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IGWT Report

Status Quo of Gold relative to Stocks, Bonds, and Commodities

I believe there have been three great pillars of investing success over the past 20+ years: US home country bias, US tech bias, and US dollar bias. I believe that all three of these are now melting icebergs, with enough mass to melt for a decade or more. That's the backdrop for a Prisoners' Dilemma portfolio, basically doing the reverse of what's worked on autopilot for the past 20 years.

Ben Hunt

- **Gold's Bull Market Is Built on Solid Ground: Despite market turbulence, gold's relative strength versus stocks, bonds, and commodities signals that its long-term bull market remains intact.**
- **Shifting capital flows favor gold and Europe: US fiscal tightening has triggered capital reallocation to regions like Europe and China, which are embracing fiscally expansionary policies, benefiting gold in the process.**
- **Bonds have lost their "safe haven" role: Long-dated bonds have collapsed in value, and the traditional negative correlation between stocks and bonds has weakened, enhancing gold's appeal as a portfolio stabilizer.**
- **The old 60/40 portfolio model is breaking down: The historical bond/equity hedging dynamic is fading; gold is emerging as the new anchor in diversified portfolios, especially amid high inflation volatility and even higher debt levels.**
- **Commodities show asymmetric upside: Years of underinvestment, rising fiscal stimulus, geopolitical tensions, and a weakening US dollar are setting the stage for a commodity bull market.**
- **Gold's market cap still lags behind equities: At just 40% of US equity market capitalization, gold has room to catch up, particularly if a reallocation toward real assets accelerates.**

The absolute and relative performance of gold compared to other assets such as stocks, bonds, and commodities is essential for a comprehensive analysis of the gold price. We will therefore examine the relative valuation and trend strength of gold on the following pages to analyze the opportunity costs of investing in gold. We can already preempt the core insight: **The gold bull market continues to stand on a solid foundation.**

The late 90s taught us that euphoria is a warning sign, not a victory lap.
Michael Burry

Echoing *The Big Short*, when contrarian investors predicted the real estate market's collapse, a similar picture of irrational speculation was evident in many facets of the market until a few weeks ago. A young investor barricaded himself in the bathroom until his self-created *shitcoin* reached a market capitalization of USD 50mn. *Hawk Tuah*, a memecoin based on a raunchy joke, shot to a market capitalization of USD 500mn only to crash. Even *Fartcoin*, which was intended as a pure parody from the outset, reached a market capitalization of over USD 200mn, showing how, in the final phase of such bubbles, it is no longer fundamentals that count but only the search for the *greater fool*.

Parties, after all, are often followed by a hangover.
Avi Salzman

These developments are no coincidence, but a reflection of the excessive liquidity that has been flooding the financial system for years. As with the Mississippi Bubble or the dotcom euphoria, the parallels are clear: A market driven by cheap capital was heading for an inevitable correction.

Gold Compared to Stocks

Scott Bessent, former CIO of Soros Fund Management and current US Treasury Secretary, summarized the current situation succinctly: "Over the medium term, which is what we're focused on, it's a focus on Main Street. Wall Street's done great, Wall Street can continue to do fine, but we have a focus on small business and consumers."

Wall Street gets bailed out, Main Street gets sold out.
Occupy Wall Street slogan

This statement signals a turning point – political attention is shifting from Wall Street to Main Street. The recent election in the US underscores this development. Most households with an income of over USD 100,000 voted for Kamala Harris, while lower-income groups mainly supported Donald Trump.

Federal Reserve data from the triennial *2022 Survey of Consumer Finances* (SCF) illustrates the severe wealth inequality in the US: 58% of American households own stocks, but 93% of total equity wealth is concentrated among the wealthiest 10%. In contrast, the poorest 50% hold only 1% of stocks. This imbalance shows why the stock market has lost its political influence. **The US median voter owns virtually no stocks.**

All that matters is the change in the fiscal stance of the different countries.
Kevin Muir

In 2025, a significant geographical rebalancing began, with capital increasingly flowing from the US to Europe. This development manifested in a marked appreciation of the euro, among other things: Within just a few weeks, the euro appreciated by almost 10% against the US dollar, from 1.04 to as much as 1.14 USD. At the same time, European stock markets also benefited noticeably.

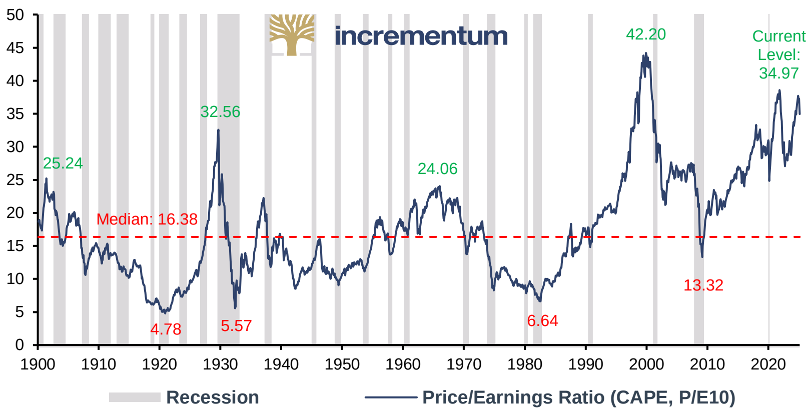
A pin lies in wait for every bubble.
Warren Buffett

The background to these capital flows was a polarization of fiscal policy orientations: Money flowed primarily to regions with increasingly expansionary fiscal policies – such as Europe and China (*fiscal expansionists*), while it was withdrawn from the US, which is pretending to become a *fiscal hardliner*.

Courtesy of Hedgeye

Despite the recent price declines, US stocks remain as far away from a favorable valuation as the Bahamas are from the introduction of mandatory snow chains. The current Shiller P/E ratio of 34.97 is in the 97th percentile of the 120-year history. If one believes in a return to the mean, the low is still a long way off, as the median over the past 124 years is 16.3. **By comparison, the current Shiller P/E ratio for European stocks (STOXX 600) is 15, while the Brazilian Bovespa Index is trading at a ratio of 10.**

Price/Earnings Ratio (CAPE, P/E10), 01/1900–03/2025

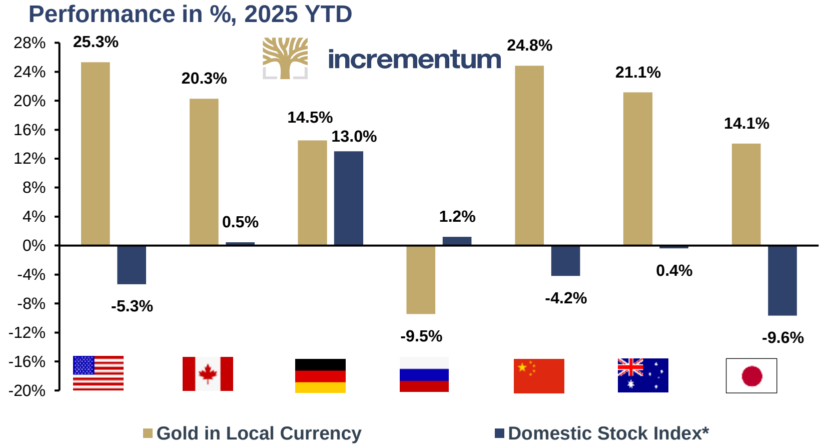


Source: Robert J. Shiller, Federal Reserve St. Louis, Incrementum AG

The stock market is the only market where things go on sale and all the customers run out of the store.
Cullen Roche

What does this stock market environment mean for gold? Loyal readers know: For us, developments in the equity markets represent an important opportunity cost for gold. In view of the dizzying gains in gold, this chart suggests a broad flight out of (US) stocks and into liquid tangible assets as well as German equities.

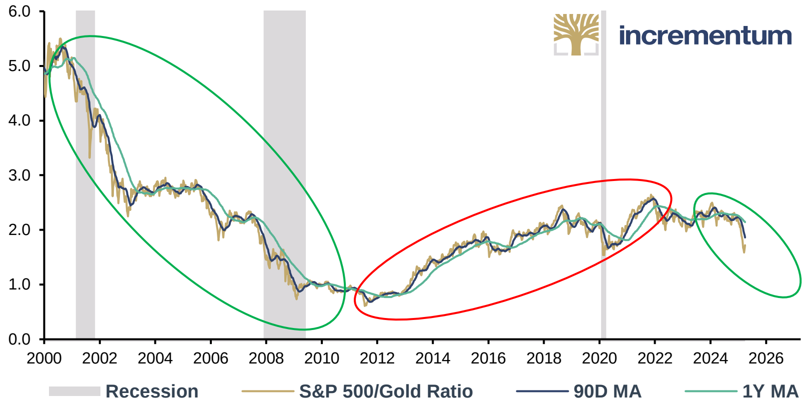
Gold in Local Currency, and Domestic Stock Index*, Annual Performance in %, 2025 YTD



Source: LSEG (as of 04/30/2025), Incrementum AG
*US = S&P 500, CA = TSX Comp., DE = DAX, RU = MOEX, CN = SCI 300, AU = ASX 200, JP = Nikkei 225

The following chart shows the S&P 500/Gold ratio since 2000. The upward trend, i.e. falling purchasing power of an ounce of gold measured in stocks, lasted from 2011 to the end of 2021. It currently appears that gold is increasingly regaining relative strength. The ratio recently fell below the 90-day and 1-year moving averages.

S&P 500/Gold Ratio, 01/2000–04/2025

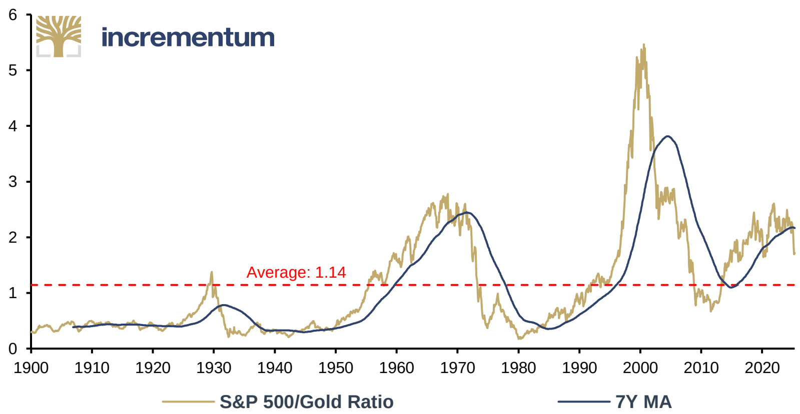


Source: LSEG, Incrementum AG

History is a gallery of pictures in which there are few originals and many copies.
Alexis de Tocqueville

Let's take a longer-term view of this ratio, going back to 1900. Gold appears significantly undervalued relative to US stocks and may have completed a secular turnaround. The S&P 500/gold ratio now stands at 1.69, compared to a historical average of 1.14. **Assuming the S&P 500 remains constant, the gold price would need to triple to return to its long-term mean.**

S&P 500/Gold Ratio, 01/1900–04/2025

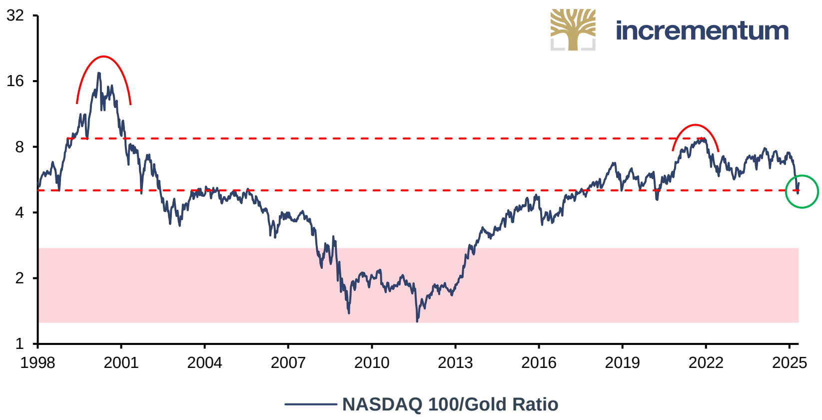


Source: LSEG, Incrementum AG

In Silicon Valley, people will tell you it's not a bubble—right up until the moment it pops.
Marc Andreessen

The following chart illustrates the relative performance of the NASDAQ 100 versus gold. Gold has recently demonstrated notable relative strength after several years of sideways movement. Nevertheless, the ratio remains historically elevated — underscoring that gold continues to be undervalued compared to the NASDAQ 100. **Should this trend persist, it may signal the onset of a long-term capital rotation away from US technology stocks.**

NASDAQ 100/Gold Ratio (log), 01/1998–04/2025

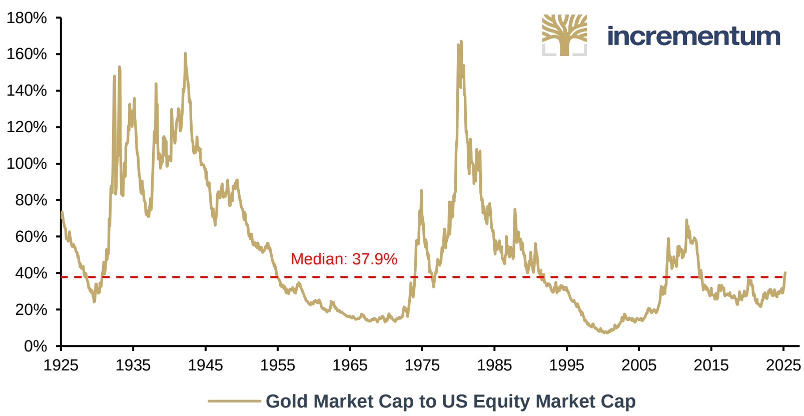


Source: LSEG, Incrementum AG

The first phase of a bull market is disbelief. The last is delusion.
Peter Atwater

The relative price trend is helpful for broadly classifying major investment cycles and serves as an essential valuation metric. **Currently, the market capitalization of global gold holdings amounts to about 40% of US equity market capitalization, slightly above the long-term median of 37.9%.** For comparison, during wartime periods and the inflationary era of the 1970s, this figure peaked as high as 160%. **Even at the peak of the last secular gold bull market in August 2011, the value was significantly higher at 69.2%.** This indicates that, although the current gold bull market has already gathered momentum, we are still far from the mania phases seen at past peaks.

Gold Market Cap to US Equity Market Cap, 01/1925–04/2025



Source: Charlie Morris, Incrementum AG

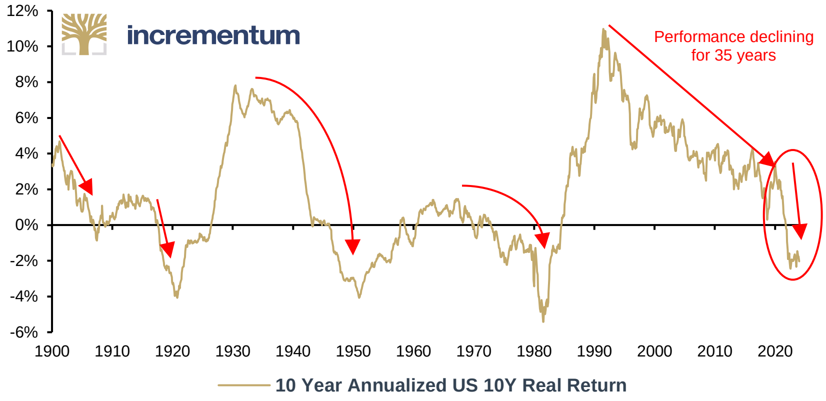
We expect the market capitalization of gold to have increased further relative to stocks by the end of the golden decade. **In other words, gold is poised to remain a notable outperformer for an extended period and therefore belongs in the portfolio to a significant extent, not only for its security but also for its performance benefits.**

Gold Compared to Bonds

The greatest credit event of all would be a recession in which US yields went up, not down.
Michael Hartnett

One of our central theses of recent years has been confirmed: government bonds are no longer the foundation of an antifragile portfolio, as they have been for the last 40 years.

10 Year Annualized US 10Y Real Return, in USD, 01/1900–03/2025

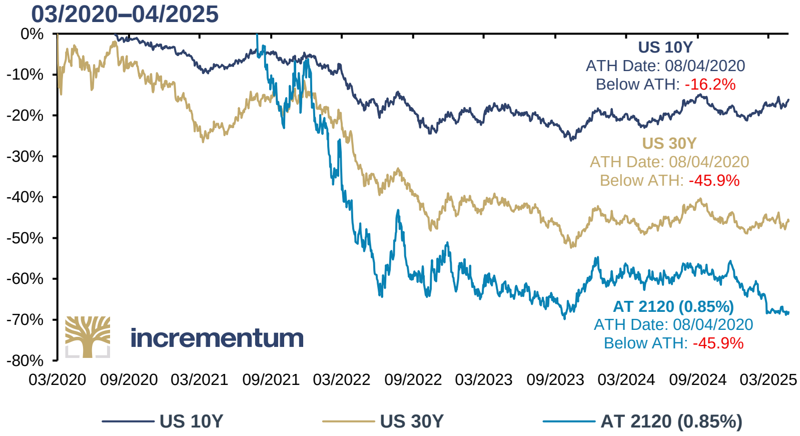


Source: Yale.edu, Incrementum AG

Sometimes your best investments are the ones you don't make.
Donald Trump

After yields reached a microscopically low level in 2020 and were even negative in some cases, 10-year US Treasuries have fallen in value by 16.2% since then, while 30-year bonds have fallen by almost 50% from their peak. The frontrunners in the negative sense are naturally the 100-year Austrian bonds, which are down 68.1% (maturity 2120) from their peak.

US 10Y, US 30Y and AT 2120 (0.85%) Below All-Time High, 03/2020–04/2025



Source: LSEG, Incrementum AG

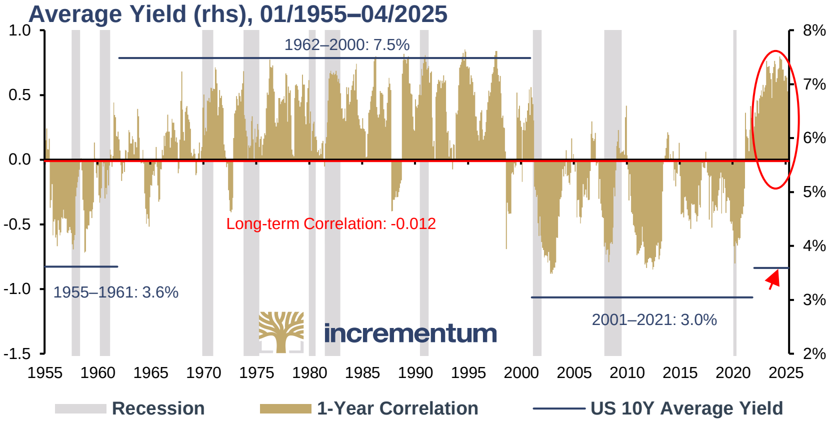
We can be blind to the obvious, and we are also blind to our blindness.
Daniel Kahneman

As we have already emphasized in previous years, the negative correlation between stocks and bonds, is the exception rather than the rule in the long term. For example, the correlation between stocks and bonds in the US has been slightly positive in 70 of the last 100 years. The primary reason for the negative correlation over the last four decades has been the low inflationary pressure and declining inflation volatility following the *Great Moderation*.

The following chart shows the one-year rolling correlation between 10-year US government bonds and the S&P 500 and the average yield on

10-year Treasuries. Clearly, the 1-year correlation has recently turned positive. The long-term correlation coefficient between stocks and bonds in the United States has been approximately -0.012 since 1955.

1-Year Correlation of US 10Y and S&P 500 (lhs), and US 10Y Average Yield (rhs), 01/1955–04/2025



Source: FRB, S&P, BofA Merrill Lynch US Equity & US Quant Strategy, LSEG, Incrementum AG

In the coming decade(s), bonds will no longer be negatively correlated to stocks and save your portfolio in times of stress, but will instead become the anchor that drags your portfolio lower.
Kevin Muir

The decoupling between gold and bonds that we forecasted in previous years has continued over the past 12 months. **The bond and gold markets are sending the same message: Higher inflation rates and increased counterparty risks are the new reality.** If the relationship between stocks and bonds now reverses permanently, the basis of the 60/40 portfolio - namely, a negative correlation between stocks and bonds - would be removed. **Have bonds now handed over the scepter to gold?**

Gold (lhs), in USD, and US 10Y (rhs, inverted), 01/2006–04/2025

Source: LSEG, Incrementum AG

Gold and Commodities

In terms of natural resource investing, you're either going to be a contrarian or you are going to be a victim. There isn't much by way of middle ground.
Rick Rule

Overall, 2024 was a mixed year for the commodities sector, despite gold and silver in particular performing well, with price gains of more than 20% each. Only copper (+8%) and zinc (+6%) recorded moderate growth in the base metals sector. In contrast, the downward trend in battery metals continued, with nickel, cobalt, and lithium even falling to 5-year lows. Uranium, iron ore, and coal all experienced year-on-year losses exceeding 20%.

The table highlights the sharply differing performance across the various commodity sub-sectors. While the Energy Subindex lost 4% and has been clearly in negative territory since the start of the year, the other sub-sectors have managed to stabilize. Once again this year, the Precious Metals Subindex is the positive exception. **All four other subindices remain well below their all-time highs, offering further upside potential.**

	Bloomberg Industrial Metals Subindex	Bloomberg Precious Metals-Subindex	Bloomberg Agriculture Subindex	Bloomberg Energy Subindex	Bloomberg Livestock Subindex	BCOM Index
ATH	266.76	328.57	143.33	516.66	131.99	237.95
Date ATH	05/04/2007	04/22/2025	05/29/1997	09/29/2005	10/04/1993	07/02/2008
ATL	53.90	49.66	34.15	15.47	16.21	59.48
Date ATL	11/07/2001	04/02/2001	06/26/2020	04/27/2020	04/13/2020	03/18/2020
YTD	-0.4%	20.2%	1.8%	-8.3%	6.4%	2.2%
2024 Performance	-1.6%	19.0%	-8.7%	-3.9%	14.2%	0.1%
% Below ATH	-47.6%	-2.6%	-59.5%	-94.8%	-79.8%	-57.6%
% Above ATL	159.3%	544.7%	69.9%	74.7%	64.8%	69.7%

Source: LSEG (as of 04/30/2024), Incrementum AG

Institutional appetite for commodities? Let's just say it rivals the demand for fur-lined gloves in the sweltering heart of the Sahara. We have always been convinced that commodities – and commodity-sensitive assets in general – should be actively managed, but they should also be a fixed portfolio component during phases of rising inflation. **Our arguments for commodity investments can be summarized in the following points:**

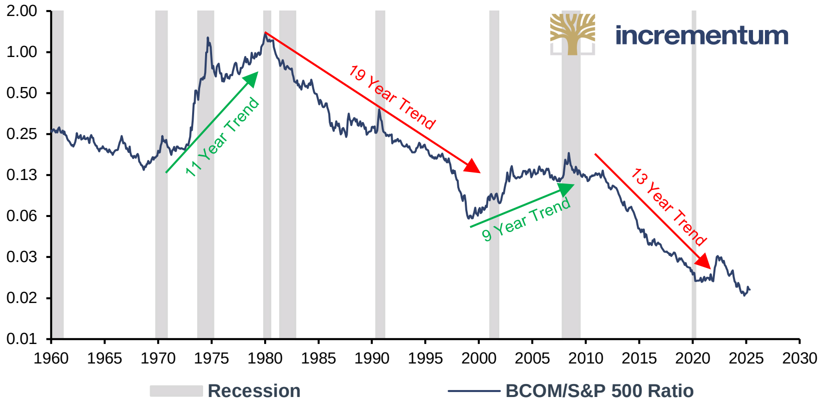
- Commodities have been in a bear market for ten years, which has led to a considerable investment backlog and declining production volumes. This structural supply bottleneck hedges the downside price risk.[15]
- There is an increasing focus on generous fiscal support measures in infrastructure and armaments.
- Geopolitical tensions will promote resource nationalism and demand higher geopolitical risk premiums.
- (Institutional) investors are still underweight or not invested in commodities at all.
- Latent inflation concerns will provide a tailwind for commodities.
- The US dollar could face a secular bear market as its previously unchallenged status as a reserve currency gradually fades. Historically, the US dollar and commodity prices are strongly negatively correlated (-0.86).

Fortunes are made by buying low and selling too soon.
Nathan Rothschild

Let's now take a look at the relative performance of commodities and stocks. The next chart shows the last commodity supercycles. **We firmly believe that the *Big Long* could now lead to a prolonged period of outperformance of commodities.**

[15] See "Capex Comeback: A Raging Bull Market for Commodities Beckons," In Gold We Trust report 2023

BCOM/S&P 500 Ratio (log), 01/1960–04/2025



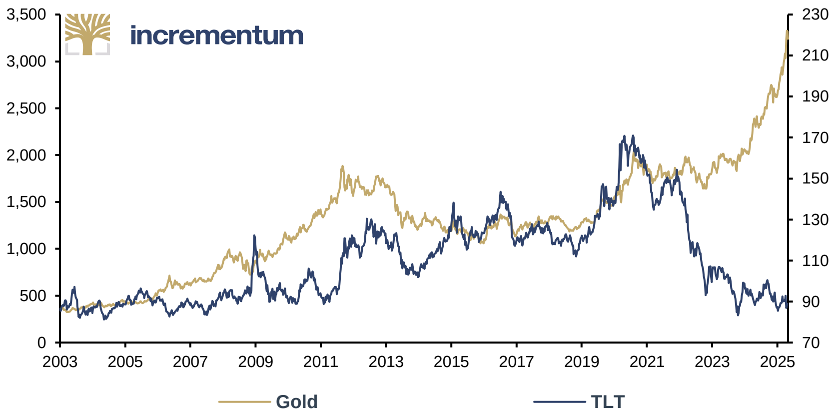
Source: Stifel Research, LSEG, Incrementum AG

Conclusion

At the start of this generational bond bull market, few believed it had begun. Today, few believe it has ended.
Kevin Muir

The disinflation of recent quarters should represent a perfect environment for US bonds. However, if you examine the performance of the TLT fund, which tracks long-dated US government bonds, it has nearly halved and is currently bottoming out. Particularly in the event of a second wave of inflation, long-dated bonds would be predestined to cause nasty surprises in institutional portfolios once again. **We are seeing growing evidence that investor focus is shifting toward gold as the next generation of safe-haven assets.**

Gold (lhs), in USD, and TLT (rhs), in USD, 01/2003–04/2025



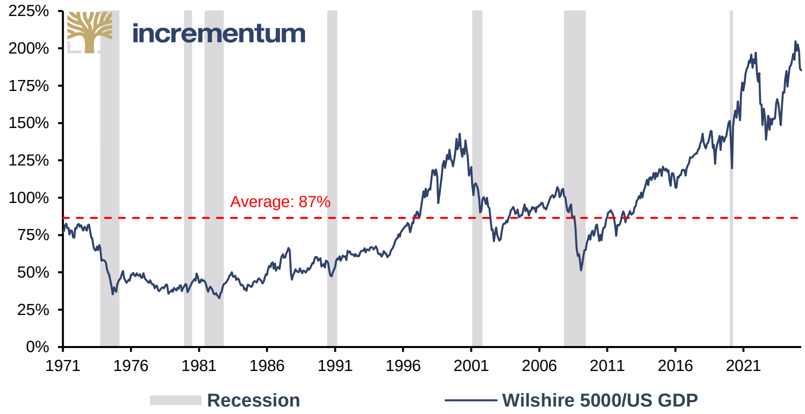
Source: LSEG, Incrementum AG

If the ratio approaches 200%… you are playing with fire.
Warren Buffett

The valuations of many sectors and individual stocks on the US equity markets are still far from bargain levels. At the end of April, the Buffett indicator[16] stood at 185%, well above the long-term average of 87% but also below the high of December 2021, when the indicator exceeded the 200% level for the first time. We continue to find exciting opportunities in equity markets, particularly in the value segment of the old economy, in Europe, in emerging markets, and, above all, in the commodities segment.

—
16 The Buffett indicator is a valuation multiple that compares the capitalization of the US Wilshire 5000 index with US GDP.

Wilshire 5000/US GDP, 01/1971–04/2025

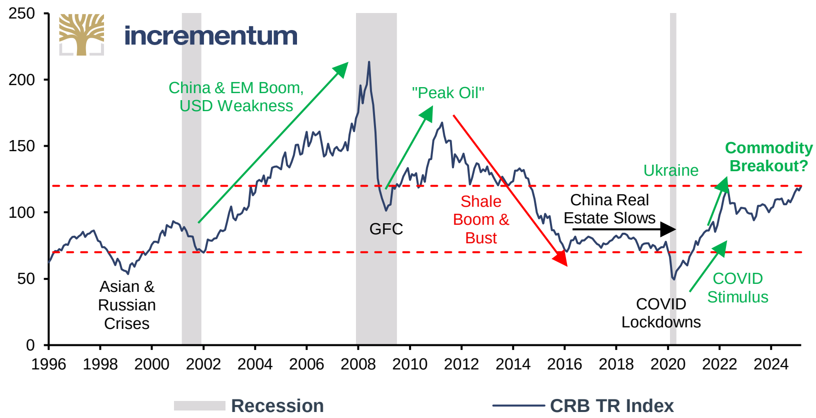


Source: LSEG, Incrementum AG

Bear markets are the authors of bull markets, and bull markets are the authors of bear markets!
Rick Rule

In the case of commodities, there are numerous indications that the tide is finally turning. In addition to a possible US dollar bear market, the capex cycle[17], the now-numerous fiscal and monetary stimulus measures in China, and the increasingly loose handling of sovereign debt in leading European economies, as well as the targeted decarbonization, have become the structural drivers for the supply and demand of many commodities. **We firmly believe that the commodity bull market is in an early phase.**

CRB TR Index, adjusted for US CPI, 100 = 12/2023, 01/1994–03/2025



Source: Gavekal Research, LSEG, Incrementum AG

[17] See "Capex Comeback: A Raging Bull Market for Commodities Beckons," In Gold We Trust report 2023

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

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*.

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