
In Gold We Trust Report 2021: Monetary Climate Change

Ronald-Peter Stoeferle
Mark Valek

May 27, 2021
Press conference



In Our Partners We Trust

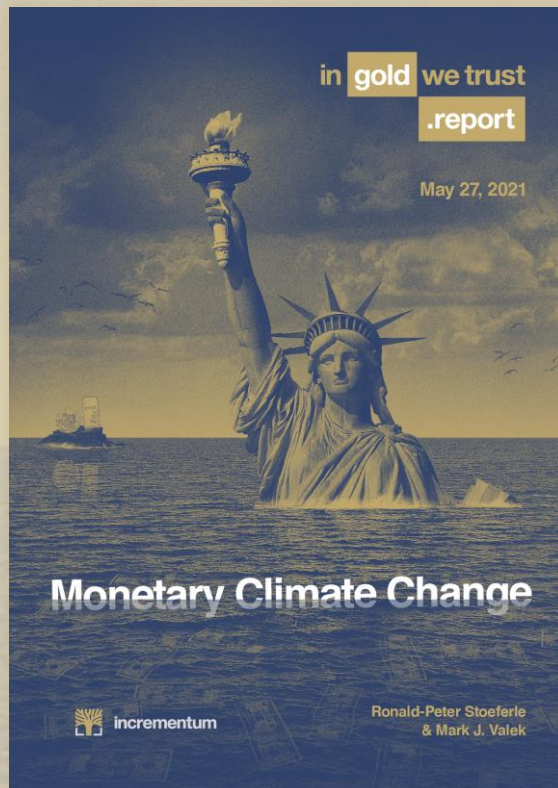


About the *In Gold We Trust* Report

- The annual gold study has been written by Ronald-Peter Stoeferle since 2007, and together with Mark Valek and under the umbrella of Incrementum AG since 2013.
- It provides a “holistic” assessment of the gold sector and the most important influencing factors, e.g. real interest rate development, debt, inflation, etc.
- The *In Gold We Trust* report is one of the most widely read gold studies in the world and was downloaded and shared more than 2 million times last year.
- Since 2019, the report has also been published in China. The Mandarin version will be published in autumn.
- You can find all the information at www.ingoldwetrust.report



Executive Summary – *In Gold We Trust* Report 2021



- Monetary climate change is on the horizon
- Increased inflation rates will not "pass" quickly
- Real interest rates will remain negative for years to come
- Are commodities at the start of a supercycle?
- Is silver the main winner of monetary and meteorological climate change?
- Cryptocurrencies will not replace physical gold as a store of value
- Mining stocks will have the most profitable year in history in 2021
- Technical analysis: Coppock on buy, cup-and-handle formation with price target USD 2,700
- Gold price 2030: USD 4,800; 2021 new all-time high

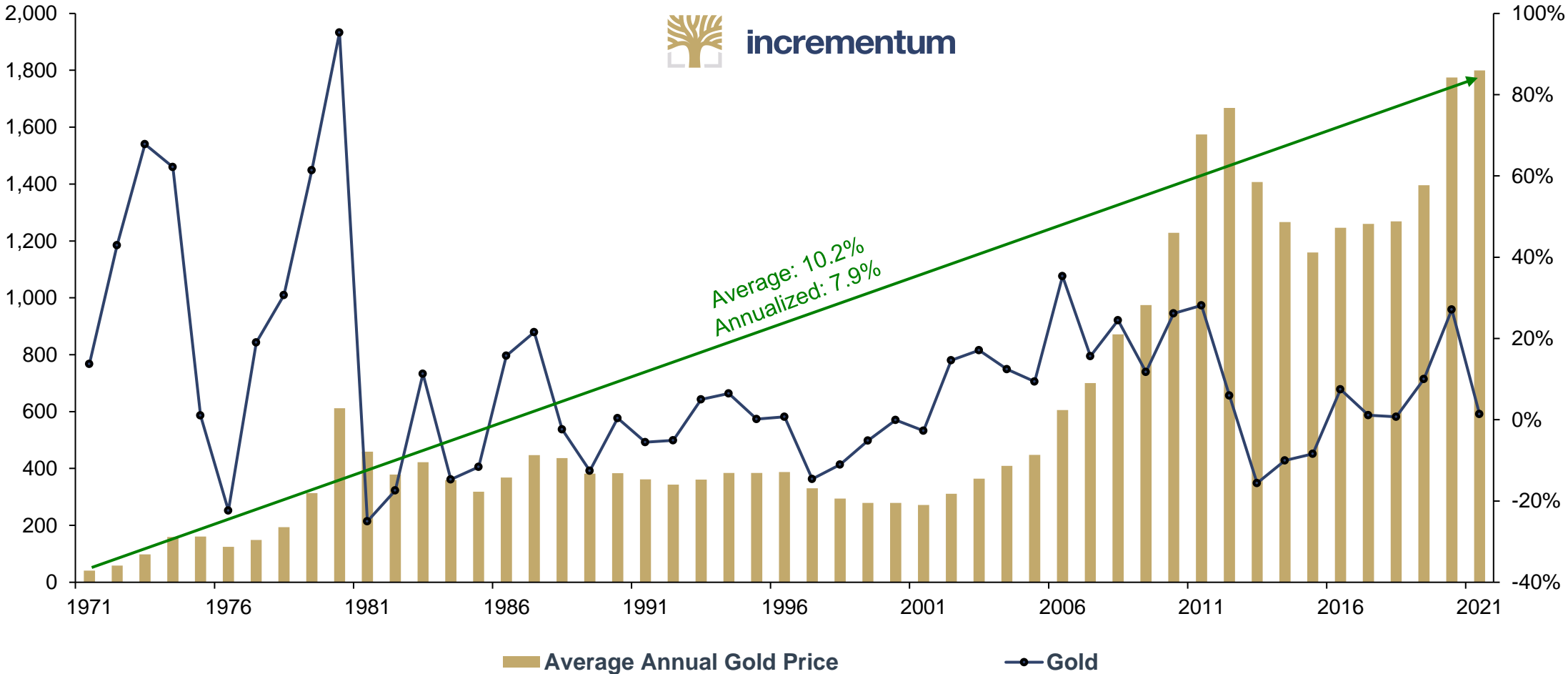
Gold performance since 2000 in various currencies

	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000	-5.3%	1.2%	2.4%	11.2%	-1.9%	-5.4%	5.8%	-4.2%	1.4%	0.6%
2001	2.4%	8.4%	5.3%	12.0%	8.8%	2.4%	18.0%	5.5%	5.8%	7.6%
2002	24.4%	5.5%	12.3%	13.2%	22.9%	24.4%	12.2%	3.5%	23.7%	15.8%
2003	19.6%	-0.2%	8.0%	-10.7%	-1.3%	19.6%	8.1%	7.4%	13.9%	7.2%
2004	5.6%	-2.0%	-1.7%	1.5%	-2.0%	5.6%	0.8%	-3.1%	0.1%	0.5%
2005	18.1%	35.2%	31.6%	25.9%	14.1%	15.1%	35.9%	36.3%	22.8%	26.1%
2006	23.0%	10.4%	8.1%	14.3%	23.3%	19.0%	24.2%	14.1%	20.7%	17.5%
2007	30.9%	18.4%	29.2%	18.0%	12.0%	22.5%	22.5%	21.8%	16.9%	21.4%
2008	5.4%	10.0%	43.0%	30.5%	28.7%	-1.5%	-14.2%	-0.8%	30.0%	14.6%
2009	24.8%	21.8%	13.0%	-1.6%	7.9%	24.8%	27.9%	21.1%	19.2%	17.6%
2010	29.5%	38.6%	34.2%	13.9%	22.8%	25.1%	13.2%	16.8%	24.8%	24.3%
2011	10.2%	13.8%	10.6%	9.9%	12.7%	5.2%	4.5%	10.7%	30.7%	12.0%
2012	7.1%	5.0%	2.4%	5.3%	4.2%	6.0%	20.7%	4.5%	11.1%	7.4%
2013	-28.0%	-30.9%	-29.4%	-16.1%	-23.0%	-30.1%	-12.6%	-29.8%	-19.1%	-24.3%
2014	-1.8%	11.6%	4.4%	7.2%	7.5%	0.7%	11.6%	9.4%	0.2%	5.6%
2015	-10.4%	-0.2%	-5.3%	0.6%	6.8%	-6.2%	-9.9%	-9.7%	-5.9%	-4.4%
2016	8.5%	12.1%	29.7%	9.4%	5.3%	16.1%	5.4%	10.3%	11.4%	12.0%
2017	13.1%	-0.9%	3.3%	4.6%	5.9%	6.0%	9.0%	8.3%	6.3%	6.2%
2018	-1.5%	3.0%	4.3%	9.0%	6.8%	4.1%	-4.2%	-0.8%	7.3%	3.1%
2019	18.3%	21.0%	13.8%	18.7%	12.6%	19.7%	17.2%	16.6%	21.3%	17.7%
2020	25.0%	14.7%	21.2%	14.1%	22.6%	17.2%	18.8%	14.3%	28.0%	19.5%
2021 YTD	0.2%	-0.7%	-3.1%	-0.4%	-5.2%	-1.6%	5.7%	0.2%	-0.2%	-0.6%
Average	9.9%	8.9%	10.8%	8.7%	8.8%	8.7%	9.9%	6.9%	12.4%	9.5%

Source: goldprice.org, Incrementum AG, figures as of 26 May 2021

Annual average price reaches new all-time high in 2021

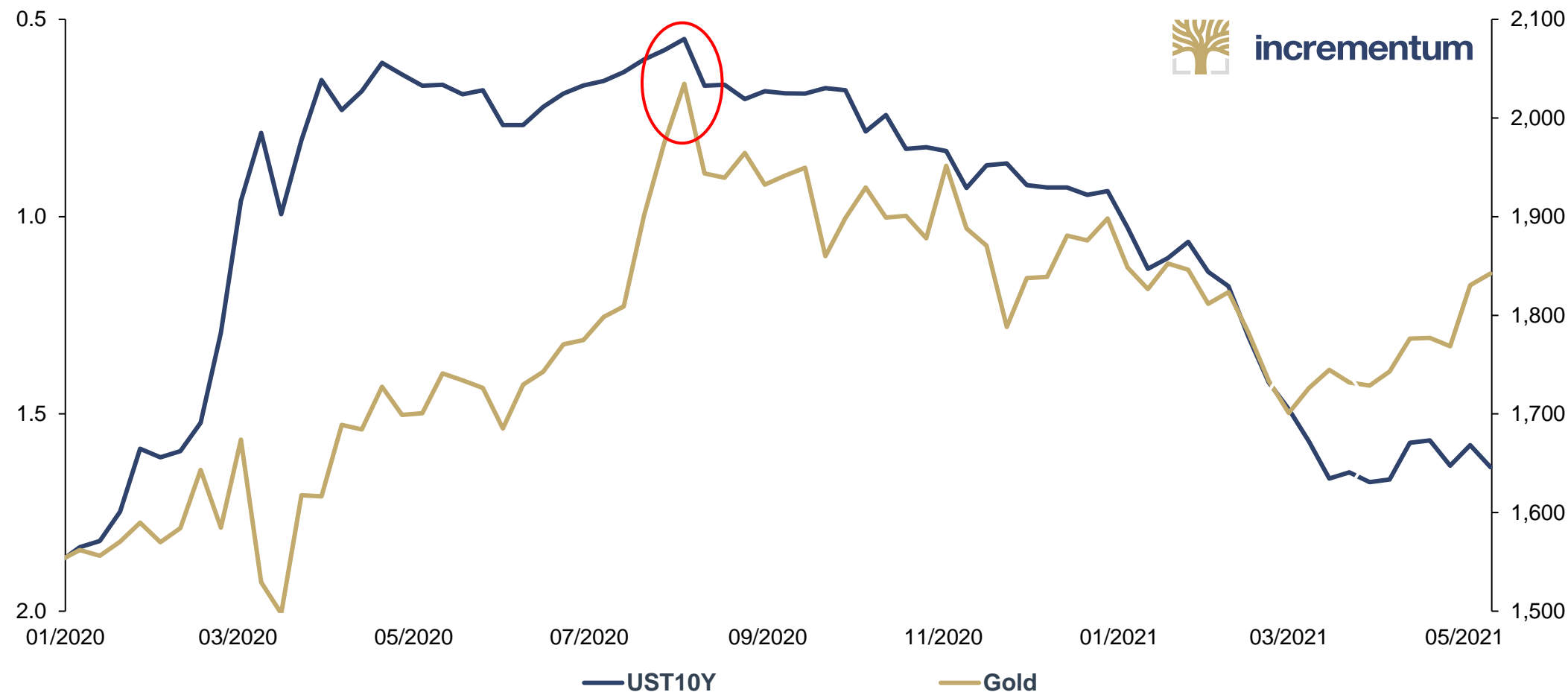
Average Annual Gold Price (lhs), in USD, and Gold (rhs), yoy%, 1971-05/2021



Source: Reuters Eikon, Incrementum AG

All-time high in August 2020 and consolidation with rising yields

UST10Y (lhs, inverted), in %, and Gold (rhs), in USD, 01/2020-05/2021



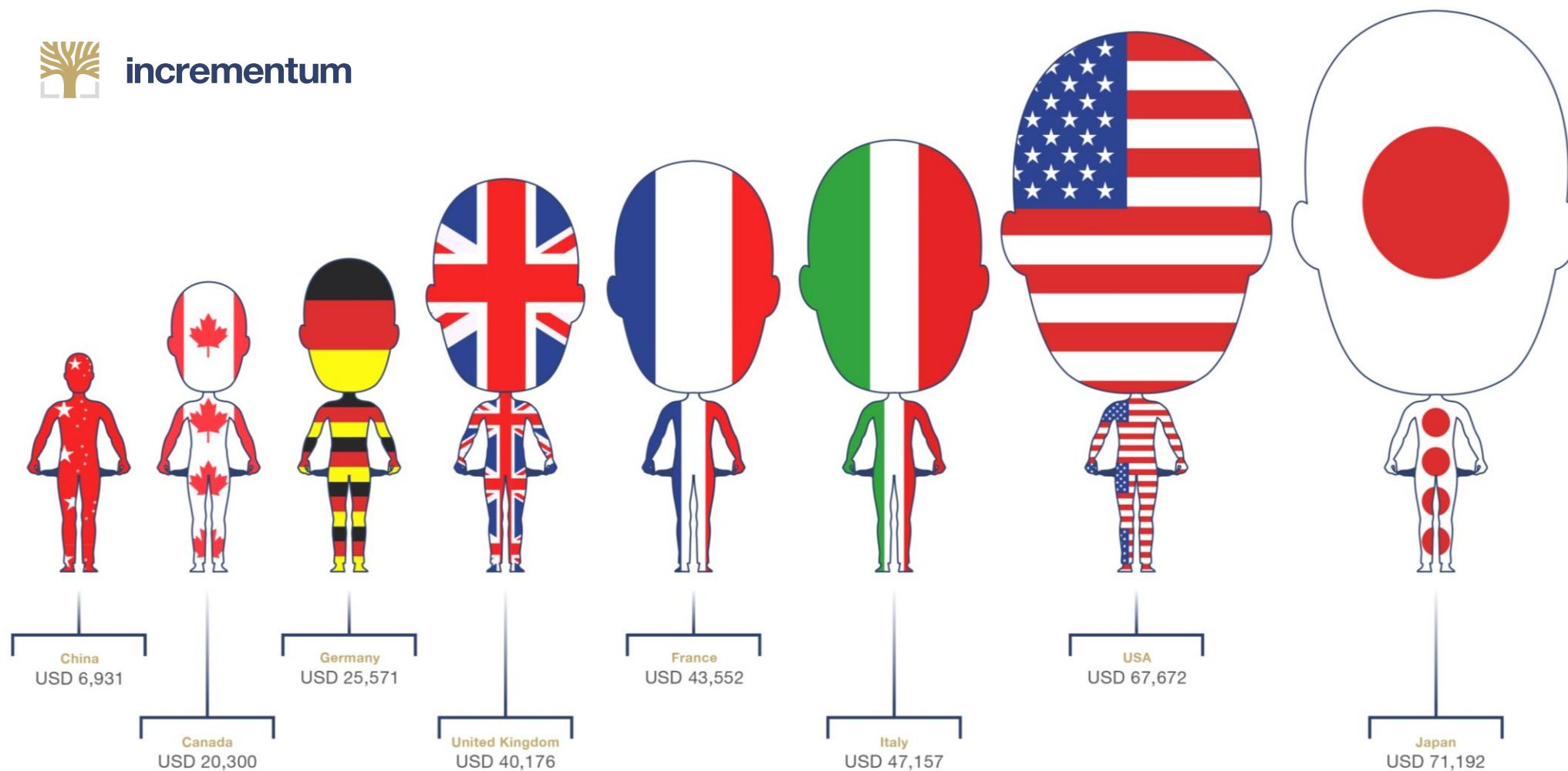
Source: Reuters Eikon, Incrementum AG

Covid-19 crisis has greatly intensified the debt problem

Debt per capita of the G7 countries and China, 2020, in USD

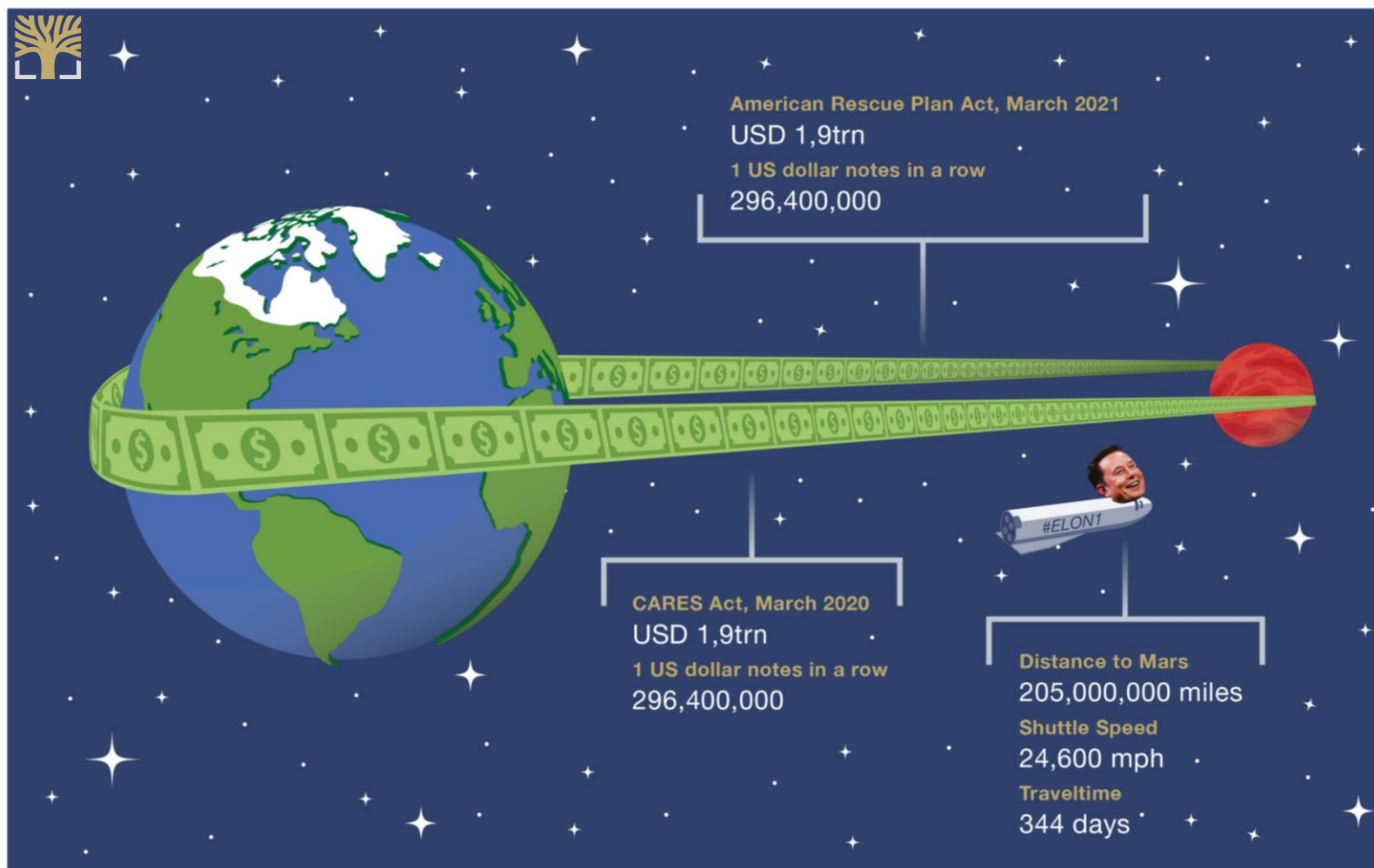


incrementum



Source: Incrementum AG

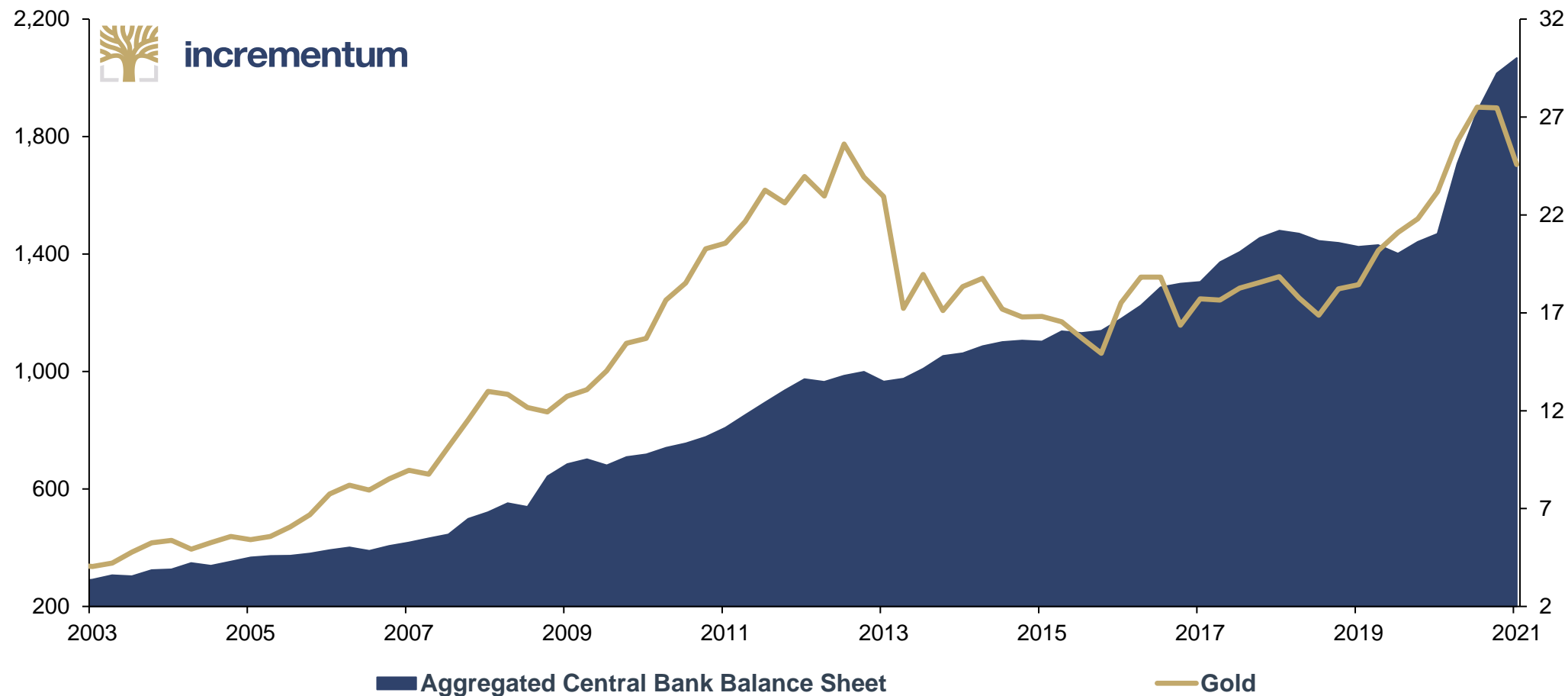
Fiscal stimulus on the road - Once to Mars and back again



Source: Incrementum AG

Covid-19 deficits financed by the digital printing press

Gold (lhs), in USD, and Aggregated Central Bank Balance Sheet of SNB, FED, PBoC, BoJ, and ECB (rhs), in USD trn, Q1/2003-Q1/2021

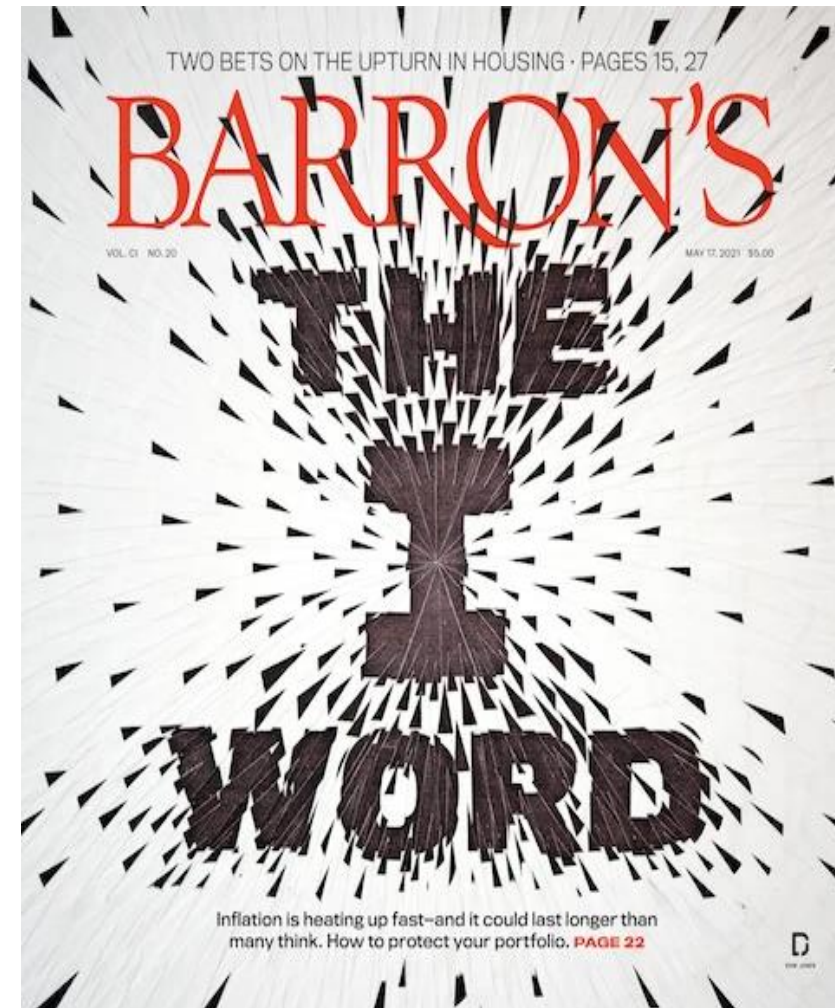


Source: Murenbeeld, Reuters Eikon, Incrementum AG

Inflation becomes an issue again

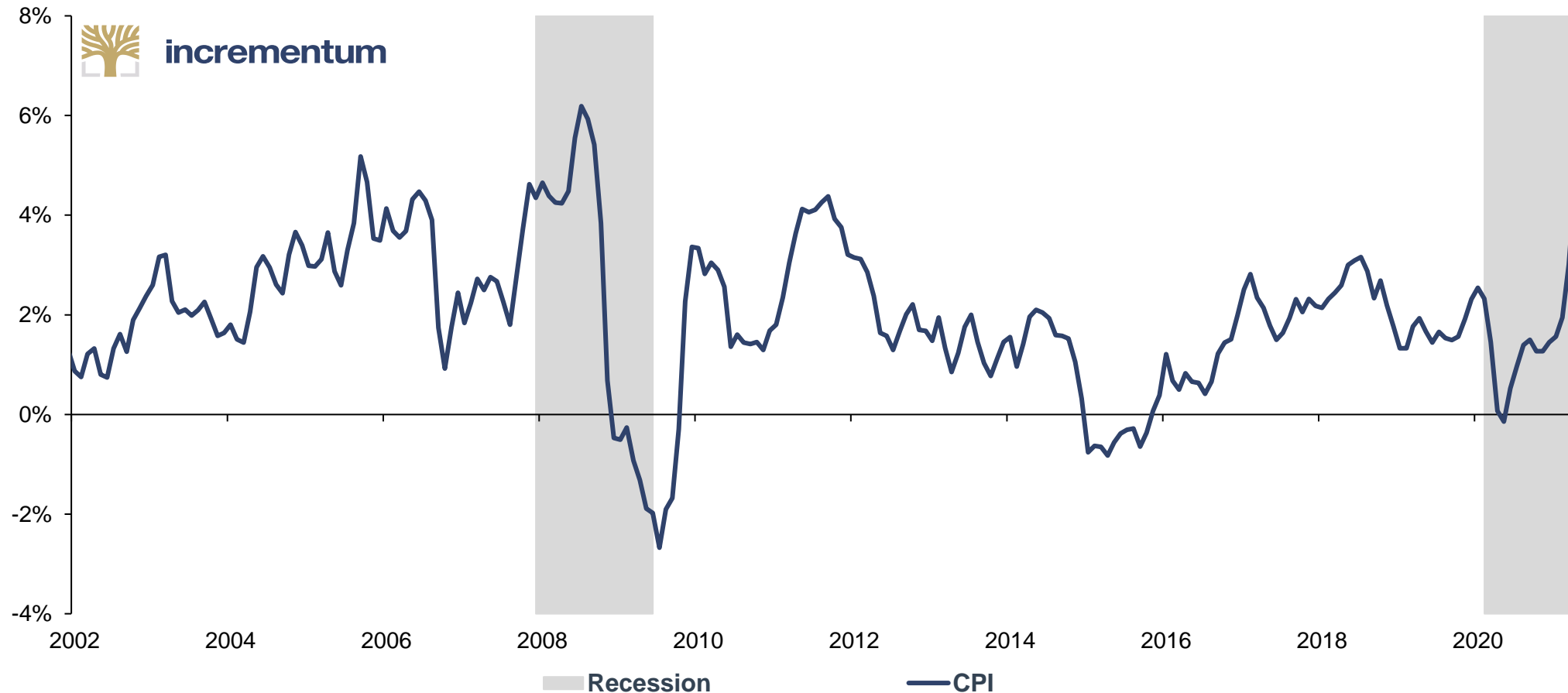


Source: Bloomberg Businessweek, Barrons Magazine



Are higher inflation rates “temporary” or structural?

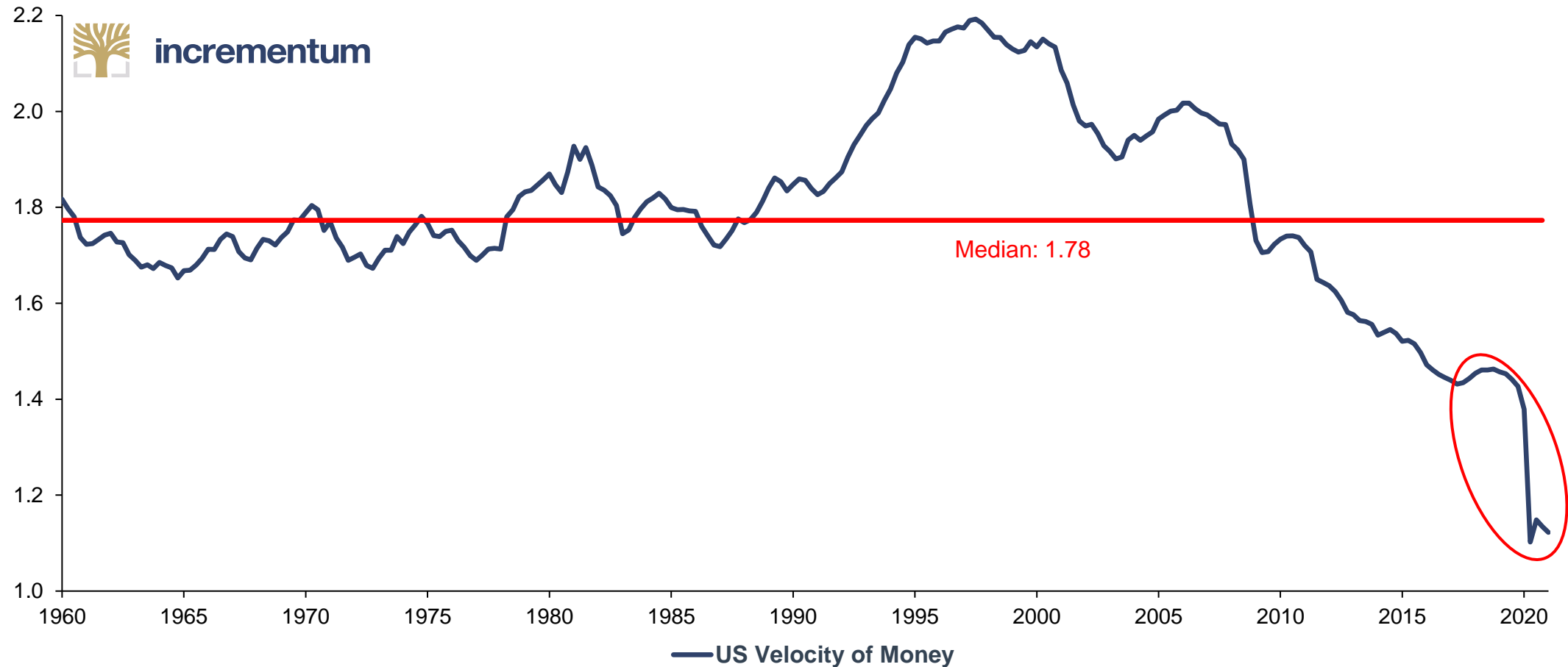
CPI, yoy%, 01/1960-04/2021



Source: Reuters Eikon, Incrementum AG

Effect of slumping velocity peters out

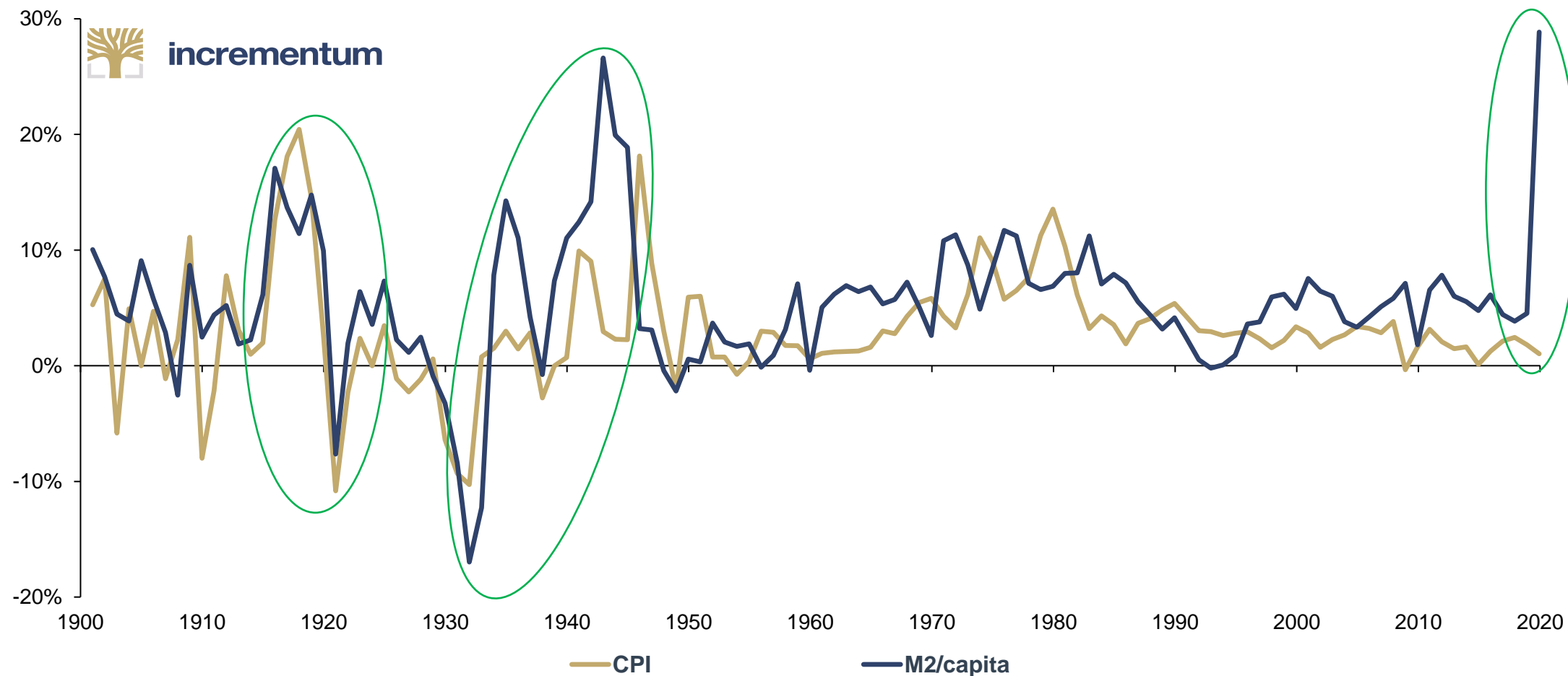
US Velocity of Money, Q1/1960-Q1/2021



Source: Reuters Eikon, Incrementum AG

M2 monetary expansion: signs of rising inflation?

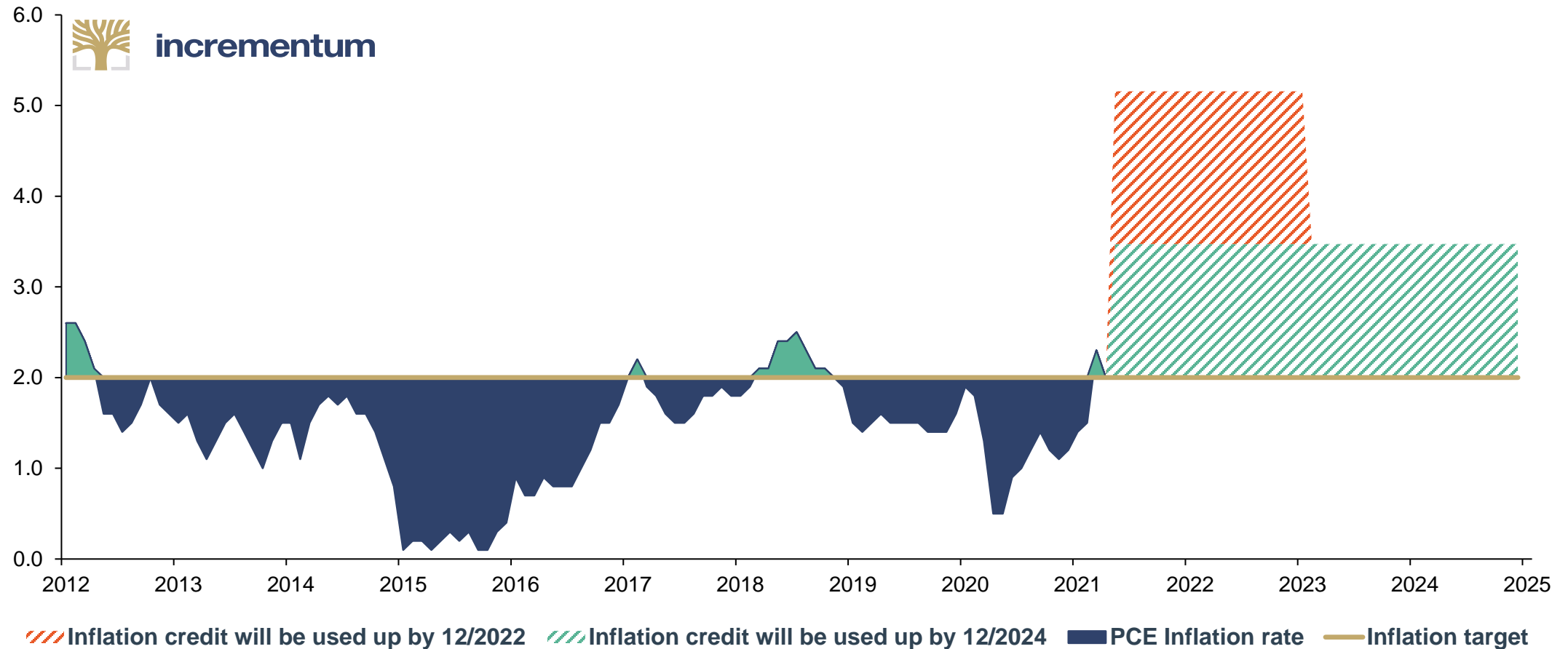
CPI, yoy%, and M2/capita, yoy%, 1900-2020



Source: Lyn Alden, Nick Laird, goldchartsrus.com, Reuters Eikon, Incrementum AG

Monetary climate change: “Inflation credit” according to Average Inflation Targeting

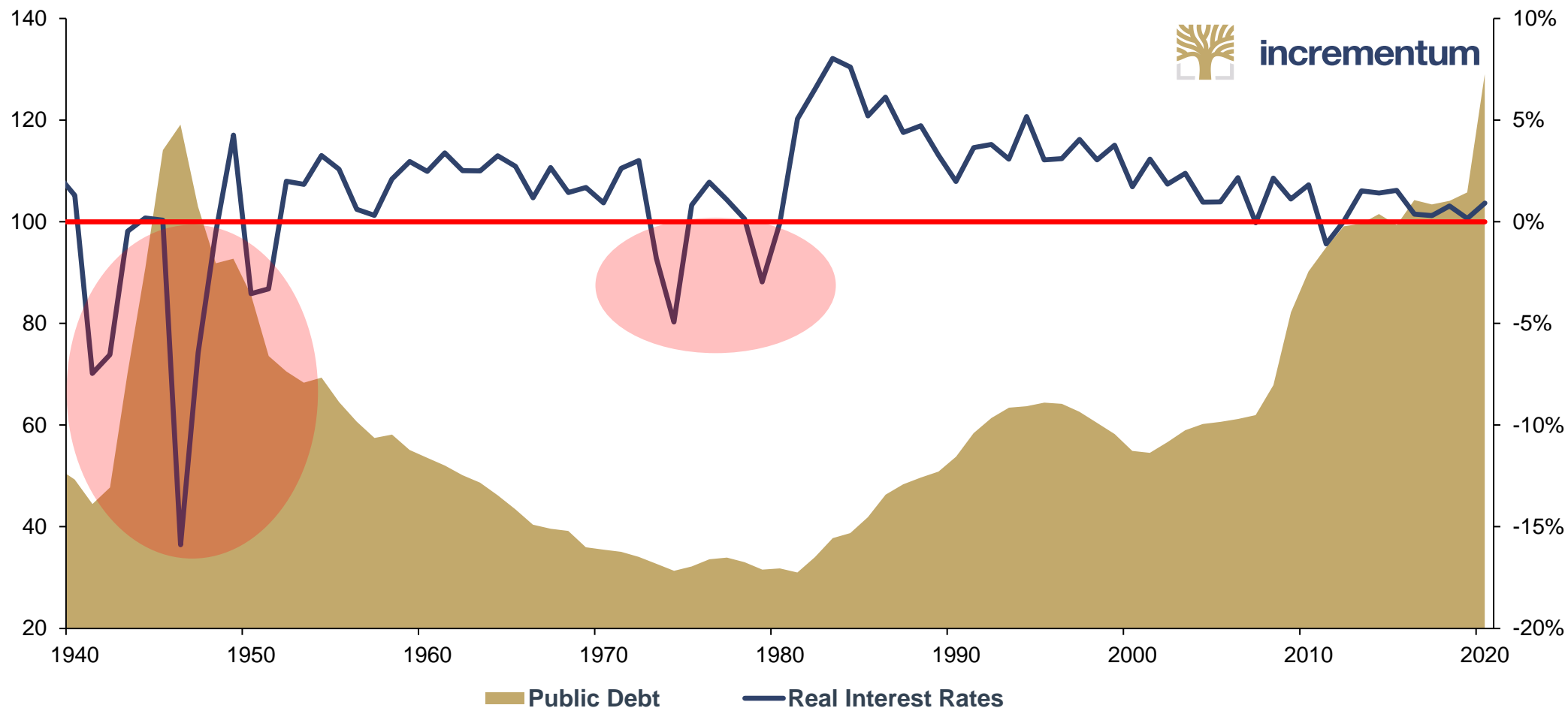
Federal Reserve Inflation Credit, in %, 01/2012-01/2025



Source: FvS, Reuters Eikon, Incrementum AG

Monetary Climate Change: Yield curve control ante portas?

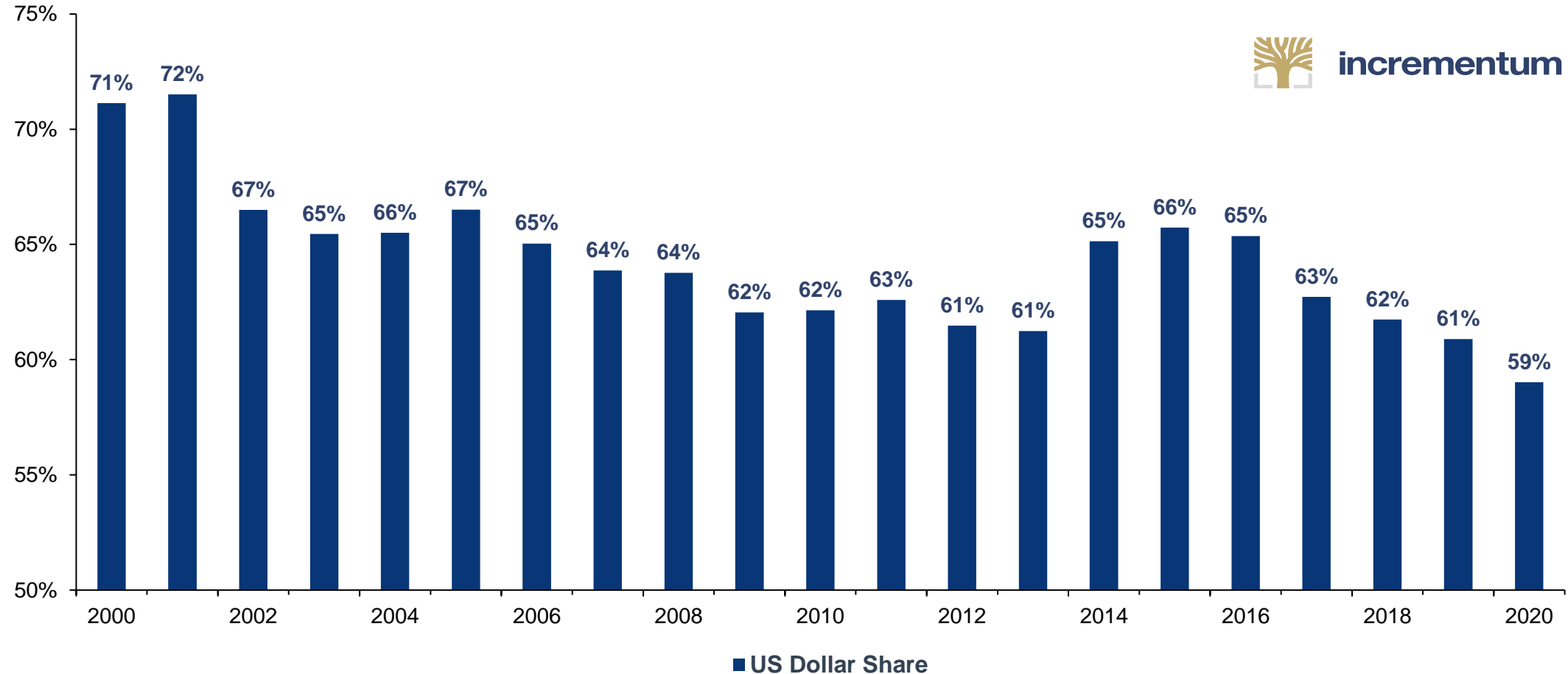
Public Debt (lhs), as % of GDP, and Real Interest Rates (rhs), 1940-2020



Source: Reuters Eikon, Federal Reserve St. Louis, Nick Laird, goldchartsrus.com, Incrementum AG

De-Dollarization: The US dollar is not only losing value, but also importance

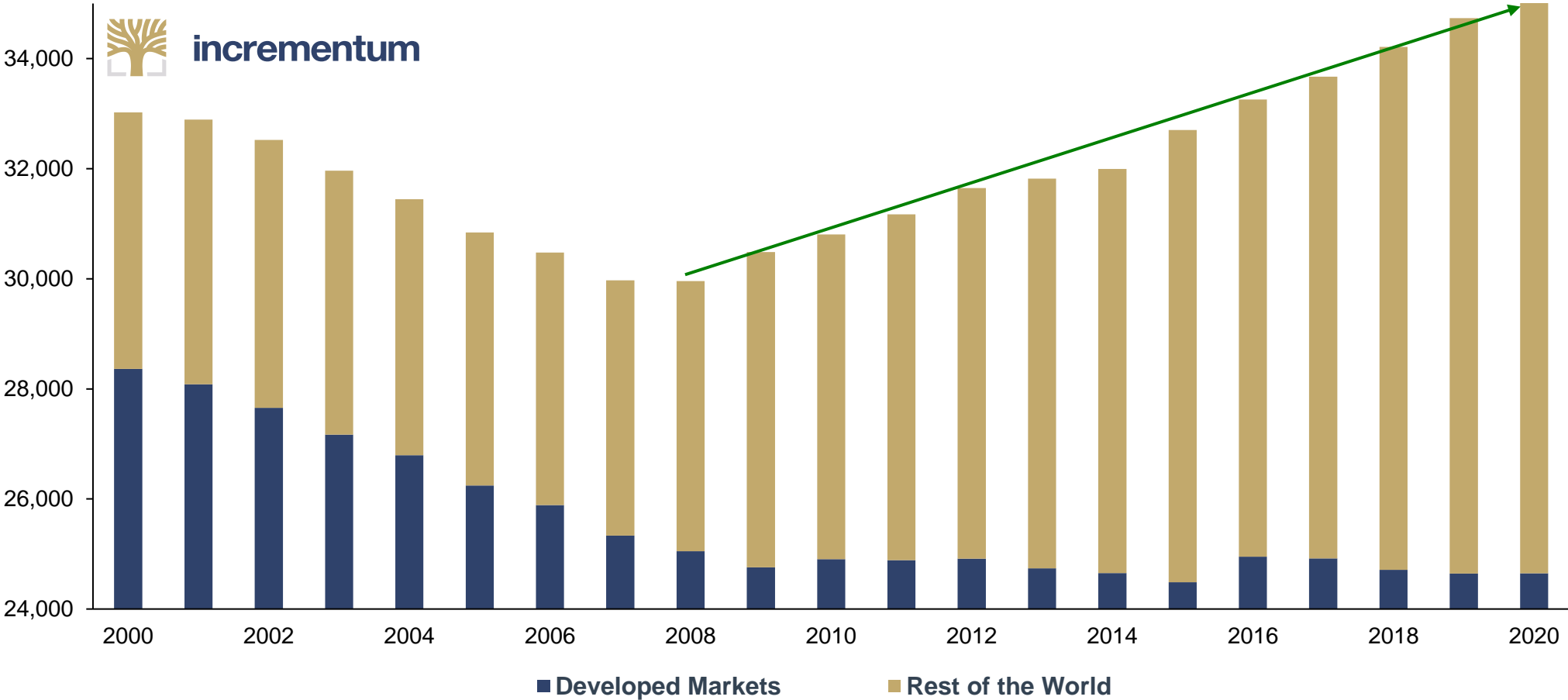
Share of the US Dollar in Global Currency Reserves, 2000-2020



Source: IMF, Incrementum AG

Central bank gold reserves continue to build up

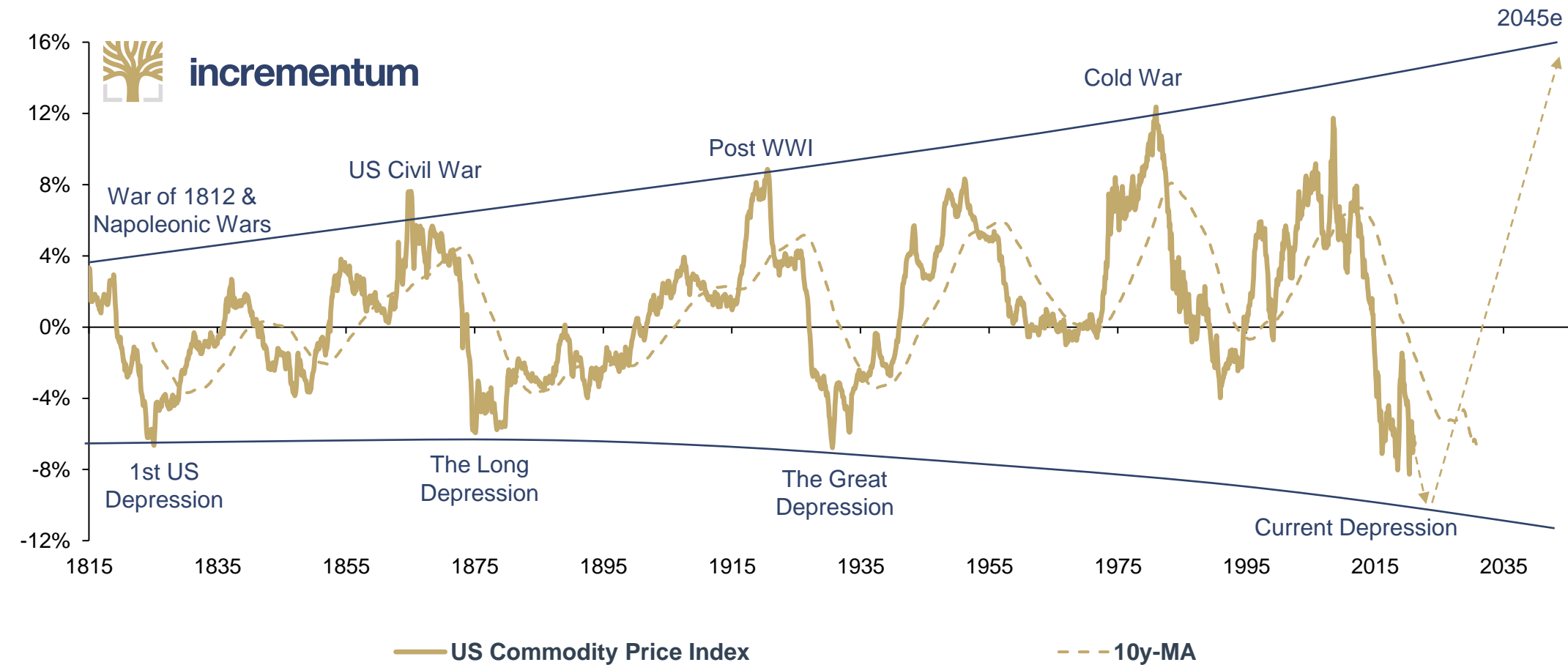
Global Central Bank Gold Reserves, in tonnes, Q4/2000-Q4/2020



Source: World Gold Council, Incrementum AG

New commodity cycle in the starting blocks?

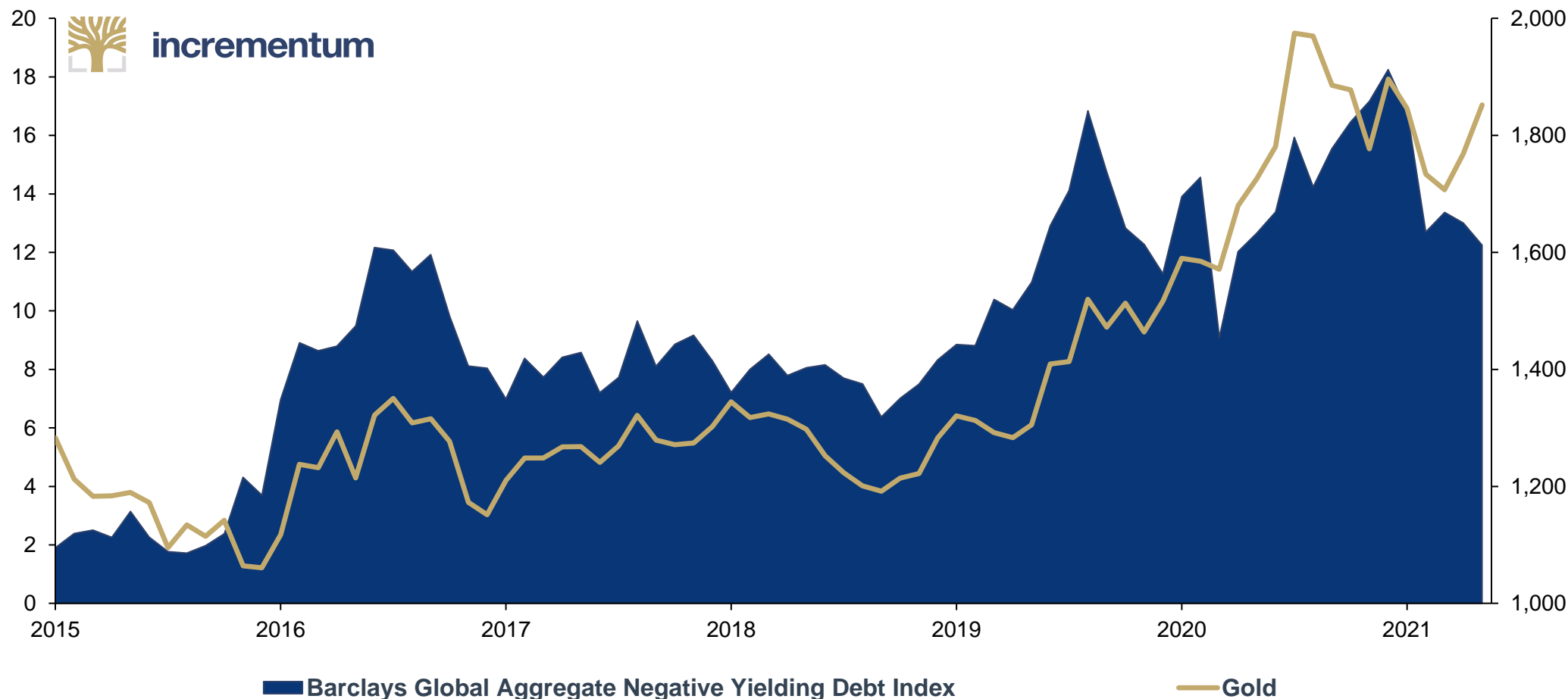
US Commodity Price Index, 10-year rolling CAGR, 1815-2021



Source: Stifel Report, Incrementum AG

Is inflation the “pain trade” of the decade for bondholders?

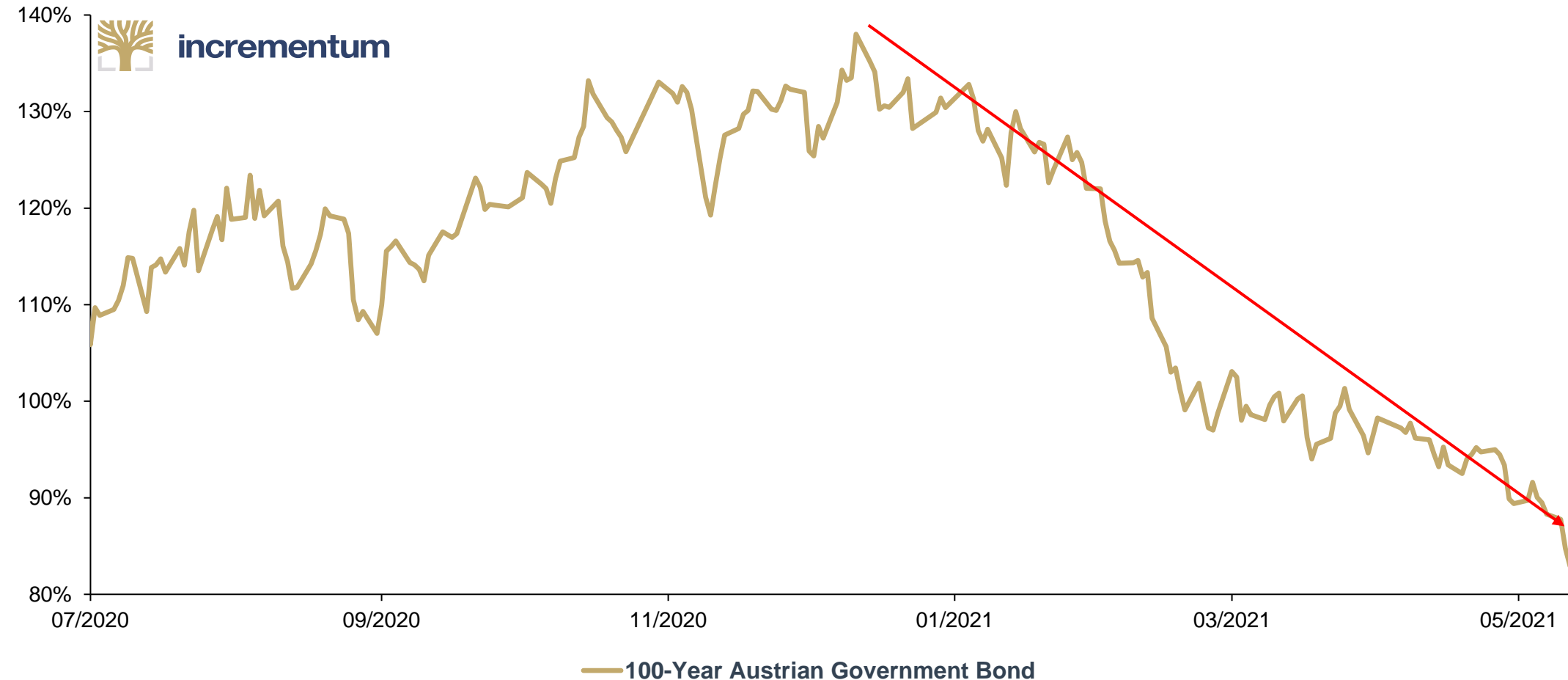
Barclays Global Aggregate Negative Yielding Debt Index (lhs), in USD bn, and Gold (rhs), in USD, 01/2015-05/2021



Source: Bloomberg, Reuters Eikon, Incrementum AG

Yield increase from 0.45% to 1.13% led to loss of 36.4 percentage points since the beginning of the year

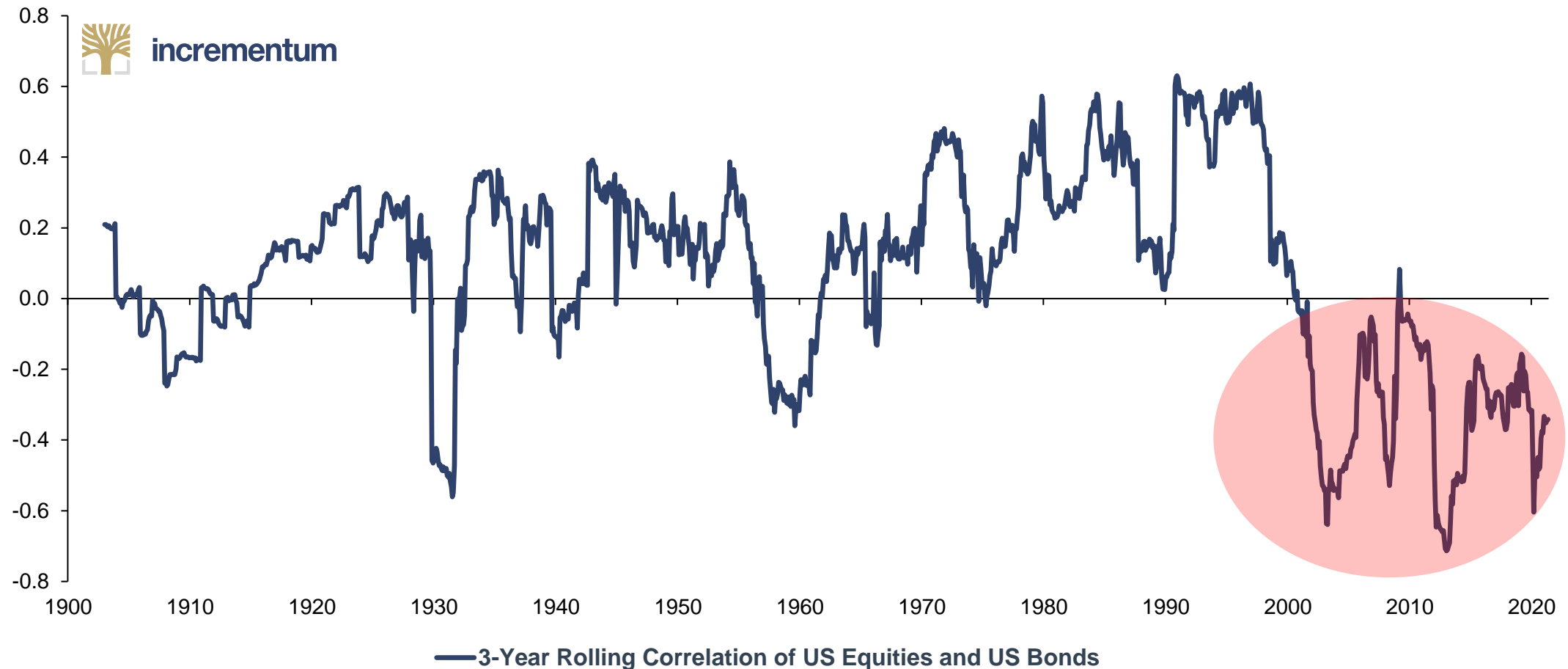
100-Year Austrian Government Bond, 07/2020-05/2021



Source: Frankfurt Stock Exchange, Incrementum AG

Negative correlation between equities and bonds is the exception rather than the rule

3-Year Rolling Correlation of US Equities (S&P 500) and US Bonds (UST10Y), 01/1900-05/2021



Source: Reserve Bank of Australia, Nick Laird, goldchartsrus.com, Reuters Eikon, Incrementum AG

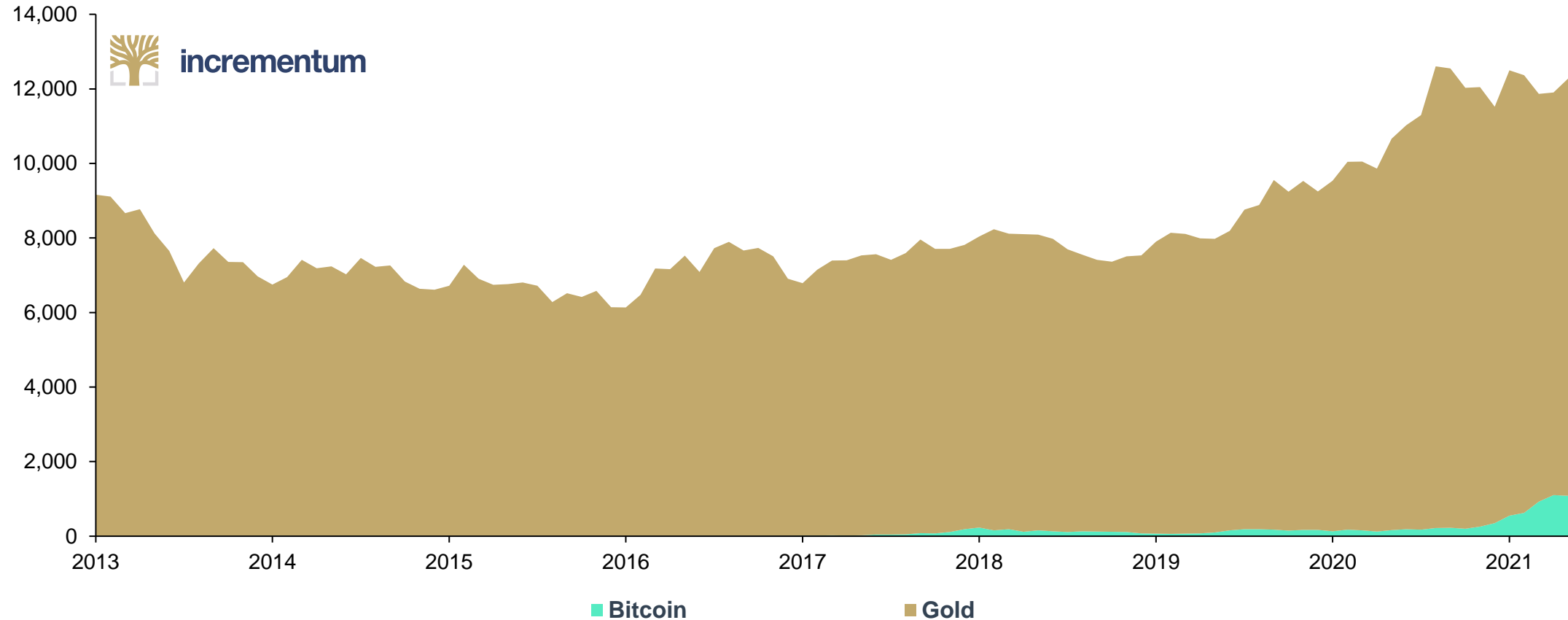
Inflation beta and average annualized real returns of different asset classes (1970-2020)

Asset class	Inflation beta	Performance in the entire period	Performance in phases rising inflation	Difference
Commodities	4	4.2%	14.6%	10.3%
Gold	2.1	6.1%	15.7%	9.7%
REIT's*	0.7	9.8%	1.1%	-8.8%
1-5Y TIPS**	0.5	0.9%	0.1%	-0.8%
High yield bonds	-0.4	5.0%	-0.9%	-5.9%
10Y TIPS***	-0.5	6.3%	2.1%	-4.2%
S&P 500	-0.7	7.9%	-0.4%	-8.2%
Corporate Bonds (BAA)	-0.8	4.5%	-1.2%	-5.7%
10Y US Treasuries	-1.1	3.3%	-3.7%	-7%

Source: Bloomberg, Federal Reserve St. Louis, Verdad, Incrementum AG
 *REIT: Data available as of 1990 (Dow Jones REIT Total Return Index),
 ** Short-duration TIPS as of 2005 (Barclays 1-5Y TIPS Total Return Index),
 *** Long-duration TIPS as of 2000 (Barclays 10Y+ TIPS Total Return Index)

Monetary Climate Change: Digital central bank currencies vs. decentralised cryptocurrencies

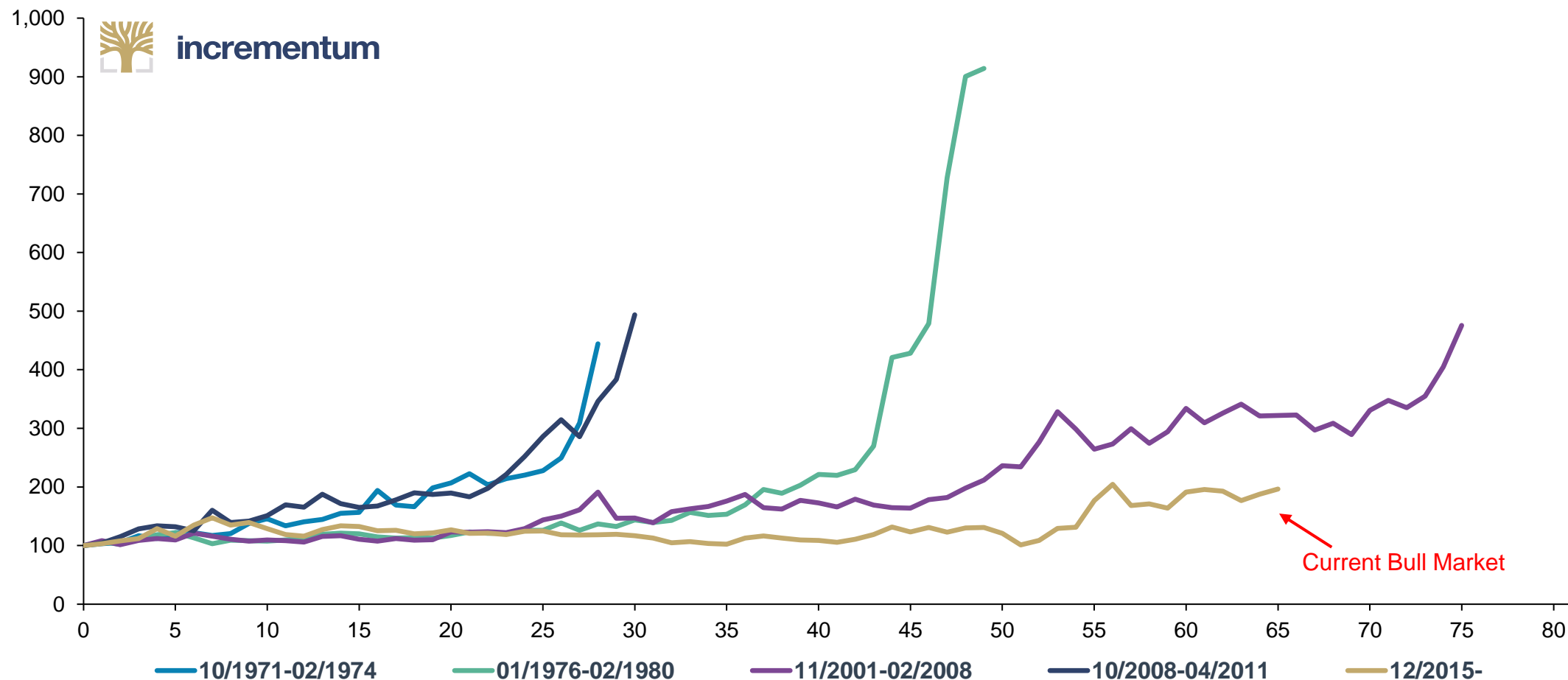
Market Capitalization of Gold and Bitcoin, in USD bn, 01/2013-05/2021



Source: Reuters Eikon, World Gold Council, coinmarketcap.com, Incrementum AG

Silver bulls are unstoppable: The second longest bull market since 1971

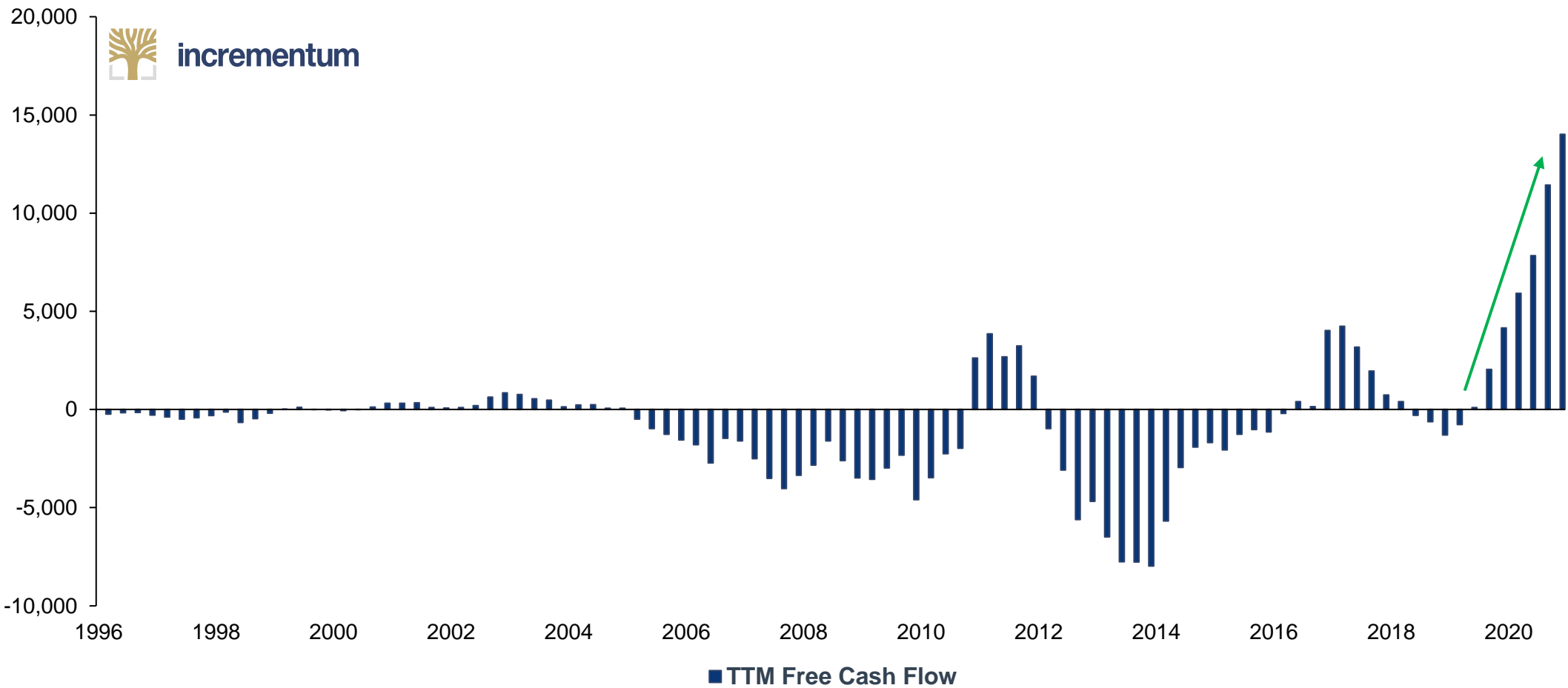
Silver Bull Markets, 100 = Start of Bull Market Cycle, 01/1971-05/2021



Source: Nick Laird, goldcharts.com, Reuters Eikon, Visual Capitalist, Katusa Research, Incrementum AG

Mining is more profitable than ever...

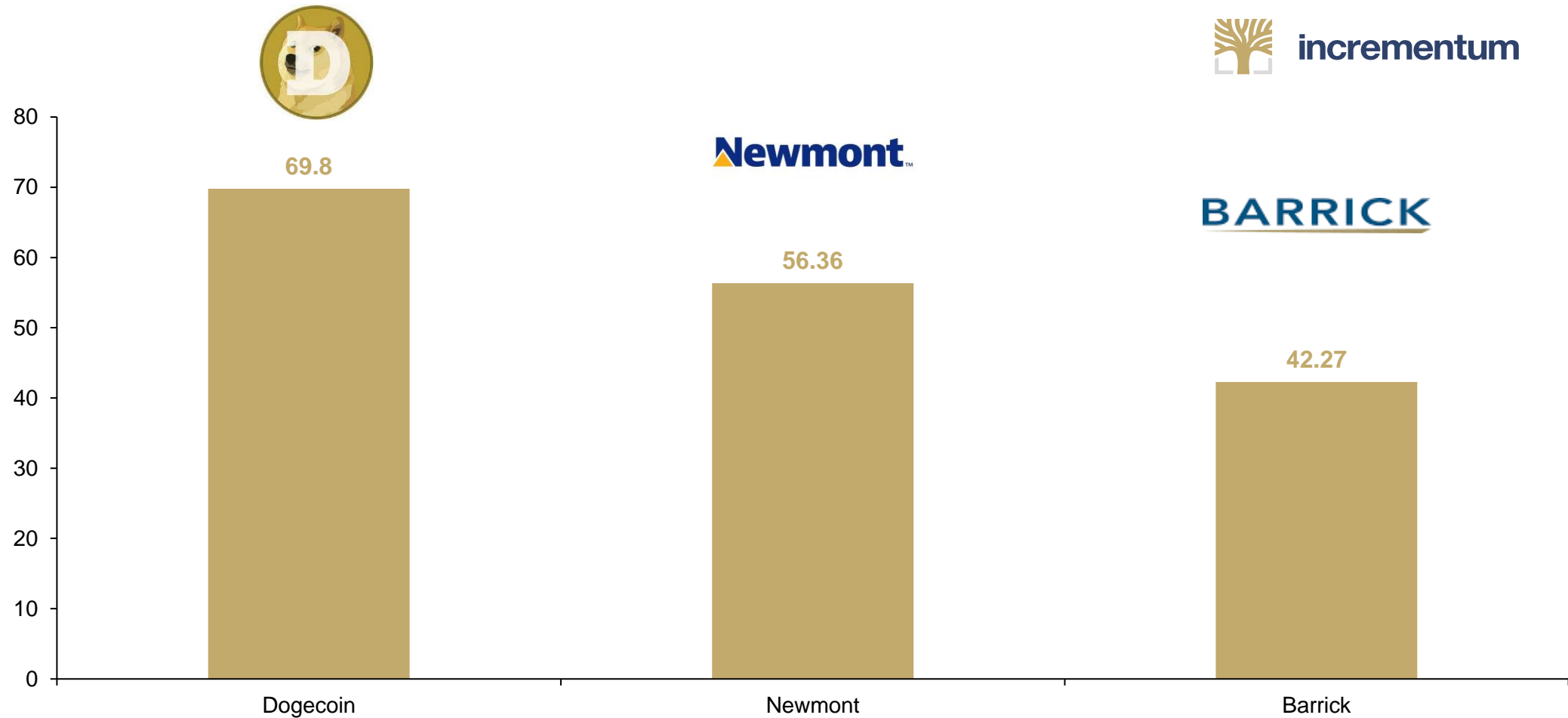
Trailing 12 Month Free Cash Flow of the Top 50 Miners by Market Capitalization on the Canadian and US Stock Exchanges, in USD mn, Q1/1996-Q4/2020



Source: Crescat Capital, Tavi Costa, Incrementum AG

...but this is not (yet) reflected by the markets

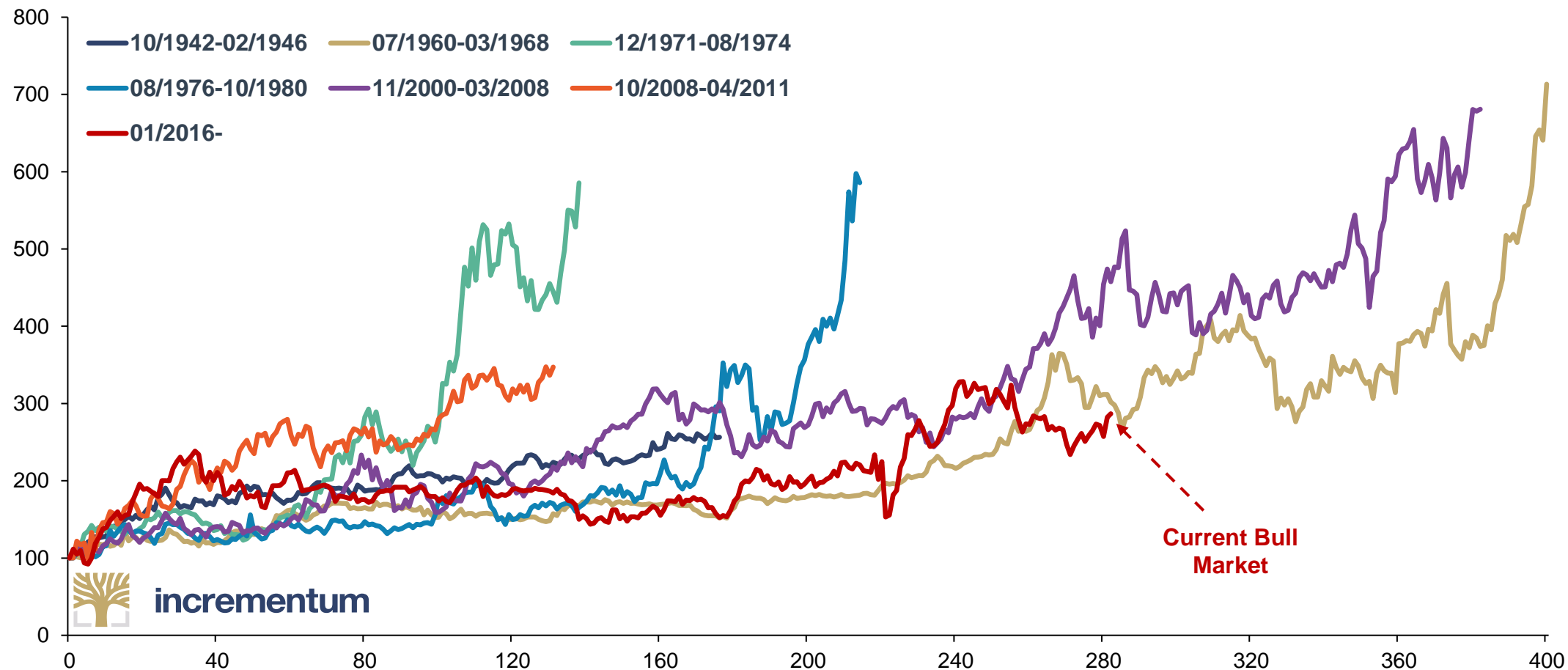
Market Capitalization of Dogecoin, Newmont and Barrick, in USD bn



Source: Reuters Eikon (as of May 14, 2021), Incrementum AG

Gold mining stocks still in bull market mode

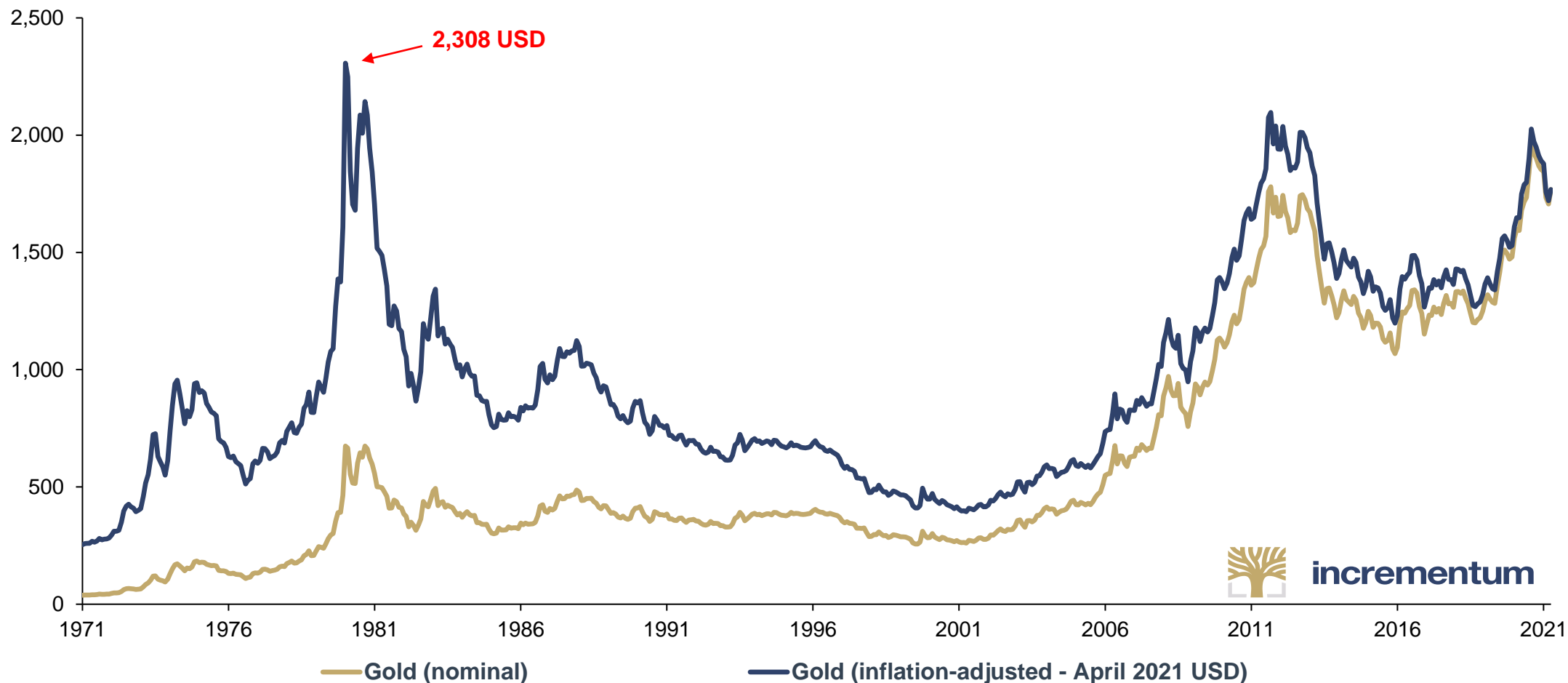
BGMI Bull Markets, 100 = Start of Bull Market Cycle, 01/1942-05/2021



Source: Nowandfutures, TheDailyGold.com, Barrons, Nick Laird, goldchartsrus.com, Incrementum AG

Is gold already “too expensive”?

Gold (nominal), in USD, and Gold (inflation-adjusted - April 2021 USD), in USD, 01/1971-04/2021



Gold, KST and Coppock indicator: Does the *cup-and-handle* formation signal a price target of USD 2,700?

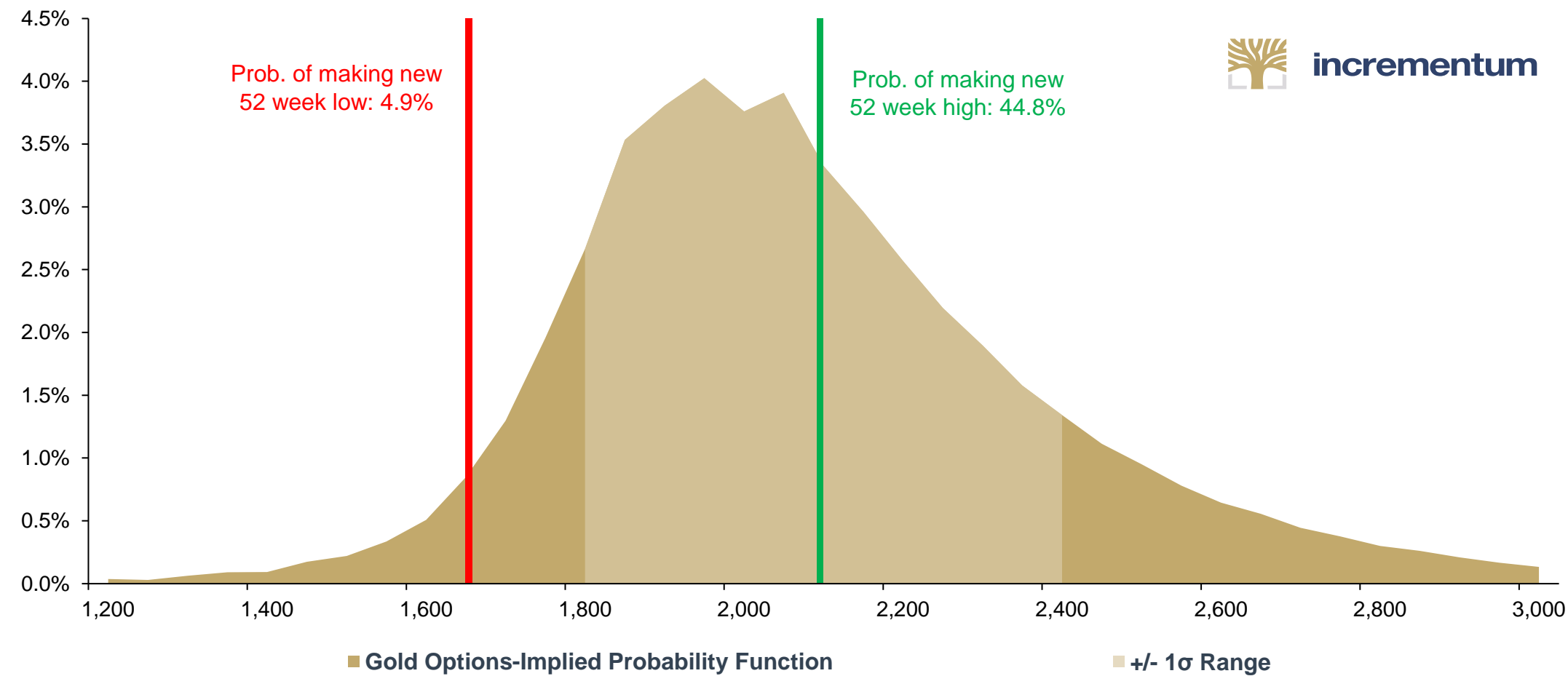
RonStoef veröffentlicht auf TradingView.com, Mai 17, 2021 09:12:07 UTC
TVC:GOLD, 1M 1852.49 ▲ +10.39 (+0.56%) O:1768.76 H:1855.39 L:1766.29 C:1852.56



TradingView

Gold price model: New ATH in USD at year-end with probability of 45%

Gold Options-Implied Probability Function, exponential smoothing ($\alpha = 0.2$), December 2021

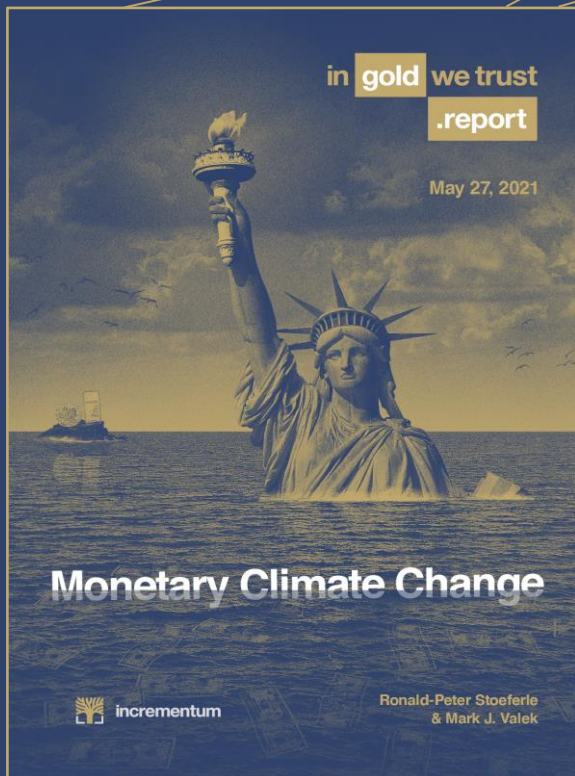


Source: Reuters Eikon, Incrementum AG

Conclusion

- Monetary climate change is on the horizon
- Budgetary nonchalance is made possible by the digital printing press
- Significantly increased probability of a longer-term inflationary phase
- Real interest rates will remain negative for years to come
- Silver, winner of monetary and meteorological climate change
- Decentralised cryptocurrencies will not replace physical gold as an investment, but are gaining in importance
- Mining stocks will have the most profitable year in history in 2021
- Technical analysis: Coppock on buy, cup-and-handle formation with price target USD 2,700
- Gold price 2030: USD 4,800; 2021 new all-time high

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for your attention!**

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- ▶ Incrementum AG is an independent asset management company based in the Principality of Liechtenstein.



weitere Informationen auf
www.incrementum.li

- ▶ The investment philosophy is based, among other things, on the principles of the **Austrian School of Economics**,
- ▶ **Core competencies** in the areas of:
 - ▶ Precious metals and commodities investing
 - ▶ Value Investing und income strategies
 - ▶ Active inflation protection
 - ▶ Alternative currency allocations (Crypto)
- ▶ ***In Gold We Trust Report:***
 - ▶ 2020 more than 2 million readers – “The gold standard of gold research”
 - ▶ All information can be found at www.ingoldwetrust.report



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