

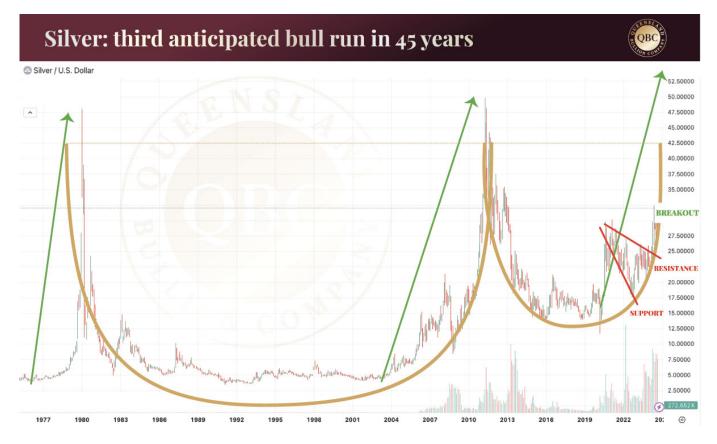
Commodities Bull Cycle on Track Despite Short Term Consolidation in Gold

Posted on 4 October 2024 by Melanie Young

Despite recent geopolitical upheaval covered in our last article, *Geopolitical Conflict Presents Opportunity*, and rising concerns of a tightening gold to WTI Crude Oil ratio, precious metals are still set to enter a commodities boom. With gold trading at \$3,878.48 (representing a 0.1% move to the down side over 24 hours), silver at \$42.75, and platinum at \$1,451.57, some analysts suggest that a consolidation in gold pricing may not be out of turn, nor would it be out of place. Overall the fundamentals look strong for precious metals and this is what fuels the bullish outlook among most Western investors.

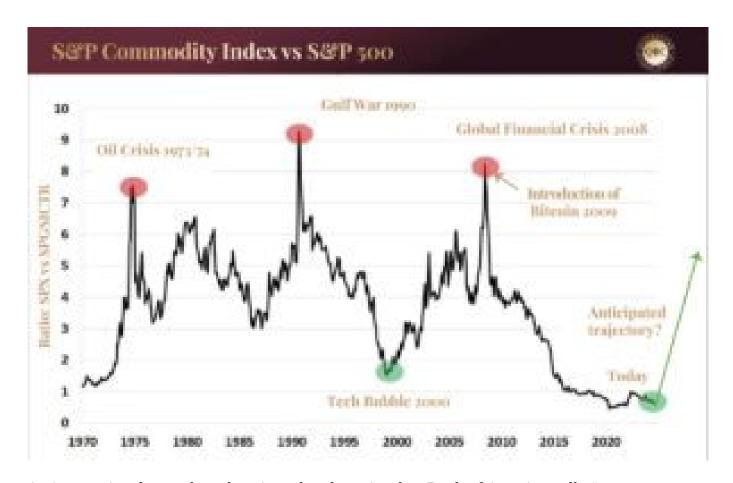
Focussing on long term trends this outlook is substantiated well. When viewing silver's historical pricing from the 1970s the below graph displays a typical cup and handle that indicates a very optimistic future for the metal. Interestingly, the current invasion of Lebanon by Israel is an echo of the same conflict in 1978 known at the time as Operation Latini. The price of silver spiked to record highs during that conflict, and with history repeating itself, could it be that silver will spike to all time highs again?





The below graph shows that commodities are currently trading below what it was before the Oil Crisis of 1973, the Gulf War of 1990, and the Global Financial Crisis of 2008, even lower than the Tech Bubble of 2000. If history were to repeat, it is possible that as investors look for solace first in the USD and then in gold and silver, the stock market may be the one to see a major correction to the down side while precious metals enter what some call a 10-year bull cycle. Indeed, Bank of America is currently suggesting that commodities are a better investment than bonds citing "debt, deficits, demographics, reverse-globalisation... and inflation" as major contributing factors to the rise in gold and silver.





An interesting factor that plays into the above is what Bank of America calls "reverse-globalisation," or the localisation of production and supply chains within a smaller geography. This somewhat reflects the BRICS Nations' multipolar world they champion, something the West is resisting at this point; however, it seems the reality of what is to come is not entirely ignored by the retail sector with retail giant, Costco, introducing non-refundable gold bullion during Covid.

Meanwhile over in China the State requested that the People's Bank of China provide options to Chinese citizens to open gold accounts wherein they can purchase shares in allocated pooling for gold. This State-endorsed exposure to gold will no doubt give their citizens an edge in fortifying against any upcoming financial crises, an edge that Western people do not have.

The cultural difference in attitudes towards precious metal between BRICS nations and the West becomes more pronounced every day. Savvy Western investors will take advantage of this fact and capitalise as they ride the bull cycle up.