

MARKET COMMENTARY Trey Reik, Chief Economist, GBI

KEY STATS

109%

Gold 2-Year Total Return
(2024 - 2025)

201%

Silver 2-Year Total Return
(2024 - 2025)

47%

S&P 500 Total Return
(2024 - 2025)

201%

Silver 2-Year Total Return
(2024 - 2025)

CONTEXT

BOTTOM LINE

Systemic imbalances fostered during the modern era of QE and ZIRP are finally coming home to roost. U.S. credit market debt strands at \$106.3 trillion - 341% of GDP. There are only two paths to recalibrate: default or debasement. Gold can neither default nor be debased.

341%

Total U.S. Credit Market
Debt As % Of GDP
(\$106.3T vs \$31.1T GDP)

Is It Too Late?

Recent precious metal performance has been nothing short of spectacular. During 2025, gold and silver posted their strongest advances since 1979, with spot prices rising 65% and 148% respectively. Combined with solid 2024 returns, two-year gains for gold and silver stood at a gaudy 109% and 201%. To convey the multiples by which precious metals outperformed traditional asset classes, we highlight two-year performances in Figure 1, below

ASSET / INDEX	2024 RETURN	2025 RETURN	TOTAL 12/31/23-12/31/25
Spot Gold	+27.22%	+64.58%	+109.38%
Spot Silver	+21.46%	+147.95%	+201.17%
VanEck Gold Miners ETF (GDX)	+10.63%	+154.71%	+181.79%
Global X Silver Miners ETF (SIL)	+14.69%	+166.14%	+205.23%
S&P 500 Index (SPX)	+25.00%	+17.86%	+47.32%
Vanguard Real Estate ETF (VNQ)	+4.81%	+3.26%	+8.23%
10-Year Treasury Index (SPBDU1BT)	-1.67%	+8.02%	+6.22%
Bloomberg Commodity Index (BCOM)	+0.12%	+11.07%	+11.20%

Figure 1: Performance of Spot Gold, Spot Silver, and Various ETF's and Indices (2024-2025) [Bloomberg]

By any measure, gold and silver exceeded the most bullish 2025 forecasts. Therefore, the operative question is whether factors driving 2025 performance will continue in 2026. Our unequivocal answer is, "Yes!" Global fundamentals driving gold's ongoing advance were fostered by two decades of unconventional central bank policies, and resolution of these monetary and financial imbalances will require many years to accomplish, all to gold's ongoing benefit.

We believe gold's three most important long-term fundamentals reached seminal inflection points in 2025. Specifically, we attribute gold's strength to mounting concern over our "Big-3" trends: 1.) rapidly deteriorating U.S. finances, 2.) galvanizing anti-dollar sentiment, and 3.) accelerating erosion in Fed credibility. Are these factors new or unprecedented? Absolutely not—we have been chronicling them for years. But the 2025 difference is important tipping points have been reached which are driving the world's largest capital pools to seek gold's protection from perceived risks in the global financial system.

Our bottom line is systemic imbalances fostered during the modern era of QE and ZIRP are finally coming home to roost. Most notably, U.S. debt levels have become unsustainably detached from underlying productive output (GDP). The Fed's Q3 '25 Flow of Funds Report estimates total U.S. credit market debt (including financial) now stands at a staggering \$106.3 trillion, or 341% of U.S. GDP (\$31.1T). Until this debt/GDP ratio recedes back to a more serviceable 200%-250% range, the U.S. economy will remain dependent on the continuous provision of Fed liquidity which has become the norm in the Bernanke/Yellen/Powell era.

Ultimately, there are only two paths to recalibrate excessive U.S. debt levels back toward underlying productive output: default or debasement (or both). Because gold is the rare asset which can neither default nor be debased, gold will remain a mandatory portfolio asset until these systemic imbalances are resolved. And because the Fed will do everything in its power to forestall rationalization of existing debt levels, we anticipate an amount of 2026 Fed liquidity likely to surprise many.

Is the Fed Already Concerned about Systemic Liquidity?

To readers who might challenge our view that contemporary market equilibrium remains utterly reliant on Fed liquidity, we cite two recent examples to support our reasoning. First, the Fed cut rates 25 basis points at its 12/10 FOMC meeting with the S&P 500 at an all-time high (6,886), M2 money supply at an all-time high (\$22.3T), U.S. public debt at an all-time high (\$38.4 trillion), spot gold just off an all-time high (\$4,228) and CPI (+2.7%) still 70bps above the Fed's target! The Fed has never cut rates with so many asset classes at all-time highs and doing so belies their concern for underlying liquidity conditions.

Second, the Fed announced in conjunction with its 12/10 FOMC meeting that it would commence monthly purchases of up to \$40B of Treasury bills "to maintain an ample level of reserves." The Fed was careful to classify these purchases as "reserve management purchases" (RMP's) and noted they would "be sized to accommodate projected trend growth in the demand for Federal Reserve liabilities." We are pretty sure the Fed's new RMP program was in direct response to the \$30.5 billion of delivery fails in 10-year Treasury notes during the week ended 12/10, the highest since December 2017.

In other words, with its balance sheet still measuring \$6.5 trillion, the Fed still feels compelled to purchase \$40 billion in monthly Treasury bills to provide adequate liquidity to short-term funding markets.

FED BALANCE SHEET

\$6.5T

Fed balance sheet at time of RPM announcement - still enormous despite QT

\$40B

Monthly Treasury bill purchases announced at 12/10 FOMC meeting

\$30.5B

10 year Treasury delivery fails week of 12/10 - highest since Dec 2017

2019 PARALLEL

\$362B

Balance sheet growth from 2019 "not-QE" purchases in just five months

\$75B

Emergency overnight repo operations launched in September 2019

METHODOLOGY NOTE

We use the GDM Index as our proxy for gold equities because GDM is the index on which the popular VanEck Gold Miners ETF (GDX) is based, and GDM predates GDX with fewer ETF distortions. Similarly, we use the Solactive Silver Miners Index as our proxy for silver equities. Prior to its mid-2006 launch we have substituted the average performance of Hecla Mining, Coeur d'Alene Mines and Pan American Silver (2001-2006). Early performance of these core names skews cumulative totals.



Parallels to the Fed's new RMP program and its response to the September 2019 Repo Crisis.

In the prior episode, the Fed conducted a series of \$75 billion emergency (overnight) repo operations before settling on a \$60B-per-month Treasury bill purchase program through Q2 2020. Just as the Fed now asserts its RMP bill purchases are "not QE," so the Fed argued its 2019 bill purchases were "not QE." On the Fed's 10/4/19 repo crisis emergency conference call, Richmond Fed President Thomas Barkin summed the Fed's official position:

THOMAS BARKIN, PRESIDENT, FEDERAL RESERVE BANK OF RICHMOND

"I do worry that a message of \$60 billion a month will be misinterpreted as a return to QE, as it does appear to be comparably scaled. Our communication needs to emphasize that this is about liabilities, not about assets. It's a reserve-maintenance program, not a balance sheet expansion...We will conduct a limited-time technical adjustment as necessary."

On the call, Chair Powell formalized the Fed's communication program:

JEROME POWELL, CHAIR, FEDERAL RESERVE OF THE UNITED STATES

"We're going to have to just 'repetitively repeat' – that seems to be the phrase of the day—that it's not QE, and I think we can make that sale."

On 10/8/19, Chair Powell test drove the Fed's narrative in a speech to the National Association of Business Economists in Denver,

JEROME POWELL, CHAIR, FEDERAL RESERVE OF THE UNITED STATES

"This is not QE. In no sense is this QE."

To us, the QE/not-QE debate is a distinction with limited relevance. Call it whatever you wish, but when the Fed feels compelled to purchase billions of dollars of Treasury bills to ease short-term funding strains (and maintain control of its fed funds target system), we are highly confident there are systemic liquidity issues percolating just below the surface. During the 2019 repo crisis, the Fed's "not-QE" purchases grew its balance sheet by \$362 billion in five months (just prior to the epic Covid liquidity liftoff). How many billions will the Fed need to buy this time?

CUMULATIVE RETURNS

1,487%

Gold Cumulative USD
return 2001-2025

1,454%

GDM Gold Miners
Cumulative 2001-2025

1,458%

Silver Cumulative USD
return 2001-2025

727%

S&P 500 Cumulative
return 2001-2025

2,071%

Gold in Japanese Yen -
highest of all currencies
tracked

KEY INSIGHT

BOTTOM LINE

While gold prices can display short-term correlation to economic variables such as fed funds, Treasury yields and CPI, these correlations always break down over the long run. Gold's negative correlation to the U.S. dollar is its sole correlation which tends to hold up over time.

Long-term Performance

Before moving to our analysis of 2026 gold fundamentals, we cannot resist reprinting our signature table of spot gold performances in various fiat currencies since 2001. Our point in including this chart is to emphasize that the long-term fundamentals which hit such dramatic tipping points for gold in 2025 have been methodically driving bullion’s advance for 25 years, roughly doubling total return of the S&P 500 along the way.

In our current chart (Figure 2), we list annual performances of spot gold (measured in U.S. dollars, euros, Canadian dollars, yen and yuan), the NYSE Arca Gold Miners Index (GDM), spot silver (in USD), the Solactive Global Silver Miners Index (SOLGLOSI), the S&P 500 Index, and the DXY Dollar Index. Additionally, we list annual averages for U.S. CPI, 10-year Treasury yields, and Fed Funds (low band).

[By way of footnote, we use the GDM Index as our proxy for gold equities because GDM is the index on which the popular VanEck Gold Miners ETF (GDX) is based, and GDM predates GDX with fewer ETF distortions. Similarly, we use the Solactive Silver Miners Index as our proxy for silver equities because of its long history, but prior to its mid-2006 launch we have substituted the average performance of Hecla Mining, Coeur d’Alene Mines and Pan American Silver (2001-2006). Early performance of these core names skews cumulative totals.]

YEAR	USD GOLD	EUR GOLD	CAD GOLD	YEN GOLD	YUAN GOLD	GDM	SILVER	SOLGLOSI	S&P 500	CPI	10-YR	FED FND	DXY
2001	2.46%	8.13%	8.65%	17.62%	2.45%	39.28%	0.43%	44.32%	-11.89%	2.8%	5.00%	3.91%	6.56%
2002	24.78%	5.76%	23.48%	12.64%	24.78%	79.69%	3.46%	221.80%	-22.10%	1.6%	4.60%	1.68%	-12.76%
2003	19.37%	-0.21%	-1.81%	8.04%	19.36%	47.07%	24.27%	115.76%	28.68%	2.3%	4.00%	1.12%	-14.66%
2004	5.54%	-2.19%	-2.19%	0.66%	5.54%	-9.38%	14.86%	-16.64%	10.88%	2.7%	4.26%	1.34%	-6.98%
2005	17.92%	35.09%	14.06%	35.70%	14.98%	30.43%	29.20%	-3.58%	4.91%	3.4%	4.28%	3.19%	12.76%
2006	23.16%	10.51%	23.46%	24.32%	19.11%	22.98%	46.40%	48.70%	15.79%	3.2%	4.79%	4.96%	-8.25%
2007	30.98%	18.46%	11.40%	22.96%	22.46%	17.58%	14.65%	23.80%	5.49%	2.9%	4.63%	5.05%	-8.31%
2008	5.78%	10.55%	29.91%	-14.10%	-1.07%	-26.34%	-23.02%	-67.17%	-37.00%	3.8%	3.65%	2.08%	6.01%
2009	24.37%	21.09%	7.90%	27.38%	24.40%	37.98%	48.16%	140.37%	26.46%	-0.4%	3.24%	0.00%	-4.24%
2010	29.52%	38.88%	21.95%	12.75%	25.02%	34.76%	83.21%	88.69%	15.06%	1.6%	3.20%	0.00%	1.50%
2011	10.06%	13.51%	12.53%	4.35%	5.22%	-15.48%	-9.94%	-20.03%	2.11%	3.2%	2.77%	0.00%	1.46%
2012	7.14%	5.22%	4.86%	20.84%	6.04%	-8.46%	8.98%	8.97%	16.00%	2.1%	1.79%	0.00%	-0.51%
2013	-28.04%	-31.13%	-23.13%	-12.42%	-30.15%	-52.18%	-35.84%	-49.69%	32.99%	1.5%	2.33%	0.00%	0.33%
2014	-1.72%	11.99%	7.40%	11.81%	0.79%	-11.71%	-19.34%	-17.46%	13.69%	1.6%	2.53%	0.00%	12.79%
2015	-10.42%	-0.25%	6.65%	-10.15%	-6.38%	-24.55%	-11.75%	-31.98%	1.38%	0.1%	2.13%	0.00%	9.26%
2016	8.56%	11.85%	5.60%	5.35%	16.13%	54.57%	14.86%	80.03%	11.96%	1.3%	1.83%	0.26%	3.63%
2017	13.09%	-0.79%	5.33%	9.15%	6.03%	12.45%	6.42%	1.98%	21.83%	2.1%	2.33%	0.85%	-9.87%
2018	-1.58%	3.32%	7.04%	-4.13%	4.04%	-8.39%	-8.53%	23.51%	-4.38%	2.4%	2.91%	1.66%	4.40%
2019	18.31%	20.66%	12.70%	17.15%	19.77%	41.56%	15.22%	35.02%	31.48%	1.8%	2.14%	2.03%	0.22%
2020	25.12%	14.92%	23.09%	19.03%	17.28%	24.12%	47.88%	41.89%	18.39%	1.2%	0.89%	0.28%	-6.69%
2021	-3.64%	3.46%	-4.54%	7.30%	-6.17%	-8.93%	-11.72%	-17.86%	28.68%	4.7%	1.44%	0.00%	6.37%
2022	-0.28%	6.00%	6.66%	13.57%	8.23%	-8.05%	2.77%	-24.43%	-18.13%	8.0%	2.94%	1.61%	8.21%
2023	13.10%	9.49%	10.40%	21.59%	16.42%	11.84%	-0.67%	2.41%	26.26%	4.1%	3.96%	4.95%	-2.12%
2024	27.22%	36.01%	38.61%	42.15%	30.77%	11.11%	21.46%	15.58%	25.00%	3.0%	4.21%	5.06%	7.07%
2025	64.58%	45.13%	56.93%	64.01%	57.58%	159.40%	147.95%	168.20%	17.86%	2.7%	4.29%	4.12%	-9.37%
Cumulative	1.487%	1.170%	1.349%	2.071%	1.240%	1.454%	1.458%	2.821%	727%	2001-2025			

Figure 2: Annual Performance of Spot Gold (US\$, Euro, CAD\$, Yen & Yuan), GDM Index, Spot Silver(US\$), S&P 500 Index, & DXY Dollar Index; Annual Average of CPI, 10-Year Treasury Yield & Fed Funds (Lower Band) (2001-2025) [Bloomberg]

CORRECTION DIFFERENTIALS

+31%

Differential in Q4 2018 selloff (GDM + 11.37% vs S&P - 19.78%)

+47%

Aggregate differential in 2020 COVID full cycle

+38%

Differential in first 11 weeks of 2022 slide

MARKET LEVERAGE

\$1.3T

Record total margin debt, January 2026 - 8th consecutive monthly increase

+37%

Year-over-year surge in margin debt - most aggressive spike since late 2021 peak

701

Leveraged equity ETFs now counted by Bank of America

These statistics yield a few objective conclusions about the performance of gold and gold shares. With respect to gold, this data supports our view that while gold prices can display short-term correlation to economic variables such as fed funds, Treasury yields and CPI, these correlations always break down over the long run. Importantly, these figures also support our contention that gold's negative correlation to the U.S. dollar is its sole correlation which tends to hold up over time.

With respect to gold equities, historical data confirms the primary driver of gold share performance is the underlying performance of spot gold. While not linked at the hip, gold shares clearly do better when the gold price is strong and worse when gold is weak. As long-term precious metal investors, however, we are fully cognizant that the long-term performance of gold equities has simply not kept pace with the beta-to-bullion leverage we expect from the gold-mining business model. Because we have dedicated countless pages to analysis of post-2000 gold share performance, we will not rehash our observations in this report. Summing things up, we have learned that while bullion offers valuable diversification benefits over the long run, there are aspects to the gold mining business which make gold equities an especially potent tactical investment.

For example, while the 25-year performance of the GDM Index (+1,454%) has roughly doubled total return of the S&P 500 Index (+727%), it is interesting to note these indices have displayed negative correlation for the majority of the post-2000 span. Indeed, we view the negative correlation between gold equities and broad market averages as perhaps the most underappreciated aspect of gold shares' investment utility.

Over the past decade, the flood of central bank liquidity has made it difficult for stocks ever to decline, so they have mostly gone up. However, on the few occasions equities have suffered sharp drawdowns, gold shares have provided reliable portfolio protection. We highlight below the comparative performance of gold shares and broad equities during the past three 20% corrections of the S&P 500

- During the "long way from neutral" Q4 2018 market selloff (9/20/18-12/24/18), the S&P 500 declined 19.78%, while the GDM Index increased 11.37%, a 31.15% differential.
- During the March 2020 Covid collapse (3/4/20-3/23/20), the S&P 500 declined 28.52% and the GDM Index declined 24.53%, but by 8/5/20 the GDM Index had rallied 102.76% while the S&P 500 had only increased 48.73%, a 46.71% aggregate differential.
- And during the first 11 weeks of the 2022 stock market slide (12/28/21-4/18/22), the S&P 500 declined 8.25% while the GDM Index increased 29.83%, a 38.08% differential.

KEY POINT

For gold equity exposure to function as an effective portfolio hedge, positions are best established prior to market peaks. When concentrated Mag-7-type portfolios start experiencing sharp drawdowns, we expect the tangible safety of precious metals and real assets to offer welcome respite.

During the next full-fledged stock market correction, no one can predict whether gold shares will provide portfolio protection on par with prior episodes. However, the inverse-performance potential of gold equities is eminently logical. When market caps of stocks like Nvidia are fluctuating hundreds of billions of dollars per day, digging the earth's crust for a four-parts-per-billion element is unlikely to draw a big crowd. But, as Q4 2018 and March 2020 market declines demonstrated, when stocks do go down these days, they tend to go down hard and fast. So, for gold equity exposure to function as an effective portfolio hedge, positions are best established prior to market peaks. When concentrated Mag 7-type portfolios start experiencing sharp drawdowns, we expect the tangible safety of precious metals and real assets to offer welcome respite.

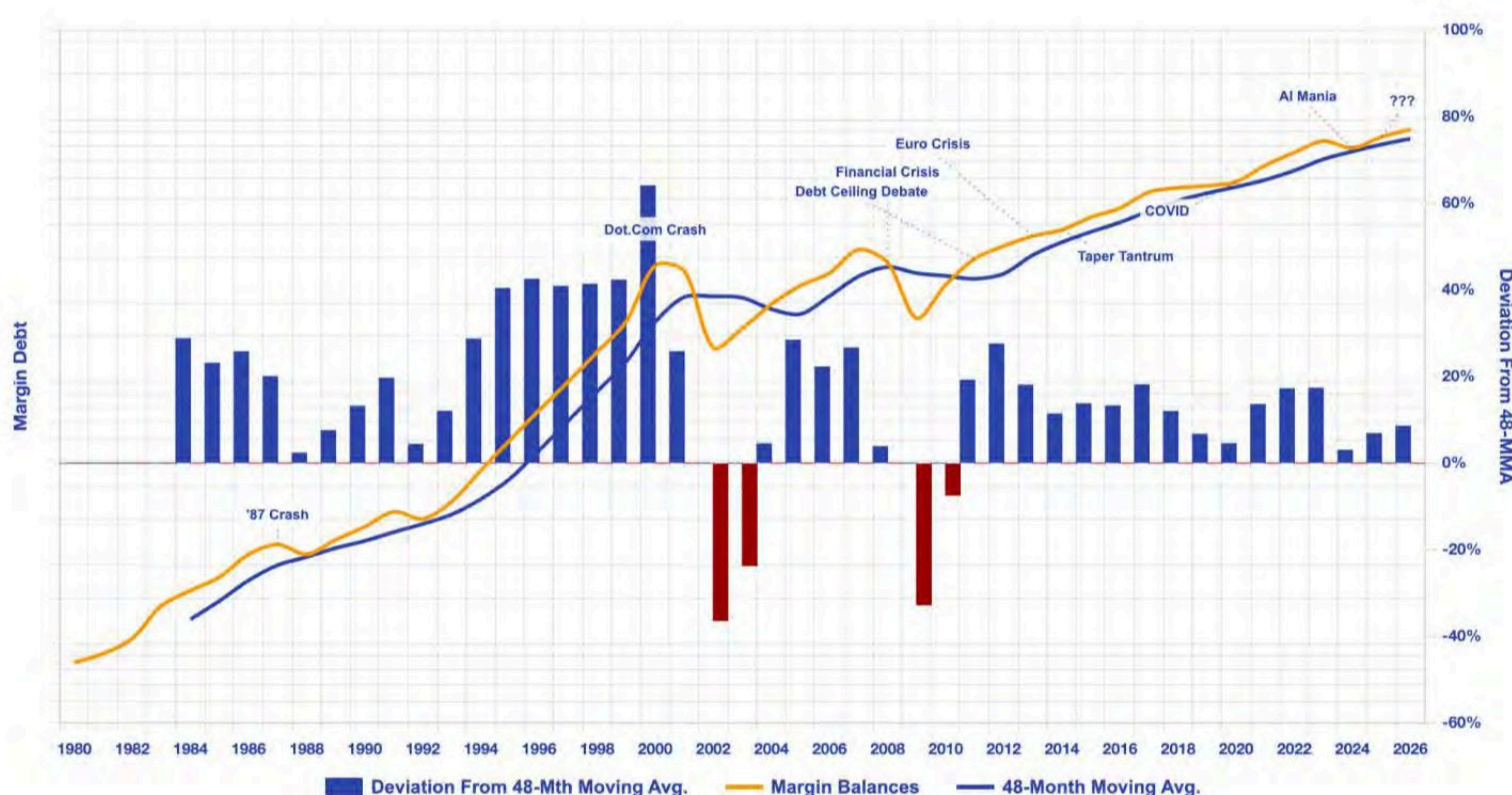


Figure 3: Total Margin Debt & Deviation From 48-Month Average (1980-2025) [FINRA]

With respect to current valuations, it would be difficult to overstate the degree of concentration and sentiment risk we perceive in today's equity markets. Complicating well-documented Mag-7 concentration is the startling development that passive portfolio allocations now exceed actively managed pools, so market rotations from favored names have the capacity to become exceptionally disruptive. Not to mention that FINRA reports total margin debt hit a record \$1.3 trillion in January (eighth consecutive monthly increase), a 37% year-over-year jump and the most aggressive spike since the late-2021 market peak (Figure 3, above).

As final symbol of white-hot market leverage, we note that Bank of America now counts 701 leveraged equity ETF's. Jason Zweig observed in the Wall Street Journal (10/25/25):

U.S. FISCAL

\$2T

CBO-projected annual deficit for each of the next ten years

\$1.2T

Annual U.S. interest expense - and rising as debt compounds

341%

Total U.S. credit debt as % of GDP (\$106.3T vs \$31.1T)

CENTRAL BANK GOLD

1,021T

Avg. annual central bank gold purchases 2022-2025 (vs 400-500t prior decade)

95%

of 70 central banks surveyed expect gold holdings to increase - 0% expect a decrease

43%

of central bank respondents planned to increase their own gold holdings

GOLD VS BITCOING

-53%

Bitcoin collapse from
10/6/25 high (\$126,251)
to 2/6/26 low (\$60,033)

+25%

Spot gold gain over the
same four month span

43%

of central bank
respondents planned to
increase their own gold
holdings

PAOLO ARDOINO,
TETHER CEO

**"Natural
Bitcoin"**

- Referring to Gold, 2025

JASON ZWEIG, COLUMNIST AT THE WALL STREET JOURNAL

"Leverage is all the rage...You thought ETF's that double or triple the daily gains or losses on single stocks and crypto currencies were extreme? A spate of new filings seeking SEC approval would quintuple the daily gains or losses on such stocks as Coinbase, Nvidia, Palantir and Tesla—and cryptocurrencies like bitcoin, Solana and XRP. If assets fall sharply in a single day, the ETF could go to zero."

What could possibly go wrong here?

Deteriorating U.S. Finances

Moving on to 2025 tipping points of our Big-3 gold fundamentals, we will begin with a brief update on the precarious state of U.S. federal finances. While bears have fretted over the U.S. deficit for decades, these concerns have finally crystalized in the troubling development that the Biden and Trump administrations have normalized levels of emergency Covid spending in today's non-emergency economic environment. For example, following the \$3.1 trillion (2020) and \$2.8 trillion (2021) Covid deficits, U.S. fiscal spending should have recalibrated back to pre-Covid sub-\$1 trillion deficit levels.

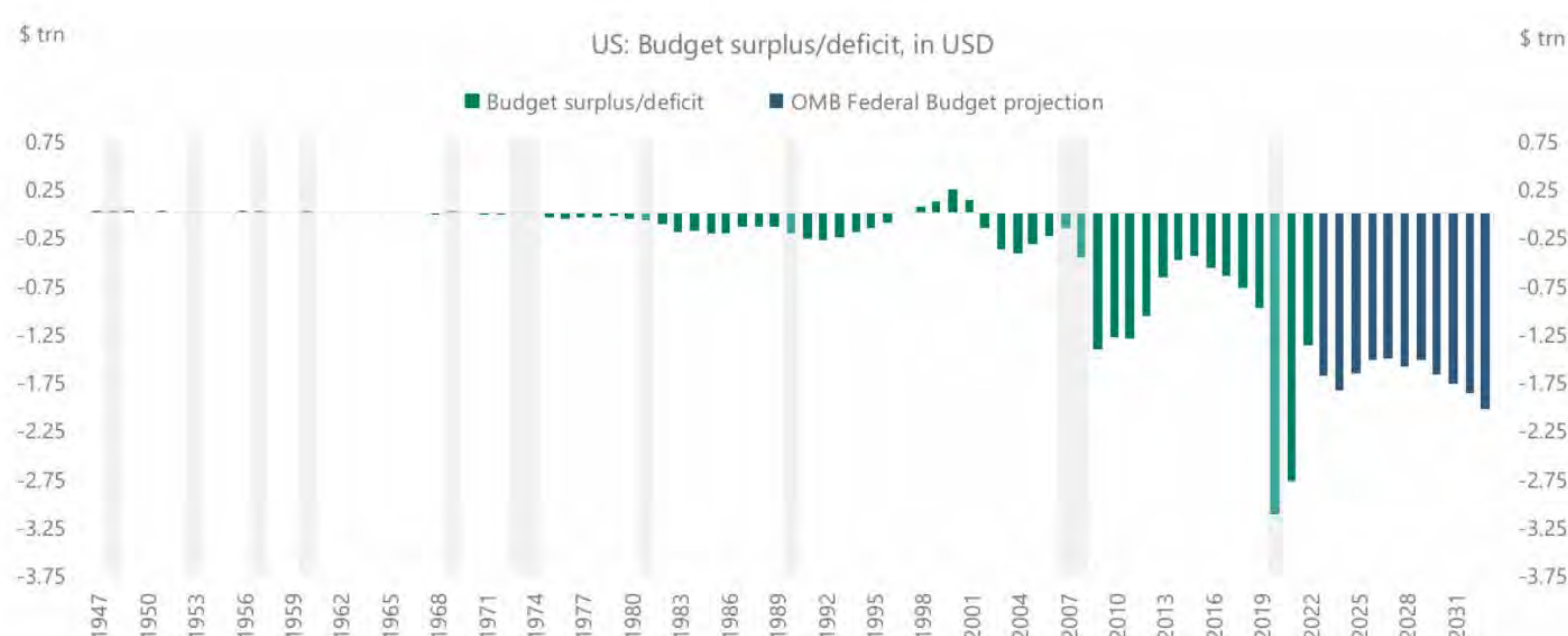


Figure 4: Annual U.S. Budget Surplus/Deficit (1947-2034E) [Torsten Slok; Apollo]

But, as shown in Figure 4, above, CBO now projects annual deficits in the \$2 trillion range for the next decade. Consequently, global investors are increasingly concerned the U.S. is approaching the dreaded "doom loop" in which ever rising interest expense (currently \$1.2T annually) requires ever rising debt issuance and so on and so forth. We see little chance of significant improvement in U.S. finances in the foreseeable future.

FORWARD MARKET DEBT SERVICE PROJECTIONS (2036)

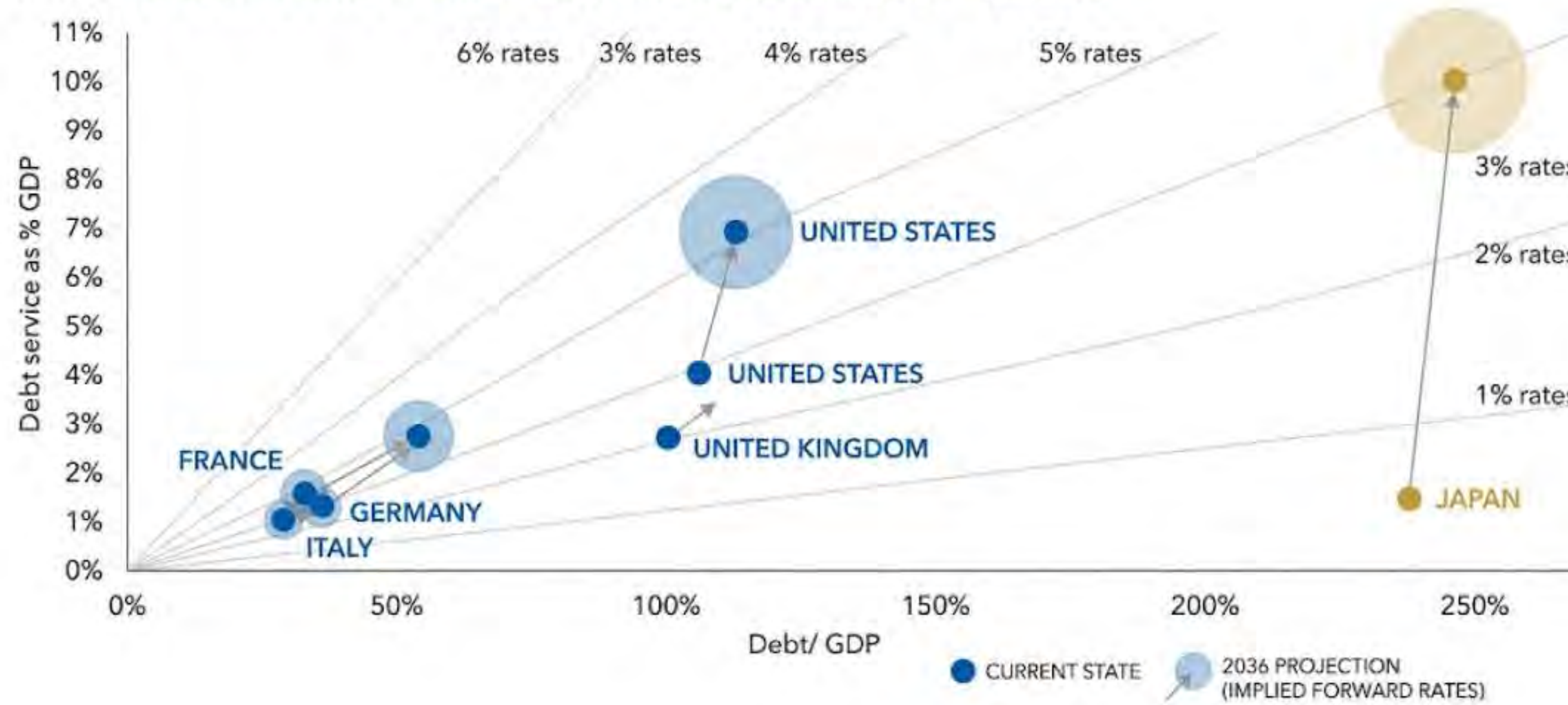


Figure 5: Projections of Sovereign Debt Service-to-GDP Ratios (2026 & 2036) [IMF]

And because gold is a global asset, it is important to recognize that unsustainable fiscal deficits are not a uniquely American problem. Quite the contrary, soaring debt-to-GDP ratios are the norm across the full spectrum of developed market sovereigns, and financing these debt levels will remain a major challenge in coming years. The IMF projects in Figure 5, above, that even if debt/GDP ratios remain constant, estimated 10-year policy yield curves will vault debt-service ratios to eye-popping levels.

Anti-Dollar Sentiment

The second of our Big-3 gold fundamentals is coalescing anti-dollar sentiment. Without question, the March 2022 freezing of (dollar-denominated) Russian F/X reserves marked a clear inflection point in the U.S. dollar's preeminent role as global store of value. Since that time, the pace of gold accumulation at global central banks has roughly doubled from the 400t-500t average over the prior decade to an average of 1,021t during the 2022-2025 period. Consequently, as Crescat Capital's Tavi Costa demonstrates in his well-circulated chart (Figure 6, below), global central bank gold holdings now exceed Treasuries for the first time since the mid-1990's.

Foreign Central Banks Hold More Gold Than Treasuries

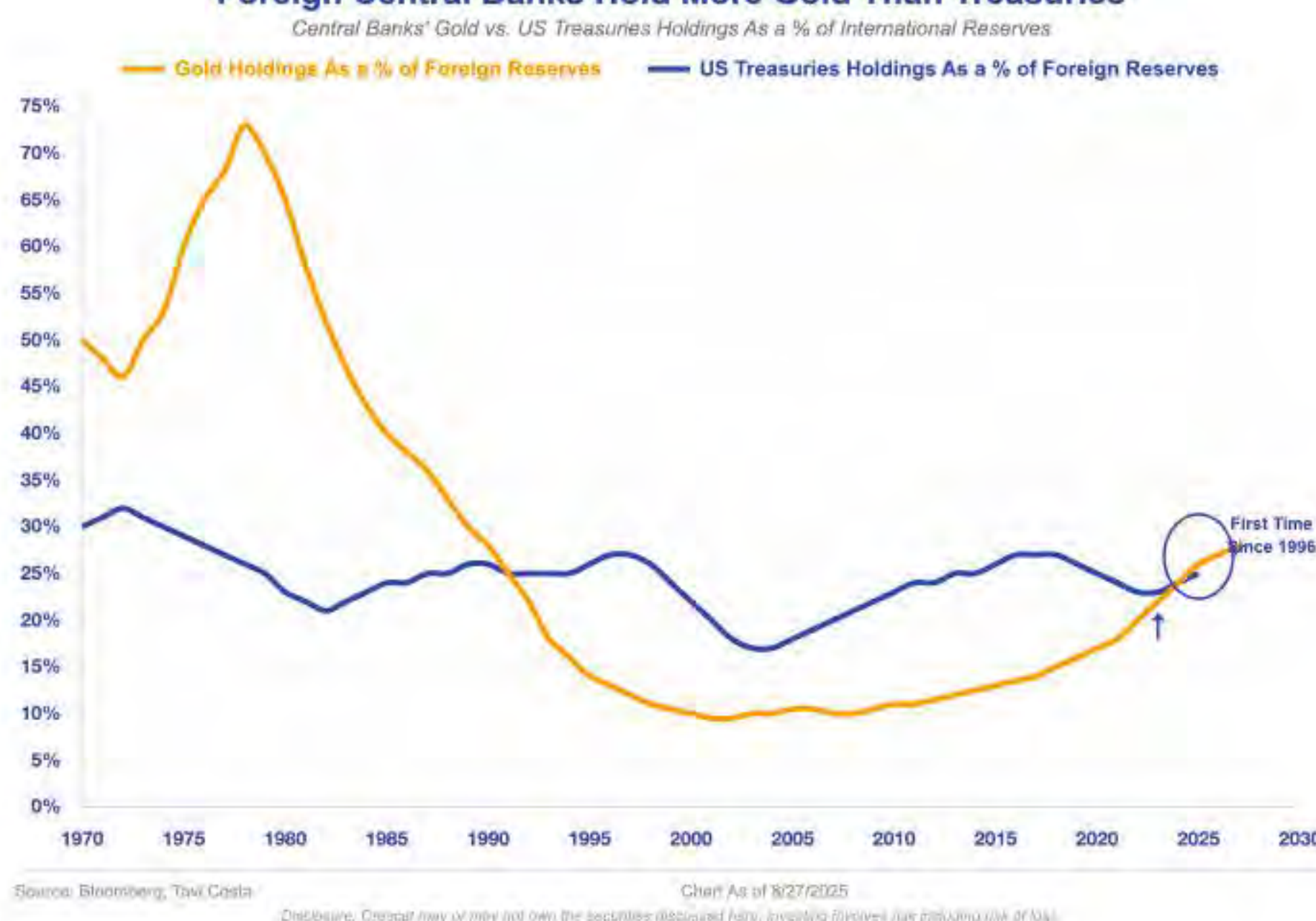


Figure 6: Percentage of Gold and U.S. Treasuries in Global Central Bank Reserves (1960-9/30/25) [World Gold Council; Tavi Costa Crescat Capital]

QUASI-FISCAL DEFICIT

\$245B

Fed's quasi-fiscal deficit accumulated since September 2022

\$1T+

Additional mark-to-market loss on the Fed's asset portfolio

\$6.6T

Feb balance sheet today - down from \$930B in August 2008

ETHICS SUMMARY

6 of 18

FOMC members cited for serious ethical violations - one-third of the Powell Fed

LEGACY

The legacy of the Bernanke/Yellen/Powell era is that once QE is launched, it can never be stopped. There is simply too much debt in the system to permit the naturally cleansing cycles of capitalism.

Importantly, given the long-term nature of central bank behavior trends, Tavi suggests the ratio of gold-to-Treasuries in F/X reserves is likely headed back toward 1970's highs, "This is likely the beginning of one of the most significant global rebalancing we've experienced in recent history." Lending support to Tavi's contention, 95% of respondents in WGC's 2025 survey of 70 central banks expected total global central bank gold holdings to increase over the next 12 months (with none anticipating a decrease) and 43% of respondents planned to increase their own gold holdings (with none expecting a decrease).

While actual tonnage of central bank gold purchases is certainly an important component of gold supply/demand dynamics, in our view the more relevant variable is the symbolic value of gold's remonetization. Global disenchantment with dollar hegemony is a powerful trend now fully "out of the box" and unlikely to reverse anytime soon. Gold is clearly challenging Treasuries' status as the premier risk-free asset.

In addition to gold's rising profile as a reserve asset, there are increasing examples of global preference for gold as a unit of exchange. Especially in global trade of commodities, the world is developing a new range of gold-based settlement mechanisms. On a grand scale, we would suggest global preference for gold over dollars has even begun to impact aggregate U.S. trade data.

By way of example, the U.S. Department of Commerce reported a massive increase in U.S. gold exports during the past year. Specifically, total 2025 nonmonetary gold exports totaled \$84 billion, a whopping 145% y/y increase from \$34 billion in 2024. For the full year, gold represented the third largest U.S. export product (behind only pharmaceuticals and crude oil) up from the 18th largest the prior year (Figure 7, following page). During the September-November period, gold was the #1 U.S. export (\$40.2B) fully 21% higher than pharmaceuticals (\$33.3B) and 61% higher than crude oil (\$25.0B).

\$ BILLION / RANK	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	FULL YEAR 2025	FULL YEAR 2024	2025/2024
Nonmonetary Gold	\$10.2 #2	\$17.1 #1	\$12.9 #1	\$5.8 #6	\$83.9 #3	\$34.2 #18	+145%
Pharmaceuticals	\$12.7 #1	\$11.8 #2	\$8.8 #2	\$10.1 #1	\$119.8 #1	\$107.6 #2	+11%
Crude Oil	\$8.8 #3	\$8.8 #3	\$7.4 #3	\$7.9 #2	\$99.7 #2	\$118.5 #1	-16%
Total Exports	\$188B	\$195B	\$185B	\$180B	\$2,185B	\$2,062B	—

Figure 7: U.S. Exports by Product Category (\$ Billions) (Sept.-Dec.'25, 2025, 2024) [U.S. Census Bureau]

We offer a few observations about this data. First, if not for the \$50 billion increase in gold exports, 2025's \$901 billion trade deficit would have been the largest on record,

INSTITUTIONAL OWNERSHIP

46%

of large institutions holding any gold ETF exposure - up from 30% in 2020

54%

of large institutions with zero gold ETF exposure - enormous runway

0.22%

Value-weighted avg. gold allocation (size of firm) among 13F filers

1.68%

Equally-weighted avg. allocation among 13F gold holders

60/40 CONTEXT

-31.2%

iShares 20+ Year Treasury ETF (TLT) in 2022 - nowhere to hide in bonds

-18.1%

S&P 500 in 2022 - worst 60/40 year since the 1930s

37%

of Treasury issuance now purchased by Cayman Islands hedge funds in levered basis trades

far ahead of 2022's \$924 billion. Obviously, the Trump tariff regime has not accomplished its primary goal of narrowing the U.S. trade deficit, and these efforts now stand in utter chaos given the Supreme Court's 2/20 ruling (striking down Trump's authority to impose tariffs under IEEPA).

Second, while spot gold's 65% price increase certainly contributed to the 145% surge in value of 2025 exports, we believe the balance of the increase is a reflection of gold's ongoing remonetization. In essence, the U.S. settled about 9.3% of its total '25 trade deficit in gold terms, versus just 3.7% in 2024. From the foreign perspective, gold is increasingly preferred as method of payment. And from the Trump administration's perspective, gold's remonetization fits well with goals to avoid dollar strength and rebalance global trade.

At the risk of unsettling crypto adherents, we would also cite recent inverse performance of gold and bitcoin as a prime example of gold's remonetization momentum. From its 10/6/25 high of \$126,251, bitcoin collapsed 53% to its 2/6/26 low (\$60,033). Over the four-month span, bitcoin's market cap declined \$1.28 trillion (from \$2.48T to \$1.2T), and the entire cryptocurrency market cap declined \$2 trillion (from \$4.2T to \$2.2T). During the same span, spot gold increased 25% (from \$3,960 to \$4,964). While a four-month timespan holds limited relevance, it is clear the crypto space is having a difficult time living up to its store-of-value promise.

Along these lines, it is also interesting to note that stablecoin Tether (third largest cryptocurrency with \$183B market cap) has been an aggressive buyer of gold to accompany its Treasury holdings in its reserve portfolio. Tether purchased 26 tonnes of gold in Q4 2025, and 6 tonnes in January, to bring its total holdings to 148 tonnes, enough to rank as the 29th largest central bank holding. Additionally, Tether spent more than \$300 million in 2025 buying stakes in precious metal companies (including Elemental Altus, Metalla, Gold Royalty, Versamet, and Gold.com). Having long heard Michael Saylor refer to bitcoin as "digital gold," it is certainly refreshing to hear Tether CEO Paolo Ardoino refer to gold as "natural bitcoin."

Eroding Fed Credibility

The third of our Big-3 gold fundamentals is eroding Fed credibility. Frequent readers are familiar with our disdain for the Fed's rich history of faulty forecasts, faulty analytical framework and faulty policy decisions. Thus, it is a bit of a mystery that the Fed still enjoys such widespread confidence in the wake of its disastrous QE and ZIRP policy decisions. Of course, it is one thing for us to criticize, but quite another for the

Until inflated paper claims are rationalized back to some reasonable relation to productive output (GDP), stocks and bonds will remain equally dependent on continuous Fed liquidity.

U.S. Treasury Secretary to take the Fed to task for its post-GFC policies. For a summary of Fed foibles, we yield to our old boss Scott Bessent's recent editorial, The Fed's New "Gain-of-Function" Monetary Policy.http://www.international-economy.com/TIE_Sp25_Bessent.pdf (Bessent highlights in our Quotes section)

For us, the Fed lost all credibility with its senseless and ill-advised monthly QE of \$120B throughout 2021, with GDP over 6%, CPI on its way from 5% to 7% and unemployment already down from the 14.8% Covid peak to under 6%. Not only did this liquidity tsunami foster the worst inflationary outbreak in four decades, but the Fed's breakneck pace of subsequent rate hikes has created the first "quasi-fiscal deficit" in the Fed's 113-year history. Let us explain.

During the repeated waves of QE since the GFC, the Fed accumulated trillions of dollars of long-term assets (Treasuries and MBS) when rates were at or near the zero-bound. Along the way, the Fed profited from the disparity between higher returns it received from these assets and lower interest rates it paid to banks through mechanisms such as overnight reverse repo and interest on reserves, and the Fed forwarded these profits along to the Treasury. In retrospect, the Fed built a massive carry trade without a clearly defined exit strategy

JANUARY BLOW-OFF

+29.5%

Gold MTD at January 29
intraday high - clear
blow-off signal

+69.8%

Silver MTD at January 29
intraday high - eye
popping

-21.3%

Gold 2-day pullback
from 1/29 intraday peak
to 2/2 trough

-41.3%

Silver 2-day pullback
from 1/29 peak to 2/2
trough

SPECULATIVE SIGNALS

\$171M

Individual investors net
purchased SLV on 1/26 -
nearly double the 2021
silver squeeze record of
\$93M

393M

SLV shares traded on
1/26 - 7x the volume of
the \$714B SPDR S&P
500 ETF that day

Liabilities and Capital: Liabilities: Earnings Remittances Due to the U.S. Treasury: Wednesday Level



Source: Board of Governors of the Federal Reserve System (US) via FRED
Shaded areas indicate U.S. recessions.

Figure 8: Fed Earnings Remittances Due the Treasury (2023-2/18/26) [Federal Reserve]

In essence, the Fed banked on expanding (short-term) reserves to fund the purchase of (long-term) financial assets, but this approach was dependent on prevailing low interest rates. When Fed-induced inflation pushed interest rates up, the equation flipped, and the Fed has since needed to pay higher rates to commercial banks than it has earned on its financial assets. Since September 2022 (Figure 8, above), the Fed's

quasi-fiscal deficit has ballooned to a cool \$245 billion. And, of course, this “operating” loss is in addition to the \$1 trillion-plus mark-to-market loss on the Fed’s asset portfolio. How will the Fed settle its quasi-fiscal deficit? Why does this quarter-trillion-dollar hole receive almost no mainstream attention?

Looking back, Chair Bernanke’s nuclear option of launching QE may have averted total collapse during the GFC, but subsequent QE programs (through the Covid explosion) have completely distorted the global financial system. In August of 2008, the Fed’s balance sheet stood at \$930 billion. Today, the Fed’s balance sheet stands at \$6.6 trillion (down from \$9 trillion) but the Fed has already had to halt its QT program (and begin Treasury bill purchases), due to liquidity issues in short-term funding markets. Boiling things down, the legacy of the Bernanke/Yellen/Powell era is that once QE is launched, it can never be stopped.

With respect to Fed credibility, we find it interesting that early in their Fed tenures Governor Powell and Governor Warsh were two of the most reliable QE critics. Given Jerome Powell’s full-throated embrace of QE as Chair, it is hard to recognize his QE skepticism as freshman Governor (10/24/12):

JEROME POWELL, GOVERNOR, FEDERAL RESERVE

“I have concerns about more purchases...First, the question, why stop at \$4 trillion? The market in most cases will cheer us for doing more. It will never be enough for the market...I think we are actually at the point of encouraging risk-taking, and that should give us pause. Investors really do understand now that we will be there to prevent serious losses. It is not that it is easy for them to make money but that they have every incentive to take more risk, and they are doing so. Meanwhile, we look like we are blowing a fixed income duration bubble across the credit spectrum that will result in big losses when rates come up down the road. You can almost say that that is our strategy. My third concern—and others have touched on it as well—is the problems of exiting from a near \$4 trillion balance sheet. We’ve got a set of principles from June 2011 and have done some work since then, but it just seems to me that we seem to be way too confident that exit can be managed smoothly.”

Our point here is that tenures at the Fed have a way of softening intellectual principles in recognition of the game afoot. There is simply too much debt in the system to permit the naturally cleansing cycles of capitalism. Recession and debt rationalization must be avoided at all costs. Moral hazard or not, QE is the preferred salve.

PRESS DATE (2/26)

+20%

Spot gold still up year-to-date as of press date

+23.2%

Spot silver still up year-to-date as of press date

CONCLUSION

TREY REIK,

CHIEF ECONOMIST,
GBI

All-in-all, we are highly confident that factors driving recent outperformance in precious metal markets will continue throughout 2026. While gold’s investment profile has clearly risen in recent quarters, there is a long way to go for both retail and institutional investors to establish meaningful gold allocations. We are excited by gold’s prospects and we look forward to communicating developments in precious metal markets throughout the coming year.

It is well known that Governor Warsh resigned from the Fed in March 2011 (seven years before his term expired) to register his disapproval of Chair Bernanke's QE2 program. Given the critical importance to the global economy of Mr. Warsh's pending Chairmanship, we find it valuable to review (then) former Governor Warsh's succinct treatise on QE's contributions to the over-financialization of the U.S. economy (10/26/15):

KEVIN WARSH, FORMER GOVERNOR, FEDERAL RESERVE

"We believe that QE has redirected capital from the real domestic economy to financial assets at home and abroad. In this environment, it is hard to criticize companies that choose 'shareholder friendly' share buybacks over investment in a new factory. But public policy shouldn't bias investments to paper assets over investments in the real economy. How has monetary policy created such a divergence between real and financial assets?

First, corporate decision-makers can't be certain about the consequences of QE's unwinding on the real economy. The resulting risk-aversion translates into a corporate preference for shorter-term commitments—that is, for financial assets.

Second, financial assets are considerably more liquid than real assets. Trade among financial assets like stocks is far easier than buying and selling real assets like capital equipment. The financial crisis taught an important lesson to investors of all sorts: Illiquidity can be fatal. Financial assets have large liquidity benefits over real assets...

Third, QE reduces volatility in the financial markets, not the real economy. By purchasing long-term securities, the Fed removes significant market volatility from stocks and bonds...Central banks have been quite successful in stoking risk-taking by investors in financial markets... Clearly, market participants believe central bankers use QE, among other reasons, to put a floor under financial asset prices."

For the long-term benefit of the global economy, we hope Chair Warsh attempts to wean markets off their reliance on perpetual Fed liquidity. In the meantime, however, the portfolio utility of gold's immunity to default or debasement has a long way to go.

As final footnote to the topic of Fed credibility, we are always surprised that consensus grants Fed Governors and Regional Bank Presidents such default confidence in their intellectual and professional abilities. We like to point out that FOMC members are just people like everyone else, and in recent years, Fed nominations have felt less traditional and increasingly political.

DOLLAR SENTIMENT QUOTES

KEN GRIFFIN, FOUNDER, CITADEL, 10/6/26

We're seeing substantial asset inflation away from the dollar as people are looking for ways to effectively de-dollarize, or de-risk their portfolios vis-à-vis U.S. sovereign risk. [I find this] really concerning.

JAMIE DIMON, CEO, JPMORGAN CHASE, 10/14/25

I'm not a gold buyer [because] it costs 4% to own it...[But] it could easily go to \$5,000 or \$10,000 in environments like this. This is one of the few times in my life it's semi-rational to have some in your portfolio.

HOWARD MARKS, CO-FOUNDER, OAKTREE CAPITAL MANAGEMENT, 12/11/25

I believe that the Fed should be passive most of the time and only come to the rescue if the economy is seriously overheated and tending toward hyperinflation or seriously underactive and not creating jobs. I don't think that's the case right now.

DONALD TRUMP, PRESIDENT, UNITED STATES, 1/18/26

have done more for NATO than any other person. Now NATO should do something for the United States...Denmark cannot protect that land from Russia or China...The world is not secure unless we have complete control of Greenland.

And then there is the bottom-line matter of ethical integrity. The Fed is composed of 7 Governors and 11 Regional Bank Presidents for a total of 18 individuals. We find it a bit troubling that in the past four years, four Fed members have been forced to resign for ethical violations, a fifth was reprimanded for personal trading improprieties and a sixth is currently being investigated for alleged mortgage fraud.

[Boston Fed President Eric Rosengren resigned on 9/30/21, Dallas Fed President Robert Kaplan resigned on 10/8/21, and Fed Vice Chair Richard Clarida resigned on 1/17/22, all three for personal trading violations committed during the Fed's epic liquidity programs in early 2020. Fed Governor Adriana Kugler resigned on 8/8/25 for multiple trading violations committed during Fed blackout periods in 2024. Atlanta Fed President Raphael Bostic was reprimanded by the Fed's Inspector General on 9/4/24 for over 150 personal transactions conducted during Fed blackout periods between March 2018 and March 2023, but was not asked to resign because the transactions were conducted by a third party. And Fed Governor Lisa Cook is currently under DOJ investigation for multiple counts of alleged mortgage fraud.]

Forgive us for being catty, but the fact that one-third of the Powell Fed has been cited for serious ethical lapses hardly contributes to our sense of Fed credibility.

Looking Forward

After two years of spectacular gains, precious metals went ballistic in January. At their January 29 intraday highs, spot gold (\$5,595) was up 29.5% month-to-date and spot silver (\$121.65) was up an eye-popping 69.8% month-to-date. Obviously, such steep performances were classic signs of a blow-off top. When this surge finally popped on 1/30 and 2/2, the two-day pullbacks for gold and silver were historic. From intraday peak on 1/29 to intraday trough on 2/2, spot gold declined 21.3% (from \$5,595 to \$4,402) and spot silver fell 41.3% (from \$121.65 to \$71.38).

Needless to say, the financial media was ablaze with accounts of the crashing and burning of the precious metal bull market. (Truth be told, our own phone was ringing off the hook.) We are extremely confident in stating, however, that while the two-day corrections of gold and silver were startling to witness, the price action was nothing more than a much needed release of speculative fervor. In support of our contention, as we were going to press on Thursday 2/26, spot gold (\$5,185) was still up 20.0% year-to-date and spot silver (\$88.30) was still up 23.2% year-to-date.

Now, back on December 31, with gold having increased 65% and silver having risen 148% during 2025, if we had predicted gold would rise another 20% and silver would

DOLLAR SENTIMENT QUOTES

RAY DALIO,
CO-FOUNDER,
BRIDGEWATER
ASSOCIATES, 10/15/25

Gold is a very excellent diversifier in the portfolio. If you look at just from a strategic asset allocation perspective, you would probably have something like 15% of your portfolio in gold...because it is the one asset that does very well when the typical parts of the portfolio go down...

To me, gold is the most sound fundamental investment rather than a metal. Gold is money like cash and short-term credit, but unlike cash and short-term credit which creates debt, it settles transactions—i.e., it pays for things without creating debt and it pays off debt.

Anyway, it has been obvious to me for some time that the relative supplies and demands of debt-money and gold-money were shifting against debt-money's value relative to gold-money's value. As for the right price for debt-money to be relative to gold-money, given the ratios of supplies and demands for each of them, and given the sizes of bubbles that could go pop, I know that I want to keep my piece of gold that's part of my portfolio, and I think that those who are wrestling between having no gold at all or a small amount of gold are making a mistake...

Gold has begun to replace some U.S. Treasury holdings as the riskless asset in many portfolios, most importantly in central banks and large institutional portfolios. The holders of these portfolios have decreased their U.S. Treasury holdings relative to their gold holdings. By the way, anyone with a long-term historical perspective would say that, compared to Treasuries or any other fiat currency denominated debt, gold is the more riskless asset. Gold is the most well-established currency—in fact it is now the second largest held by central banks—and has proven to be much less risky than all governments' debt assets.

increase another 23% in the first two months of 2026, we are pretty sure readers would have considered those forecasts impossibly bullish. But nevertheless, that’s where we are! We understand the stress of late January was uncomfortable, but the sustained strength of gold and silver in the wake of that correction is impossible to ignore.

We don’t want to dwell on warning signs of speculative fervor in January, but we will briefly mention a few. On Monday 1/26, individual investors net purchased \$171 million of iShares Silver Trust (SLV), nearly double the \$93 million one-day record set during the 2021 silver squeeze (Vanda Research). And on the same day, total trading volume in the \$56 billion SLV hit 393 million shares, almost seven times the 60 million shares traded on that day for the \$714 billion SPDR S&P 500 ETF. And offshore, speculative fervor in China and India was literally off the charts in January. As shown in Figure 9, below, accumulation of gold ounces had gone vertical in the 40-or-so bullion ETF’s in China and India tracked by Nick Laird at Sharlynx.

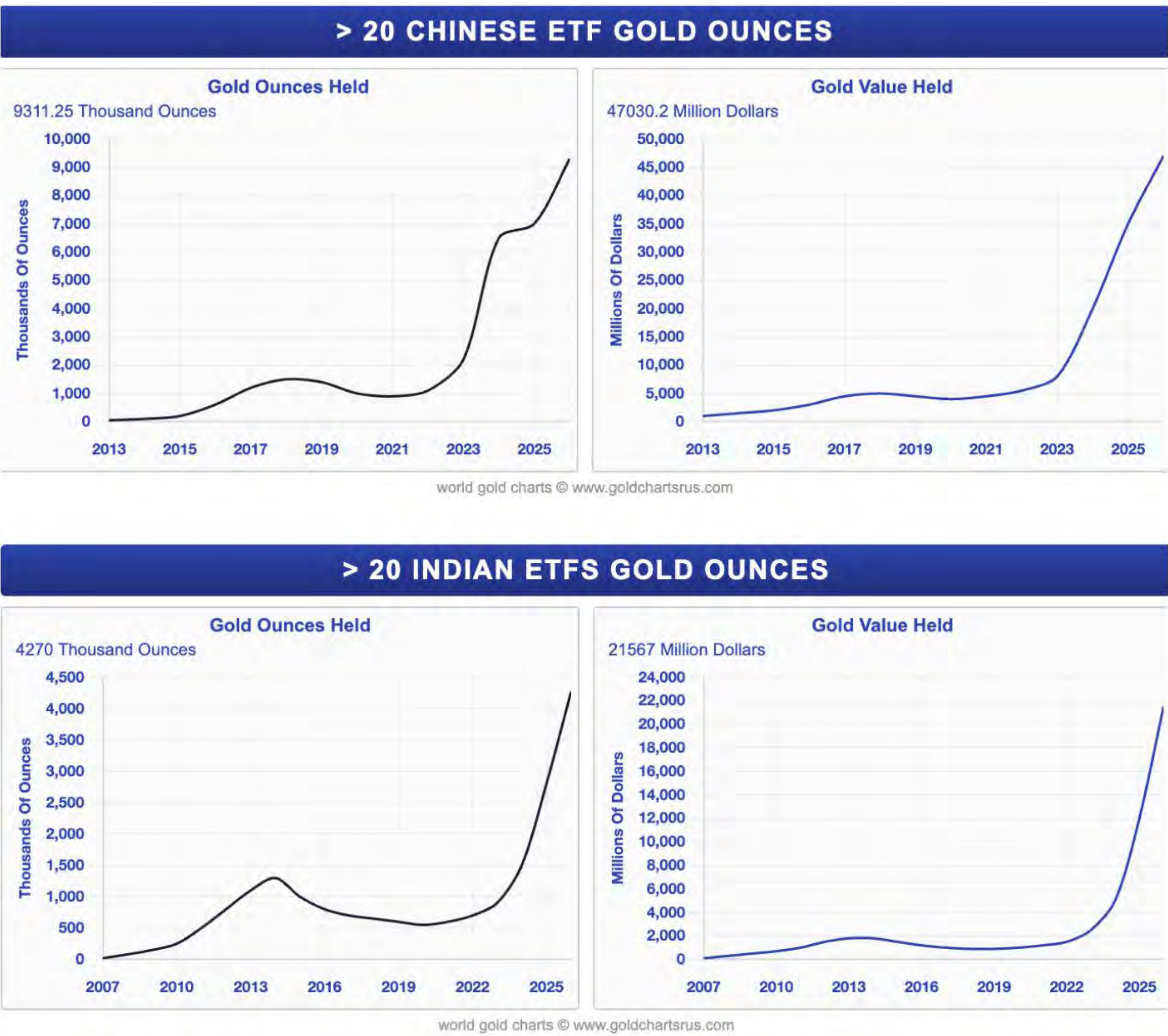


Figure 9: Monthly Gold Ounces and Gold Value Held by Chinese and Indian Bullion ETF’s (2007-1/31/26) [Ned Laird Sharlynx; Goldcharts.com]

DOLLAR SENTIMENT
QUOTES

BILL DUDLEY,
FORMER PRESIDENT,
FEDERAL RESERVE
BANK OF NEW YORK,
10/28/25

The U.S. Federal Reserve will soon face a crucial decision: What to do with the vast portfolio of securities it has amassed in its efforts to manage the economy? The best and safest approach would be to stop the shrinkage known as quantitative tightening very soon...I expect the Fed to end quantitative tightening very soon, perhaps as early as this month (Nov.)...Over the longer term, the Fed will have to increase its Treasury holdings, so that the supply of reserves keeps pace with economic growth.

Even though the transition from QT will likely go smoothly, the Fed still has some explaining to do. For one: Have the benefits of its balance-sheet policies outweighed the costs? The pandemic-era quantitative easing program will likely cost between \$500 billion and \$1 trillion in foregone interest income. The Fed’s losses, shown as “earnings remittances due to the U.S. Treasury,” exceed \$240 billion and are still accumulating. As part of its monetary policy framework review, the Fed should develop an explicit cost-benefit analysis to guide the future use of quantitative easing and tightening –and clearly differentiate between asset purchases designed to provide monetary stimulus versus those aimed at supporting market functioning during times of stress.

SCOTT BESSENT,
SECRETARY, U.S.
TREASURY, 1/18/26

We are the strongest country in the world. Europeans project weakness. U.S. projects strength.

Portfolio Diversification

After decades of institutional disinterest, precious metals are finally gaining traction as a core asset in managed money portfolios. More than anything else, gold's rising profile can be attributed to declining confidence in traditional 60/40-type portfolio models. Historically, these models lowered risk and increased return due to the ability of bonds to hedge stock market volatility. Especially during the 1982-2020 declining interest rate era, the Fed would reflexively cut rates during recessions, leading to the relative portfolio stability of rising bond prices offsetting stock price declines.

During 2022, however, the Fed tightened at a historic pace with U.S nonfinancial debt at a record \$66.7T, fueling one of the worst bond market routes in history. During the year, there was nowhere for fixed income investors to hide with the S&P 10-year Treasury Index (SPBDU1BT) falling 16.5% and the iShares 20+ Year Treasury ETF (TLT) plummeting 31.2%. Coupled with the 18.1% decline for the S&P 500, 60/40 portfolios experienced their worst annual performance since the 1930's.

Stock-bond correlation

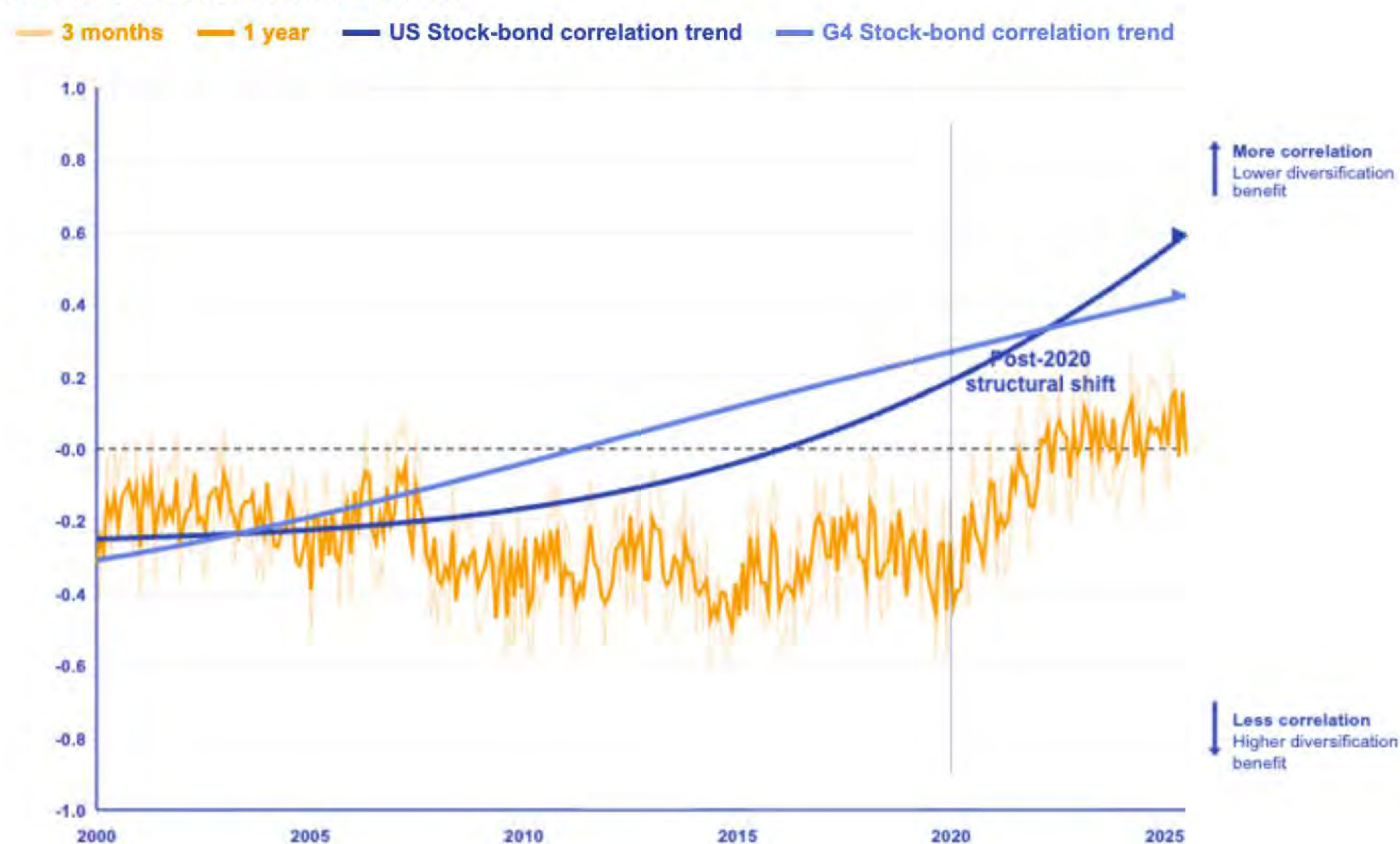


Figure 10: 3-Month, 1-Year, and Rolling 12-Month Correlations of Equities and Bonds (2000-2025) [IMF]

Why have 60/40 portfolio models lost so much favor? Well, as the IMF demonstrates in Figure 10, above, stocks and bonds have become increasingly correlated since the fiscal and monetary excesses of the Covid era. As we have long argued, the modern era of unconventional central banking has created such an excess of inflated paper claims (debt and equity) that until these claims are rationalized back to some

DOLLAR SENTIMENT QUOTES

ADAM GLAPINSKI,
PRESIDENT,
NATIONAL BANK OF
POLAND, 1/17/26

For national security reasons...I intend to approach the management of the National Bank of Poland with the intention of increasing our bank's gold reserves to 700 tonnes [from 550 tonnes currently]...Times are exceptionally tense, as you know. We have a particular situation and geographical location. We have our own currency, the zloty. It is particularly important for Poland to have a substantial stock of gold in our reserves.

SHAO YU,
SENIOR RESEARCH
FELLOW, NATIONAL
INSTITUTE FOR
FINANCE AND
DEVELOPMENT,
CHINA, 1/21/26

The massive accumulation of [U.S.] debt resembles a Ponzi scheme, where larger volumes of new debt are used to replace the old. China doesn't want to play this game anymore.

DONALD TRUMP,
PRESIDENT, UNITED
STATES, 1/27/26

No, I think it's great, the value of the dollar. Dollar's doing great...I would want it [to] just seek its own level...If you look at China and Japan, I used to fight like hell with them, because they always wanted to devalue.

LAEL BRAINARD,
GOVERNOR, FEDERAL
RESERVE, 10/4/19

We're going to have to just "repetitively repeat"—that seems to be the phrase of the day—that it's not QE!

reasonable relation to productive output (GDP), stocks and bonds will remain equally dependent on continuous Fed liquidity.

And in a modern twist, over 37% of Treasury issuance is now purchased by Cayman Islands hedge funds in their highly levered Treasury basis trade. When equity volatility rises, it leads to near immediate de-grossing of the basis trade, leading to forced Treasury selling during equity declines, further driving up positive correlations.

In recognition of this fact, an expanding number of prominent investors and Wall Street strategists have embraced gold as a basic portfolio allocation. During 2025, recommended portfolio allocations included:

- **DoubleLine (Jeffrey Gundlach)**
25% equities; 25% bonds; 25% cash; 25% gold (now 10%)
- **Bank of America (Michael Hartnett)**
25% equities; 25% bonds; 25% cash; 25% gold
- **Morgan Stanley (Michael Wilson)**
60% equities; 20% bonds; 20% gold
- **BlackRock (Larry Fink)**
50% equities; 30% bonds; 20% private assets
- **JPMorgan Chase (Jamie Dimon)**
10%-15% gold is "semi-rational"
- **Bridgewater (Ray Dalio)**
15% gold allocation as "store hold of wealth"
- **Goldman Sachs, Citibank, UBS, BNP**
endorse role of gold in 5% range

In our view, institutional acceptance of gold as a core portfolio asset is a trend still in its early phases. Because institutional investors typically operate on multi-quarter internal approval cycles and multi-year investment time horizons, it will take at least several more quarters for institutions to establish their target gold allocations.

DOLLAR SENTIMENT QUOTES

SCOTT BESSENT SECRETARY, U.S. TREASURY, 1/28/26

The U.S. always has a strong dollar policy. But a strong dollar policy means setting the right fundamentals. If we have sound policies, the money will flow in.

DAVID EINHORN, FOUNDER, GREENLIGHT CAPITAL, 2/12/26

Our thesis on gold over the longer term is that our [U.S.] fiscal policies and our monetary policies don't make any sense...The Chinese have decided they want to sort of compete on a currency basis. The central banks around the world are buying gold. Gold is becoming the reserve asset as opposed to Treasuries, or it's kind of mostly even at this point.

KEVIN WARSH, FORMER GOVERNOR, FEDERAL RESERVE, 2016

Financial markets and the Treasury market are telling us almost nothing about the state of the economy because central banks are influencing those prices with every word, with every nuanced speech from every reserve bank president. We would be better off if markets were setting prices instead of taking their lead from a bunch of government officials seven years into a U.S. economic recovery.

JEROME POWELL, CHAIR, FEDERAL RESERVE, 10/8/19

This is not QE. In no sense is this QE.

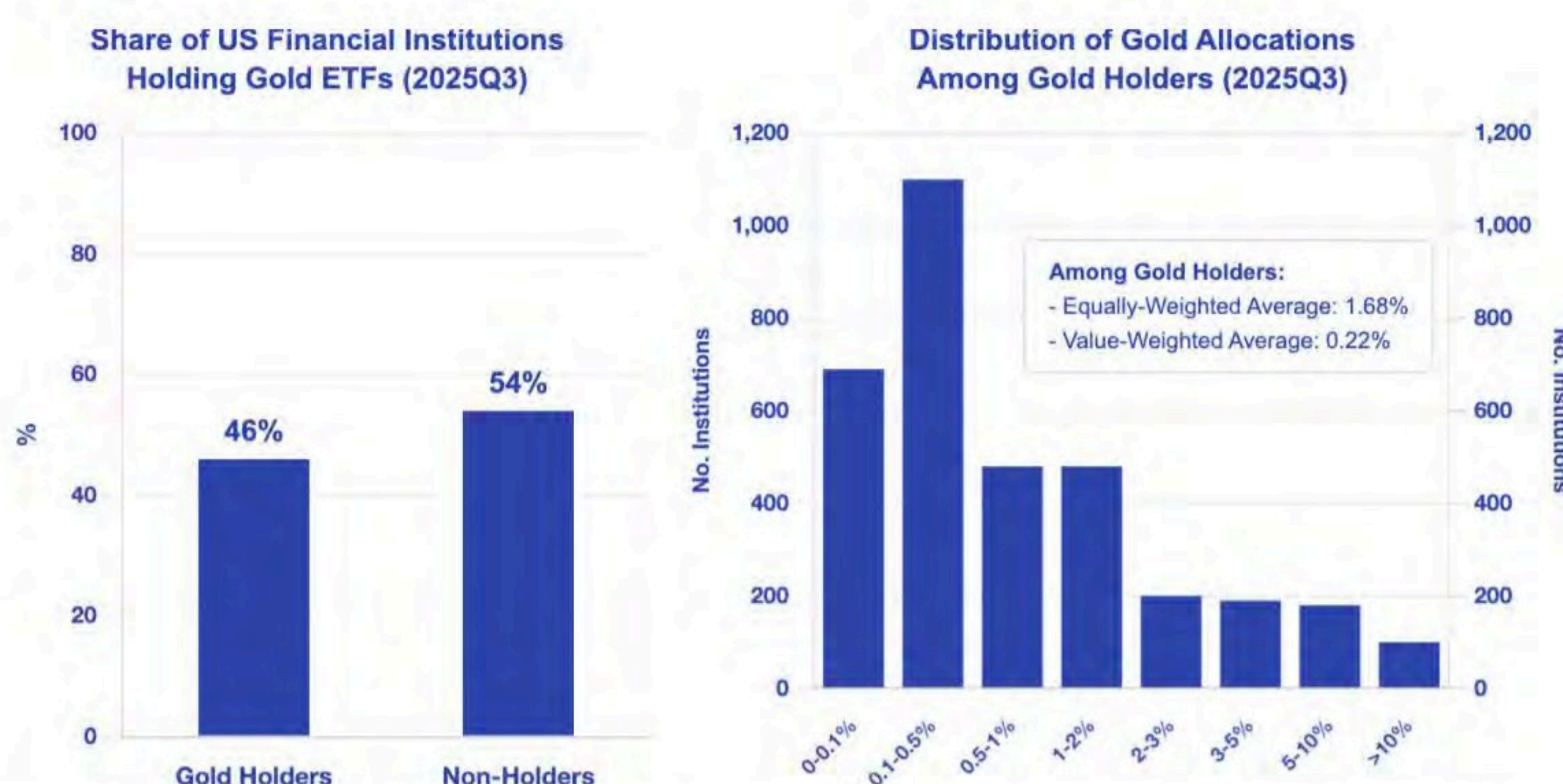


Figure 10: 3-Month, 1-Year, and Rolling 12-Month Correlations of Equities and Bonds (2000-2025) [IMF]

With respect to the largest institutions, Goldman Sachs conducts detailed analysis of quarterly 13F filings of firms managing over \$100 million. As of Q3 2025 (Figure 11, above), only 46% of large institutions held any gold ETF exposure (up from 30% in 2020) and typical allocations ranged between only 0.1% and 0.5% of reported assets. Across the spectrum of 13F gold holders, the average portfolio allocation is 1.68% of assets, but the value-weighted (size of firm) average is a tiny 0.22% of assets. Amid global macro uncertainty and deteriorating developed-market fiscal outlooks, even modest reallocations from bond and equity portfolios could boost prices substantially in comparatively small precious metal markets.

All-in-all, we are highly confident that factors driving recent outperformance in precious metal markets will continue throughout 2026. While gold's investment profile has clearly risen in recent quarters, there is a long way to go for both retail and institutional investors to establish meaningful gold allocations.

We are excited by gold's prospects and we look forward to communicating developments in precious metal markets throughout the coming year

Sincerely,

Trey Reik
 Chief Economist
 GBI
 (203) 722 9160

DOLLAR SENTIMENT QUOTES

MARY DALY,
 PRESIDENT, FEDERAL
 RESERVE BANK OF
 SAN FRANCISCO,
 2/17/2

Most of the macro studies of productivity growth find limited evidence of a significant AI effect...We are simply not there yet...The willingness to confront what we know and what we don't is essential to making appropriate and durable policy that serves all Americans.

JAMIE DIMON,
 CEO, JPMORGAN
 CHASE, 2/23/26

I see a couple of people doing some dumb [loan origination] things...Unfortunately, we did see this in '05, '06, and '07, almost the same thing—the rising tide was lifting all boats, everyone was making a lot of money...There's always a surprise in a credit cycle. This time around it might be software because of AI.

THOMAS BARKIN,
 PRESIDENT, FEDERAL
 RESERVE BANK OF
 RICHMOND, 10/4/19

I do worry that a message of \$60 billion a month will be misinterpreted as a return to QE, as it does appear to be comparably scaled. Our communication needs to emphasize that this is about liabilities, not about assets. It's a reserve-maintenance program, not a balance-sheet expansion. In line with the option presented in the communication, I would just communicate that we will maintain reserves at a minimum level, perhaps consistent with early September, and to do that we will conduct a limited-time technical adjustment as necessary.

Dollar Sentiment Quotes

DOLLAR SENTIMENT QUOTES

SCOTT BESSENT, SECRETARY, U.S. TREASURY, 2/1/26

As we saw during the Covid pandemic, when lab-created experiments escape their confines, they can wreak havoc in the real world. Once released, they cannot easily be put back into the containment zone. The “extraordinary” monetary policy tools unleashed after the 2008 financial crisis have similarly transformed the U.S. Federal Reserve’s policy regime, with unpredictable consequences. The Fed’s new operating model is effectively a gain-of-function monetary policy experiment.

The Fed’s adoption of large-scale asset purchases as a tool of monetary policy when its traditional instrument—the overnight interest rate—was at the zero lower barrier created severe distortions in the market, with unintended consequences...

The Fed must change course. Its standard monetary policy toolkit has become too complex to manage, with uncertain theoretical underpinnings and problematic economic consequences. Gain-of-function monetary policy must be replaced with simple and measurable policy tools to achieve a narrow mandate. Such an approach is the clearest and most effective way to deliver better economic outcomes and safeguard central bank independence over time...

Looking ahead, it is essential the Fed commit to scaling back its distortionary impact on markets. At a minimum, this likely includes the Fed only using, and then halting, unconventional policies like QE in true emergencies and in coordination with the rest of the government. It also likely requires an honest, independent, and nonpartisan review of the entire institution and all of its activities, including monetary policy, regulatory policy, communications, staffing, and research.

We now face not only short- and medium-term economic challenges but also the potentially dire long-term consequences of a central bank that has placed its own independence in jeopardy. To safeguard its future and the stability of the U.S. economy, the Fed must reestablish its credibility as an independent institution focused solely on its statutory mandate of maximum employment, stable prices and moderate long-term interest rates.

**CHARLES EVANS,
PRESIDENT, FEDERAL
RESERVE BANK OF
CHICAGO, 10/4/19**

I’m uncomfortable with communicating a message that our balance-sheet goal is merely reserves at the level of early September. We’ve got to make sure we’ve got a large margin for error, and that’s why I asked about other assessments of what those numbers might be... So we need a larger margin for error. I don’t know what that number should be. I’d err on the side of making sure we had plenty. The cost of another failure could be really immense, and I’m not sure how many mulligans we have in our pocket if we don’t get this right next time.

**ROBERT KAPLAN,
PRESIDENT, FEDERAL
RESERVE BANK OF
DALLAS, 10/4/19**

So I agree with the objectives as stated of returning to a sustainable level of ample reserves, and I think the other objective I would have in assessing these options is erring on the side of preempting volatility in the future versus reacting to it.

Dollar Sentiment Quotes

DOLLAR SENTIMENT QUOTES

KEVIN WARSH, EX-GOVERNOR, FEDERAL RESERVE, 10/26/15

We believe that QE has redirected capital from the real domestic economy to financial assets at home and abroad. In this environment, it is hard to criticize companies that choose 'shareholder friendly' share buybacks over investment in a new factory. But public policy shouldn't bias investments to paper assets over investments in the real economy. How has monetary policy created such a divergence between real and financial assets?

First, corporate decision-makers can't be certain about the consequences of QE's unwinding on the real economy. The resulting risk-aversion translates into a corporate preference for shorter-term commitments—that is, for financial assets. Second, financial assets are considerably more liquid than real assets. Trade among financial assets like stocks is far easier than buying and selling real assets like capital equipment. The financial crisis taught an important lesson to investors of all sorts: Illiquidity can be fatal. Financial assets have large liquidity benefits over real assets...

Third, QE reduces volatility in the financial markets, not the real economy. By purchasing long-term securities, the Fed removes significant market volatility from stocks and bonds. Any resulting reduction in macroeconomic volatility—affecting real asset prices—is far more speculative. In fact, much like 2007, actual macroeconomic risk may be highest when market measures of volatility are lowest. Central banks have been quite successful in stoking risk-taking by investors in financial markets... Clearly, market participants believe central bankers use QE, among other reasons, to put a floor under financial asset prices.

**JEROME POWELL,
GOVERNOR, FEDERAL
RESERVE, 10/24/12**

I have concerns about more purchases...First, the question, why stop at \$4 trillion? The market in most cases will cheer us for doing more. It will never be enough for the market. Our models will always tell us that we are helping the economy, and I will probably always feel that those benefits are overestimated. And we will be able to tell ourselves that market function is not impaired and that inflation expectations are under control...

I think we are actually at the point of encouraging risk-taking, and that should give us pause. Investors really do understand now that we will be there to prevent serious losses. It is not that it is easy for them to make money but that they have every incentive to take more risk, and they are doing so. Meanwhile, we look like we are blowing a fixed income duration bubble across the credit spectrum that will result in big losses when rates come up down the road. You can almost say that that is our strategy.

My third concern—and others have touched on it as well—is the problems of exiting from a near \$4 trillion balance sheet. We've got a set of principles from June 2011 and have done some work since then, but it just seems to me that we seem to be way too confident that exit can be managed smoothly.

Dollar Sentiment Quotes

DOLLAR SENTIMENT QUOTES

KEVIN WARSH, EX-GOVERNOR, FEDERAL RESERVE, 8/24/16

The conduct of monetary policy in recent years has been deeply flawed... A robust reform agenda requires more rigorous review of recent policy choices and significant changes in the Fed's tools, strategies, communications and governance. Two major obstacles must be overcome: groupthink within the academic economics guild, and the reluctance of central bankers to cede their new power.

First, the economics guild pushed ill-considered new dogmas into the mainstream of monetary policy. The Fed's mantra of data-dependence causes erratic policy lurches in response to noisy data. Its medium-term policy objectives are at odds with its compulsion to keep asset prices elevated. Its inflation objectives are far more precise than the residual measurement error. Its output-gap economic models are troublingly unreliable.

The Fed seeks to fix interest rates and control foreign-exchange rates simultaneously—an impossible task with the free flow of capital. Its "forward guidance," promising low interest rates well into the future, offers ambiguity in the name of clarity. It licenses a cacophony of communications in the name of transparency. And it expresses grave concern about income inequality while refusing to acknowledge that its policies unfairly increased asset inequality.

The Fed often treats financial markets as a beast to be tamed, a cub to be coddled, or a market to be manipulated. It appears in thrall to financial markets, and financial markets are in thrall to the Fed, but only one will get the last word. A simple, troubling fact: From the beginning of 2008 to the present, more than half of the increase in the value of the S&P 500 occurred on the day of Federal Open Market Committee decisions.

The groupthink gathers adherents even as its successes become harder to find. The guild tightens its grip when it should open its mind to new data sources, new analytics, new economic models, new communication strategies, and a new paradigm for policy.

KEVIN WARSH, EX-GOVERNOR, FEDERAL RESERVE, 8/24/16

The second obstacle to real reform is no less challenging. Real reform should reverse the trend that makes the Fed a general purpose agency of government. Many guild members believe that central bankers—nonpartisan, high-minded experts—are particularly well-suited to expand their policy remit. They fail to recognize that central bank power is permissible in a democracy only when its scope is limited, its track record strong, and its accountability assured.