

Recommended Global Macro Trade

Gold: Tippy Again? Or 'To the Moon?'

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Summary

"A well diversified portfolio would have somewhere between 10 and 15% in the portfolio of gold," said Dalio'

Source: Ray Dalio, Investing.com, [HERE](#)

- Gold has been caught up in the surge of 'risk on' price action over the course of September. With that, it has broken out to the upside, and triggered the stop loss on our SHORT position (which was implemented at the end of May). We remain SHORT the Gold-Silver ratio which has fallen considerably since late May (as Silver has rallied much harder than gold). Since late May Gold is up 13.1%; silver is 32.1% higher. With that, the ratio has fallen to 85.1x (from 99.6 in May, fig 6).

Fig 1: Gold futures with 50 & 200 day moving averages (USD/oz)



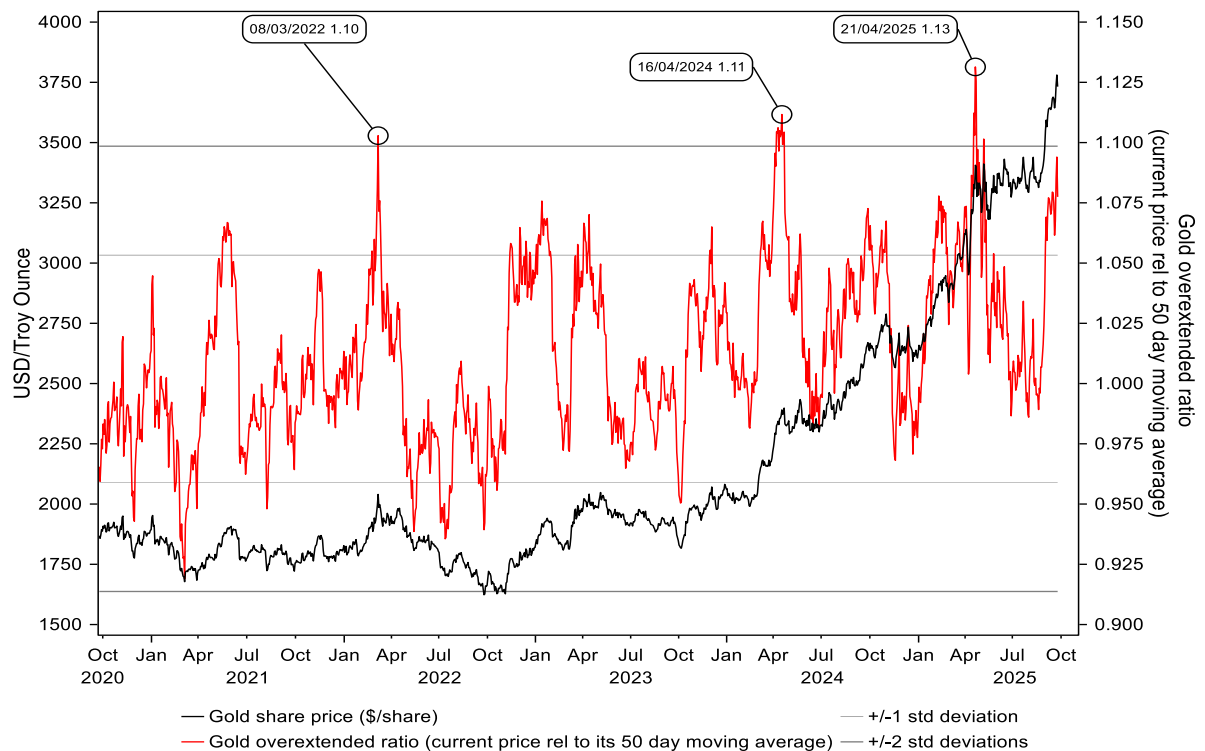
Source: Longview Economics, Macrobond

Given the upside breakout, and strength in the gold price, it's now overextended to the upside (using our overextended indicator which looks at the price relative to its 50 day moving average, fig 2 – as well as our medium term technical model, fig 7).

In the very least, therefore, it's due a pause in its uptrend (and either a consolidation phase or a giveback phase).

The more interesting question, though, is whether gold's bull run, which has been ongoing since October 2022 (latest phase), is over for now (& due a period of consolidation); **OR** is gold about to roll over into a cyclical bear market?

Fig 2: Gold 'Overextended Indicator' vs. gold price (USD/oz)



Source: Longview Economics, Macrobond

Certainly from a **technical perspective**, sentiment and positioning are both reasonably high/full.

- **Consensus sentiment** (fig 4), for example, is at high bullish levels (and is therefore generating a contrarian SELL signal). It has, though, been at those high levels for several months (i.e. consistently since earlier this year*).
- **Speculative positioning**, meanwhile, has pushed higher again and is close to record highs (see fig 5, i.e. currently 302k contracts). Added to that, Bloomberg earlier this week reported that “retail investors bought the most gold ETFs in 3 years” – i.e. they have become somewhat euphoric; while Ray Dalio (quote above) now recommends investors hold between 10 – 15% of their portfolios in gold (an unusually high allocation). Bullishness, therefore, is widespread as it often is at the end of long bull runs in a price.

What About Gold's Fundamentals?

There are multiple theories about what **fundamentally** drives the gold price.

At certain stages over recent decades, it has correlated tightly with a mixture of changes in: i) US rate expectations; ii) the dollar's direction; & iii) US real 10 year TIPS yields. Some (all) of those factors still work on occasions – albeit the overall correlation with the gold price has been weak in recent years.

Others see gold as an inflation hedge and/or a hedge against geopolitical disruptions (e.g. wars etc).

Equally, the market is also often abuzz with rumours (and evidence) of Chinese central bank buying (& Shanghai Exchange inventories) and similar stories (like the breakdown of the dollar as the global reserve currency, the emergence of a gold backed BRIC currency, and so on). As we demonstrated in 'Commodity Fundamentals Report', May 2023 ([“GOLD: Do Central Bank Purchases Matter?”](#)), unlike for oil, there's no clear correlation between the **physical** supply and demand for gold and its price.

Fig 3: US 10 year bond yields (inverted) vs. gold price (USD/Oz)



Source: Longview Economics, Macrobond

More accurately, gold is a (pure) monetary metal and, as such, a key discounter of future expected monetary policy changes (or, more precisely, excessive money creation). It typically rallies as the market prices in looser policy (more money creation); and stalls once that is all priced in (and then often falls as the market starts to think about removing loose policy; and then pricing in some

tightness). That correlation can be seen in the chart above, via its relationship with the US 10 year bond yield (fig 3).

The four phases since 2016, as shown in the chart, are described in detail in the appendix (with an extract from our [August 2025 'ShortView'](#) publication).

Since late 2022 (October), the gold price has been in a 3 year uptrend and has rallied by around 132% (i.e. from \$1,631). It has been able to do that as the back-up in 10 year bond yields, from the August 2020 lows through to late 2022 local highs, concluded (albeit there was a further spike higher in late 2023). The end of the back-up in yields, and the subsequent sideways move, created a positive backdrop for gains in the gold price. In prior phases of gold strength, US 10 year yields fell (e.g. October 2018 through to August 2020). In this instance, though, they simply trended sideways.

Looking forward, therefore, the key question is: When will the US economy start re-accelerating - and when, therefore, will US bond yields start to trend higher once again? (& break out of the recent 3 year sideways pattern – NB the October 2022 10 year bond yield low was 4.24%, while yesterday's close was 4.16%). A rising yield (if/when it happens) would put gold under pressure as a higher yielding alternative asset emerges.

In that respect, while there is much discussion of a fiscal crisis triggering a sell off in bonds (higher yields), a more likely outcome is a cyclical global re-acceleration.

Signs of that are currently mixed. Yesterday's 'new home sales' data was notably strong (relative to expectations); the Citi economic surprise index has softened of late (in September); while mortgage applications for purchase (only) are up 25% (Y-o-Y).

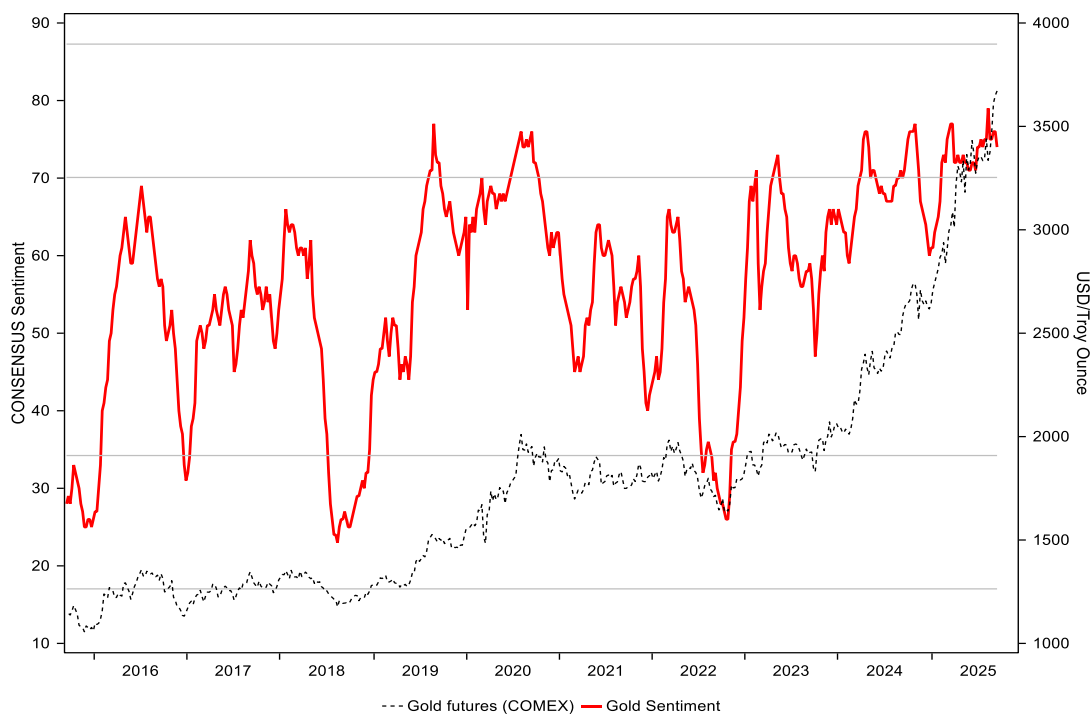
Whilst we are concerned about certain key US economic risks (like parts of the housing market), our overall central expectation is for an economic re-acceleration in the US economy at some stage later this year, if not 1H 2026.

If correct, that would be a challenging 'fundamental' environment for gold, which would add to the troubling 'technical' backdrop noted above. In that sense, in the very least, caution about gold is warranted in the near term. When the US/global cyclical re-acceleration emerges, it's likely that the gold price will then start to struggle on a more enduring basis (i.e. sideways to down for 1 – 2 years during the cyclical upswing).

Recommendations Update & Key Charts

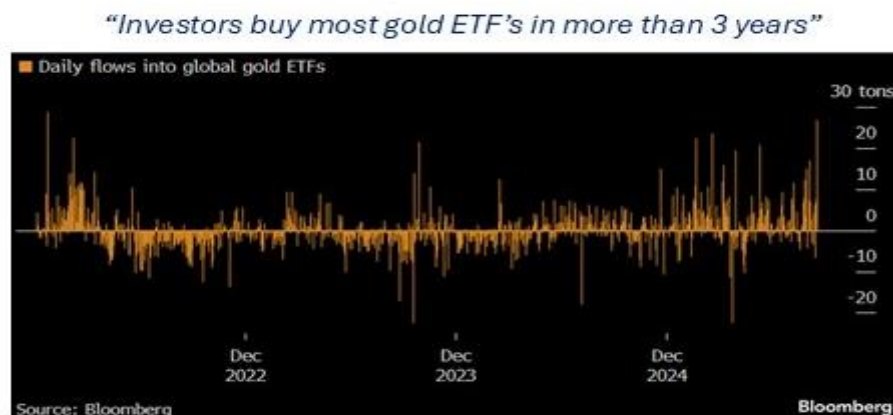
- **Trade Stopped Out:** ~~Move SHORT August Gold futures (GCQ5 Comdty) on strength at \$3,490, with a stop at 3,630 (~4% above entry). Risk 20bps on this position.~~
- **Stay with this position** (implemented in late May): We moved SHORT Gold relative to Silver (GCN5 Comdty & SIN5 Comdty) in late May (ratio was ~99.6). Tighten the stop loss to entry (99.6) from 106 (late May). Original risk was 20bps on this trade.

Fig 4: US Consensus Inc. sentiment (Gold) vs. gold price (USD/Oz)



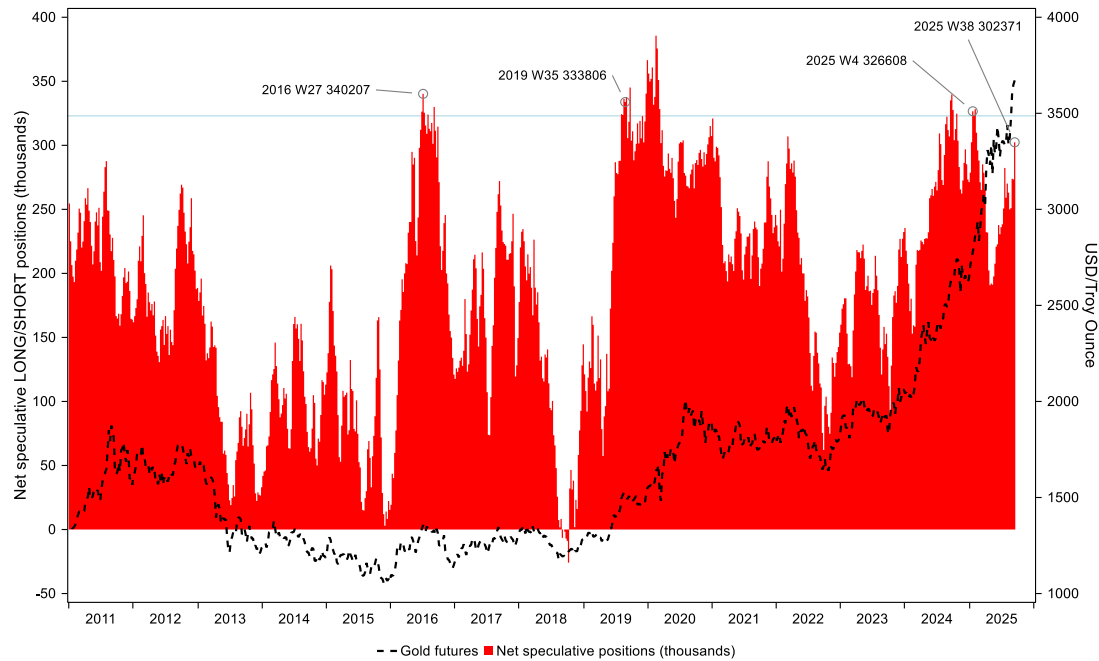
Source: Longview Economics, Macrobond, CONSENSUS Inc.

*Albeit that often occurs at the end of long BULL phases, i.e. persistently high sentiment phases.



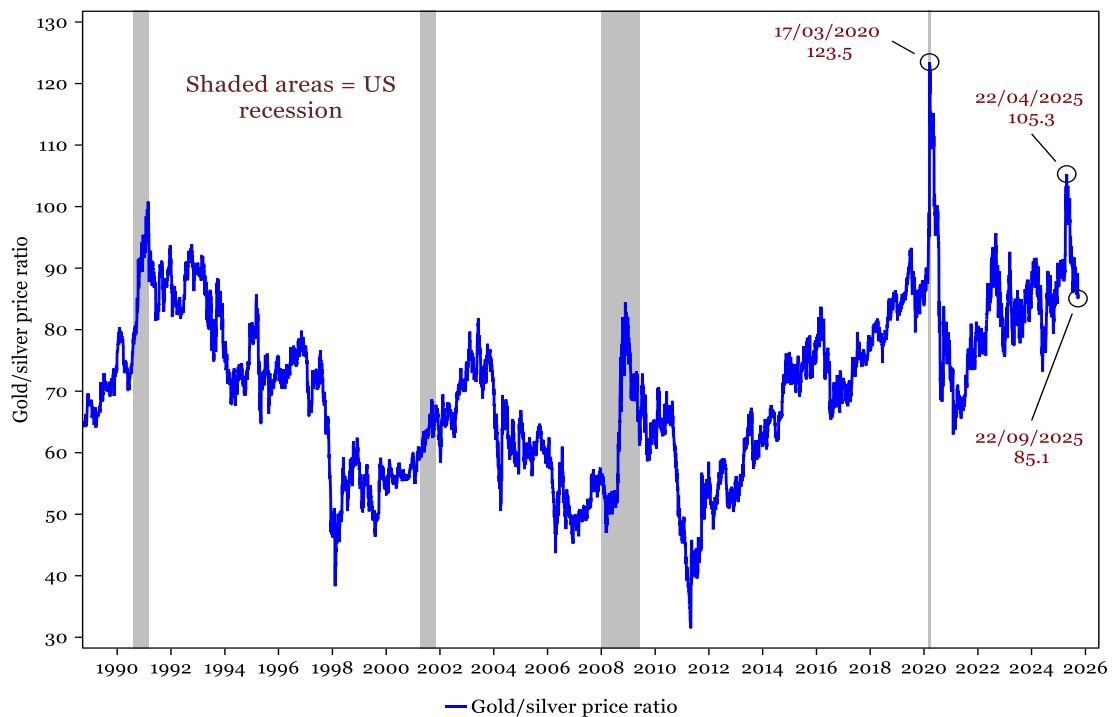
1875 CIO OFFICE, Bloomberg

Fig 5: Gold futures (USD/fine ounce) vs. net speculative LONG/SHORT positioning (no. of contracts)



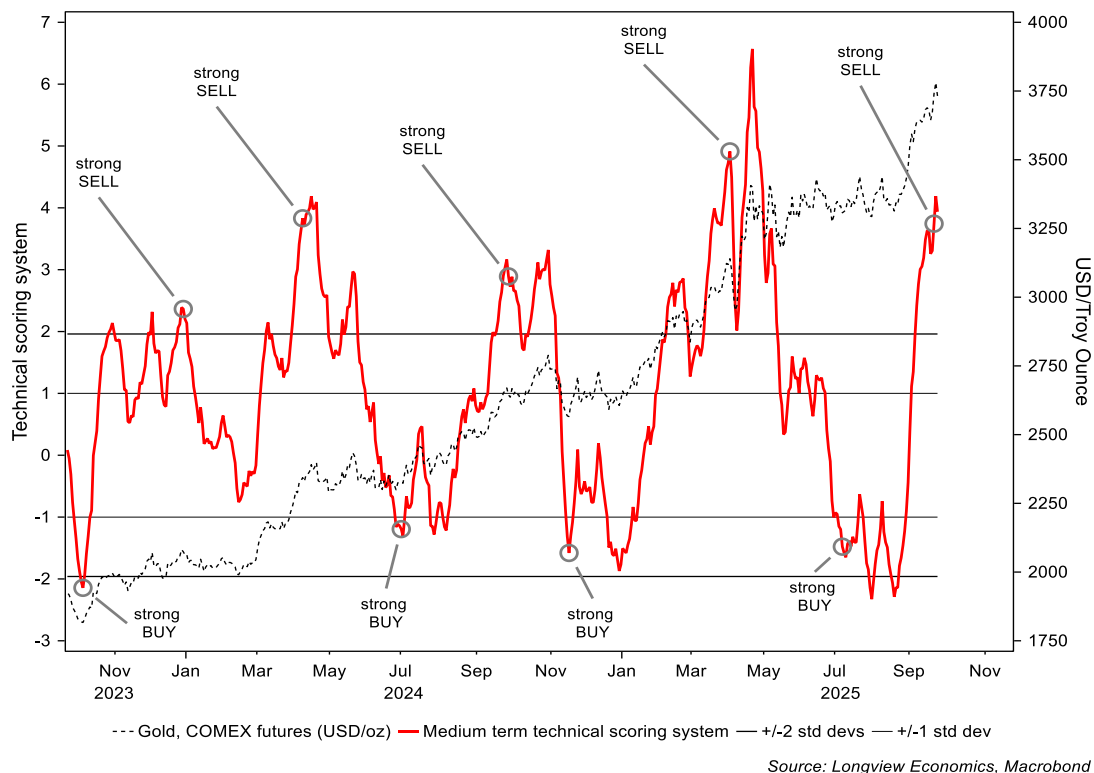
Source: Longview Economics, Macrobond

Fig 6: Gold-silver price ratio, shown with US recession bands



Source: Longview Economics, Macrobond

Fig 7: Gold **medium term ‘technical’ scoring system vs. gold price (US\$/oz)**



Extract from ‘ShortView’ (published 12th August 2025)

“Phase 1: Gold price peaks at \$1,365 in July 2016, the US 10 year bond yield troughs at 1.37% (on Larry Summers’ ‘secular stagnation’ speech). Yields then back up through to October 2018 (peaking at around 3.23%), while the gold price goes sideways to down (troughing at \$1,178 in August 2018) – see phase 1 on FIG A.

Phase 2: Bond yields fall from October 2018 through 2019 and into COVID, troughing eventually on 4th August 2020 (at 0.52%). Throughout that phase, gold is in a bull market, rallying from \$1,178 on 15th August 2018 to \$2,052 on 6th August 2020, when it peaks.

Phase 3: US 10 year bond yields back up from August 2020 (0.52%) through to October 2022 (reaching 4.24% by that stage). Gold struggles, trends sideways to down (with a short lived rally on the Russian invasion of Ukraine) and eventually makes a local low at \$1,631 (October 2022) as bond yields peak.

Phase 4: Gold then starts a new bull phase from October 2022 (\$1,631) through to April this year, when it reaches \$3,486 intraday (22nd April). At the same time, US bond yields trend sideways, rarely moving above their October 2022 yield highs. US 2 year yields, similarly struggle to move above their October 2022 yield highs (i.e. at 4.62%). Indeed, by yesterday’s close two year yields were lower at 3.76% (i.e. lower than in October 2022).”

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