Geopolitical Conflicts Presents Opportunity

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The recent downturn in Precious Metals overnight gives evidence that “something is rotten in the State of Denmark,” as Shakespeare so eloquently phrased it, meaning that something does not match! At the time of writing Gold trades at $3,862.51, Silver at $45.50, and Platinum at $1,440.68, indicating a pull back over the last 5 days. This is especially true for gold which dropped over 2% during this time frame and is making a comeback due to geopolitical events.

While this pull-back in metals earlier in the week appears to defy the overall trend, it does not alter the long-term bullish outlook held by nations, central banks and precious metals investors in general. Reserve banks continue to acquire more metal, and as tensions rise, it is expected for this trend to continue with Russia, China and India holding all time high record gold reserves.

This is further underscored by reports indicating a projected decline in gold supply due to diminishing new discoveries. Analysts warn that the limited availability of gold could drive prices even higher in the coming years, potentially pushing Gold

past the $4,336 (USD $3000) mark. Indeed, Bank of America and Citibank forecast this figure earlier in the year, with USB the latest to join the choir this month. Further, Goldman Sachs raised their gold price target to $3922 (USD $2,900) yesterday.

On the geopolitical stage tensions are rising, particularly due to the escalating Israel-Hezbollah conflict. This is a major factor this week that brings instability to the precious metals sector on an event-by-event basis. Recent responses from Iran

to Israel's invasion of Lebanon have seen an increase in value of the USD as investors flock to it as a safer investment. In turn this has increased the price of gold in Australian dollars due to USD:AUD exchange rates. As events unfold, interest in gold and silver bullion as safe-haven investments will intensify, first for the USD and inevitably for gold and silver.

As conflict persists, countries in the region, including Saudi Arabia and the UAE, are likely to bolster their gold reserves, viewing it as a hedge against potential economic fallout and instability. This strategic purchasing is expected to increase demand for gold and silver, reinforcing their roles as safe-haven assets.

The dynamics of the U.S. financial markets also play a significant role in shaping gold and silver prices. Recent comments from Federal Reserve Chair Jerome Powell have hinted at potential interest rate cuts, which typically bolster precious metals as lower rates reduce the opportunity cost of holding non-yielding assets like gold and silver. As market watchers anticipate these changes, the attractiveness of gold and silver is likely to be amplified.

It remains to be seen how the Israel-Iran conflict will affect precious metals this week. While some believe that the rush to the USD and the consequent over-night uptick in price in Australian dollars is a knee-jerk reaction to sensational media headlines, further verified kinetic escalations could turn the said reaction into entrenched panic across various markets. Fundamentally the macro-economics that supports gold and silver's rising trajectory remain solid. While the conflict provides fertile soil for volatility it also supports gold and silver as safe investment portfolio options.

Gold peaked at $3,879 in the last 24 hours, only $18 off last week's all time high of $3,897. Those focussing on the fundamentals will be looking for any opportunities to buy the dip based on the geopolitical events unfolding this week and they may be the ones who benefit most from any potential volatility. Trading for the past two weeks have remained between $3,800 and $3,900 with recent events. We would see that a push past $3900 would see strong momentum for gold prices in the coming weeks.

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