

## Q4 2019 Comments:

1. Real interest rates have become more negative and this will likely push the gold price higher (Fig. 1, 3, & 5).
2. China has been a significant net seller of long-term U.S. Securities (Fig. 23).
3. Bid to cover ratio on 10-year Treasuries sags to lowest level in 10 years (Fig. 26).
4. Government spending on “autopilot” – Social Security, Medicare, Interest, Defense, Veterans Benefits, etc. = 94% of total Gov’t outlays (Fig. 27).
5. Gold held by ETFs is approaching 2012 record levels (Fig. 31).
6. Central bank gold holdings as % of total reserves is approaching 2012 levels (Fig. 37).
7. Comex gold futures open interest currently surpasses previous high (Fig. 40).
8. Senior gold producers show highest Return on Capital since 2006 (Fig. 50).
9. Average acquisition cost in the gold sector is the lowest in five years despite the average gold price going up (Fig. 51).
10. There is a significant value gap between larger-cap and small-cap gold companies (Fig. 54).

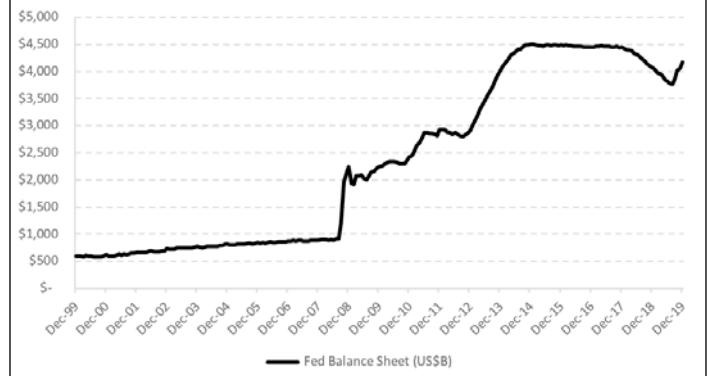
## Section I. Macro

Fig. 1. Gold Price and U.S. Real Rates



Source: Bloomberg.

Fig. 2. Fed Balance Sheet



Source: Bloomberg.

Fig. 3. Gold Price and ECB Real Rates



Source: Bloomberg.

Fig. 4. ECB Balance Sheet



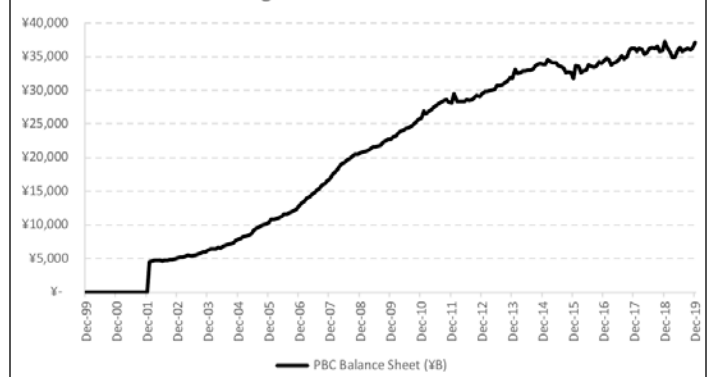
Source: Bloomberg.

Fig. 5. Gold Price and PBC Real Rates



Source: Bloomberg.

Fig. 6. PBC Balance Sheet



Source: Bloomberg.

## Section I. Macro

Fig. 7. The Biggest 6 Central Bank Balance Sheets  
U.S., U.K., Japan, China, EU & Switzerland



Source: Bloomberg.

Fig. 8. Gold Price and M2 (Fed, ECB & PBC)



Source: Bloomberg.

Fig. 9. U.S. M1 YoY%



Source: Bloomberg.

Fig. 10. U.S. M2 YoY%



Source: Bloomberg.

Fig. 11. ECB M1 YoY%



Source: Bloomberg.

Fig. 12. ECB M2 YoY%



Source: Bloomberg.

## Section I. Macro

Fig. 13. PBC M1 YoY%



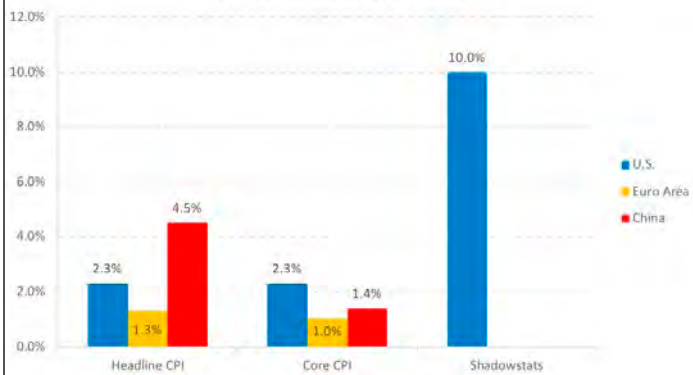
Source: Bloomberg.

Fig. 14. PBC M2 YoY%



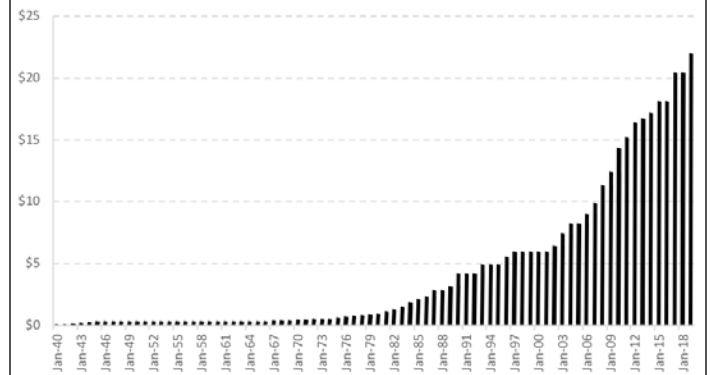
Source: Bloomberg.

Fig. 15. Inflation Sept. 30, 2019



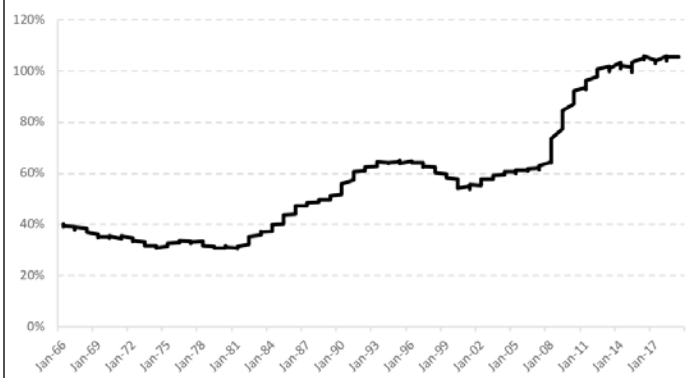
Source: Bloomberg, Shadow Government Statistics.

Fig. 16. U.S. National Debt (US\$T)



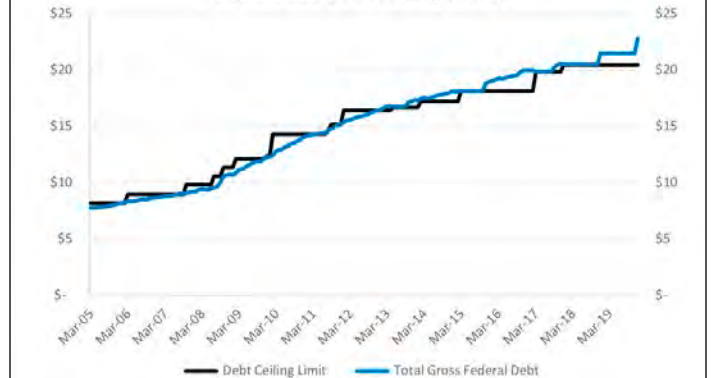
Source: Bloomberg.

Fig. 17. Total Public Market Debt as % of GDP



Source: Bloomberg.

Fig. 18. U.S. Debt Ceiling (US\$T)

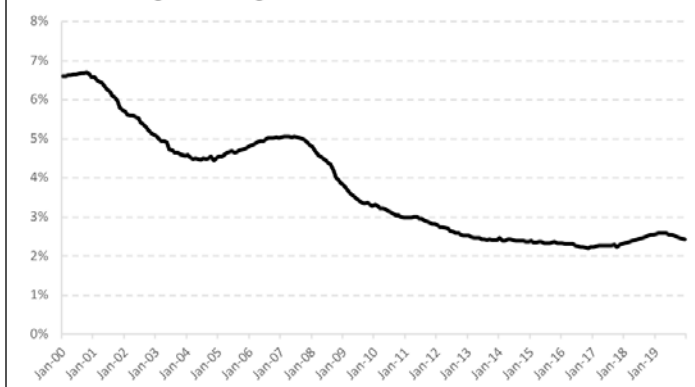


Source: Bloomberg.



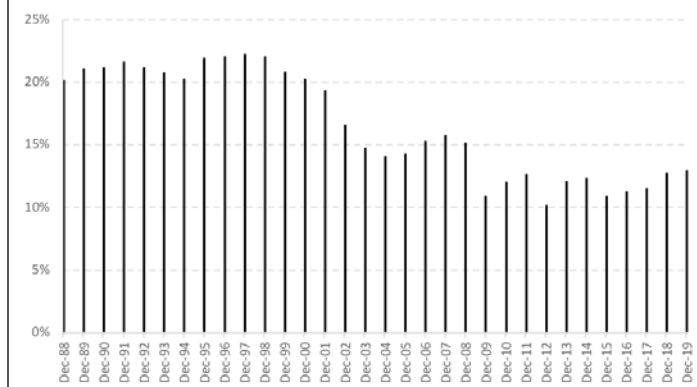
## Section I. Macro

Fig. 19. Average Annual Interest Rate on U.S. Debt



Source: U.S. Treasury, Meridian Macro.

Fig. 20. Interest Expense as % of Government Outlays



Source: Bloomberg, U.S. Treasury.

Fig. 21. TTM Global Forex Accumulation (US\$B)



Source: Bloomberg.

Fig. 22. TTM Net Purchases of U.S. Treasuries by Foreign Countries (US\$B)



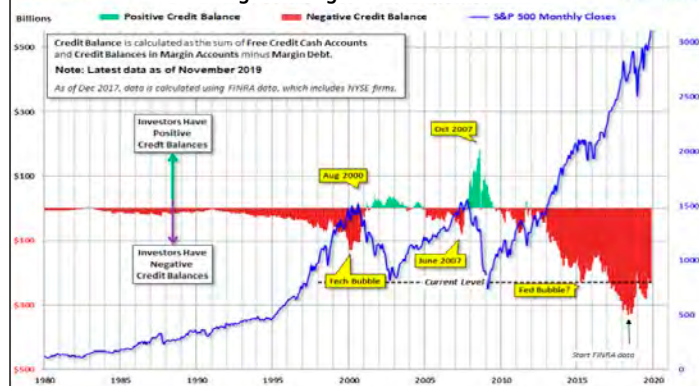
Source: Bloomberg.

Fig. 23. TTM China Net Purchases of Long-Term U.S. Securities (US\$B)



Source: Bloomberg, MacroMavens.

Fig. 24. Margin Debt vs. S&P 500



Source: Advisor Perspectives.

## Section I. Macro

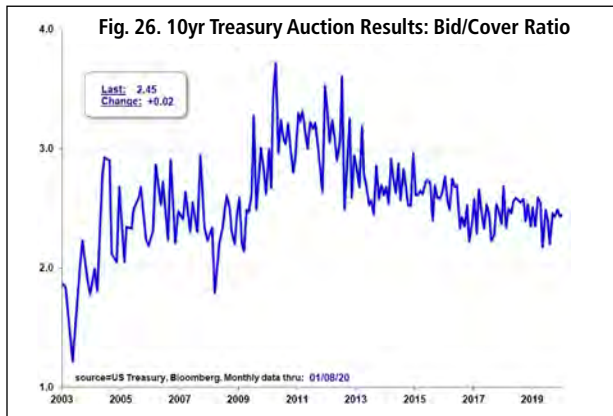
Fig. 25. US Treasury Security Holders

US TREASURY SECURITY HOLDERS	\$MILLION	% TOTAL
FEDERAL RESERVE	2,366,457	12.74%
FEDERAL GOV'T RETIREMENT FUNDS	2,047,150	11.02%
HOUSEHOLDS & NONPROFITS	2,002,732	10.78%
MUTUAL FUNDS	1,224,275	6.59%
MONEY MARKET FUNDS	945,601	5.09%
STATE & LOCAL GOVERNMENTS	676,690	3.64%
US DEPOSITORY INSTITUTIONS	674,495	3.63%
PRIVATE PENSIONS	470,674	2.53%
STATE & LOCAL DEFINED RETIREMENT FUNDS	424,453	2.29%
SECURITY BROKERS & DEALERS	213,275	1.15%
LIFE INSURANCE CO'S	208,216	1.12%
PROPERTY/CASUALTY INSURANCE CO'S	154,745	0.83%
EXCHANGE TRADED FUNDS	226,749	1.22%
FOREIGN BANKING OFFICES IN US	132,319	0.71%
GSE'S	153,864	0.83%
NONFINANCIAL NONCORPORATE BUSINESS	77,765	0.42%
NONFINANCIAL CORPORATE BUSINESS	42,540	0.23%
HOLDING COMPANIES	55,857	0.30%
CREDIT UNIONS	33,198	0.18%
ABS ISSUERS	27,564	0.15%
BANKS IN US-AFFILIATED AREAS	14,042	0.08%
CLOSED-END FUNDS	3,650	0.02%
INSTRUMENT DISCREPANCIES	-379,568	-2.04%
REST OF THE WORLD	6,774,939	36.48%
<b>TOTAL</b>	<b>18,571,681</b>	<b>100%</b>

source=Federal Reserve Quarterly Z.1 Flow of Funds Report; quarterly data thru: 2019Q3

Source: U.S. Treasury, Meridian Macro.

INCLUDES DEFENSE

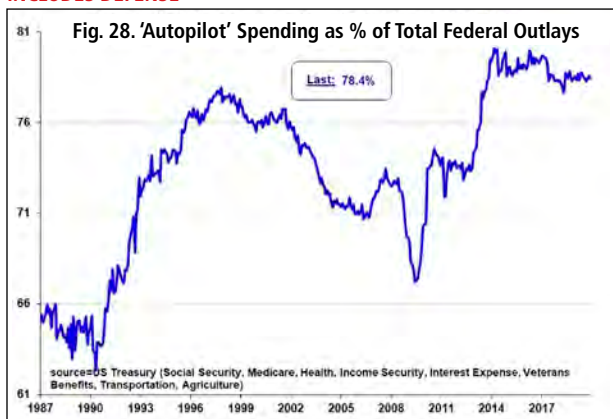


Source: Meridian Macro Research LLC. Statistics.

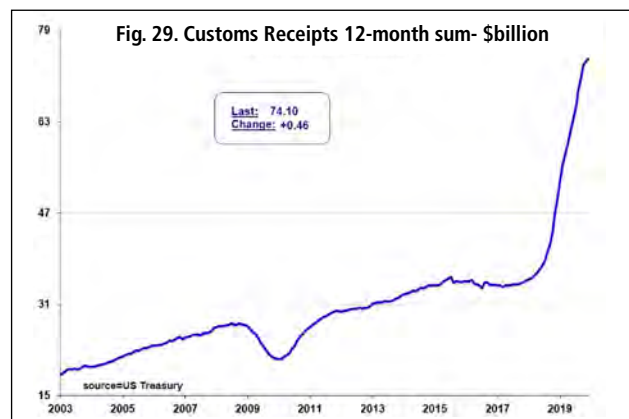


Source: Meridian Macro Research LLC.

INCLUDES DEFENSE



Source: Meridian Macro Research LLC.



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## Section II. Gold

Fig. 30. Gold Supply and Demand (tonnes)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Year-on-year % change
<b>Supply</b>											
Mine production	2,748.5	2,857.4	2,929.1	3,110.3	3,202.9	3,300.7	3,398.5	3,455.2	3,509.3	3,463.7	▼ -1
Net producer hedging	-108.8	22.5	-45.3	-27.9	104.9	12.9	37.6	-25.5	-12.5	8.3	▲ -
Recycled gold	1,679.1	1,651.1	1,670.8	1,247.7	1,187.8	1,121.4	1,281.5	1,156.1	1,176.1	1,304.1	▲ 11
<b>Total supply</b>	<b>4,318.8</b>	<b>4,531.1</b>	<b>4,554.6</b>	<b>4,330.1</b>	<b>4,495.7</b>	<b>4,434.9</b>	<b>4,717.6</b>	<b>4,585.7</b>	<b>4,673.0</b>	<b>4,776.1</b>	▲ 2
<b>Demand</b>											
Fabrication											
Jewellery <sup>1</sup>	2,043.8	2,092.1	2,141.2	2,736.0	2,543.3	2,478.2	2,017.4	2,255.1	2,281.2	2,134.7	▼ -6
Technology	460.7	429.1	382.3	355.8	348.4	331.7	323.0	332.6	334.8	326.6	▼ -2
Sub-total above fabrication	2,504.4	2,521.3	2,523.5	3,091.8	2,891.7	2,809.9	2,340.4	2,587.7	2,616.0	2,461.3	▼ -6
Total bar & coin demand	1,204.3	1,502.4	1,311.9	1,730.9	1,066.8	1,091.7	1,073.3	1,046.9	1,093.6	870.6	▼ -20
ETFs & similar products <sup>2</sup>	383.7	256.8	253.6	-874.5	-152.9	-129.4	541.2	271.2	76.2	401.1	▲ 426
Central bank & other inst. <sup>3</sup>	79.2	480.8	569.2	629.5	601.1	579.6	394.9	378.6	656.2	650.3	▼ -1
Gold demand	4,171.6	4,761.3	4,658.2	4,577.6	4,406.7	4,351.8	4,349.8	4,284.4	4,442.0	4,383.3	▼ -1
Surplus/Deficit	147.2	-230.2	-103.6	-247.5	89.0	83.2	367.8	301.3	231.0	392.8	▲ 70
<b>Total demand</b>	<b>4,318.8</b>	<b>4,531.1</b>	<b>4,554.6</b>	<b>4,330.1</b>	<b>4,495.7</b>	<b>4,434.9</b>	<b>4,717.6</b>	<b>4,585.7</b>	<b>4,673.0</b>	<b>4,776.1</b>	▲ 2
LBMA Gold Price (US\$/oz)	1224.52	1571.52	1668.98	1411.23	1266.4	1160.06	1250.8	1257.15	1268.49	1392.6	▲ 10

Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council.

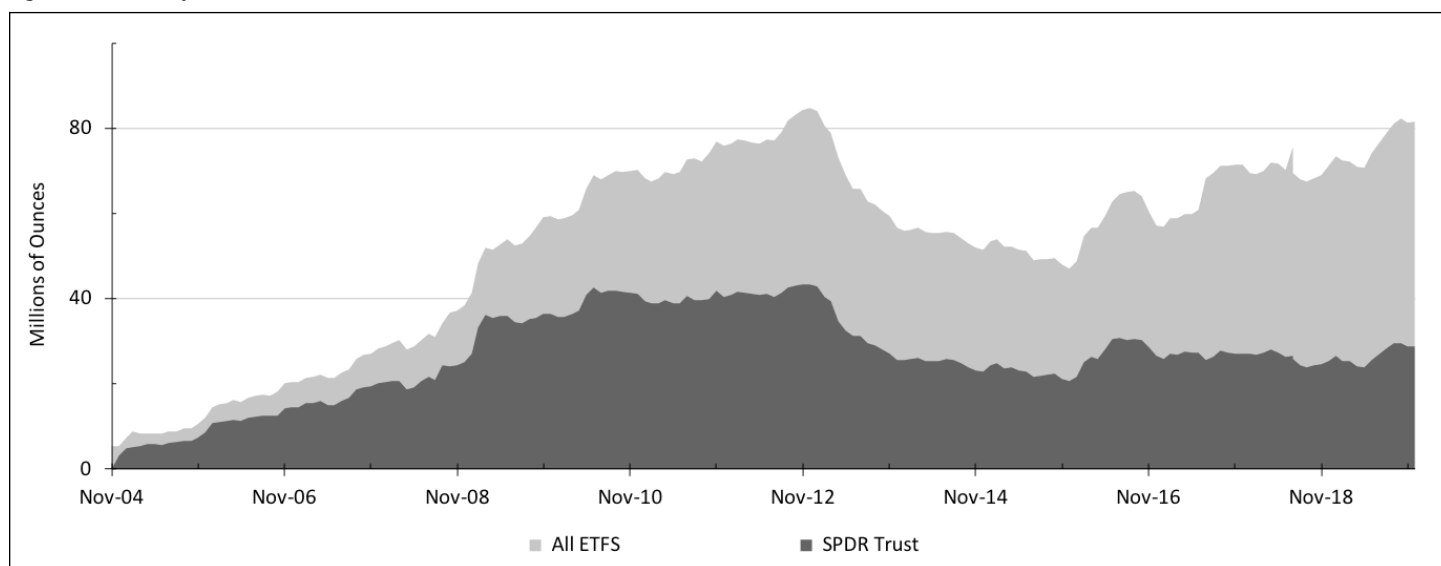
<sup>1</sup> For an explanation of jewellery fabrication, please see the Notes and definitions download: <https://www.gold.org/goldhub/data/gold-supply-and-demand-statistics>.

<sup>2</sup> For a listing of the Exchange Traded Funds and similar products, please see the Notes and definitions download: <https://www.gold.org/goldhub/data/gold-supply-and-demand-statistics>.

<sup>3</sup> Excluding any delta hedging of central bank options.

<sup>4</sup> For an explanation of Surplus/Deficit, please see the Notes and definitions download: <https://www.gold.org/goldhub/data/gold-supply-and-demand-statistics>.

Fig. 31. Gold Held by ETFs



Source: Bloomberg.

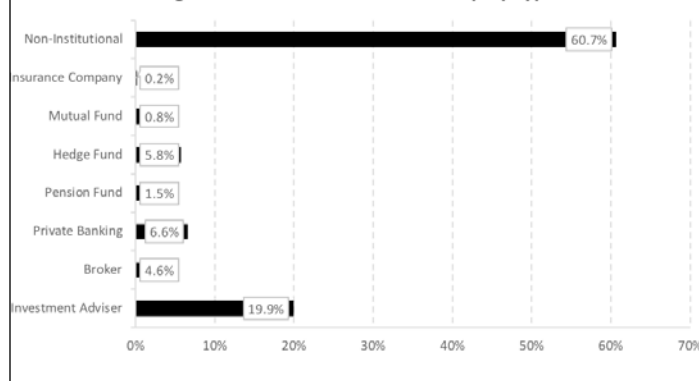
## Section II. Gold

Fig. 32. GDX Shares Outstanding (in millions)



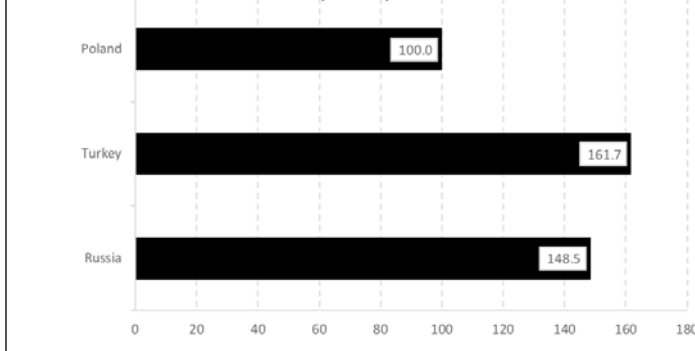
Source: Bloomberg.

Fig. 33. SPDR Gold Trust Ownership by Type



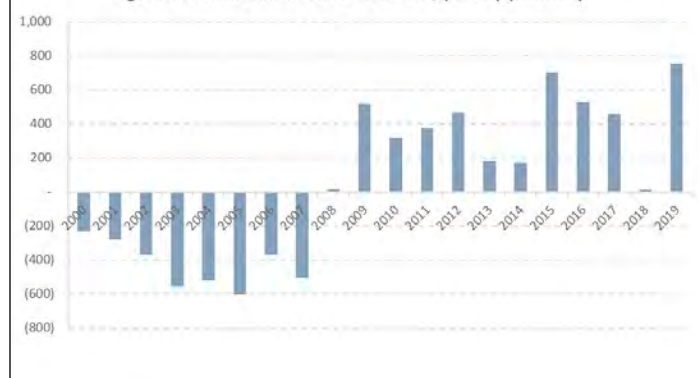
Source: FactSet.

Fig. 34. Notable Gold Purchases YTD December 31, 2019 (tonnes)



Source: World Gold Council.

Fig. 35. Central Bank Net Purchases/(Sales) (tonnes)



Source: World Gold Council.

Fig. 36. Central Bank Gold Holdings (tonnes)



Source: World Gold Council.

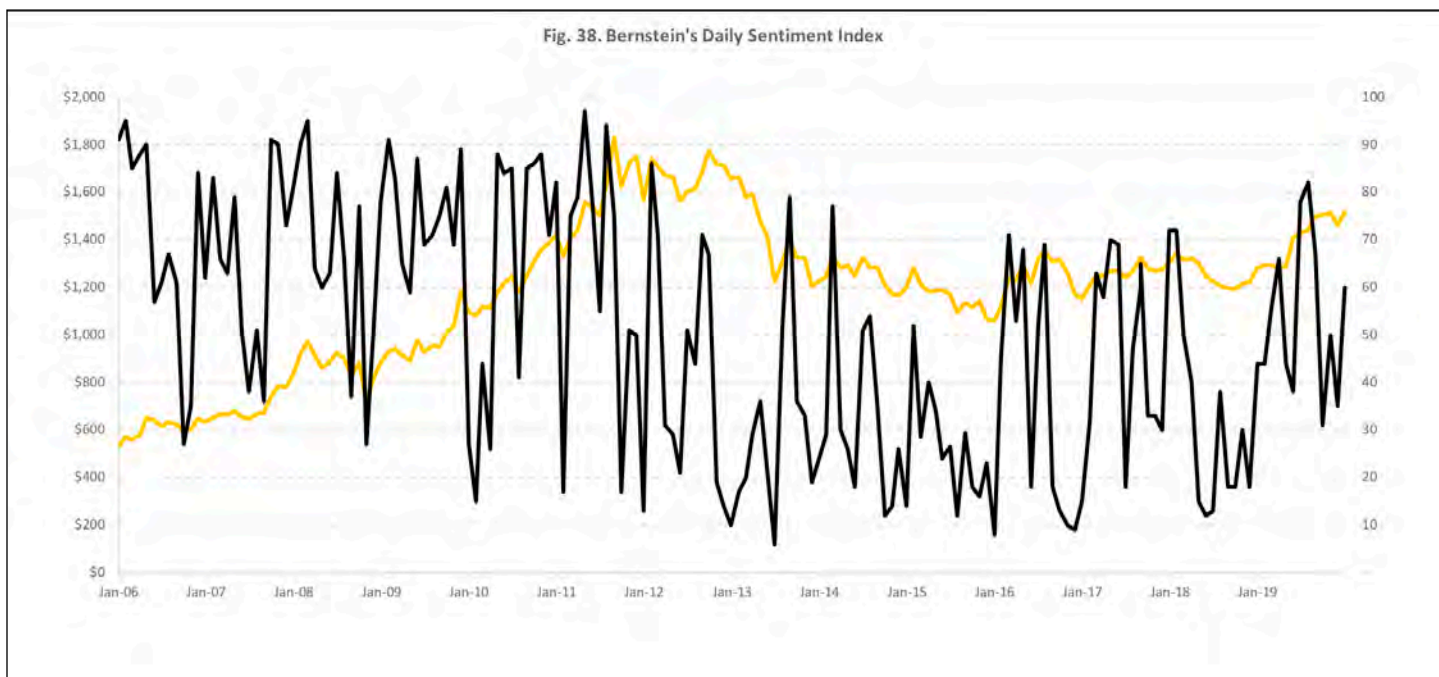
Fig. 37. Central Bank Gold Holdings as % of Total Reserves



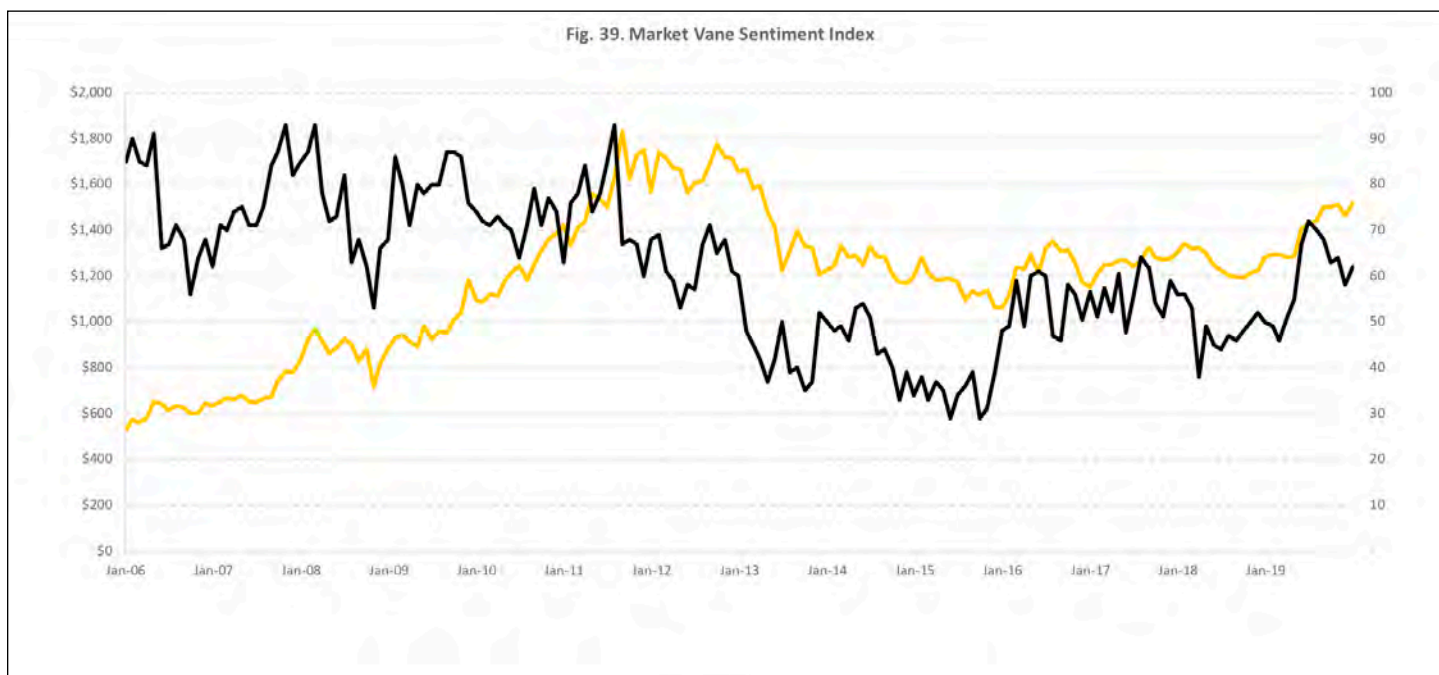
Source: World Gold Council.



## Section II. Gold



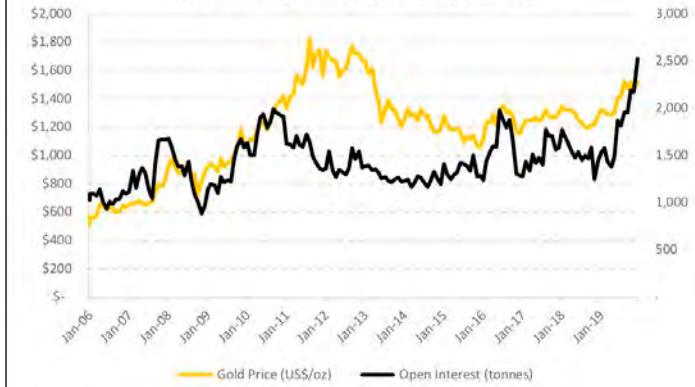
Source: Bloomberg, Bernstein's DSI.



Source: Bloomberg, Market Vane.

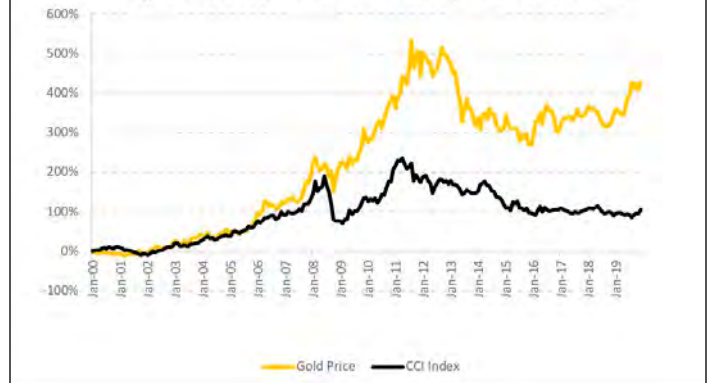
## Section II. Gold

Fig. 40. Comex Gold Futures Open Interest



Source: Bloomberg.

Fig. 41. Gold vs Continuous Commodity Index Performance



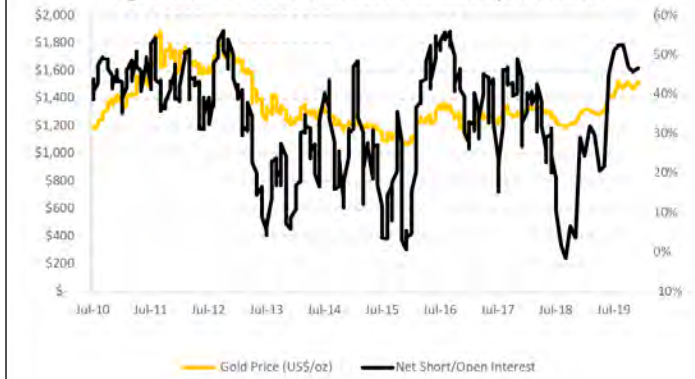
Source: Bloomberg.

Fig. 42. Comex Gold Futures Activity



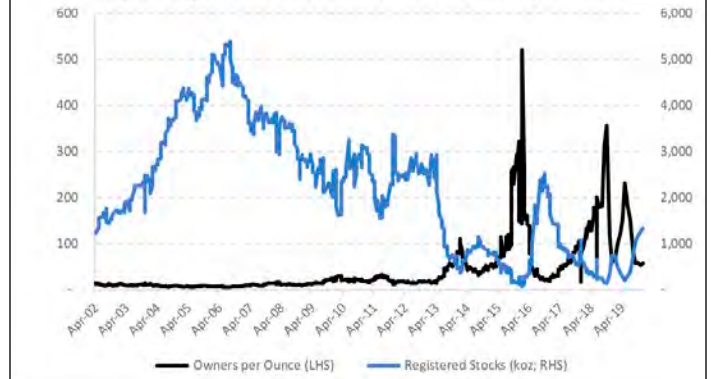
Source: CFTC.

Fig. 43. Commercial Net Shorts as % of Total Open Interest



Source: Bloomberg.

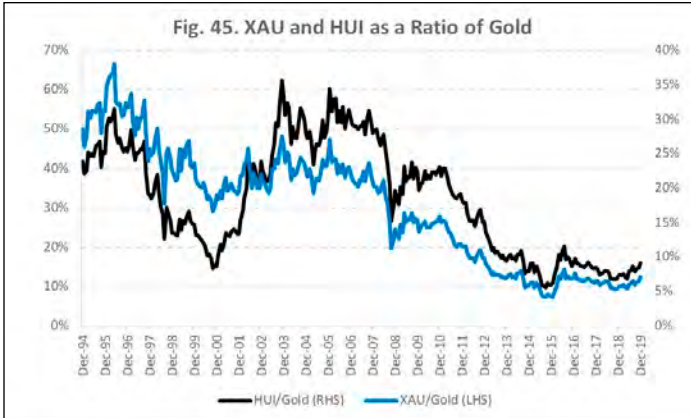
Fig. 44. Registered COMEX Gold Stocks vs. Owners per Ounce



Source: Bloomberg.

## Section III. Gold Mining Equities

Fig. 45. XAU and HUI as a Ratio of Gold



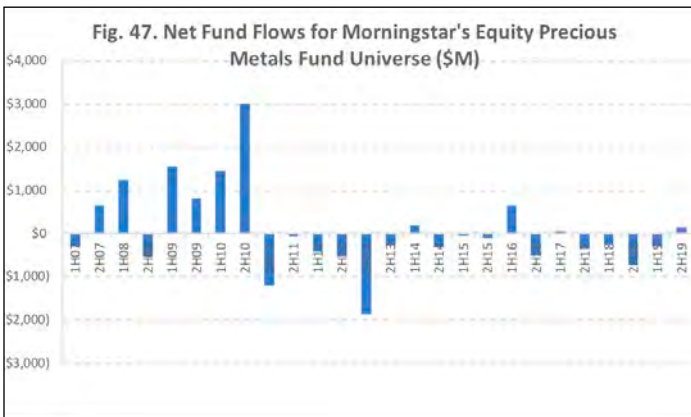
Source: FactSet.

Fig. 46. Gold & Silver % of S&P/TSX Composite Index



Source: Bloomberg, CIBC.

Fig. 47. Net Fund Flows for Morningstar's Equity Precious Metals Fund Universe (\$M)



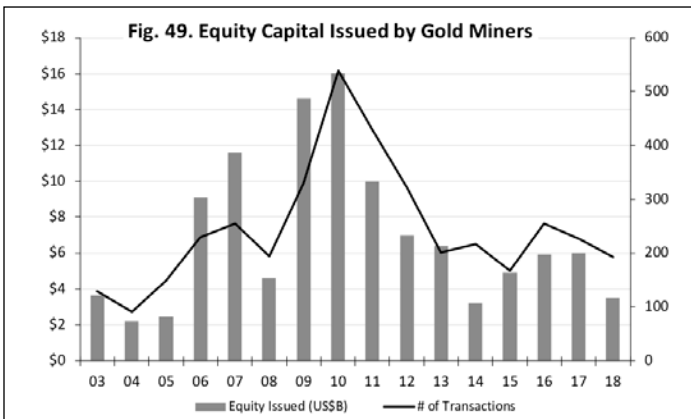
Source: Morningstar.

Fig. 48. Market Cap of VanEck Gold Equity ETFs (US\$B)



Source: FactSet.

Fig. 49. Equity Capital Issued by Gold Miners

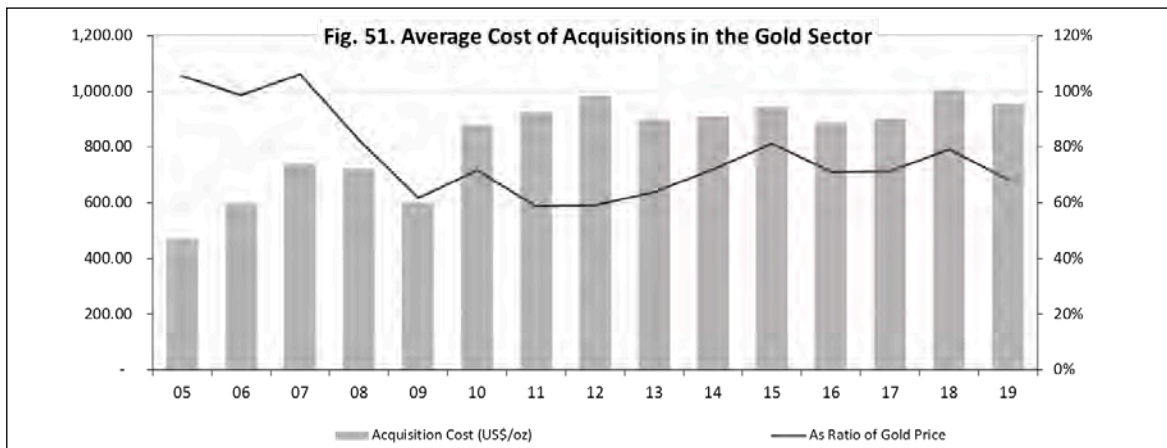


Source: Bloomberg.

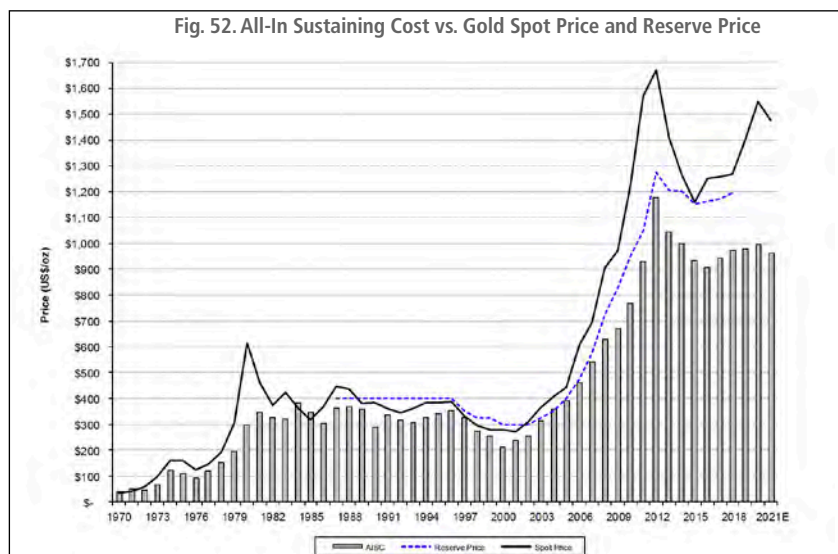
## Section III. Gold Mining Equities



Source: Bloomberg.



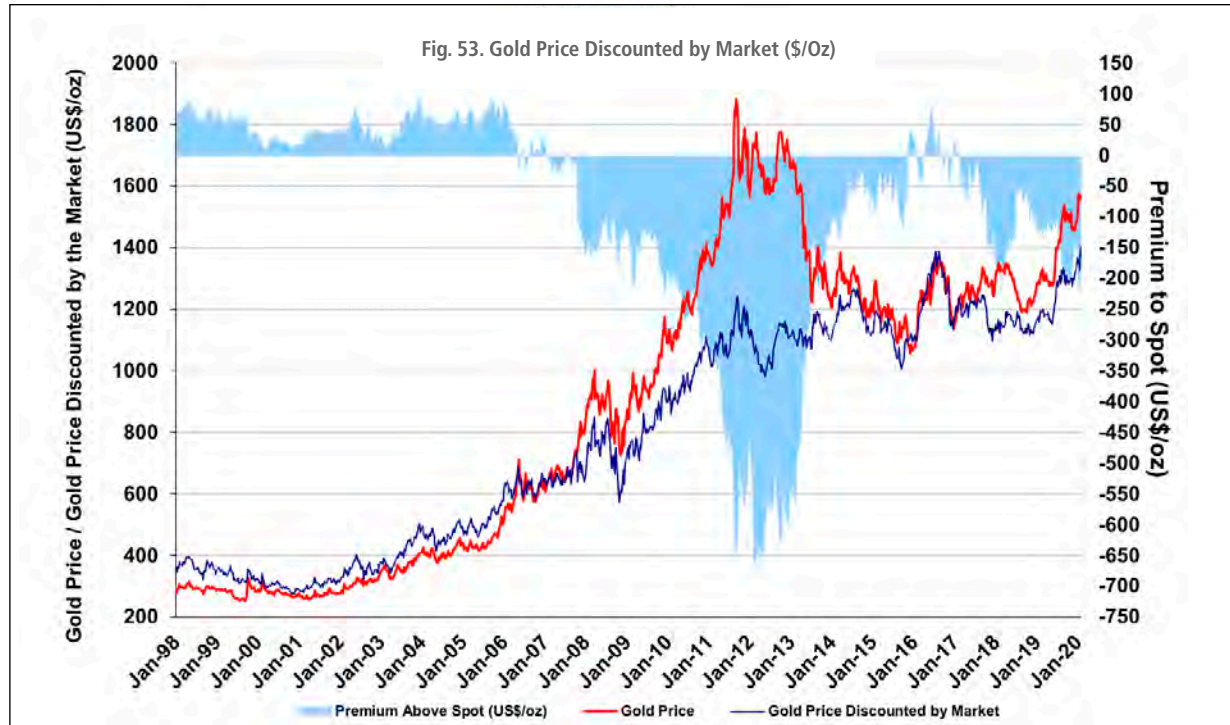
Source: RBC Capital Markets, Bloomberg.



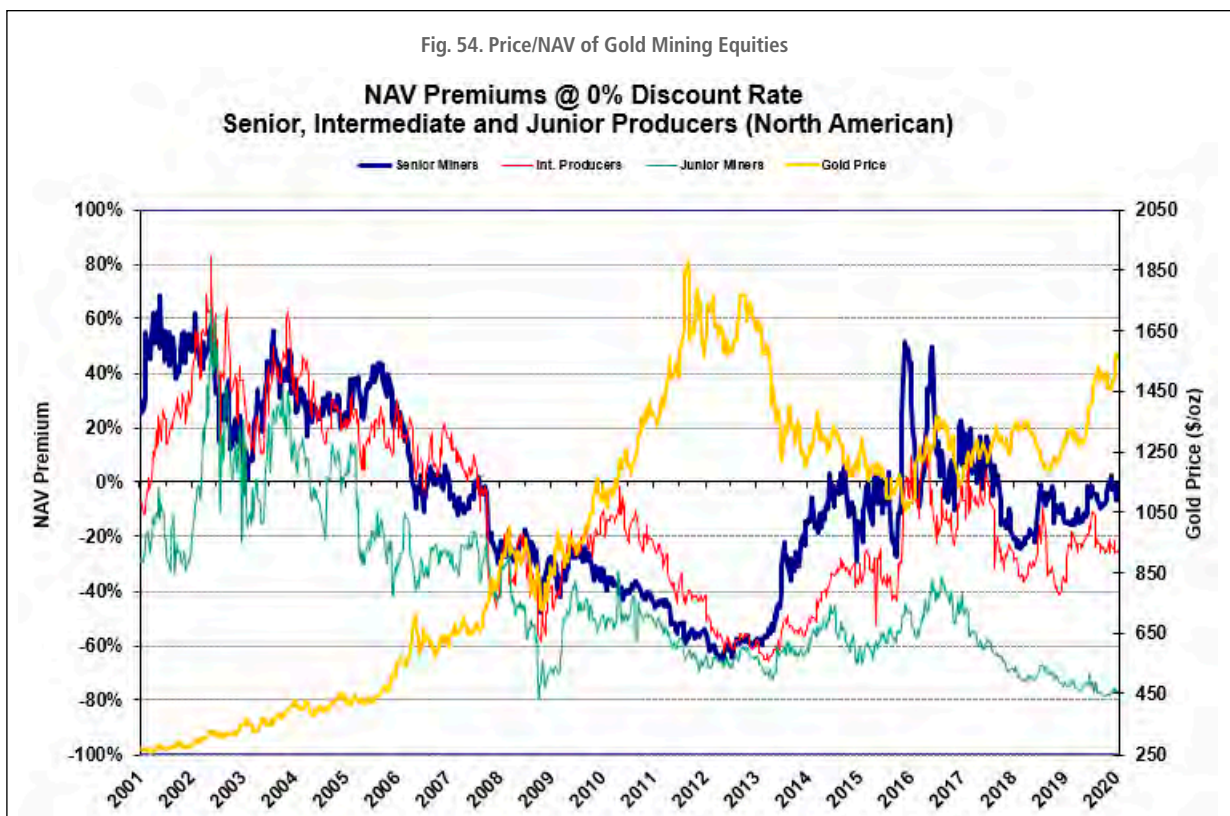
Source: Scotiabank.



## Section III. Gold Mining Equities

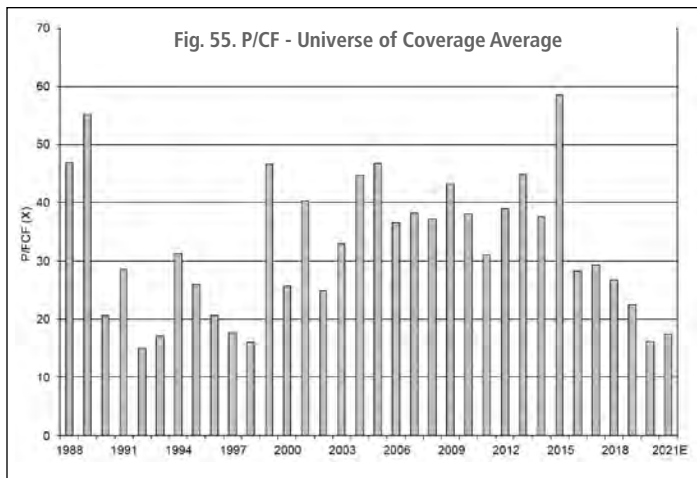


Source: BMO Capital Markets, FactSet.

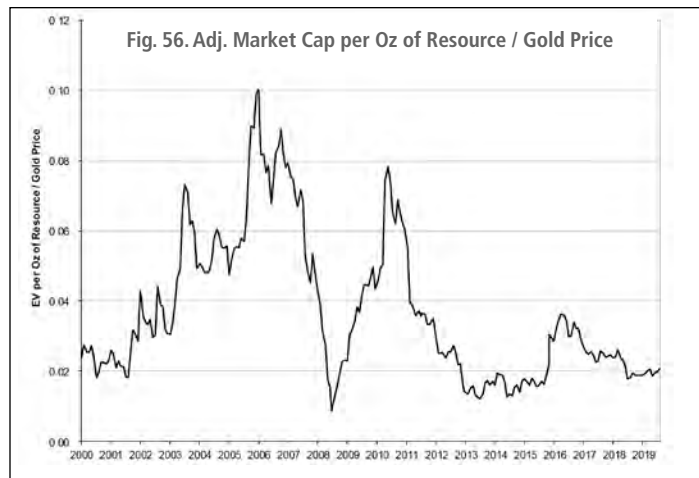


Source: BMO Capital Markets, FactSet.

## Section III. Gold Mining Equities



Source: Scotiabank.



Source: Scotiabank.



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