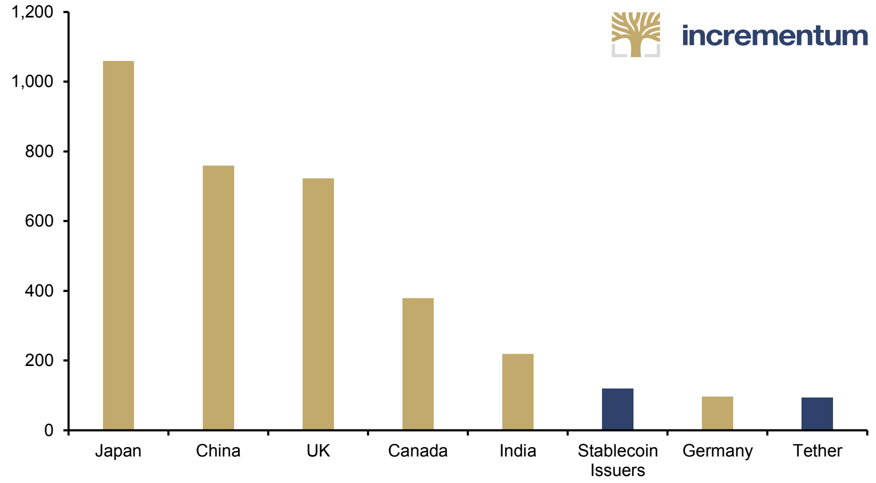
If we had a Fed Chairman that understood what he was doing, interest rates would be coming down.… Powell's termination cannot come fast enough.

Donald Trump

pled international trade and deepened the crisis triggered by the 1929 stock market crash. Between 1929 and 1933, US imports plummeted by 66% and exports by 61%, demonstrating how protectionism can magnify economic collapse. Today, the risks are even greater: Global supply chains are exponentially more integrated, rendering tariffs far more damaging than protective. Modern manufacturing relies on cross-border flows of components, machinery, and semi-finished goods, meaning trade barriers now undermine the very industries they aim to shield. **In the US, for example, over two-thirds of manufacturing firms depend on imports, leaving them exposed to cost surges and supply chain disruptions when tariffs strike.** Unlike the 1930s, today's interconnected economy means protectionist measures don't just distort trade—they risk cascading failures across production networks worldwide.

While the trade conflict with China escaleted in the meantime, there is currently a 90-day „ceasefire" with lower tariff rates, which is intended to be used for negotiations. Whether dozens of trade agreements can be negotiated in 90 days is unlikely, given the average negotiation period of 18 months for trade agreements to date.

Major Holders of Treasury Securities, 12/2024



Source: U.S. Department of the Treasury, Incrementum AG

OECD data shows that the United States is about three times more dependent on Chinese inputs than China is on American ones, a fitting fact considering that China's manufacturing base is also three times larger. **Against this backdrop, it appears that China holds the better cards in this conflict.**

All these measures will have a negative impact on US GDP growth in the short and medium term. President Trump hopes that these initiatives will accelerate the reindustrialization of the US. A devaluation of the US dollar should make a significant contribution to this. At the same time, however, the US dollar's position as the undisputed global reserve, trading and reserve currency is to be secured. Trump has repeatedly threatened countries that want to replace the US dollar as a trading currency with drastic tariffs of 100%.

This combination of a weak US dollar and retention of reserve currency status sounds like the proverbial wish for "warm ice lollies", or like squaring the circle. However, the economic omens at the time of his second victory in the presidential election were significantly worse for Donald Trump than when he first won.

US Macro and Market Environment at the Start of Trump I vs. Trump II

Macro	Trump I (Nov. 2016)	Trump II (Nov. 2024)
US Output Gap	Negative	Positive
Primary Balance, % of GDP	-0.9	-3.3
Budget Balance, % of GDP	-2.7	-6.4
Core PCE	1.7	2.7
Net International Investment Position, % of GDP	-44%	-80%
Markets		
DXY	97.86	103.42
Gold, in USD	1,275.64	2,743.60
S&P 500	2,139.60	5,782.80
S&P 500 Forward PE Ratio	17x	22x
S&P 500 vs. 200 Week Moving Average	8% Above	27% Above
Investment Grade Corporate Bond Spread	135bps	82bps
10 Year TIPS Yield	0%	2%
Bond/Equity Correlation	Negative	Positive

Source: Ruffer, LSEG, Incrementum AG

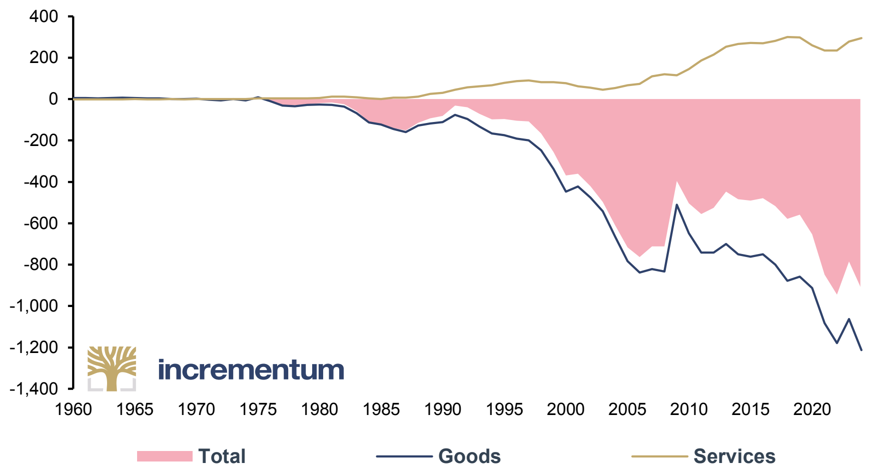
The Trump administration's stance has evolved from an all-out trade war against everyone, to a concentrated trade war against China.

Louis-Vincent Gave

Any country issuing the global reserve currency must run a deficit. That's the price of power. The world needs more dollars than the US can earn from exports alone, so the US prints them, and voilà, its biggest export isn't tech or oil, but money itself.

The Macro Butler

US Current Account, in USD bn, 1960–2024



Source: Bureau of Economic Analysis, Incrementum AG

Re-dollarization or de-dollarization?

As far as plans for the future significance of the US dollar are concerned, much is still uncertain. Based on the two currency agreements in the 1980s,[9] the plan to significantly devalue the US dollar against other leading currencies is circulating under the term *Mar-a-Lago Accord*. Trump and his team are of the – economically debatable – opinion that the overvalued US dollar is a major reason for the deindustrialization of the US.

At the heart of this discussion is a structural dilemma. Back in the 1960s, economist Robert Triffin, who worked at the Federal Reserve and the IMF, pointed out that a nation that issues a global reserve currency faces a conflict of objectives between short-term national and long-term international goals. The following two characteristics of an ideal reserve currency are therefore incompatible and form the *Triffin dilemma:*

- **Stability:** A currency is only stable if the issuer has a balanced current account.
- **Sufficient international supply of the reserve currency:** In order to meet the international demand for the reserve currency, the issuing nation must have a current account deficit.

In the long term, the reserve currency status is both a blessing and a curse – a blessing because it allows the US to consume more than it produces and to export monetary inflation abroad.

This status is a curse because a permanent current account deficit encourages deindustrialization and undermines confidence in the reserve currency in the long term. The global financial system demands more and more US dollar liquidity, while at the same time the basis for its stability is eroding.

What options are there for solving the Triffin dilemma?

- **Multipolar reserve system (euro, yuan, etc.):** This approach does not solve the paradox but distributes the pressure across several currencies. Furthermore, it would be necessary for several countries to have chronic current account deficits to avoid an appreciation of their currencies.
- **Supranational reserve currency (special drawing rights):** John M. Keynes already proposed this during the reorganization of the global monetary order at the end of World War 2, under the name bancor. This approach makes the supply of international liquidity independent of the country's current account deficit with the world's reserve currency. Its implementation requires close global cooperation.
- **Neutral reserve asset:** The paradox can only be resolved sustainably by using neutral reserve assets such as gold or Bitcoin. It is crucial that the assets are noninflationary, have no counterparty risk, and have a corresponding market depth. This currently only applies to gold.

We need to emphasize that the debate surrounding the Triffin dilemma is controversial. Skeptics argue that a current account deficit is not necessarily negative, as it can also signify high foreign confidence in the domestic location. **Eugen von Böhm-Bawerk once even emphasized**

The world's monetary system is built on a contradiction, exposed by Triffin, that will ultimately lead to collapse unless reformed.

Jacques Rueff

The next 1971 is coming.

Charlie Morris

that the capital account commands the current account. A high current account deficit would therefore result from strong capital inflows and evidence of the attractiveness of a jurisdiction.

There are also objections to the thesis that a country that issues the world's reserve currency must necessarily have a current account deficit. The issuer of the world reserve currency is not dependent on using the additional money supply put into circulation primarily to import goods; instead, foreign securities could just as easily be purchased, or its currency could be significantly revalued. In the former D-Mark bloc, the currency's strength was seen as a prerequisite for economic success because it continuously "forced" productivity increases and innovations to compensate for the impending loss of competitiveness due to revaluations.

Classical-liberal economic critics of Trump's tariff policy argue that the massively increased budget deficit is the real cause of the economic imbalances. Tariffs are merely a way of combating symptoms, with potentially serious adverse side effects. **There seems to be a consensus that there are structural distortions, which raises the question of resetting the global monetary order.**[10]

A further, possibly even rapid devaluation of the US dollar could initiate the next push in this gold bull market. A comparison of various key figures at the time of the last two secular all-time highs in 1980 and 2011 with the current situation confirms our *Big Long* thesis: **The gold price still has room to rise. The currently notably higher US Dollar Index seems particularly important to us – at around 100 points, it is well above the values during gold's last secular highs.**

One thing is sure to us: A controlled and significant devaluation of the US dollar is one of Donald Trump's central concerns. However, artificially weakening the US dollar to promote reindustrialization would be a grave mistake. Currency devaluations do not solve structural problems. They generate inflation, make imports more expensive, reduce the purchasing power of wages and savings at home and abroad, and thus weaken domestic consumption, the backbone of the US economy.

In addition, a strong currency is an expression of international trustworthiness: Those who deliberately devalue the US dollar are scaring away capital urgently needed to modernize infrastructure and production capacities and secure technological leadership. Instead of relying on the deceptive advantages of a weaker US dollar, US economic policy should focus on fiscal discipline, a streamlined bureaucracy, and targeted promotion of innovation to attract new industries and strengthen existing ones – without devaluing the assets of citizens, including foreign citizens who hold bonds denominated in US dollars, and without gambling away prosperity in a devaluation race. **To put it bluntly, if a soft-currency policy were the key to economic success, Zimbabwe would top the list of the most successful countries, not Switzerland.**

These developments – from the unclear direction of the US dollar strategy to the unresolved Triffin paradox and possible currency devaluations – are causing considerable uncertainty. This is another parallel to the Nixon shock of 1971, when an existing global monetary system became history from one moment to the next and it took years for the new system of flexible exchange rates to establish itself. Trust is the central currency in (international) economic transactions and is decisive for the success of a country's location policy. The costs of an erosion of confidence cannot be overestimated.[11] In spring 2025, gold proved itself – once again – to be a reliable hedge in times of geopolitical and economic upheaval. **Gold remains what it has always been: a stable anchor.**

Comparison of various Macro- and Market Key Figures at Gold ATH in 1980, 2011 and Current

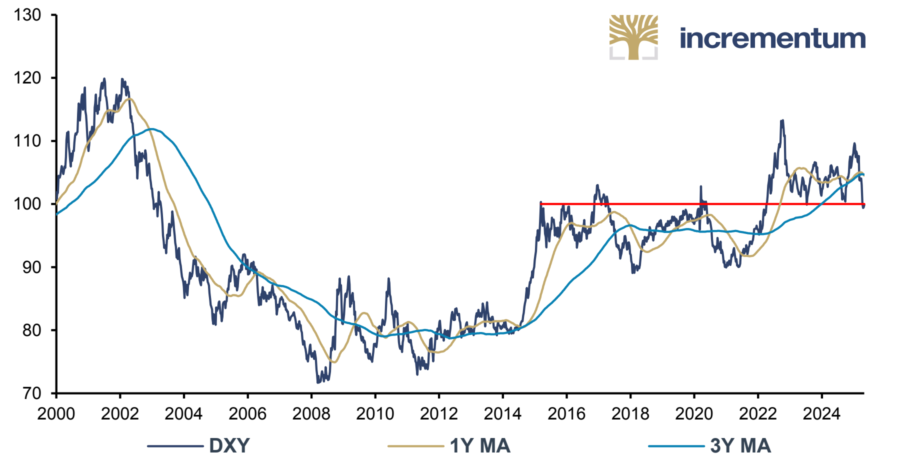
	1980	2011	Current	Δ vs 1980 (%)		Δ vs 2011 (%)	
Gold Price in USD	835	1,900	3,288	2,453	(294%)	1,388	(73%)
Monetary Base in USD bn	157	2,637	5,775	5,618	(3,578%)	3,138	(119%)
M2 Supply in USD bn	1,483	9,526	21,763	20,280	(1,367%)	12,237	(128%)
US Federal Debt in USD bn	863	14,790	36,215	35,352	(4,096%)	21,425	(145%)
GDP per Capita	12,303	50,056	87,759	75,456	(613%)	37,703	(75%)
US Median House Price in USD	63,700	228,100	416,900	353,200	(554%)	188,800	(83%)
S&P 500	111	1,174	5,569	5,458	(4,917%)	4,395	(374%)
USD Index	86.1	75.2	99.3	13.2	(15%)	24.1	(32%)

Source: treasury.gov, Federal Reserve St. Louis, LSEG (as of 04/30/2024), Incrementum AG

My philosophy, Mr. President, is that all foreigners are out to screw us and it's our job to screw them first.

Treasury Secretary John Connally to Richard Nixon

DXY, 01/2000–04/2025



Source: LSEG, Incrementum AG

Especially as traditional safe havens such as US or German government bonds lose trust and dilute their stability function, gold is now moving back into the center of long-term investment strategies.

Meanwhile in Europe: Monetary Climate Change Is Accelerating

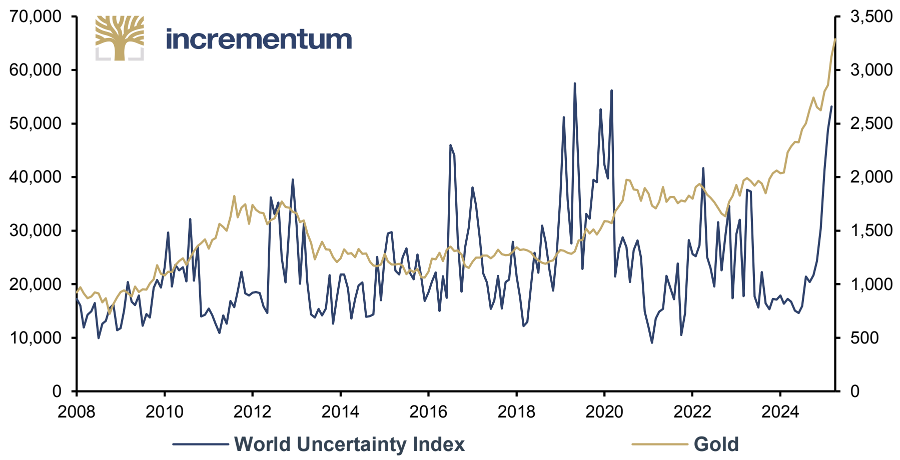
While unfamiliar words of fiscal common sense can be heard from Washington, Friedrich Merz (CDU), expected to become Germany's next chancellor, has made a 180-degree turnaround under the magic formula "Whatever it takes!" in what many see as a voter deception. Merz has proposed that defense spending above 1% of GDP be exempt from the fiscal brake debt rule. In addition, a debt-financed program – euphemistically referred to as "special assets" – amounting to EUR 500 bn is to be created for infrastructure and climate protection. Forecasts assume that German national debt will rise from 60% of GDP to 90%.

This marks a historic moment for Germany: Under the leadership of the conservative CDU/CSU, the official renunciation of fiscal conservatism has now been completed. What had already been foreshadowed in the wake of the Covid-19 pandemic – and which we described as *monetary climate change* in the 2021 *In Gold We Trust* report – has now reached a new level. With Germany breaking away from its role as a model of fiscal discipline, it is likely that the euro countries with a greater propensity to spend – we are looking in particular at Paris – will interpret the new fiscal generosity as a free pass.

German government bonds, which are considered the ultimate "risk-free investment" in the eurozone, reacted noticeably to the turnaround. The yields on Bunds recorded their largest daily movement in 35 years following the announcement. A problem for many countries with much higher debt levels, such as France and Italy, is that their bond yields rose significantly rose, too.

For more than half a century, international market participants were certain that German Bunds had de facto no counterparty risk. Especially during the Great Moderation, Bunds outperformed gold. This ratio began to change gradually in 2002. Since 2020, the trend has strengthened in favor of gold. In addition to the existing risk of a renewed wave of inflation, another issue is coming to the fore with the demise of the Swabian housewife: counterparty risk. In the medium term, this could – for the first time in a long time – once again be perceived as a risk factor in government bond valuations.

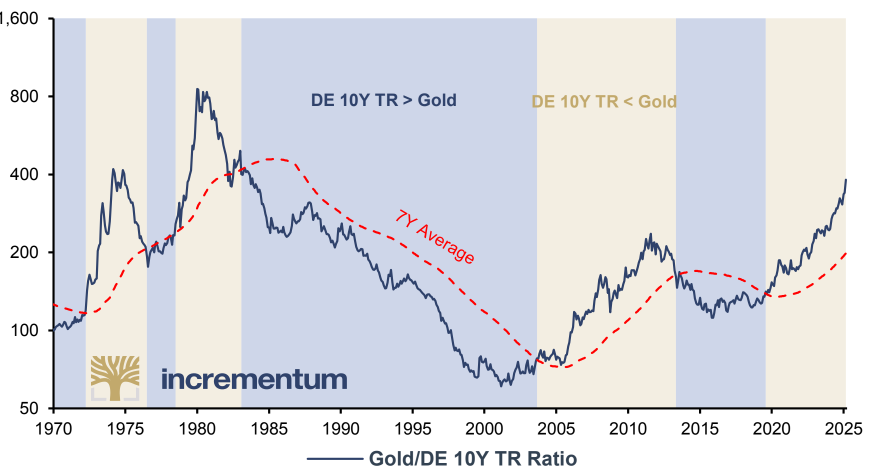
World Uncertainty Index (lhs), and Gold (rhs), in USD, 01/2008–04/2025



Source: LSEG, Incrementum AG

Louis-Vincent Gave argues that German and US government bonds have been the all-star asset class for a generation, but their golden era appears to be over. Many portfolios now find themselves in a situation akin to the French national football team after the retirement of Zinedine Zidane—missing a central figure to build around. A new difference-maker is needed. Gold, already warming up on the sidelines, could be ready to step into that role—much like a young Kylian Mbappé, poised to take the field and change the game.

Gold/DE 10Y TR Ratio, 01/1970–04/2025



Source: Gavekal Research, LSEG, Incrementum AG

The New Gold Playbook – Bolstered by the Trump Shock

Our central thesis in the *In Gold We Trust* report 2024, "The New Gold Playbook", was that the investment environment for gold has fundamentally changed. Developments over the past 12 months confirm this change.

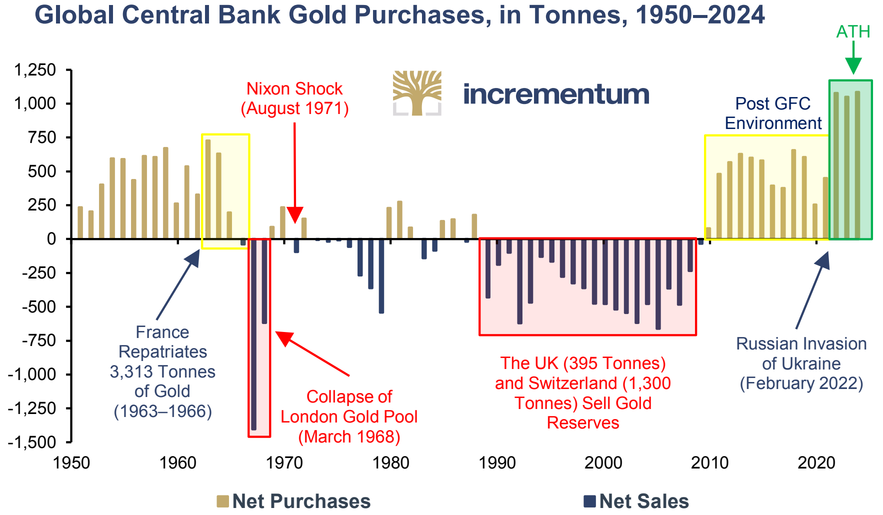
A key cornerstone of *The Big Long* is the strong physical demand from central banks. They have been net buyers on the gold market since 2009. This trend has accelerated significantly since the confiscation of Russian currency reserves at the end of February 2022. **For three years in a row, central banks increased their gold reserves by more than 1,000 t each year, achieving a special kind of hat-trick.**

Asian central banks again made the lion's share of these purchases. It is worth noting, however, that Poland took the top spot in 2024. This geopolitically motivated reallocation towards gold exemplifies a growing mistrust of the existing Western financial system and the gradual increase in the economic importance of the emerging markets.

And it is no longer just central banks that are backing gold, but also Western financial investors, who are increasingly looking for investment opportunities in the precious metals sector again after a long period of abstinence. In 2024, ETF demand picked up over the year, except for Europe, which only returned to the buying side in Q1/2025. The strong inflows in North America show the first signs of a *gold FOMO.* **Investment demand from gold ETFs could be a key driver for the continuation of the gold bull market**

The general media enthusiasm for gold in the West is not as pronounced today as in 2020, for example, when gold reached its first new all-time high in almost a decade. **This indicates that despite the record run in the past few quarters, the gold market is not yet in an overly euphoric mood.**

Global Central Bank Gold Purchases, in Tonnes, 1950–2024



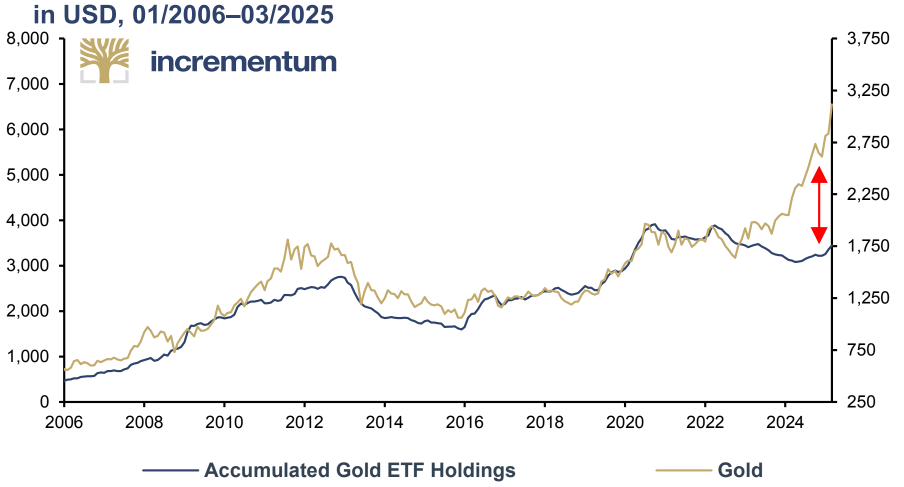
Source: World Gold Council, Incrementum AG

Scoring three goals is just Zlatan being Zlatan.

Zlatan Ibrahimovic

Our *Big Long* thesis receives additional support from the capital market reactions after *Liberation Day.* It is unusual for the US dollar to fall during a volatile risk-off phase. Even rarer is a simultaneous slump in bonds and equities. Such constellations are typical for emerging markets, but not for the most important haven of the global capital market. Instead of finding refuge in the safe haven, many investors, especially international investors, have fled. **How likely is it that they will return voluntarily after such a shock?**

Accumulated Gold ETF Holdings (lhs), in Tonnes, and Gold (rhs), in USD, 01/2006–03/2025



Source: World Gold Council, Incrementum AG

Let's get physical: safe-haven gold on the way from London to New York

Another clear sign of waning confidence is the rising demand for physical gold – especially among long-term investors looking for *safe-haven gold.* Physical deliveries from futures exchanges have increased since 2020, presumably driven by family offices, wealthy private investors, and state actors. These buyers are less price-critical than system-critical: They prefer real physical gold over "paper gold".

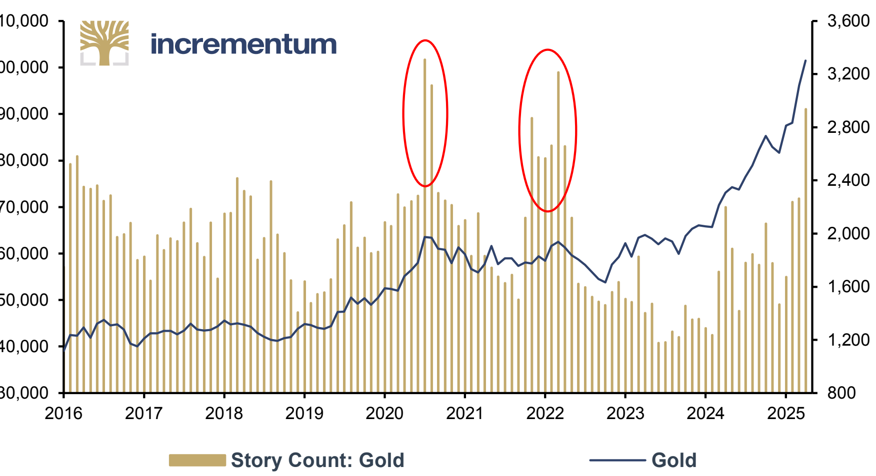
Before *Liberation Day,* huge quantities of gold were moved from London to New York, over 2,000 tons according to StoneX CEO Philip Smith. This was triggered by an unusually high premium of up to USD 68 between the COMEX price and the LBMA spot price. This forced bullion banks to make extraordinary physical deliveries. At the same time, LBMA gold inventories shrank by 8.6 million ounces (Moz) between October 2024 and the end of March, while COMEX inventories reached a new record high of 45 Moz at the beginning of April.

Gold, the New Outperformer in the Portfolio?

The relative strength of gold against bonds – and now also against stocks – is likely to attract increased investor interest. Now that gold has recently gained strength against equities, it is worth taking a long-term look at the Dow/gold ratio. In the past three major downward trends in this ratio in the 1930s, 1970s and 2000s, this development was always accompanied by a significant rise in the price of gold and stagnating US stock markets. The Dow/gold ratio currently stands at 11.91 and is therefore clearly above the historical median of 7.09 – an indication that gold is still attractively valued compared to US equities.

The growing gap between gold and the S&P 500 since the beginning of the year points to fundamental changes. Capital is increasingly flowing from US markets into the safe haven of gold – but also increasingly into Europe and selected emerging markets. If this trend is confirmed, it would be a clear signal of a sectoral and geographical rotation with far-reaching consequences for global investment strategies.
lued compared to US equities.

Story Count: Gold, (lhs), and Gold (rhs), in USD, 01/2016–04/2025



Source: World Gold Council, Bloomberg, LSEG, Incrementum AG

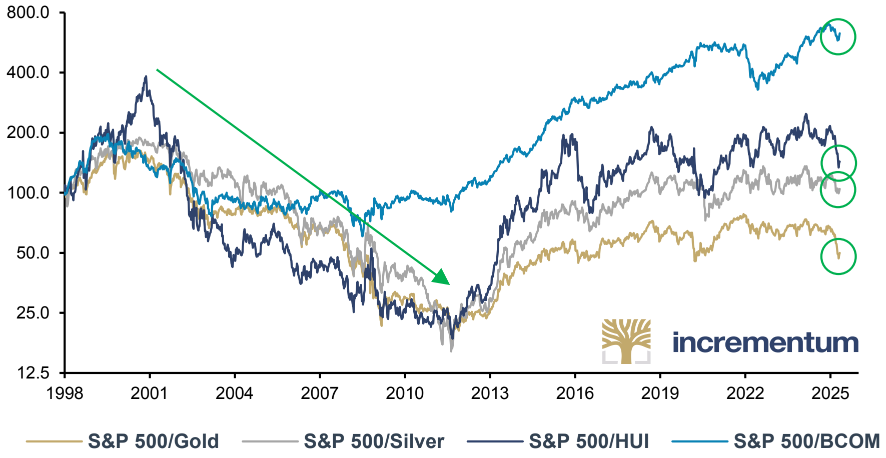
More people believe Elvis is still alive than own gold in the US.

Gerald McMillan

A look at the relative performance of the S&P 500 against gold, silver, mining stocks (HUI), and commodities (BCOM Index) also reveals a rotation. A cyclical turning point can be identified with the relative strength of silver and mining stocks against gold. **A sustained downward breakout of the S&P 500 would indicate a significant shift in capital flows.**

In other words, we are witnessing capital outflows from a once immensely popular and widely held sector into performance gold, an asset that has lingered in the shadows for nearly a decade. ***The Big Long* is not merely beginning – it is awakening.**

S&P 500 vs. Gold, Silver, HUI and BCOM (log), 100 = 01/1998, 01/1998–04/2025



Source: LSEG, Incrementum AG

Thank you very much!

Year after year, the *In Gold We Trust* report strives to live up to its reputation as the gold standard of gold studies. We aim to produce the world's most respected, widely read, and comprehensive analysis of gold. Mark Baum[12] said in his criticism of the financial sector, "Nobody pays attention to detail". But it is precisely these details that count, and it is the mission of the *In Gold We Trust* report to bring you, dear readers, closer to the crucial details of the gold market.

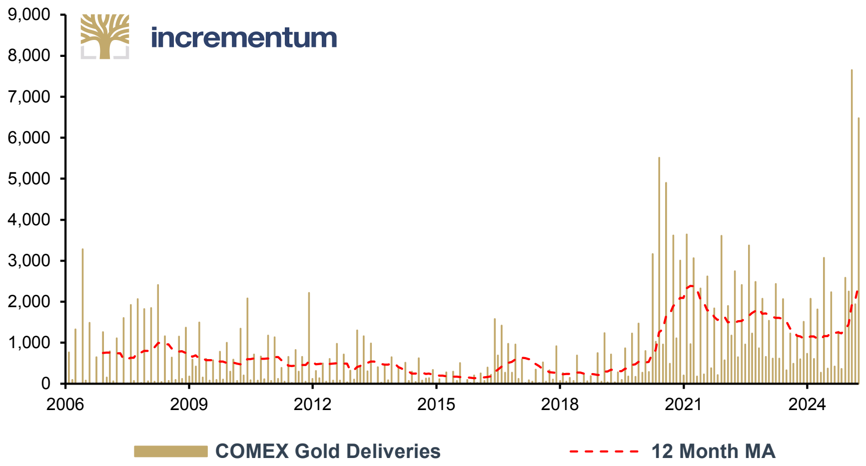
That's why every year we retreat from the hustle and bustle of everyday life to reflect, research facts and figures, and finally write the *In Gold We Trust* report. Over the past few months, many events have presented us with a real challenge. And like many other market watchers, Trump's *Liberation Day* has given us a few headaches, as has Trump's skittishness in general. However, in years with a substantial rise in the gold price, such difficulties are easy to overcome.

This 19th edition of the *In Gold We Trust* report also features several firsts. The short version of the report is published in Japanese for the first time, in addition to German, English, and Spanish. With Mining Visuals, a Swedish company specializing in the graphical processing of data relevant to the mining sector, we have brought competent and enthusiastic reinforcement on board. You can see the creativity of the dedicated team at Mining Visuals for yourself in this *In Gold We Trust* report. For the first time, the report is also available in print from Amazon via this link.

We thank our more than 20 fantastic colleagues on four continents for their energetic and tireless efforts over 20,000 hours and numerous time zones.

Special thanks go to our Premium Partners.[13] Without their support, it would not be possible to make the In Gold We Trust report available free of charge and to expand our range of services year after year.

COMEX Gold Deliveries, in Thousands of Troy Ounces, 01/2006–04/2025



Source: LSEG, Incrementum AG

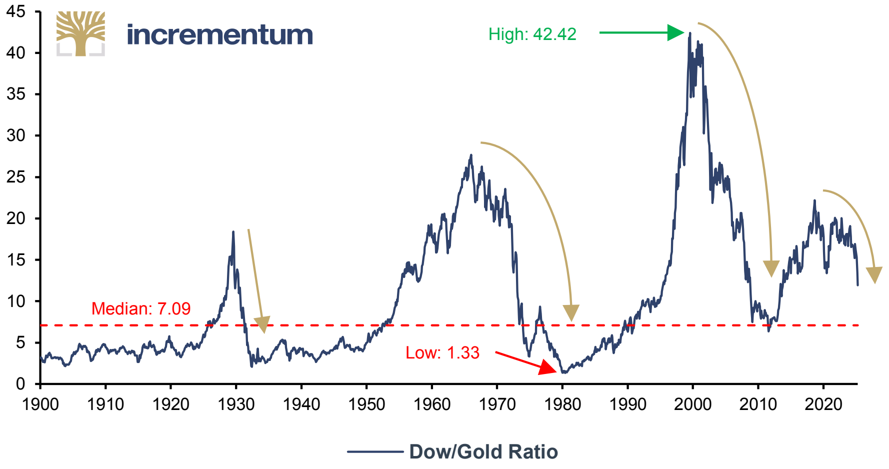
Harmony is built on trust, and occasional disagreements can only be resolved peacefully provided there is trust. But when trust is gone, everything is gone.

Zoltan Pozsar

When the wind shifts, it's the strongest sails that first catch it. Sector leadership is your compass.

Jeffrey Hirsch

Dow/Gold Ratio, 01/1900–04/2025



Source: Nick Laird, LSEG, Incrementum AG

In addition to the annual publication in five languages, we provide a monthly Monthly Gold Compass and ongoing information on our *In Gold We Trust* report website. ingoldwetrust.report.

Examining the past is essential to successfully preparing for the future. We are therefore convinced that the current gold bull market has not yet reached its end. We would like to present the reasons for this assessment to you, our valued readers, as a guide to gold in the more than 400 pages of the *In Gold We Trust* report 2025.

Now we invite you on our annual parade ride and hope that you enjoy reading our 19th *In Gold We Trust* report as much as we enjoy writing it.

With best regards from Liechtenstein,

Ronald-Peter Stöferle (r.) and Mark J. Valek (l.)

End notes

1 *See* "Quo vadis, aurum?," *In Gold We Trust* report 2020; we provide a comprehensive update of the *Incrementum Gold Price Model* in the chapter "1970s, 2000s, 2020s...: A déjà vu in two acts – Act Two" in this *In Gold We Trust* report.
2 All previous 18 issues of the I*n Gold We Trust* report can be found in our archive.
3 Our thoughts on the optimal gold allocation can be found in "The Optimal Gold Allocation – How Much Gold Does Your Portfolio Need?," *In Gold We Trust* Special, August 2024.
4 *See chapter* "Mining Stocks – Is It Time for Performance Gold?" in this *In Gold We Trust* report, presenting the Incrementum Active Aurum Signal. This proprietary signal supports the weightings of the *Incrementum Active Gold Fund*.
5 *See* the Incrementum Recession Phase Model in "The Showdown in Monetary Policy," *In Gold We Trust* report 2023 and "Portfolio Characteristics: Gold as Equity Diversifier in Recessions," *In Gold We Trust* report 2019
6 *See* "Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order," *In Gold We Trust* report 2023
7 See "How Bankers Turned Money into '∑ 0 ∞ € ¥'," *In Gold We Trust* report 2021
8 *See* Stöferle, Ronald (@RonStoeferle): "'THREAD: A User's Guide to Restructuring the Global Trading System' is probably the most important paper you've never heard of!...," X, March 2025
9 *See* "History Does (Not) Repeat Itself – Plaza Accord 2.0?," *In Gold We Trust* report 2019
10 *See chapter* "Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order" in this *In Gold We Trust* report
11 *See* "Gold in the Age of Eroding Trust," *In Gold We Trust* report 2019
12 Mark Baum is a fictional character from the film *The Big Short* (2015), based on the real-life investor Steve Eisman.
13 At the end of the Compact Version of the *In Gold We Trust* report you will find an overview of our Premium Partners, including a brief description of the companies.

In Gold We Trust Report 2025

This is the compact version of the *In Gold We Trust* report 2025.
The full report comprises 24 chapters and can be downloaded free of charge at ingoldwetrust.report.

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Quo Vadis, Aurum?

I could see in the next few years that we are going to have to have some kind of a grand global economic reordering—something equivalent to a new Bretton Woods. Or, if you want to look further back, something akin to the steel agreements or even the Treaty of Versailles. There's a very good chance we'll need this within the next four years, and I'd like to be a part of it.

Scott Bessent

Gold: The GOAT in the Portfolio

"Talent wins games, but teamwork and intelligence win championships." Michael Jordan's words became the DNA of the Chicago Bulls in the 1990s. Instead of hasty changes after painful setbacks – the Bulls failed six times in the play-offs and were sometimes humiliated by the "bad boys" of the Detroit Pistons – the management relied on strategic patience, uncompromising team spirit under the leadership of Phil Jackson, and a clear vision. As a result, the Bulls became the best team of an entire NBA generation with six championship titles in just eight years, a Finals win rate of 87.5%, and the iconic record-breaking 1995/96 season with 72 wins and only 10 losses in the regular season. This era impressively demonstrated how individual talent can translate into sustained collective dominance.

Excellence requires courage - especially the courage to take positions that are considered unorthodox or counter-cyclical. This includes daring to invest in gold and sticking with it when gold is unpopular. Or investing in *performance gold*, such as silver, mining companies, or commodities, when they are labeled as structural underperformers by the market. **This is particularly true in the West, where professional investors have displayed a deep-rooted anti-gold attitude for decades.**

Whether you are ridiculed as a nonconformist or not, in the long term, it may prove riskier to avoid gold than to bet on it. Those who hold *safe-haven* gold are well positioned for the fundamental market changes that we have described in detail in our *In Gold We Trust* reports in recent years and again this year. In our opinion, more risk-averse *investors* still have the opportunity to profit disproportionately with *performance gold.*

At the end of this decade, gold will perhaps no longer be seen as a relic of times gone by, but as what it can be: the Michael Jordan of assets, defensively stable and offensively powerful – a real difference-maker. **Anyone who has this GOAT, the greatest of all time, in their portfolio is ready for the play-offs on the financial markets.**

What does this long-term approach mean in concrete terms? What guidelines must a long-term investor follow in their daily decisions in order to understand the *big picture?* The *Big Long* for gold is based on several fundamental political, economic, and social changes.

The Big Realignment: Gold as a Beneficiary of the Geopolitical Realignment

There are currently many indications that the geopolitical realignment is accelerating. Zoltan Pozsar had already taken the debate about a new global monetary order to a new level in 2022 with his article "Bretton Woods III" against the backdrop of the Ukraine war that had just broken out and the sanctioning of Russian currency reserves that was decided shortly afterwards. He concluded his remarks with the following forecast: "From the Bretton Woods era backed by gold bullion, to Bretton Woods II backed by inside money (Treasuries with unhedgeable confiscation risks), to Bretton Woods III backed by outside money (gold bullion and other commodities)."[1] Nobody knows exactly where this journey will take us at the moment. There is no question that we are irrevocably on the path to a new global (monetary) order. **Gold is increasingly becoming a monetary life insurance policy for state actors such as central banks and sovereign wealth funds.**

A new global monetary order will need an internationally recognized anchor of trust. Gold seems to be predestined for several reasons:

- **Gold is neutral**
  Gold belongs to no state, no political party, no autocrat, no parliament; gold can therefore be the unifying element in a multipolar world that has become much more fragile.
- **Gold has no counterparty risk**
  Financial assets have a counterparty risk. Gold, on the other hand, has no counterparty risk. It is pure property. The risk of confiscation is easy for states to solve by storing gold within their borders.
- **Gold is liquid**
  Gold is one of the most liquid assets in the world. The average daily turnover of gold amounted to more than USD 229bn in 2024. In a study, the LBMA showed that gold sometimes has greater liquidity than government bonds.

The renaissance of gold is manifested in the gradual liberalization of gold valuation by some emerging markets – led by China. This could lead to a revaluation of the gold price in the long term, particularly if central banks were to back their currencies with gold again (implicitly or even explicitly). Until recently, such scenarios were considered marginal. This has changed. They are now increasingly being discussed in the economic policy mainstream.

According to the World Gold Council (WGC), global gold reserves amounted to 36,252 tons in February 2025. **This means that the *heel turn* we are forecasting is underway:** In 2024, gold's share of currency reserves reached 22%, its highest level since 1997. This is more than double the low of around 9% in 2016. However, there is still a long way to go before reaching the historic peak of over 70% in 1980. This momentum is likely to continue during the *Big Long.*

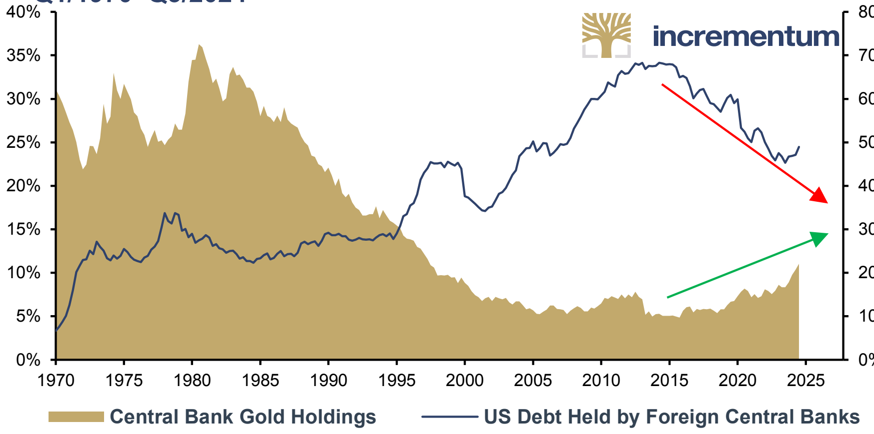
Despite significant purchases, central banks in the emerging markets continue to hold significantly less gold than their counterparts in the industrialized countries. **We assume that this gap will gradually narrow. Central bank demand from the emerging markets, which are becoming more politically confident, should continue to form the backbone of gold demand in the coming years.**

The continued low share of gold in China's currency reserves is striking. Despite considerable purchases in recent years, the official share is only 6.5%. By comparison, gold accounts for over 70% of reserves in the US, Germany, France and Italy. Russia, on the other hand, increased its share from 8% to 34% between 2014 and Q1/2025. The trend towards the repatriation of gold reserves, which has been observed for years, is also likely to continue as an expression of the increasing mistrust among countries.[2]

In the study "Gold: Raising Our End-2025 Forecast to $3,300; Top 10 Questions" (which is well worth reading), Goldman Sachs assumes that China will continue to buy an average of around 40 tons of gold per month. This means that China's central bank demand alone would amount to almost 500 tons per year. This corresponds to almost half of the total central bank demand of the past three years.

But can the official figures be trusted? After all, China has been the largest importer, consumer, and producer of gold for years. According to Jan Nieuwenhuijs, the PBoC has bought around five times the reported quantity. Based on various indicators, such as deviations in the Chinese market balance, Nieuwenhuijs estimates that the PBoC now holds around 5,000 tons of gold. This would put China in second place behind the US, but ahead of Germany, among the countries with the largest gold reserves. Therefore, China would have a golden ace that it could play in the form of a *Big Surprise*.

US Debt Held by Foreign Central Banks (lhs), as % of Total Debt, and Central Bank Gold Holdings (rhs), as % of Currency Reserves, Q1/1970–Q3/2024



Source: Crescat Capital, Federal Reserve St. Louis, World Gold Council, Incrementum AG

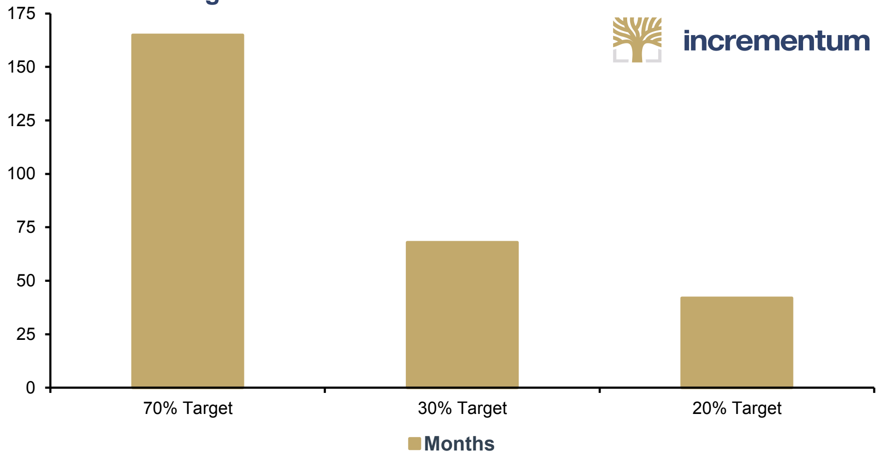
The Big Economic Cooling: Gold as a Beneficiary of an Economic Downturn?

In our view, gold is not intended to replace traditional securities such as equities or bonds, but to complement them. It is correct to view a gold position in a portfolio as a liquid, alternative cash position that carries exchange rate risk to fiat money. A direct comparison between gold and equities reminds us of the proverbial apples and oranges comparison. Our analyses show: In market crises, gold acts like the tried and tested Italian catenaccio with the reliability of a Giorgio Chiellini in defense and the security of a Gianluigi Buffon in goal. While other investments fluctuate, gold stabilizes the portfolio with predictable resilience.[3]

A further slide on the stock markets could be expected in the event of a significant slowdown in the US economy, and even more so if the US slips sharply into recession. A marked slowdown in the global economy now seems likely given the trade conflict, which is being conducted very erratically by the US. After all, uncertainty weighs heavily on economic drivers, entrepreneurs, and businesses alike. In its April forecast, the IMF has revised its growth prospects significantly downwards.

In the past 16 years, the world has only been plunged into recession once – during the Covid-19 pandemic. And this was an atypical recession triggered by an external shock. Most investors are currently underestimating the real likelihood of another recession and its potential impact on corporate earnings and stock market valuations. While economists put the probability of a recession in the US at the end of April at around 50% and Polymarket bets had it at 64%, we believe

Estimated Timeline for China to Reach Various Gold Reserve Allocation Targets*



Source: Goldman Sachs Global Investment Research, Incrementum AG
*The analysis assumes China to continue buying ~40 tonnes of gold per month. Rising prices further increase the value of existing holdings and help reach allocation targets faster.

that the current valuations on the US equity markets reflect a lower risk. The current P/E ratio of the S&P 500 of 27.7 is still well above the decade-long average of 16.1, despite the price declines of recent weeks.

Historically, gold has proven to be an excellent portfolio insurance during recessions and bear markets in US equities. We have analyzed this extensively in the *In Gold We Trust* report 2023 in the chapter "The Showdown in Monetary Policy".

Performance of the S&P 500 vs. Gold in S&P 500 Bear Markets, 1929–2025

Date of the high	Date of the low	S&P 500	Gold	Gold relative to the S&P 500
16/09/1929	01/06/1932	-86.19%	0.29%	86.48%
02/08/1956	22/10/1957	-21.63%	-0.11%	21.52%
12/12/1961	26/06/1962	-27.97%	-0.06%	27.91%
09/02/1966	07/10/1966	-22.18%	0.00%	22.18%
29/11/1968	26/05/1970	-36.06%	-10.50%	25.56%
11/01/1973	03/10/1974	-48.20%	137.47%	185.67%
28/11/1980	09/08/1982	-27.27%	-45.78%	-18.51%
25/08/1987	20/10/1987	-35.94%	1.38%	37.32%
16/07/1990	11/10/1990	-20.36%	6.81%	27.17%
17/07/1998	08/10/1998	-22.29%	1.71%	24.00%
24/03/2000	10/10/2002	-50.50%	11.18%	61.68%
11/10/2007	06/03/2009	-57.69%	25.61%	83.30%
21/09/2018	26/12/2018	-20.21%	5.59%	25.80%
19/02/2020	23/03/2020	-35.41%	-3.63%	31.78%
03/01/2022	10/12/2022	-25.43%	-7.08%	18.35%
19/02/2025	08/04/2025*	-18.90%	1.75%	20.65%
	Average	-34.76%	7.79%	42.55%
	Median	-27.62%	0.84%	28.46%

Source: Cornerstone Macro, Bloomberg, LSEG (*Lowest closing price since 02/19/2025), Incrementum AG

The Big Wave: Is the Next Inflation Wave Building Up?

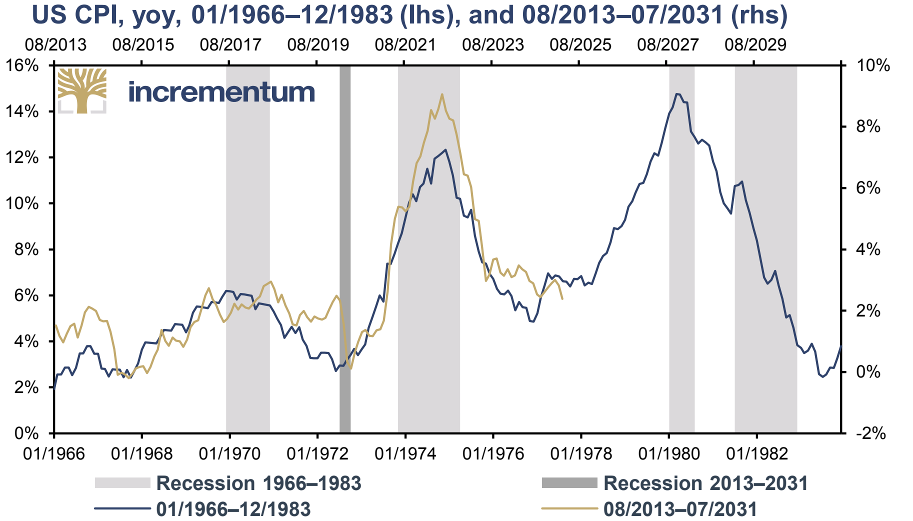
Furthermore, we should not rule out the possibility of a second wave of inflation, as in the 1970s. If we take the course of inflation in the 1970s as a guide to its future course, we see that the parallelism of developments is striking.

In the coming months, however, we still see a predominantly disinflationary trend, particularly due to the sharp fall in oil prices. The significant appreciation of the currencies of leading industrialized countries against the US dollar is reinforcing the disinflationary effect in these countries.

This does not mean that the risk of inflation has been averted. On the contrary: Although recessions and slumps on the capital markets have a disinflationary, sometimes even deflationary effect, the response will be highly inflationary. A brisk counter-reaction by the Federal Reserve seems only a matter of time. **What other rabbits could central bankers and politicians pull out of the hat?**

Possible measures range from yield curve control, renewed QE or QQE, financial repression, and further fiscal stimuli through to MMT or helicopter money. The use of one or more of these instruments is a foregone conclusion, and the further merging of monetary and fiscal policy will continue unabated. One thing is certain: **The next bailouts will assume increasingly larger, more aggressive, and more opaque characteristics.** The longer and closer this dangerous love affair between monetary and fiscal policy continues, the greater the stagflationary forces. **Our quantitative analysis shows that gold, silver, and mining stocks have performed extremely well in a stagflationary environment.**[4]

US CPI, yoy, 01/1966–12/1983 (lhs), and 08/2013–07/2031 (rhs)



Source: Andreas Steno, LSEG, Incrementum AG

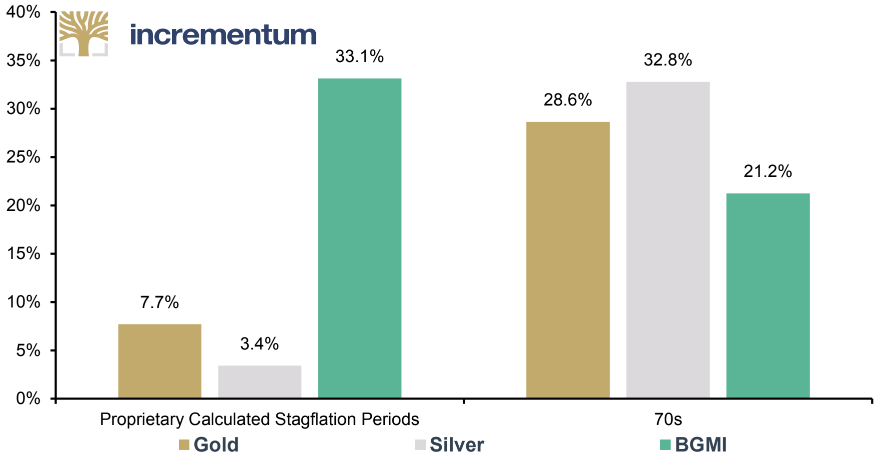
I try to be ready for everything. That's my approach — you never know what the next wave will bring.

Kelly Slater

Stagflation … is, of course, a very difficult thing because anything you do with interest rates will hurt one side or the other – either the inflation mandate or the employment mandate.

Jerome Powell

Real CAGR of Gold, Silver, and BGMI During Proprietary Calculated Stagflation Periods and 70s, 01/1971–04/2025



Source: LSEG, goldchartsrus.com, Incrementum AG

And what was long regarded as an academic thought experiment has suddenly become more tangible in recent weeks: the possibility of an inflationary wave due to capital flight from the US dollar. Should confidence in the US currency erode further, a scenario could unfold in which investors flee the US dollar for tangible assets and alternative reserve assets. Such a move would drive US import prices up at an accelerated pace, fuel inflation expectations, and combine classic demand inflation with elements of a currency crisis.

In this scenario, the US dollar could lose its role as a safe haven and thus act as a fire accelerant. As a result, the inflation risk would no longer be fed primarily by supply shocks or wage spirals, but by eroding confidence in the US currency itself.

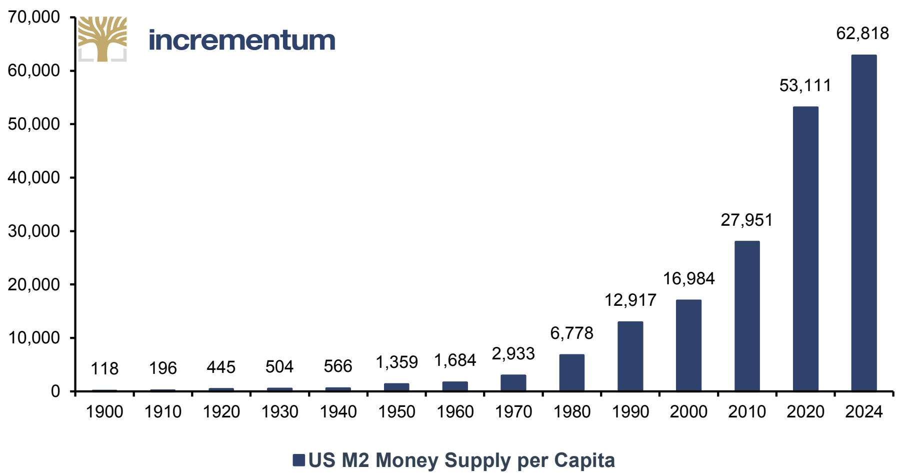
The Big Print: Gold as a Beneficiary of the Ongoing Devaluation of Fiat Money

Loyal readers know: We constantly endeavor to place the monetary function of gold at the forefront of our analyses. Money is subject to the same basic economic principles as all goods: Its value is determined by supply and demand. Confidence in the current and future purchasing power of money depends largely on expectations regarding the development of the future money supply.

The mechanism is clear: If the money supply increases more than the available supply of goods and services, the purchasing power of money will fall sooner or later. This fundamental law of economics explains why gold acts as a natural counterweight to unbacked currencies: The supply of gold cannot be expanded arbitrarily.

The next chart illustrates the development impressively: While the US population has grown by a factor of 4.5, from 76 to 342mn since 1900, M2 money supply has exploded by a factor of 2,333, from USD 9bn to USD 21trn. Per capita, this means an increase of more than 500 times, from USD 118 to over USD 60,000. The money supply has thus swollen like the muscles of a bodybuilder on steroids – impressive on the outside, yet structurally fragile.

US M2 Money Supply per Capita, in USD, 1900–2024



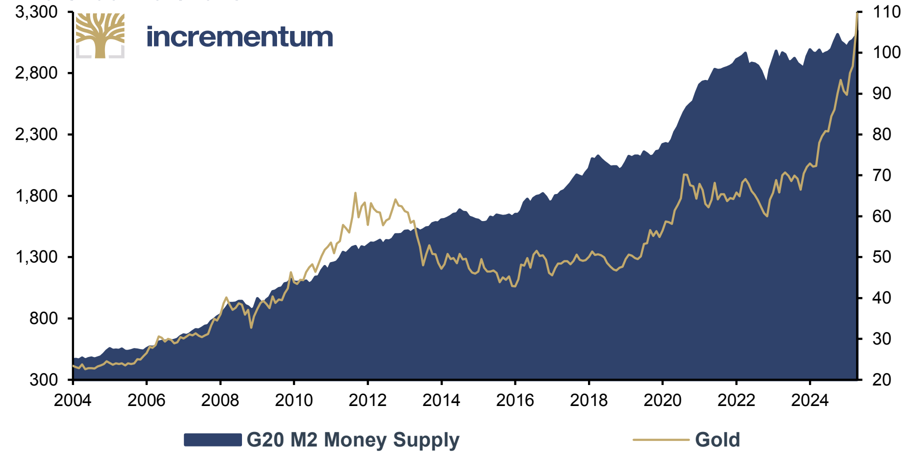
Source: Nick Laird, LSEG, Incrementum AG

The central bank must be trusted not to debase the currency, but the history of fiat currencies is full of breaches of that trust.

Satoshi Nakamoto

Money supply growth is the key driver of the gold price in the long term. After three years of sometimes negative growth, the global money supply is now growing again. On a long-term average, M2 in the G20 countries has grown by 7.4% per year. Money supply growth is currently at the lower end of this historical range. In his highly recommended book "The Big Print", our friend Larry Lepard argues that there will be a significant acceleration in money supply growth. **If *The Big Print* does indeed occur, it will act as another catalyst for *The Big Long*.**

Gold (lhs), in USD, and G20 M2 Money Supply (rhs), in USD trn, 01/2004–04/2025



Source: Charlie Morris, LSEG, Incrementum AG

The shadow gold price for gold

In our *In Gold We Trust* report, we have preserved the idea of the shadow gold price (SGP),[5] even in times when gold's reserve function was as forgotten as many cult films of the 1980s. But like *Top Gun* after 36 years, gold is increasingly finding its way back into the limelight. The shadow gold price refers to the theoretical gold price in the event of full gold backing of the base money supply. **Theoretically, a return to a fully backed gold currency would be possible if the shadow gold price were reached.**

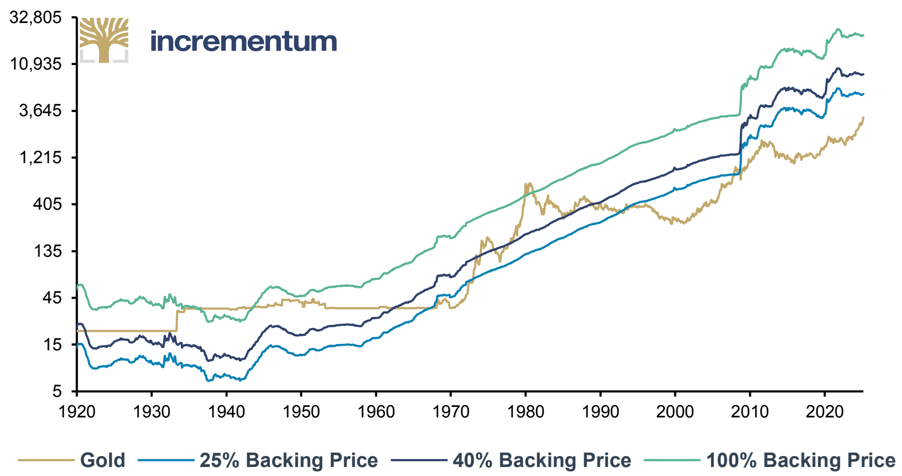
These calculations are by no means just a mind game: the Bretton Woods agreement calculated the exchange rate between the US dollar and gold in this way: US monetary base divided by US gold holdings.

At a gold price of USD 21,416, the entire monetary base M0 of the US dollar would be 100% covered by the Federal Reserve's gold reserves – more precisely, by gold certificates valued at market prices. In the eurozone it would be just under EUR 13,500. If the same logic were applied to the broader monetary aggregate M2, 100% coverage would result in a gold price of USD 82,223 for the US and CHF 29,101 for Switzerland, for example.

Historically, however, different forms of partial cover were the rule. For example, the Federal Reserve Act of 1914 stipulated a gold cover of at least 40%. To meet this requirement today, the price of gold would have to rise to USD 8,566. From 1945 to 1971, only 25% coverage was required, which would currently correspond to an M0 shadow gold price of USD 5,354.

The reciprocal value of the shadow gold price based on current market prices gives the degree of coverage of the monetary base and reflects the state of monetary stability. In the gold bull market of the 2000s, the gold coverage of the monetary base tripled from 10.8% to 29.7%. A com-

Gold Price to Back Monetary Base (log), in USD, 01/1920–03/2025

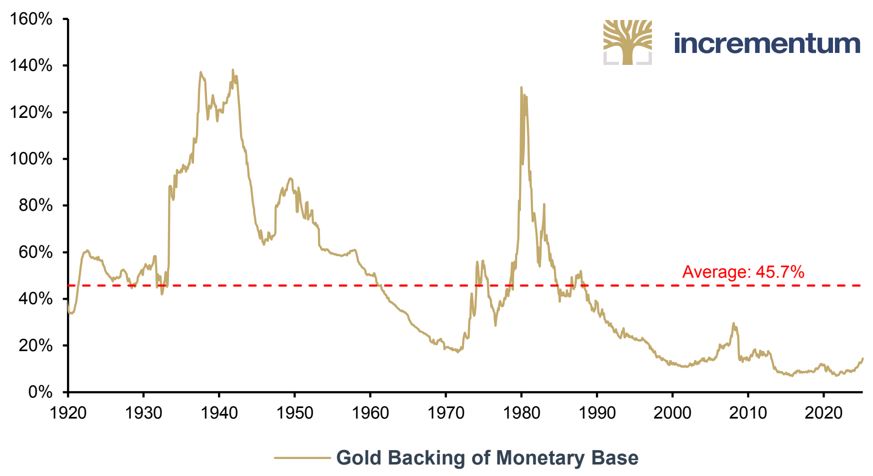


Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

Gold will be repriced once in life; that will be much more than enough.

Another

Gold Backing of Monetary Base, in %, 01/1920–03/2025



Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

parable coverage ratio today would only arise if the gold price were to almost double to over USD 6,000. Historically, gold coverage reached values above 100% in the 1930s, 1940s and 1980. The record value of 131% from 1980 would correspond to a gold price of around USD 30,000. **Currently, the gold coverage ratio of the monetary base in the US is only 14.5%. To put it crudely: Only 14.5 cents of every US dollar currently consists of gold, the remaining 85.5% is air.**

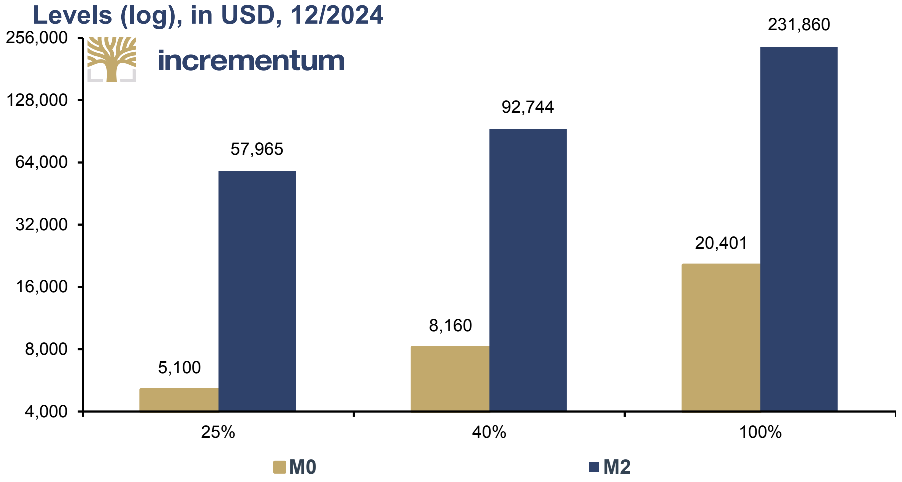
The international shadow gold price shows how high the gold price would have to rise if the money supply (M0 or M2) of the leading currency areas – the US, euro area, UK, Switzerland, Japan, and China – were covered by the central banks' gold reserves in proportion to their share of global GDP. This view impressively reveals the extent of the monetary expansion: With an – admittedly purely theoretical – 100% coverage of the broad money supply M2, the gold price would be over USD 231,000; even with a moderate 25% coverage, it would be around USD 58,000.

These shadow gold prices reveal two things: firstly, the enormous overexpansion of today's money supply in relation to the available amount of gold, and secondly, the long-term potential of gold should it be remonetized in the course of a reorganization of the global monetary system through a restoration of the gold redemption obligation. **The shadow gold price therefore serves as a strategic compass for investors who see gold not as a commodity but as a monetary anchor.**

Quo Vadis, Aurum? Update on the gold price forecast until the end of the decade

After these theoretical considerations, we now want to return to the hard ground of investor reality. Now, at the halfway point of the *golden decade,* is the right time to take stock. We presented our proprietary *Incrementum Gold Price Model* in the *In Gold We Trust* report 2020, "The Dawning of a Golden Decade". In this model, we employed historical data to forecast different scenarios regarding money supply growth and the implied gold coverage ratio, assigning probabilities to each outcome.

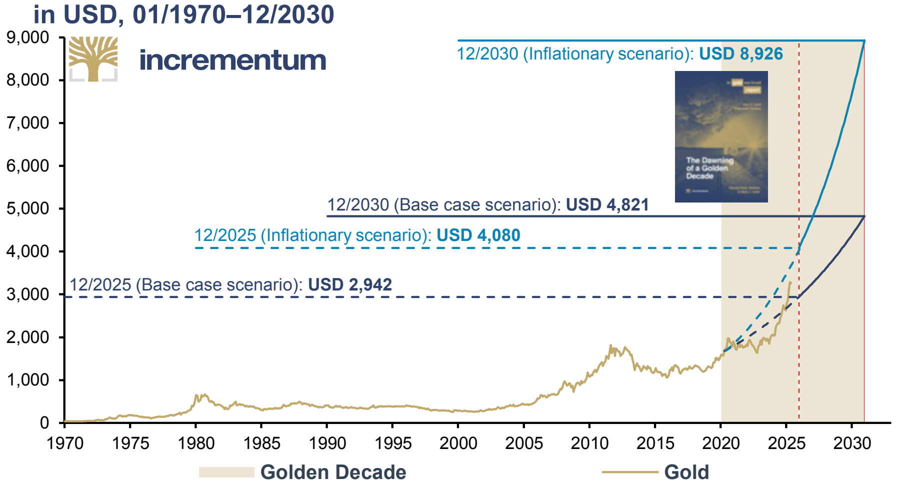
International Shadow Gold Price* at Different Gold Coverage Levels (log), in USD, 12/2024



Source: Trading Economics, Incrementum AG
*Calculation based on M0/M2 of the US, Eurozone, UK, Switzerland, Japan, and China, then GDP-weighted and homogenized.

> *Central banks and finance ministries do not hold copper, aluminum, or steel supplies, yet they hold gold. The only explanation for central bank gold hoards is the obvious money – gold is money.*
>
> **James Rickards**

Intermediate Status of the Gold Price Projection until 2030: Gold, in USD, 01/1970–12/2030



Source: LSEG, Incrementum AG

The 2020 decade price target of around USD 4,800 in the base scenario, which seemed like a distant mirage to many investors and analysts at the time, is now taking shape. As of 30 April, the gold price is already trading well above the calculated interim target of USD 2,942 for the end of 2025. **This target is based on an average annual gold price increase of "only" 7%.**

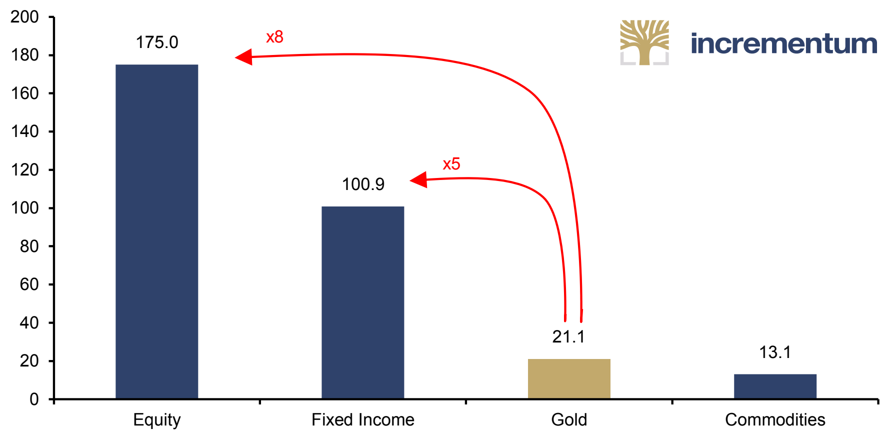
Given the recent momentum on the gold market, it is worth looking at our alternative scenario: Back in 2020, we pointed out the possibility of an inflationary or stagflationary decade, as in the 1970s. For this *tail risk* scenario, we attributed a gold price increase to around USD 8,900 by the end of the decade, which – based on current price levels – would still correspond to considerable growth of around 19% p.a. The arithmetical interim target for this scenario is USD 4,080 at the end of 2025. **From today's perspective, a realized price within the range of the two scenarios by the end of the decade appears realistic. The forecast corridor of USD 4,800 to USD 8,900 depends mainly on how inflationary the next five years will be.**

The Big Rotation: How Bright Will Performance Gold Shine?

Even though gold is slowly coming back into the spotlight, the big gold rush of Western financial investors is still a long way off: Gold ETFs recorded the second-highest quarterly inflows ever measured in US dollars in Q1/2025, at USD 21.1 bn. However, due to the sharp rise in the price of gold, this is only the tenth largest quarterly inflow in history, measured in tonnes. **In addition, current inflows into gold ETFs continue to lag far behind those of equity and bond ETFs** — about as far behind as Austria was at half-time in the legendary 0:9 loss against Spain. Or, as Toni Pfeffer famously put it at the break with the score at 0:5, "Hoch werd' ma's nimmer g'winna." ("Well, we certainly won't win big anymore.")

We now see increasing opportunities in those assets that we summarized in "The New Gold Playbook" under the term performance gold: **silver, mining stocks, and commodities, which have come into the limelight in the slipstream of gold, albeit still cautiously.**[6]

ETF Inflows, in USD bn, Q1/2025



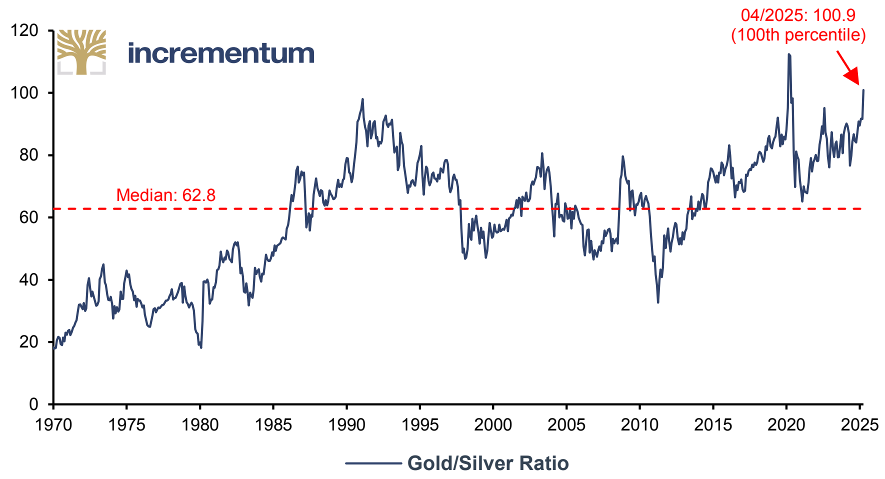
Source: State Street Global Advisors, World Gold Council, Incrementum AG

> *When you're hunting elephants don't get distracted chasing rabbits.*
>
> **T. Boone Pickens**

It's hard to find a better-looking chart, in my view, particularly with over 50 years of historical perspective. After a strong performance in 2024, I believe 2025 will be the year that silver will finally take out its highs from 1980.

Tavi Costa

Gold/Silver Ratio, 01/1970–04/2025



Source: Nick Laird, LSEG, Incrementum AG

A comparison of the performance to date in the current decade with that of the 1970s and 2000s shows considerable catch-up potential for silver and mining stocks in particular.

Our thesis is that gold always leads the way, with silver, mining stocks, and commodities following in its wake. The dynamics resemble a relay race: Gold takes the starting leg, sets the pace, and pulls the field apart. Silver, mining stocks, and commodities then take the baton.

Silver

The gold/silver ratio stood at 100.9 at the end of April, putting it in the 100th percentile, a level that was otherwise only reached at the beginning of the Covid-19 pandemic. The long-term median since 1970 is 62.8, which further underlines the striking current divergence. **In the past, similarly extreme conditions have been followed by an outperformance of silver.**

Fundamentally, everything seems to be in place for gold's little brother: Silver recorded a supply deficit for the fourth time in a row in 2024. Demand exceeded supply by 148.9 million ounces (Moz). In the period from 2021 to 2024, the cumulative deficit amounted to 678 Moz, which is the equivalent of ten months of global mine production. **For 2025 , the Silver Institute is forecasting a further supply deficit of 117.6 Moz.**

This shortage is primarily caused by the ongoing boom in photovoltaic applications. This key sector of the energy transition, which is dominated by China, is now the second largest demand driver for silver after jewelry and was responsible for a demand of 197.6 Moz in 2024.

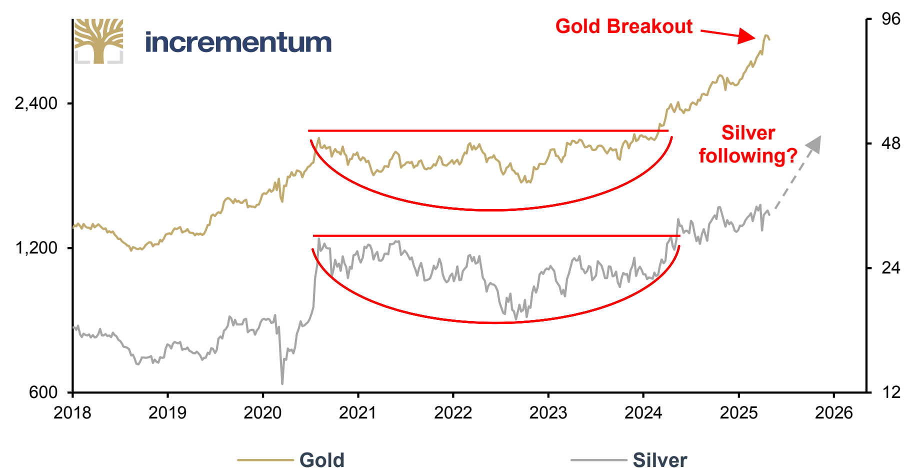
In addition, silver has outperformed gold in 6 of the last 7 bull markets since 1967. Nevertheless, the price performance of the white metal has so far remained below the historical average, which opens up an attractive investment opportunity, provided that silver finally succeeds in realizing its potential as *performance gold*.

Investment demand could become the real price driver for silver in 2025. The explosive growth of Indian ETP holdings – with 40% of private investment inflows and 70 Moz net investment – currently points to a change in market dynamics.

Mining shares

While the gold price has made countless new all-time highs in recent months, the HUI is trading around 40% below its all-time high of 635 in September 2011. Despite a 27% increase in the gold price in calendar year 2024, the GDX and GDXJ only gained 10.1% and 14.9%, respectively. In the first four months of 2025, the performance was much more positive at 42.5% (HUI), 44.5% (GDX), and 43.6% (GDXJ); but the miners were still unable to truly emancipate themselves from the gold price. The often-postulated leverage of around 3:1 against the gold price has not even come close to being realized so far.

Gold (lhs, log), in USD, and Silver (rhs, log), in USD, 01/2018–04/2025



Source: LSEG, Incrementum AG

A look at the market share of mining ETFs in the overall ETF market shows that the party hasn't started yet. Gold mining ETFs currently account for just 0.27% of all assets invested in ETFs. At its peak in 2011, the share was 1.4% and therefore 5 times as high.

While the GDX has already surpassed its 2020 high, ETF investors are exercising restraint. **At around USD 15bn, the GDX's current assets under management are USD 4bn below the 2020 level.** This discrepancy between price performance and capital inflows suggests that a significant share of ETF investors remains on the sidelines.

The negative reputation of the past cycle still clings to the sector – wrongly, in our opinion.[7] This is because many companies are now acting much more conservatively and are increasingly focusing on cash flow and margin optimization, which significantly increases their resilience to falling gold prices. The fall in the oil price is also proving to be an additional tailwind on the cost side. Both the absolute and relative undervaluation are remarkable.

Gold and HUI, 100 = 01/2000, 01/2000–04/2025

Source: LSEG, Incrementum AG

Nevertheless, the inflow of funds for new projects remains insufficient. In order to close production gaps, the current M&A wave in the mining sector is gaining momentum. Recent deals such as Lundin/Filo, Gold Fields/Osisko, and Equinox/Calibre show that, so far, acquisitions have focused on mid-cap companies. However, the real game changer is yet to come – the next phase will be mega acquisitions of large caps financed by record-high margins and free cash flows, driven by acute reserve replacement requirements (42 Moz annually) and declining deposit quality. Falling interest rates will benefit the sector in two ways: through lower capital costs for the capital-intensive industry and the increasing attractiveness of gold mining dividends.

Within the gold sector, there is not only a divergence between gold and mining stocks but also between large- and small-cap companies. This is primarily an expression of the cautious risk appetite. If the sustained upward trend in the gold price draws more attention to the valua-

Market Share of Gold Miner ETFs* (lhs), and Gold/S&P 500 Ratio (rhs), 01/2006–04/2025

Source: LSEG, Incrementum AG
*Gold Miner ETFs AUM/All Equity ETFs AUM

Money is being made on the delta between price and value.

Rick Rule

tion and performance potential in the mining sector, **this could usher in a new phase of relative strength as part of a risk-on move, especially in the small- and mid-cap segment.** In such a scenario, the gap that has existed between large and small caps since 2010/2011 is likely to close.

GDX Price (lhs), in USD, and GDX AUM (rhs), in USD bn, 01/2020–04/2025

Source: LSEG, Incrementum AG

Commodities

The commodity cycle is currently experiencing an exhausting pause. The recent discrepancy between the price of gold and oil is particularly striking. Most recently, the uncertainty surrounding the US's new tariff policy has had a particularly negative impact on commodity prices. **Historically speaking, phases of decoupling between gold and oil prices are quite normal, but commodity supercycles are largely synchronized, even if the respective turning points are sometimes shifted in time.** This can be illustrated by comparing the relative performance of gold and oil against the S&P 500.

In the medium term, the commodities market will reflect the new geopolitical realities: As the US reduces its global leadership role, Europe, China, and the rest of the world are expanding their defense and energy infrastructure, driving demand for strategic commodities. In a world where geopolitical certainties are crumbling, both nations and companies will be forced to hoard strategic resources.

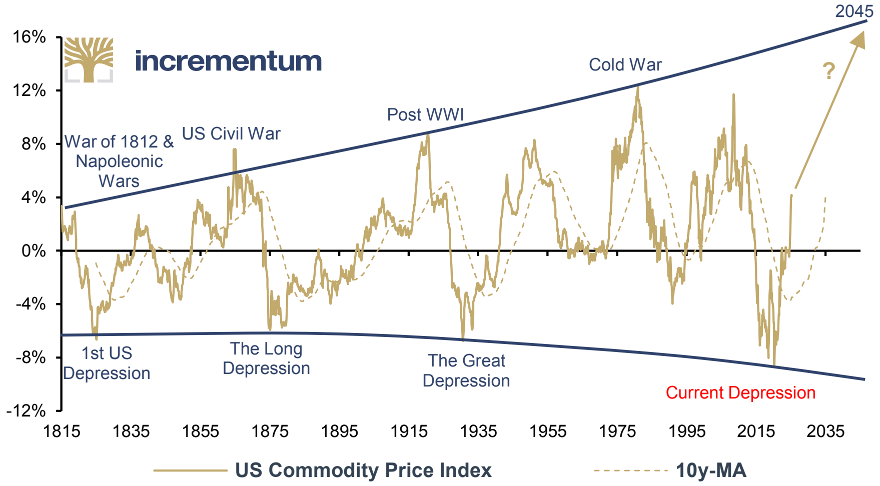
China is accelerating this development through targeted decoupling: The US export share fell from 19.2% (2018) to 14.7% (2024), while Beijing controls 60% of global production and 90% of rare earth processing, for example. This dominance is further cemented by targeted export restrictions, especially for exports to the US, and creates a structural supply risk. **Raw materials have long since become an instrument of geo-economic power, both as a weapon and as an insurance policy. If you want to invest successfully in this environment, you need to comprehend the new power structures and the political function of certain commodities.**

However, there are also potential bullish triggers in the short term: An easing of monetary policy could herald the next upturn – accompanied by a weaker US dollar and expansive fiscal and monetary policy stimuli from China. In addition, growing demand from the defense industry and green transformation investments are reinforcing this trend. On a rolling ten-year basis, yields still have plenty of room for improvement.

In commodities, you need a stomach of steel and a horizon of decades.

Jim Rogers

US Commodity Price Index, 10-year rolling CAGR, 01/1815–04/2025

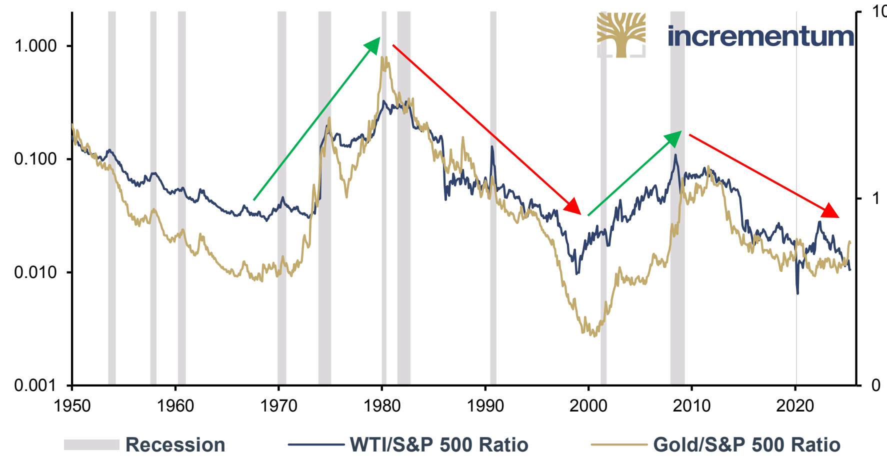


Source: Stifel Report, LSEG, Incrementum AG

Bitcoin

Could Bitcoin also emerge as a winner from the current re-sorting of the world (dis)order? Against growing geopolitical tensions, the advantages of a decentralized cryptocurrency like Bitcoin seem obvious. Thanks to its independence from state control and its cross-border transaction capability, Bitcoin would indeed offer an alternative to traditional currencies. **With the passing of the law to introduce a *strategic Bitcoin reserve,* the US has also entered the race for digital gold at the state level.**[8]

WTI/S&P 500 Ratio (lhs, log), and Gold/S&P 500 Ratio (rhs, log), 01/1950–04/2025

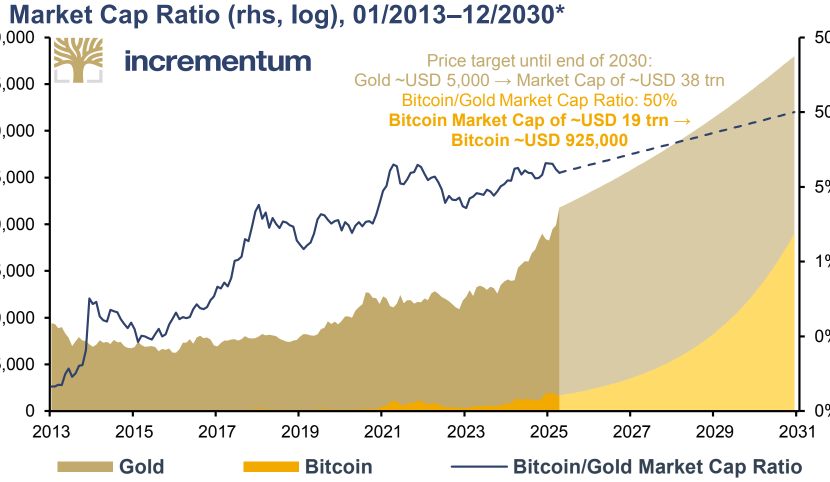


Source: Nick Laird, LSEG, Incrementum AG

However, there is still a long way to go before gold is replaced by Bitcoin. The market capitalization of all mined gold as of 30 April is approximately USD 23trn – 217,465 t at a price of USD 3,288 per ounce. At a price of just under USD 94,200 per Bitcoin at the end of April, the market capitalization of Bitcoin stands at around USD 1.9trn. This corresponds to around 8% of the market capitalization of gold. In line with our gold price forecast with a time horizon until the end of 2030, it is conceivable that Bitcoin could reach a market capitalization of 50% relative to gold by then. **If we now assume our conservative gold price target of around USD 4,800, the Bitcoin price would have to rise to around USD 900,000 in order to reach 50% of gold's market capitalization.** This may be ambitious throughout, but would ultimately be consistent with the historical performance of both assets.

The fact that gold has gained a competitor in the universe of noninflationary assets is not necessarily a disadvantage in itself. According to the motto "competition stimulates business", it is likely that more and more investors will realize that a combined investment in gold and Bitcoin is superior to the respective individual investments on a risk-adjusted basis. **Our credo for years has been: *"Gold for stability, Bitcoin for convexity."*** Even if the two asset classes are different, buying both assets is an active decision to turn your back on the fiat world.[9]

Market Cap of Gold and Bitcoin (lhs), in USD bn, and Bitcoin/Gold Market Cap Ratio (rhs, log), 01/2013–12/2030*



Source: LSEG, World Gold Council, coinmarketcap.com, Incrementum AG
*Based on the expected Bitcoin supply at end of 2030 and gold supply at end of 2030 assuming an annual supply growth of 1.5%.

The Big Correction? – What Factors Point to a Correction in the Price of Gold?

Despite the intact long-term uptrend, a correction is likely, according to our analyses. The following factors suggest a temporary phase of weakness:

- **Central banks as a key risk:** An unexpected decline in central bank demand from the current average of 250 tons per quarter could withdraw structural demand.
- **Investor de-risking & position reduction:** Broad sell-offs such as those in April, immediately following Liberation Day, show how quickly speculative positions are being reduced. Profit-taking by large investors cannot be ruled out either, especially if volatility on the US equity market decreases.
- **Decline in the geopolitical premium:** An agreement in the Ukraine war, a resolution of the situation in the Middle East, or a rapid end to the trade war, particularly with China, would significantly reduce the respective geopolitical premia and weaken the gold price.

- **US economy stronger than expected:** A robust US economy could prompt the Federal Reserve to tighten interest rates.
- **High technical and sentiment-driven risks:** Sentiment is bullish, and the positioning is extreme in some cases. **Stronger US dollar:** The US dollar is oversold in the short term and sentiment is extremely negative.

The short-term market situation is tense; a correction to ~USD 2,800 does not seem unrealistic. A temporary sideways market would also be conceivable as part of a price consolidation and would ultimately be healthy for the bull market. T**his would in no way jeopardize the medium to long-term *Big Long* case for gold.**

The Big Long: The Rise of the Golden Swan?

The Big Short was a strategic investment decision against a dysfunctional financial system that was in the final phase of irrational exuberance. ***The Big Long* is a strategic investment decision based on several reinforcing pillars:**

- the inevitable restructuring of the global financial and monetary system in the face of deep political and economic turmoil.
- an inflationary attitude on the part of governments and central banks – monetary climate change.[10]
- the economic upturn in regions with an affinity for gold, particularly Asia and the Arab world.
- the reallocation of capital out of US assets (USD, US stocks, US Treasuries), which have stolen the show from gold for many years.
- The expected outperformance of performance gold, i.e. silver, mining stocks and commodities.

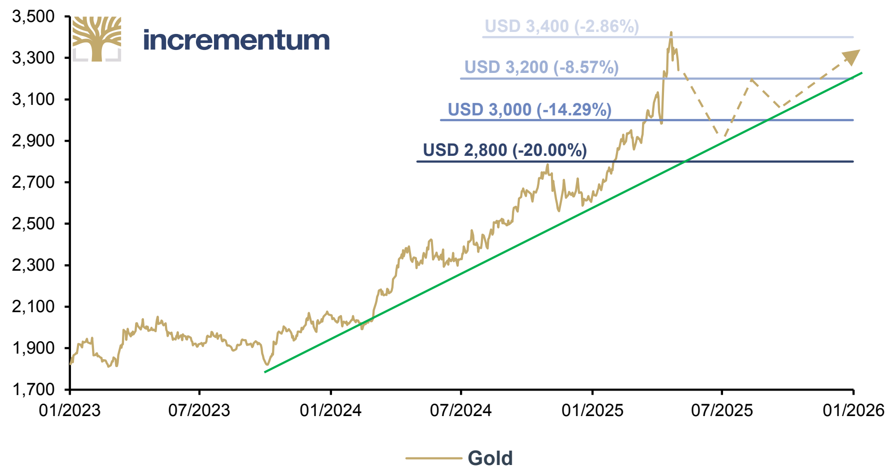
The parallel with *The Big Short* is no coincidence: Just like the underdog investors around Michael Burry in the aughts, those who recognize fundamental market distortions and embrace the Big Long are benefiting today — including many readers of the *In Gold We Trust* report. These investors, who think in the tradition of the Austrian School, have been derided as *gold bugs* for decades. **The chrysophiles and sound money advocates see their theses confirmed by current market developments.**

Gold, mankind's oldest store of value, is sending out clearly visible signals. However, the extraordinary gold price rally of recent quarters could be more than just a reflection of crises; it could be the first harbinger of a *golden swan moment:* a rare but hugely positive signal for gold in the maelstrom of global upheaval. While the existing monetary system is increasingly losing credibility, there is a growing likelihood that gold will regain its traditional role as a monetary asset, possibly in the form of a supranational settlement asset – not as an instrument of political power but as a neutral, debt-free basis for trade, exchange and trust. **Gold is a monetary anchor that could create the basis for a calmer, more stable, and more peaceful era.**

Whatever the outcome, in view of the geopolitical and economic climate, one thing is certain:

IN GOLD WE TRUST

Gold, in USD, 01/2023–04/2025



Source: LSEG, Incrementum AG

End notes

1 *See* also "Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order," *In Gold We Trust* report 2023
2 *See the chapter* "Bringing it Home: Central Bank Gold Repatriation" in this *In Gold We Trust* report
3 *See* "Mastering the New Gold Playbook," *In Gold We Trust* report 2024; "Portfolio Characteristics: Gold as Equity Diversifier in Recessions," *In Gold We Trust* report 2019
4 *See* in particular "Stagflation 2.0," *In Gold We Trust* report 2022
5 *See* "Possible targets for the gold price", *In Gold We Trust* report 2011; *see* "The Portfolio Characteristics of Gold," *In Gold We Trust* report 2018
6 *See the chapter* "1970s, 2000s, 2020s...: "A déjà vu in two acts – Act Two" in this *In Gold We Trust* report, as well as "Mastering the New Gold Playbook," *In Gold We Trust* report 2024
7 *See the chapter* "Gold Miners' Puzzle in This Market Cycle: To Grow or to Save?" and "Performance Gold – Is It Time for Mining Stocks?" in this *In Gold We Trust* report
8 *See the chapter* „A Monetary Turning Point: Bitcoin's Rise to Strategic Reserve Currency" in this *In Gold We Trust* report
9 You can find more information on our investment strategies at www.incrementum.li/en/investment-funds. For Bitcoin enthusiasts, we also offer a quarterly publication, "The Bitcoin Compass", which can be downloaded free of charge: www.incrementum.li/en/incrementum-bitcoin-compass
10 *See* "Gold and the Turning of the Monetary Tides," *In Gold We Trust* report 2018

Do You Have Enough Non-Debt Money?

Ray Dalio

About us

Ronald-Peter Stöferle, CMT

Ronnie is managing partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied business administration and finance in the USA and at the *Vienna University of Economics and Business Administration,* and also gained work experience at the trading desk of a bank during his studies. Upon graduation he joined the research department of Erste Group, where in 2007 he published his first *In Gold We Trust* report. Over the years, the *In Gold We Trust* report has become one of the benchmark publications on gold, money, and inflation.

In 2014, Ronnie co-authored the international bestseller *Austrian School for Investors,* and in 2019 *The Zero Interest Trap*. He is a member of the board of directors at *Tudor Gold Corp.* (TUD), and *Goldstorm Metals Corp.* (GSTM). Moreover, he is an advisor to *VON GREYERZ AG*, a global leader in wealth preservation in the form of physical gold stored outside the banking system. He is also a Member of the Advisory Board at Monetary Metals.

Mark J. Valek, CAIA

Mark J. Valek is partner of Incrementum AG.

While working full-time, Mark studied business administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of *philoro Edelmetalle GmbH*. Since 2024, he has been a Member of the Advisory Board at Monetary Metals. In 2014, he co-authored the book *Austrian School for Investors*.

Incrementum AG

Incrementum AG is an owner-managed and FMA-licensed investment and asset management company based in the Principality of Liechtenstein. Our core competence is the management of investment funds and asset management. We evaluate investments not only on the basis of the global economic situation, but also always see them in the context of the current global monetary system. Independence and self-reliance are the cornerstones of our philosophy, which is why the five partners own 100% of the company.
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www.edrsilver.com

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www.hecla.com

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www.firstmininggold.com

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www.mineraalamos.com

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TUDOR GOLD Corp. is an exploration company in the Golden Triangle region of B.C., Canada, which is advancing the Treaty Creek Project that hosts an Indicated Mineral Resource of 27.9 Moz AuEQ @ 1.19 g/t AuEQ including 6.0 Moz AuEQ @ 1.25 g/t AuEQ of Inferred.

www.tudor-gold.com

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