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In Gold We Trust Report 2024
"The New Gold Playbook"

On May 17, 2024, this year's – now 18th – *In Gold We Trust* report was presented at an international press conference broadcast live on the Internet. The authors of the report are Ronald-Peter Stöferle and Mark J. Valek, fund managers from Liechtenstein-based asset manager Incrementum AG.

The almost 440-page *In Gold We Trust report* is renowned worldwide and was ennobled by the *Wall Street Journal* as the "**gold standard of all gold studies**". Last year's edition was downloaded and shared more than 2 million times. This makes the *In Gold We Trust* report the most widely read gold study in the world. In addition to the German and English versions, the annual publication has also been published in Chinese and Spanish for several years.

In Gold We Trust report 2024

[*In Gold We Trust* report 2024 – compact version]
Video with the key messages
Live stream or recording of the press conference
Presentation, press photos and infographics

The *In Gold We Trust* report 2024 covers the following topics, among others:

- Status quo of gold: price development in the last 12 months, most important influencing factors and trends on the gold market, including:
  - Status quo of the inflation trend.
  - Status quo of debt dynamics.
- "The New Gold Playbook"
  - Old correlations – and thus certainties – such as the negative correlation between the gold price and US real yields are history.
  - The age of the Great Moderation, i.e. falling inflation rates, is finally over. Inflation is proving to be stubborn, especially in the US.
  - The price of gold is increasingly determined by Asian emerging markets, with more than 70% of physical demand now coming from emerging markets.
  - Central bank demand is increasingly dominating the demand for gold.
  - The old 60/40 portfolio has had its day: We present the new 60/40 portfolio.
- Silver has shed its weakness and has reached an 11-year high.
- Mining stocks – fundamental and technical analyses.
- Updated gold price forecast.

The *In Gold We Trust* report 2024 also includes a debate with star analysts Brent Johnson and Louis-Vincent Gave, titled **From Wedlock to Deadlock: The East-West Divorce. They discuss the international monetary system and the reserve currency status of the US dollar.**

The key messages of the *In Gold We Trust* report 2024

- **The gold price has broken out**

As announced in the In Gold We Trust report 2023, the showdown in the gold price has occurred. The gold price broke through its long-term resistance levels and has set numerous new all-time highs. Since the beginning of the year alone, considerable gains of around +13% in USD, +17% in EUR, and +26% in JPY have been recorded.

- **Real interest rates in the USD are no longer the ultimate factor for the gold price**

According to the old gold playbook, the gold price should have fallen significantly in an environment of sharply rising real interest rates. This and a number of other correlations have recently been suspended. One important reason for this is that Western financial investors are no longer the marginal buyers and sellers. This manifests itself in falling ETF holdings and rising gold prices, among other things. The global East, on the other hand, is becoming increasingly important.

- **Central banks and emerging markets are increasingly influencing the gold price**

The central banks, but also the steadily growing demand from the emerging markets, particularly China, more than compensated for the weak demand in the West. One key reason, particularly for the sustained high demand from central banks, is the continuation of the geopolitical showdown. In addition to the military conflicts, the showdown is also increasingly taking place at the geo-economic level. While the US experienced a *gold drain* in the 1960s, the global East is currently experiencing a *gold gain*.

- **Rising financing costs and the limits of debt sustainability**

Western countries finally abandoned any remnants of fiscal restraint as part of Covid-19 policy. This development, described by the authors in 2021 as *monetary climate change*, is still in full swing and has by no means reversed even after the end of the pandemic. The harsh end to the zero interest rate policy is now being reflected in sharply rising interest costs for highly indebted Western countries. The ongoing restrictive monetary policy threatens to further exacerbate the situation.

- **Inflation remains high**

Even though inflation rates have fallen recently, inflation in the West remains above inflation targets. Due to the increasing fiscal dominance and exploding interest costs, it is unlikely that the central banks will be able to consistently combat inflation. The emergence of further waves of inflation is a realistic scenario given the long-term structural drivers of inflation, such as the green transition, demographic change, and rising war and armaments spending.

- **Time for broader diversification**

The new gold playbook advises investors to weigh precious metals and real assets higher in their portfolios as long as there is no sustained stabilization in debt and inflation trends. The authors present a modified version of the typical mixed 60/40 portfolio derived from the new playbook. This comprises 60% equities and bonds and 40% alternative asset classes. These include physical safe-haven gold, silver, mining stocks, commodities, and Bitcoin.

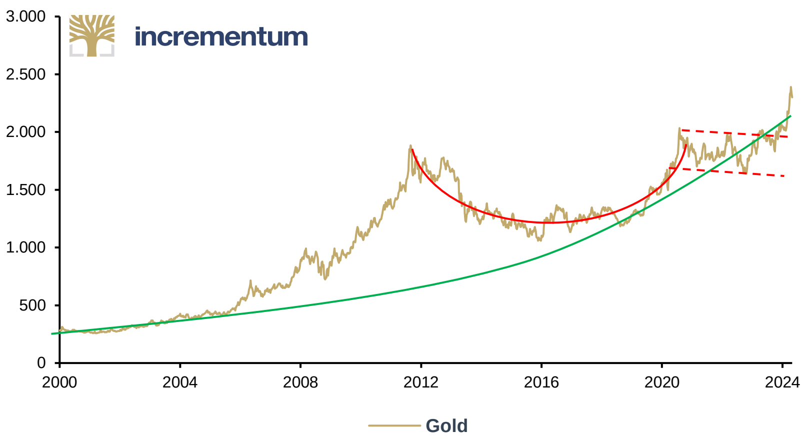
- **Long-term gold price target (2030) of USD 4,800 confirmed**

The authors are sticking to their gold price forecast of USD 4,800 by the end of 2030, as presented in 2020. Achieving this price target requires an annualized return of just under 12%. By way of comparison, the return in the 2000s was over 14% p.a., compared to around 27% p.a. in the 1970s. According to the gold price model, the interim target for the end of 2024 is a gold price of USD 2,665.

Gold has succeeded in breaking out

After several attempts, the gold price reached new all-time highs in USD terms in the spring. Shortly after the publication of the last *In Gold We Trust* report on May 24, 2023, a correction lasting several months set in. Gold fell to USD 1,820 by the beginning of October. As a result of robust central bank demand, budding fantasies of interest rate cuts and strong demand from the Far East, a turnaround was achieved in Q4/2023, which was also the starting point of the brilliant rally in the spring. Now that the previous resistance levels have been overcome, the path to new highs has been cleared.

Gold Cup-and-Handle Formation, in USD, 01/2000–04/2024



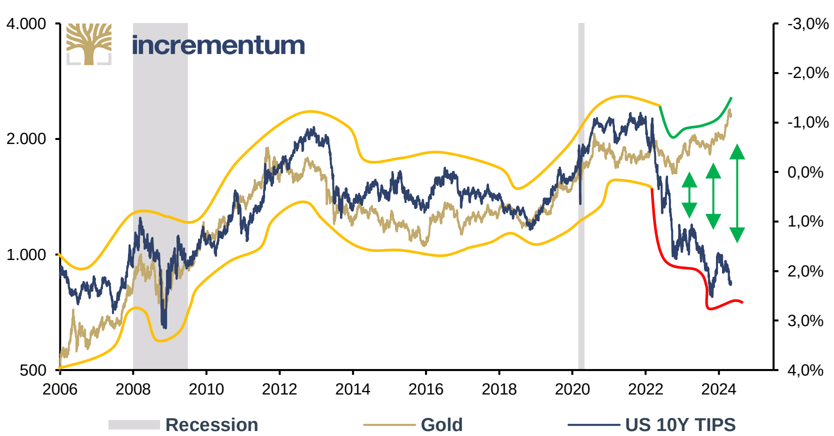
Source: Reuters Eikon, Incrementum AG

"*The gold price has performed remarkably over the past 12 months, but especially in the spring. Gold posted double-digit gains in all leading currencies in the first four months of this year, up 16.5% in euros, 12.7% in US dollars, and as much as 26.1% in Japanese yen. The resistance line of USD 2,000, at which the gold price had previously failed several times, was pulverized,"* says Ronald-Peter Stöferle.

Real interest rates in the USD are no longer the ultimate factor for the gold price

What is remarkable about the timing of the new all-time highs is that they occurred in an environment in which, according to the previous gold playbook, the gold price should actually have fallen. Rising real interest rates had so far been poison for the gold price.

Gold (lhs, log), and US 10Y TIPS (rhs, inverted), 01/2006-04/2024



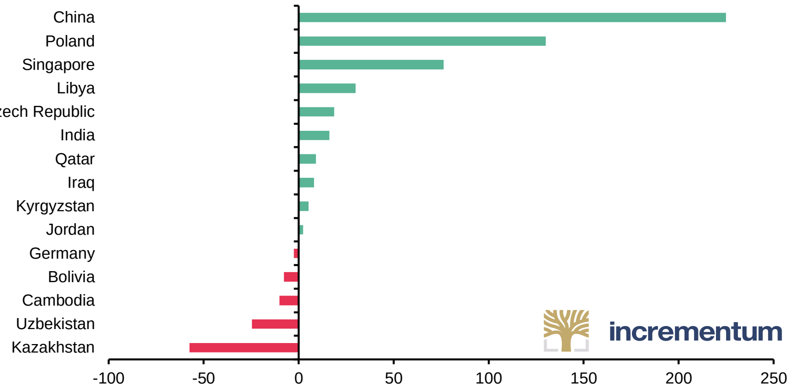
Source: Reuters Eikon, Incrementum AG

This regularity is by no means the only one that can no longer be used to explain the gold price trend. There is much to suggest that the old set of rules has become obsolete in key respects and that it is now time for a new gold playbook.

The gold price is increasingly determined by the Global East

Another trend is becoming more firmly established: The gold price is increasingly determined in the East. The influence of the West on the gold price is clearly declining. China's central bank, the People's Bank of China (PBoC), has reclaimed the title of the largest single gold buyer. It reported an increase in its gold reserves by a total of 225 tons in 2023, the largest amount since at least 1977. With the purchases in March, the PBoC has already increased its gold reserves for the 17th month in a row to a total of 2,262 tons.

Central Bank Gold Purchases/Sales, in Tonnes, 2023*



Source: World Gold Council, Incrementum AG
*Data until 12/31/2023, if available

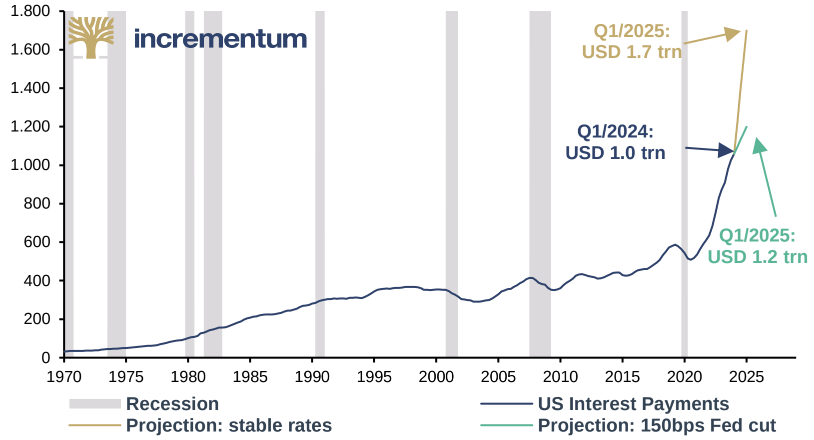
"*It is not only the central bank in China that is increasing its gold holdings. The population is also increasingly turning to gold, as the real estate sector, which has been the most important form of retirement provision for decades, is weakening. Innovative new forms of investment such as* gold beans *are increasing the attractiveness of private gold investments, especially for younger age groups,"* says Mark Valek on the gold rush in the East. Stöferle adds: "*The ever-increasing importance of the gold markets outside the West has prompted us to highlight the corresponding developments in the United Arab Emirates, and in Dubai in particular, in this* In Gold We Trust *report.*"

Rising financing costs and the limits of debt sustainability

*"*Monetary climate change*, as we called it in 2021, is still in full swing and has by no means reversed since the end of the pandemic,"* explains Stöferle. In addition to costly initiatives such as the *Inflation Reduction Act*, the *Green New Deal* and the sharp rise in expenditure of a social system that is structurally underfunded due to the demographic situation, there is now also the need to cope with the financing of military rearmament.

In addition, the precarious fiscal situation of many countries is worsening due to persistently high budget deficits and the recent significant rise in refinancing costs. The significant increase in national debt in the wake of the Covid-19 pandemic is now also taking its toll. Compared to Q4/2019, i.e. on the eve of the Covid-19 pandemic, US debt has risen by USD 11trn or around 50%. And there seems to be no end in sight to the debt binge.

US Interest Payments, in USD bn, 01/1970–01/2025e



Source: BofA Global Investment Strategy, Reuters Eikon, Incrementum AG

The 10 key points of the new gold playbook

The meta-theme of the new gold playbook could be summarized as follows: The reorganization of the international economic and power structure, the dominant influence of the emerging markets on the gold market, the reaching of the limits of debt sustainability, and possibly multiple waves of inflation are causing gold to appreciate. This phase will continue for some time until a new equilibrium has been established.

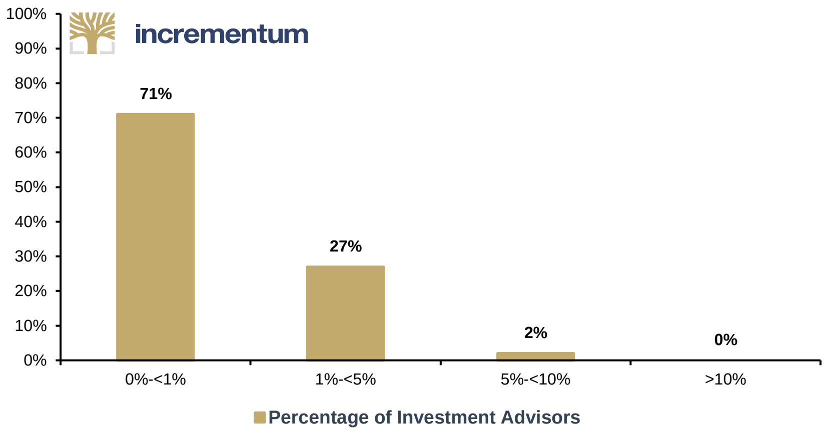
1.) **The high inverse correlation between US real yields and the gold price is history (for now)**. Despite the rise in real yields, the rise in the gold price could not be halted.
2.) **Central banks are a decisive factor in the demand for gold:** Demand from these institutions is not price-sensitive. Central banks are likely to have put a floor under the gold price.
3.) **The weaponization of fiat money has lasting consequences:** The confiscation of Russian reserves and assets of Russian oligarchs in 2022 was a wake-up call for numerous states, as well as wealthy private individuals from the Gulf states, Russia and China. Luxury real estate in London, New York or Vancouver has always been the preferred destination for savings from the emerging markets, but this changed in 2022.
4.) **Safe-haven assets are becoming scarce:** The list of liquid safe-haven assets is getting shorter. New and old safe-haven assets are gaining in importance.
5.) **In contrast to the *gold drain* in the US in the 1960s, the emerging markets are now experiencing a *gold gain***. China is playing a leading role in this respect but is no longer alone. The Western financial investor is no longer the marginal buyer or seller of gold. The pricing power on the gold market is increasingly shifting to the East.
6.) **Monetary climate change**: Fiscal largesse has seriously jeopardized the debt sustainability of Western countries. The explosion of the interest burden is a harbinger of the limits of debt sustainability.
7.) **The new playbook in the context of stagflation 2.0:** The Great Moderation is over. Periodic supply shocks will cause additional fluctuations in inflation.
8.) **The end of the 60/40 portfolio:** A positive correlation between equities and bonds, as in the case of structurally higher inflation rates, means that bonds offer no protection when growth slows.
9.) **The central bankers' new playbook: The holy grail of the 2% inflation target is no longer sacrosanct.** Even before the mark has been sustainably reached again, Western central banks are openly talking about a change of course to a less restrictive monetary policy.

10.) **Noninflationary investments** such as gold, silver, commodities and Bitcoin are playing an increasingly important role for investors.

The optimal gold allocation

There is a low affinity for gold among large parts of the Western investment community, as a recent Bank of America study confirmed. In fact, 71% of US financial advisors have little to no gold allocation, i.e. less than 1% of their portfolio.

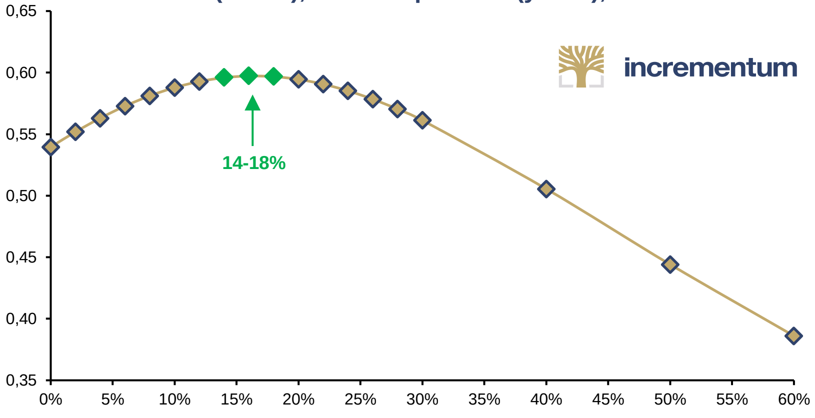
Gold Allocation of Investment Advisors, 2023



Source: BofA Global Research, Crescat Capital, Incrementum AG

The range of gold allocations suggested in studies is between 10% and 19%, depending on the investment period and the other assets held in the portfolio. Even the lowest allocation in this range is therefore well above the gold exposure of a standard asset allocation. Based on these findings, we have analyzed the impact of different gold allocations in an equity/bond portfolio. Our calculations show that the integration of gold into an equity/bond portfolio has a clearly positive impact on the Sharpe ratio. **The optimum is achieved in an allocation range of 14–18%. An excessive increase in the gold allocation, on the other hand, leads to a decrease in the Sharpe ratio.**

Optimal Gold Allocation for Risk-Adjusted Returns Maximization: Gold Allocation (x-axis), and Sharpe Ratio (y-axis), 01/1970–04/2024



Source: Robert J. Shiller, Reuters Eikon, Incrementum AG

Mining shares

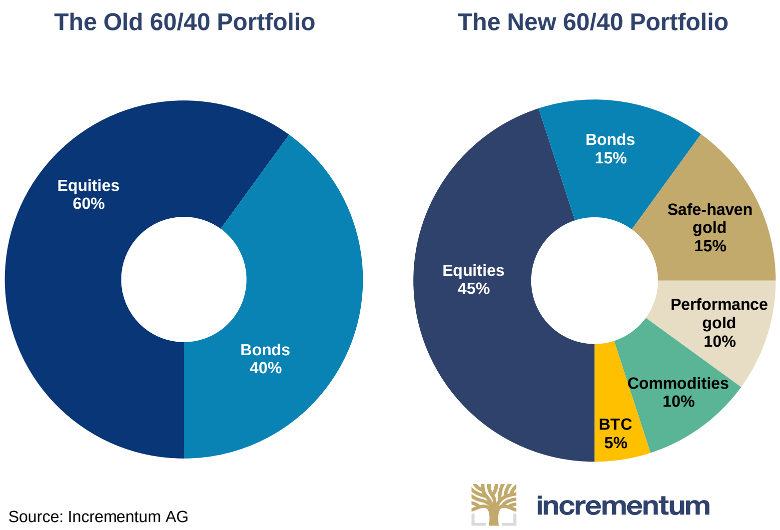
Following the successful breakout of the gold price, the time has now come for *performance gold.* However, mining shares are not a simple buy-and-hold investment, but require active management. The *Incrementum Active Aurum signal* was developed by the asset manager to enable a well-founded, quantitative investment decision. This signal is used to carry out a comprehensive and systematic analysis of the environment for gold mining shares from various perspectives. The aim is to determine a favorable time to adjust the level of investment in the portfolio. The timing for a portfolio rebalancing in line with the rule changes in the new gold playbook currently appears attractive. As *performance gold*, gold mining stocks could benefit disproportionately from the more positive sentiment in the gold market, partly because the cost pressure has recently eased somewhat. The fact that the time may now have come for gold mining stocks is also shown by the fact that the *Incrementum Active Aurum signal* has been recommending an offensive positioning since December 2023.

“In *our view, an active mining stock strategy using our new, proprietary* Incrementum Active Aurum signal *is clearly superior to a passive strategy from both a performance and a risk perspective,”* says fund manager Stöferle.

The new 60/40 portfolio

Even if the zero interest rate terrain has been left behind and it is indeed possible to earn notable nominal yields on bonds again, one should not uncritically succumb to the lure of nominal interest rates. Especially when you think about longer-term interest-bearing securities, which currently continue to yield significantly less than short-term investments. **The two fund managers remain critical of the (government) bond asset class.** Buzzwords such as “anything but bonds” or *de-bondization* – analogous to de-dollarization – are an expression of the growing skepticism towards fixed-interest government bonds in particular. This process of turning away from this investment instrument, which for decades was regarded as the safe investment par excellence, will fundamentally change the logic of investment. Traditional, mixed portfolios such as the so-called 60/40 portfolio should also reflect this.

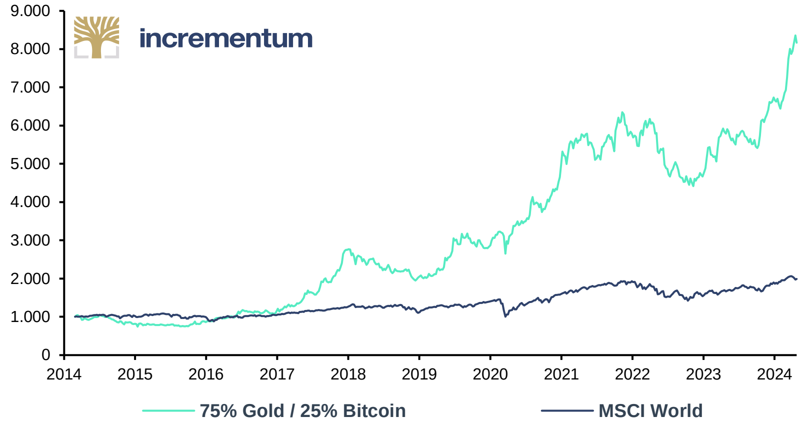
“*In view of the reorganization of the international economic and power structure, the reaching of the limits of debt sustainability and possible further waves of inflation, we are convinced that it is advisable to consider increasing the proportion of both* safe-haven gold *and* performance gold. *We have therefore reinterpreted the 60/40 portfolio*,” explains fund manager Mark Valek. For long-term investors, it provides for the following allocation:



Source: Incrementum AG

***Safe-haven gold* is defined as physical gold held in safe custody** as a valuable nest egg. *Performance gold,* on the other hand, refers to investments in gold mining shares, but also in silver and silver mining shares. These investments are expected to yield a higher return than physical gold but are also correspondingly more volatile. In addition to gold, there are other beneficiaries of the new rules: commodities, which have risen from pawns to anchors of stability in the portfolio, and Bitcoin as a new player establishing itself on the playing field. "*For years our credo has been Gold and Bitcoin – stronger together. Though the two asset classes are different, investing in both assets is an active decision to turn your back on the fiat world*," notes Valek.

75% Gold / 25% Bitcoin*, and MSCI World, 1,000 = 02/2014, 02/2014–04/2024



Source: Reuters Eikon, Incrementum AG
*Weekly Rebalancing

Outlook

The two fund managers are also venturing a gold price forecast this year. "*We confirm our long-term gold price target, which we calculated in the* In Gold We Trust *report 2020 based on our proprietary gold price model. This is USD 4,800 in the base scenario at the end of the decade. This corresponds to an annualized return of just over 12% p.a. until December 2030. By comparison, the annualized return in the 2000s was just under 14.5%, and in the comparatively low-yielding 2010s for gold, the value was 3.3%,"* explains Valek, adding: "*The interim target for the end of 2024 is a gold price of USD 2,665 based on our gold price model.*"

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

Source: Reuters Eikon, Incrementum AG

About the *In Gold We Trust* report

This annual gold study has been written by Ronald-Peter Stöferle for 18 years, and together with Mark Valek for the past eleven years. It provides a holistic assessment of the gold sector and the most important influencing factors, such as the development of real interest rates, opportunity costs, debt, monetary policy, etc. The study is regarded as an international standard work for gold, silver and mining stocks. In addition to German and English versions, the short version of the *In Gold We Trust* report will be published in Spanish for the second time this year. The Chinese version will be published for the sixth time this fall.

The publishing rights for the *In Gold We Trust* report were transferred to Sound Money Capital AG in November 2023. The *In Gold We Trust* report will continue to be co-branded with the Incrementum brand as usual.

The following internationally renowned companies have been won as *Premium Partners* for the *In Gold We Trust report* 2024: **Agnico Eagle Mines, Asante Gold, Caledonia Mining, Elementum, DMCC, EMX Royalty, Endeavour Mining, Endeavour Silver, First Majestic Silver, Hecla Mining, Karora Resources, Kinross Gold, McEwen Mining, Minera Alamos, Münze Österreich, philoro EDELMETALLE, Regency, Solit Management, Sprott Asset Management, Tudor Gold, Victoria Gold, VON GREYERZ, West Red Lake Gold, and Ximen Mining.**

The *In Gold We Trust* report 2024 will be published in the following issues:

English
German
Chinese (To be published for the sixth time in fall 2024.)

Compact version – English
Compact version – German
Compact version – Spanish

Video presentation: *In Gold We Trust* report 2024 – English
Video presentation: *In Gold We Trust* report 2024 – German

All previous issues of the *In Gold We Trust* report can be found in our archive.

The authors

Ronald-Peter Stöferle is Managing Partner & Fund Manager of Incrementum AG.

Prior to this, he was part of the research team at Erste Group in Vienna for seven years. As early as 2007, he began publishing his annual *In Gold We Trust report,* which has gained international renown over the years.

Stöferle is a lecturer at Scholarium in Vienna and a speaker at the Vienna Stock Exchange Academy. Together with Rahim Taghizadegan and Mark Valek, he published the bestseller *Austrian School for Investors*. In 2019, he co-authored *The Zero Interest Trap*. He is a member of the boards of Tudor Gold and Goldstorm Metals and has been an advisor to *VON GREYERZ AG* since 2020.

Mark Valek is Partner & Fund Manager at Incrementum AG.

Prior to that, he worked at Raiffeisen Capital Management for over ten years, most recently as a fund manager in the Multi Asset Strategies department. In this position, he was responsible for inflation hedging strategies and alternative investments and managed portfolios with a volume of several hundred million euros.

Valek is a lecturer at the Scholarium in Vienna and a speaker at the Vienna Stock Exchange Academy. Together with Rahim Taghizadegan and Ronald-Peter Stöferle, he published the book *Austrian School for Investors*. He has been active as an entrepreneur on several occasions and was co-founder of philoro Edelmetalle GmbH.

Incrementum AG

Incrementum AG is an independent investment and asset management company based in the Principality of Liechtenstein. The company was founded in 2013. Independence, reliability and autonomy are the cornerstones of the company's philosophy. The company is wholly owned by the five partners.

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