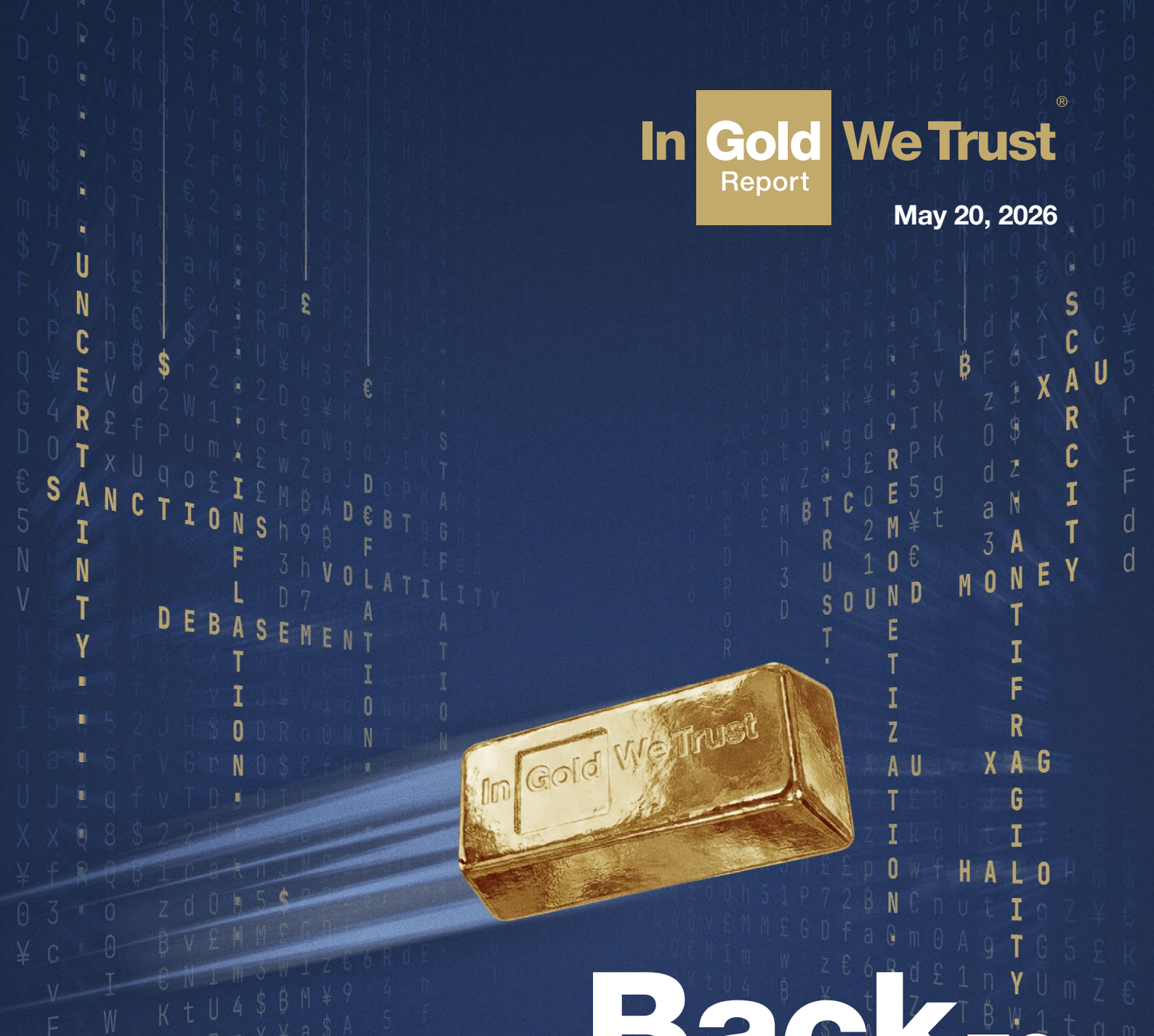
In Gold We Trust®
Report

May 20, 2026



Back to THE Monetary Future

20TH ANNIVERSARY EDITION

incrementum

Ronald-Peter Stöferle
& Mark J. Valek

20 Years of the *In Gold We Trust* Report

The Gold Standard of Gold Research: Two decades of evolution in thought, scope, and impact, expanding from focused precious metals analysis into a comprehensive macro framework. Trusted globally by investors, analysts, and institutions to navigate monetary transformation.

20 Years of Monetary Transformation

What began in 2007 as focused precious metals analysis has evolved into a global institution. This timeline maps our evolution in thought, not just page counts. To navigate complex modern markets, we expanded our core framework to integrate crucial drivers like de-dollarization, Bitcoin, and geopolitics.

Expanding the Macro Framework

Silver | Mining Stocks | Inflation | Debt
Geopolitics | De-dollarization | Bitcoin
Commodities | ESG

Navigating the Complexity

Making sense of these shifting markets requires disciplined methodology. We built our suite of Proprietary Research Models and signature ratios to filter the macroeconomic noise and anticipate the modern investment landscape.

Proprietary Research Framework

MODELS

Gold Price Model
The New 60/40 Portfolio
Optimal Gold Allocation
Active Aurum Signal
Recession Phase Model
Inflation Signal
World Gold Price

SIGNATURE RATIOS (GOLD)

Oktoberfest Beer Ratio
Ski Ticket Ratio
Porsche Ratio
iPhone Ratio

2007
First Edition by Ronald-Peter Stöferle

2013
Mark Valek joins as Co Author

2014
IGWT Report Compact Version

2017
IGWT Chartbook

2019
IGWT Special Publications

2021
IGWT Nuggets

2022
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2024
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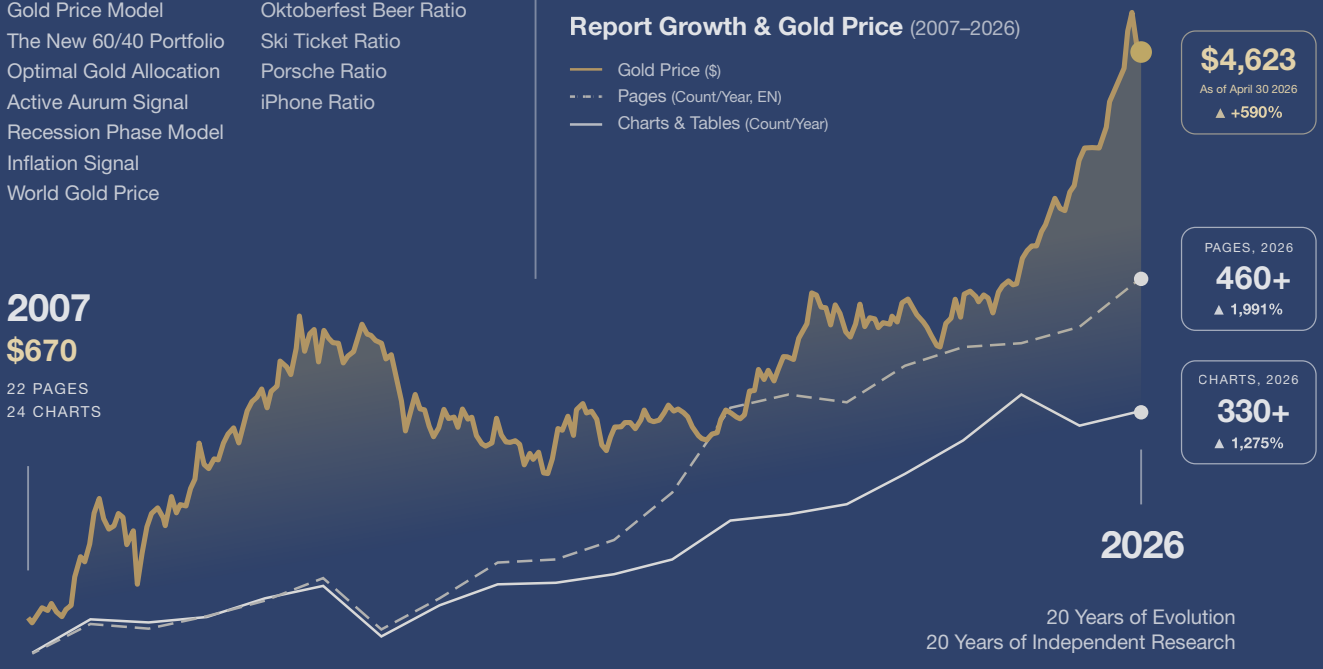
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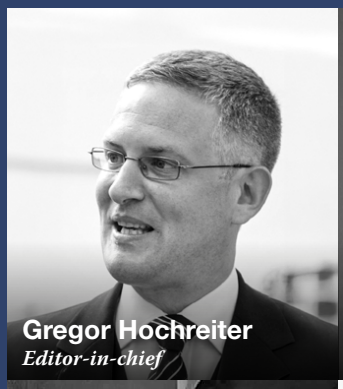
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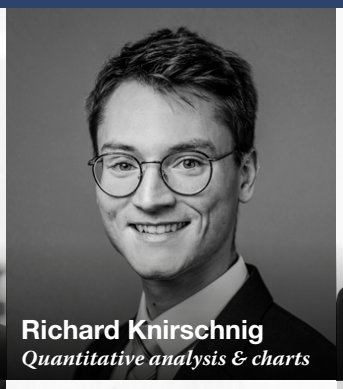


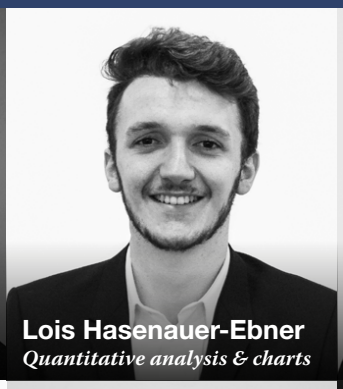
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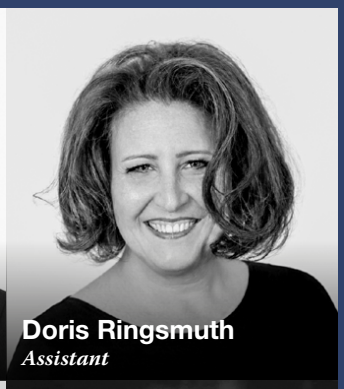
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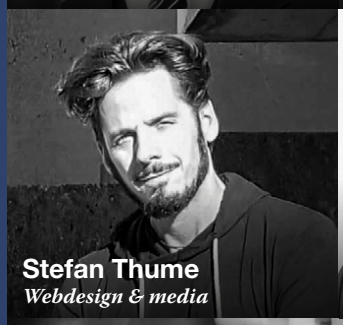
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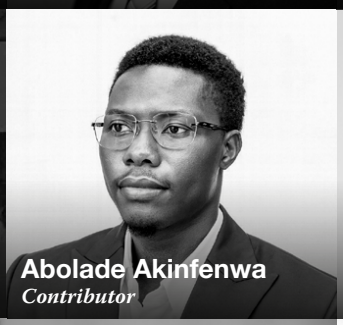

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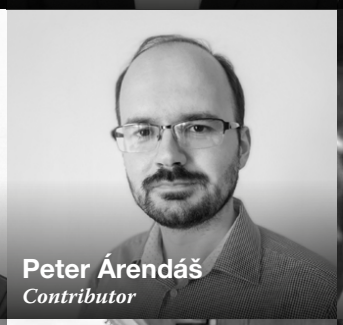

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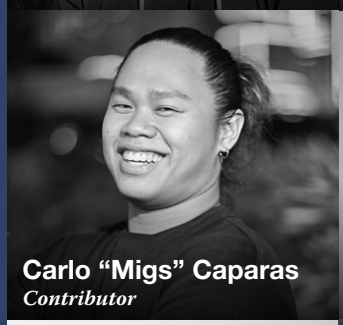

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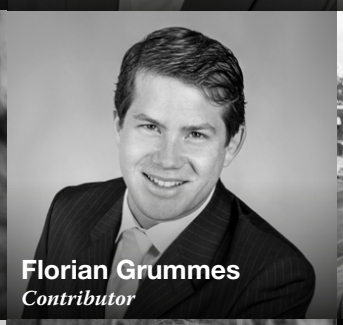

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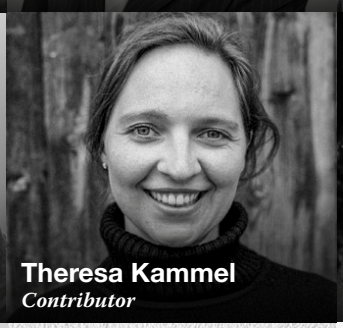

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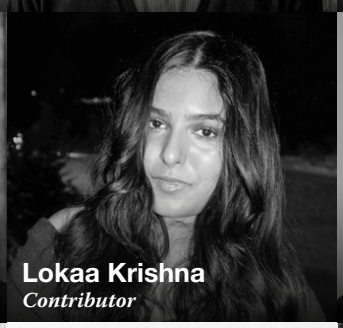

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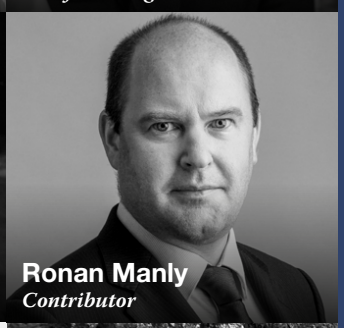

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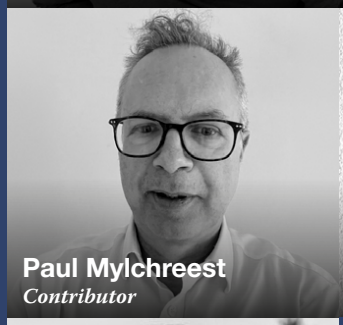

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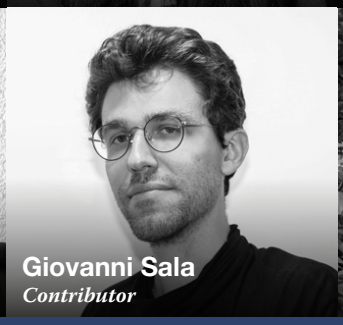

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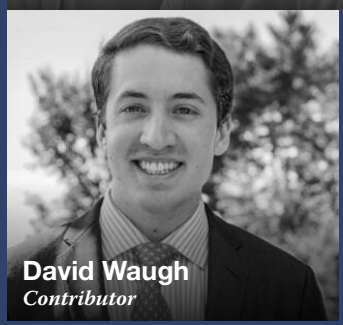

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Back to the Monetary Future

Introduction: Back to the Monetary Future 8

"Back to the Monetary Future" captures the essence of 20 years of the *In Gold We Trust* report: The future of money lies in its past. The remonetization of gold is in full swing.

The Status Quo of Gold 26

Our conservative decade-long price target of USD 4,800 was reached ahead of schedule. With a gain of +65% (USD), gold posted its strongest increase since 1979. On a USD basis, the CAGR since 2000 stands at 9.8%; on a EUR basis at 9.5%. Gold thus outperforms nearly every other asset class.

Status Quo of Gold Relative to Stocks, Bonds, and Commodities 36

The gold bull market is built on solid ground, not sand: Its relative strength compared to stocks, bonds, and commodities confirms that the bull market remains intact. Gold is no longer merely an insurance policy, but a source of returns.

Status Quo of Debt 46

Global government debt is climbing inexorably and approaching the 100% mark. Even the primary balance of many industrialized nations is deep in the red, even in Germany. Given the current multi-crisis, no reversal of this trend is in sight.

Status Quo of Inflation Dynamics 66

With the outbreak of the Iran war, a new wave of inflation looms. In the US, inflation had already been persistently elevated. Hawk or dove? The new Fed Chair, Kevin Warsh, announces a "regime change."

The Status Quo of Gold Demand and Gold Supply 88

At 863 t, central banks purchased less in 2025 than in the years 2022–2024, but still significantly more than before the war in Ukraine. Investment demand rose sharply. At 3,672 t, gold production reached a new record high.

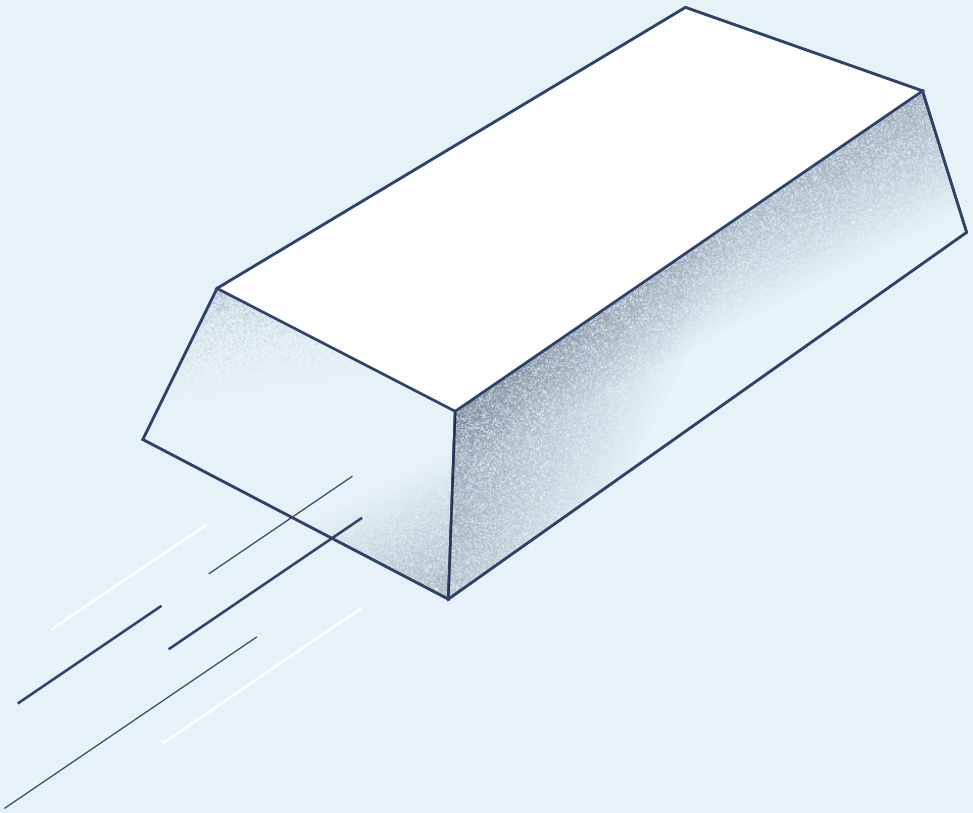
The Status Quo of Gold – Conclusion 104

Five pillars support the gold bull market: the rapid deterioration of government finances, growing anti-USD sentiment, the eroding credibility of the Federal Reserve, the expanding role of institutional investors, and inflation volatility.

The Renaissance of Gold Allocation 116

Gold has been rediscovered by central banks and private investors, but gold allocations remain very low by historical standards. The *IGWT Gold Allocation 2045 Model* forecasts a gold price of up to USD 20,800 by 2045.

Introduction: Back to the Monetary Future



Key Takeaways

- The *In Gold We Trust* report celebrates its 20th edition this year. When the first report was published in 2007 – at that time still under the auspices of Erste Group – gold traded at around USD 670. Since then, the price of gold has increased almost sevenfold – and our core theses have been confirmed.
- The theme "Back to the Monetary Future" encapsulates the essence of twenty years of gold market analysis: The future of money lies in its past. The monetary and fiscal policy decisions of 1971, 2008, and 2020 continue to shape today's market dynamics.
- The Pax Americana – the political, military, economic, and above all monetary order that has shaped the global system since 1945 – is drawing to a close.
- The bull market of recent years was driven by gold-friendly emerging markets and by dwindling confidence in the international order. Renewed waves of inflation in the West could unleash further substantial demand for gold.
- Bull market (not yet) a bubble: The "Golden Decade" proclaimed in the *In Gold We Trust* report 2020 is in full swing. Since then, the price of gold has risen by 165% in US dollars. According to Dow Theory, we are in the midst of the public participation phase – the most dynamic phase of the secular bull market.

The future looks like a past that feels very far gone.

Bridgewater Associates

When we published the first edition of the *In Gold We Trust* report in May 2007 – it was just 22 pages long – the world was a different place: George W. Bush was in the White House; Italy was the reigning soccer world champion; Netflix mailed DVDs; and the iPhone, which Steve Jobs had just unveiled, was not yet on the market. An ounce of gold traded at around USD 670, and the US national debt stood just under 9trn USD, or about 60% of GDP.

The future has many names. For the weak, it is the unattainable. For the fearful, it is the unknown. For the bold, it is the opportunity.
Victor Hugo

Outside of a few hedge fund offices in Connecticut, virtually no one had heard the term *subprime,* and the Federal Reserve under Ben Bernanke was regarded as the infallible guardian of price stability. The idea that central banks would one day create trillions out of thin air, push interest rates below zero, and buy government bonds would have been dismissed as monetary science fiction. And the idea that an anonymous author would create a digital counterpart to gold with a nine-page white paper was simply beyond anyone's imagination.

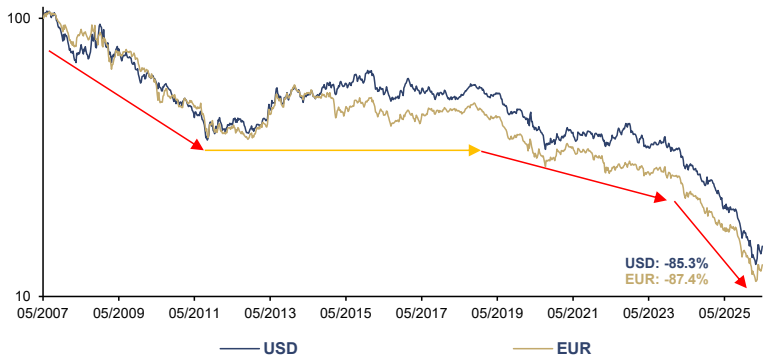
There is no humorist like history.
Will Durant

And when we referred to the *Austrian School of Economics* in our early *In Gold We Trust* reports, we were often met with polite incomprehension, as if we were describing an obscure Alpine sect. Two decades and several credit cycles later, terms like the Cantillon effect, malinvestments, and time preference have long since entered the mainstream. Much of the credit for this surely goes to Satoshi Nakamoto: Thanks to Bitcoin, more 20-year-olds today understand the nature of fiat money better than many central bankers would like.

We are at a point in history where most April Fool's jokes are indistinguishable from totally real things that happen regularly now.
Lyn Alden

Twenty issues, more than 5,000 pages, and a rise in the price of gold of almost 600% later, we find ourselves in a reality that Doc Brown, the scatterbrained yet likable scientist from the famous film trilogy *Back to the Future,* would describe as an "alternative timeline." The *Pax Americana* – that political, military, and above all monetary order that has shaped the global system since 1945 – is drawing to a close. The collapse of institutional trust – in governments, central banks, and the fiat money system itself – has become the central driving force behind the price of gold.

USD and EUR (log), in Gold, 100 = 05/2007, 05/2007–05/2026



Source: LSEG, Incrementum AG

incrementum

The theme of our 20th-anniversary issue, *"Back to the Monetary Future,"* is more than a cinematic nod to a cult film from our childhood: It is a thesis. Just as Marty McFly in *Back to the Future* had to realize that one must understand the past to fix the present, **so monetary history teaches us that the future of money lies in its past.**

Back to the Future of Trust: Trust as a Monetary Foundation

At the heart of the process we have been documenting since 2007 lies the central importance of trust. It is the intangible glue that holds societies together, enables cooperation, and makes the future seem predictable. Tony Deden, one of the most astute thinkers of our time, calls it the "invisible lever" – a form of capital more valuable than any balance sheet item. Without trust, there are no relationships, no credit, no economy, no money.

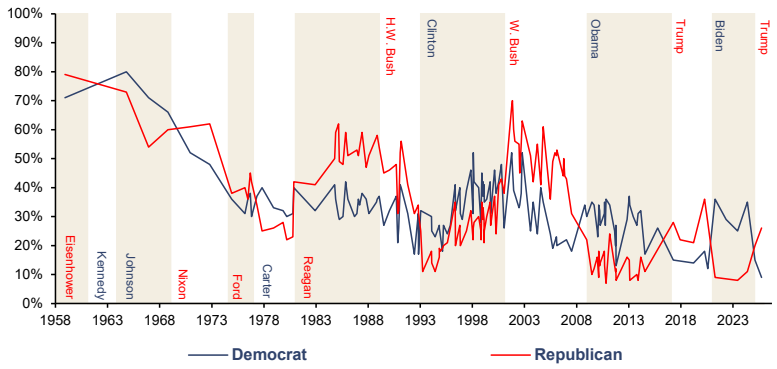
> *Trust is not a soft asset. It is the core operating system of civilization – the silent architecture that makes markets function, communities survive, and promises hold.*
>
> Tony Deden

It was therefore no coincidence that we explicitly included the word *trust* in the title of the *In Gold We Trust* report 2019, "Gold in the Age of Eroding Trust." It merely echoed what has been emblazoned in the headline since the very first report in 2007: *In Gold We Trust*. The erosion of trust has not slowed since then, but rather has accelerated. Trust can be built up over decades – only to be squandered in seconds. This asymmetry is the real risk. Trust erodes insidiously, in homeopathic doses, until a tipping point is reached and it is suddenly lost. **"Gradually, then suddenly" – Hemingway could hardly have described the dynamic more aptly.**

The political polarization in the US illustrates just how much social consensus is eroding. Donald Trump's election victory was followed, just one year later, by an equally decisive mayoral victory in New York by Zohran Mamdani, a candidate from the left wing of the Democratic Party. Affordability was the defining issue in both cases, yet the political solutions proposed by the respective winners could hardly be more different. The struggle over distribution is no longer an abstract theory; it is a central issue in current politics. Historical parallels to *the Gilded Age* of the late 19th century are striking: Such peaks in inequality have usually preceded major political upheavals or deep market corrections.

> *Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly and applying the wrong remedies.*
>
> Groucho Marx

Trust in Government, 01/1958–12/2025



Source: Pew Research Center, National Election Studies, Gallup, ABC/Washington Post, CBS/New York Times, CNN, Incrementum AG

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> *The public complains about inflation, yet enthusiastically supports political measures that can only be implemented through inflation.*
> Ludwig von Mises

Yet trust is not only the currency of politics but also the foundation of every monetary system. The current loss of trust is more than a social observation. As Ludwig von Mises recognized, trust is the invisible infrastructure of every monetary system. If citizens no longer consider the state's promises – including the stability of money's value – to be credible, the velocity of money increases: People hold paper money for shorter periods, flee to tangible assets, and demand higher risk premiums. **Trust, in our view, is currently being repriced – and the market is rendering its verdict in ounces.**

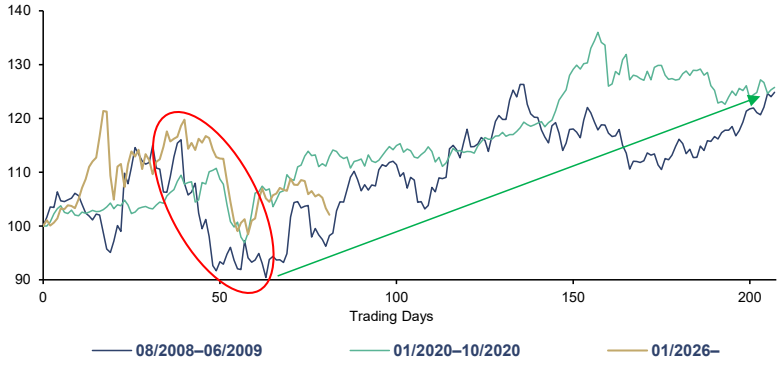
The Geopolitical Showdown and Gold's Margin Call

Following gold's spectacular rally of the preceding quarters, a consolidation phase was not only likely but, from a technical perspective, overdue. The impetus came from the very event that, by the textbook, should have had the opposite effect: the Iran crisis. While a large portion of market participants speculated on another price jump, the market swung in the opposite direction – the war did not become a catalyst but rather the trigger for a healthy correction. No upward trend is linear; even structural bull markets require phases of correction, position adjustment, and sentiment unwinding. **Since the release of last year's *In Gold We Trust* report "The Big Long", gold has traded nearly 40% higher despite this correction.**

> *If you're first out the door, that's not called panicking.*
> John Tuld, Margin Call

In March 2026, the gold price fell by USD 611 in a single month – the largest absolute monthly decline ever. By the end of the correction, gold had fallen 27% from its January all-time high. As expected, the mainstream declared the safe-haven a failure. But those who understand the mechanism recognize a familiar pattern: **During periods of acute financial stress, gold is sold not *in spite of*, but *because of* its high liquidity.** We saw exactly the same pattern in October 2008, with a 29% drop, when the Lehman bankruptcy triggered margin calls across all asset classes, and in March 2020, when a wave of liquidation swept through the market in the early stages of the Covid-19 pandemic and gold fell by 12%.

Gold, in USD, 100 = 08/2008, 01/2020, and 01/2026, 08/2008–04/2026



Source: LSEG, Incrementum AG

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The simultaneity of two mechanisms makes the recent slump unique: First, the closure of the Strait of Hormuz cut off cash flows to oil producers in the Gulf region, who for years had been recycling their US dollar surpluses into gold. Second, the escalation forced a wave of deleveraging because rising yields, increasing interest rate expectations, and a stronger US dollar triggered margin calls.

But this is precisely the crux of the matter: **The central banks' response to this very sequence of stress events is the real catalyst for gold.** The two drawdowns in 2008 and 2020 did not mark the end of the gold rally, but rather the starting point of the next upswing. A good omen for 2026?

For what followed stress in the financial system was always the same: more liquidity. The measures ranged from yield curve control to renewed QE or QQE, financial repression, and further fiscal stimulus, all the way to even more extreme proposals such as MMT or helicopter money. The deployment of one or more of these instruments is only a matter of time – accompanied by the further convergence of monetary and fiscal policy.

The Lehman shock was followed by QE1 through QE3 and a tripling of the gold price. The Covid-19 crash was followed by unprecedented fiscal and monetary expansion and a rise in the gold price of over 70%. The transmission sequence – energy shock → inflation shock → government bond stress → credit revaluation → forced liquidation → central bank intervention – is a self-reinforcing cycle. And gold benefits at every stage: as a hedge against inflation, as a safe haven, and ultimately as a neutral store of value outside the spiral of devaluation.

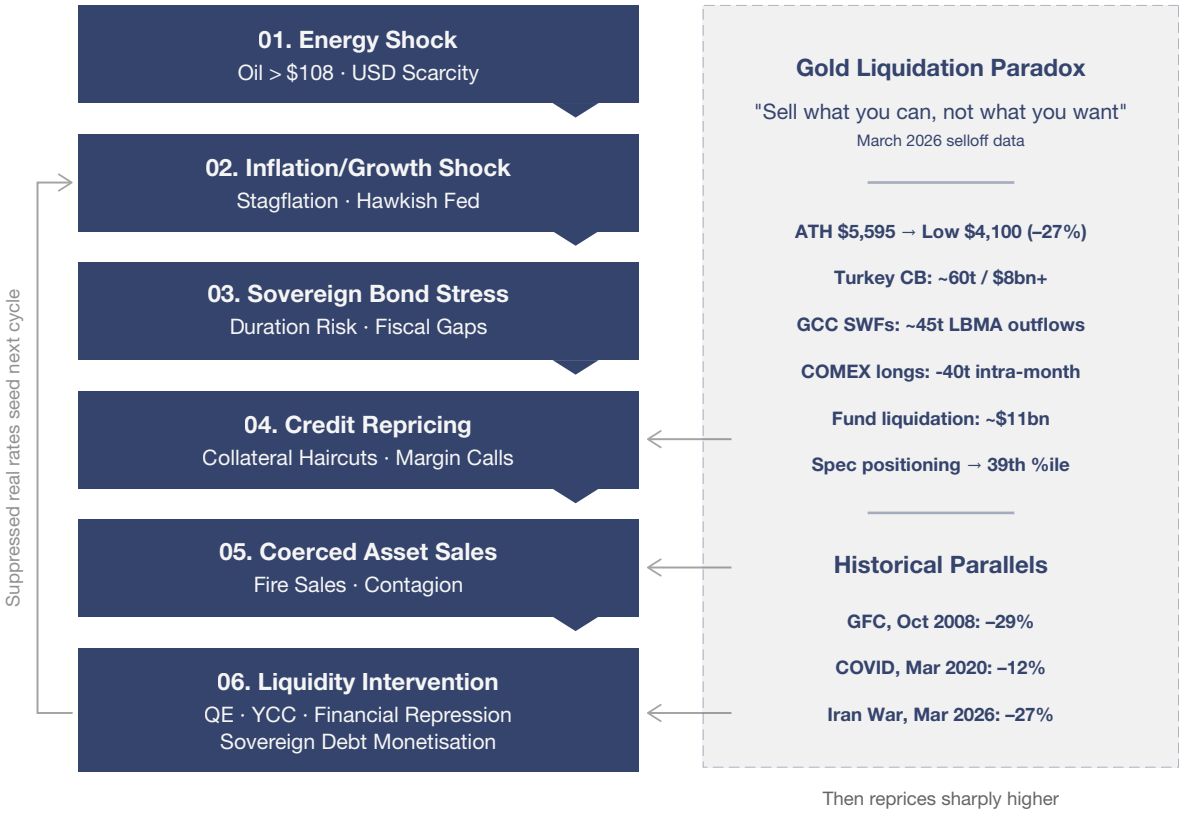
The liquidity-driven pullbacks in gold do not refute the thesis; they are buying opportunities generated by the thesis itself. March 2026 was a monetary stress test. Gold passed it with flying colors.

> *The US government is trying to prevent free markets from accurately pricing in the cost of the war in Iran, all while maintaining the illusion of free markets and hoping the war will be over before the reality of the situation becomes clear to investors.*
>
> Luke Gromen

> *You have to choose between trusting in the natural stability of gold and the natural stability of the honesty and intelligence of the members of the government. And, with all due respect to these gentlemen, I advise you, as long as the capitalist system lasts, to vote for gold.*
>
> George Bernard Shaw

The Transmission Sequence

Energy Shock → Inflation → Bond Stress → Credit Repricing → Forced Sales → Intervention



Six Reasons Behind the Historic Selloff

01 **Dollar Ripped** Oil spike → USD scarcity	02 **Hawkish Fed** Rate cuts killed, yields spiked	03 **Oil Shock** $108 validated hawkishness
04 **Forced Liquidation** Gulf cash flows severed	05 **Crowded Unwind** Consensus long sold for cash	06 **Pipeline Severed** Dubai route closure

Gold Benefits at Every Stage of the Sequence

Liquidity dips are buying opportunities, not thesis invalidation.

Source: MiningVisuals, Incrementum AG

The Iliad of Our Time: A World Order in Turmoil

Zweig's "World of Yesterday" – an order whose permanence its inhabitants took for granted, until it vanished overnight – is, unfortunately, more relevant than ever.

"RIP. Pax Americana, 1945–2025." – so reads Alexander Chartres's succinct epitaph. What the coming world order will look like remains to be seen. What is clearly discernible for now is the nature of the transitional phase: We find ourselves in an interregnum in which the old order is losing its cohesion, while the new one has not yet been defined. This interim phase is marked by heightened volatility, a multipolar distribution of power, and unabashed imperialism. **After decades of increasing division of labor and steady capital optimization, hard power is becoming the decisive currency: energy, metals, semiconductors, and military hardware.**

> *Our New World Disorder will be characterized by greater volatility, higher inflation, and deeper financial repression.*
> Alexander Chartres

Halford Mackinder already articulated in his Heartland theory that space, resources, and centers of power shape the world order: Whoever controls the Eurasian landmass shapes the global order.[1] The war between Russia and Ukraine, which has been ongoing since 2022, has abruptly brought this old geopolitical logic back into the present. At the same time, it is becoming clear that conflicts are no longer confined to specific regions but are affecting energy prices, supply chains, capital flows, and monetary architectures worldwide.

> *Potentially, the most dangerous scenario would be a grand coalition of China, Russia, and perhaps Iran – an "anti-hegemonic" coalition united not by ideology but by complementary grievances.*
> Zbigniew Brzezinski, The Grand Chessboard, 1997

Now Iran, too, is coming into focus amid these tectonic shifts. Niall Ferguson provides the historical context. His central thesis: Time is not on the side of an overstretched hegemon, because the economic costs of a war rise faster than its strategic gains. Ferguson draws a parallel to the 1956 Suez Crisis: It was not the Soviet threat that forced Prime Minister Anthony Eden to back down, but economic constraints.

An escalating Iran crisis could therefore become a second Suez moment for the US – and mark that monetary Rubicon at which the petrodollar system gradually shifts toward the petroyuan or even petrogold. If Tehran accepts only the renminbi for oil exports in the future, the cornerstone of US dollar hegemony established in 1973 will be permanently undermined; regional powers would turn to an Iran-China-Russia axis, and the Strait of Hormuz would thus shift from a geopolitical chokepoint to a geoeconomic turning point. The United Arab Emirates' surprising withdrawal from OPEC at the beginning of May has shaken another long-established institution – with unclear consequences.

What began as a series of isolated shocks – sanctions, frozen reserves, tariff wars – is coalescing into a structural repricing of the entire currency framework. Beijing, according to Ferguson, will use every crisis to expand its parallel financial and payment infrastructure to the Middle East via petroyuan trade and central bank digital currency bridges. The shift away from the US dollar is not happening as a cliff but as a slope – and every crisis increases the incline.

> *All values had changed, and not just in material terms; state regulations were mocked, and no customs or morals were respected.*
> Stefan Zweig, The World of Yesterday

For decades, the international order was based on free trade, the free movement of capital, and globally integrated supply chains, framed by US hegemony and the hegemony of the US dollar. This web of trust, contracts, and tacit agreements has developed deep cracks. Markets are entering a new regime, defined by geopolitics and a realignment of global trade relations. Stefan Zweig's *The World of Yesterday* – that order whose permanence its inhabitants took for granted until it vanished overnight – is, as a metaphor, unfortunately more relevant than ever.

1 *See* chapter "Gold and the Monetary Analogue of Mackinder's Foundational 'Heartland Theory'" in this *In Gold We Trust* report

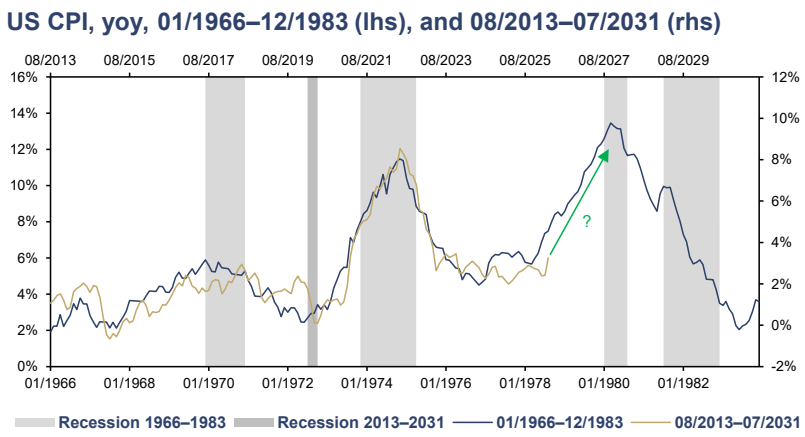
When (Geo-)Politics Becomes Inflationary

The market consequences of the Iran crisis are already visible – and structurally stagflationary. Brent crude oil has temporarily broken through the USD 110/barrel mark. The IEA speaks of the largest supply disruption in the history of the global oil market: Around 20% of global seaborne oil trade, as well as significant LNG volume, is affected.

> *Stagflation … is, of course, a very difficult thing because anything you do with interest rates will hurt one side or the other – either the inflation mandate or the employment mandate.*
> Jerome Powell

This is precisely the stagflationary cocktail we warned about in the *In Gold We Trust* report 2022, "Stagflation 2.0": a supply-side energy shock hitting an economy that is already chronically drained. Even if the acute Middle East conflict is de-escalated in the short term or even resolved permanently, we foresee a structurally higher price level for energy – a *"higher structural floor"* that will persist even after the conflict ends.

Furthermore, we do not rule out the possibility that, as in the 1970s, a second wave of inflation is looming. The course of inflation in the 1970s may offer a good indication of the future. The parallels between the developments are, in any case, striking.



> *Inflation is a choice.*
> Kevin Warsh

But inflationary forces are at work not only geopolitically but also domestically. Henry Maxey, CIO of Ruffer, outlines this dimension in his brilliant essay "*Let Them Have Cake – and Circuses.*" At the center: a US president with his back against the wall. As his popularity erodes and the November congressional elections threaten to turn into a trial of his presidency, Donald Trump is reaching into the toolbox of populism: an administrative cap on interest rates for credit card debt, the purchase of USD 200bn in mortgage-backed securities, stimulus checks – financed by tariff revenues. An economic perpetual motion machine.

> *Inflation volatility remains a key character in this Greek tragedy for democratic, free-market capitalism.*
> Henry Maxey

Maxey picks up on a fascinating idea from Fred Hirsch, which he expounded in *The Political Economy of Inflation* (1978): Inflation most often goes hand in hand with the breakdown of the social status order:

> *It is then no accident that inflation has been most entrenched in societies and periods in which the underlying ideological struggle has been most intense… Put another way, containment of the latent distributional struggle without financial instability requires either sufficient authority or sufficient consensus, on the values or principles underlying the distribution of income and other aspects of welfare. If established authority weakens before a sufficient consensus or a new authority emerges, inflation results.*

The point is as elegant as it is uncomfortable: **If societies cannot agree on who should lose out, inflation makes that decision – for everyone.**

The ultimate consequence, according to Ruffer, is "DINOsty – Democracy In Name Only." What Friedrich A. von Hayek described in *The Road to Serfdom* as the creeping erosion of the liberal order is taking place today not through tanks but through legal provisions: The legal campaign against the Chairman of the Federal Reserve is the harbinger of a systematic politicization of money. When the central bank's independence becomes a bargaining chip in politics, domestic and foreign policy, fiscal and monetary policy merge into a single fiscal amalgam – with gold as one of the few assets that cannot be elected or dismissed.

> *I do not believe we will ever have truly good money again until we take the matter out of the state's hands.*
> Friedrich A. von Hayek

The Remonetization of Gold

The erosion of institutional trust is often followed by a search for new – or proven – monetary anchors. It is precisely in this context that a development long considered unthinkable is gaining significance: the remonetization of gold.

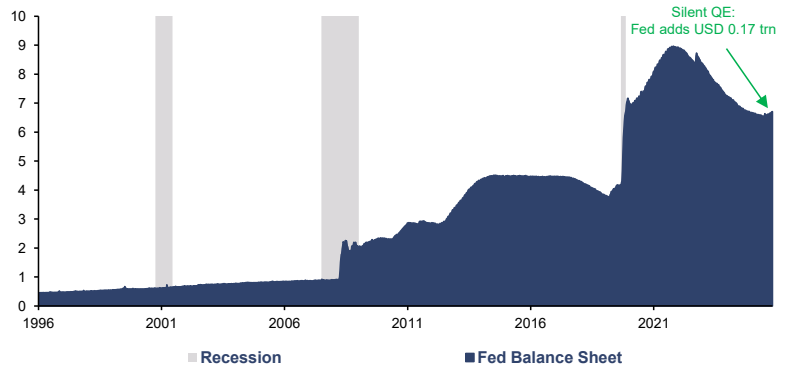
On July 4, 2026, the US will celebrate its 250th anniversary. The symbolic significance of this date is considerable: The *semiquincentennial* could provide the historical occasion that has repeatedly triggered fundamental upheavals in the monetary order. Gold-backed bonds, a formal revaluation of gold reserves, or even a partial debt write-off – such options are increasingly being discussed. A revaluation of the US gold reserves is no longer a far-fetched speculation, but a political possibility that is quietly gaining plausibility.

> *When I had my fund, people would've called me a gold bug.*
> Scott Bessent

Kevin Warsh faces a dilemma: He wants to shrink the balance sheet and, in particular, divest long-term Treasuries and MBS. However, the official end of quantitative tightening on December 1, 2025, has shown that liquidity was simply too tight for that. Since then, the balance sheet of the Federal Reserve has risen by around USD 175bn to USD 6.7trn. Officially, this balance sheet expansion is labeled as reserve management, but economically it acts like "quiet QE".

> *This is not QE. In no sense is this QE.*
> Jerome Powell, October 8, 2019

Fed Balance Sheet, in USD trn, 01/2000–04/2026



Source: LSEG, Incrementum AG

incrementum

Of the USD 4.8trn in balance sheet expansion during the pandemic, only about half has been unwound to date. Should the next recession or financial market shock break the US fiscal straitjacket – rising deficits coupled with weakening foreign demand for US Treasuries – "quiet QE" could quickly give way to "*The Big Print*", the inflationary endgame that our friend Larry Lepard has been warning about for years.

In such a challenging environment, unconventional options are needed, such as revaluing US gold reserves at market prices. The US holds exactly 261,498,926 troy ounces of gold, or roughly 8,133 t. This is the world's largest government gold reserve. However, these holdings are still in the books at the price of USD 42.22 per troy ounce, which has been fixed by law since 1973. The reported book value thus amounts to just

> *We're going to monetize the asset side of the US balance sheet for the American people. We are going to put the assets to work.*
> Scott Bessent

Market-valued gold reserves resemble a call option: substantial upside, limited immediate burden. In an era of fiscal constraint, gold becomes strategic optionality – Free Gold.

USD 11.04bn. A revaluation at the current market price of around USD 4,600 per ounce would multiply this value to approximately USD 1.2trn. This corresponds to about 3% of the total US national debt. This book profit in the trillion US dollar range would be available to the US Treasury as fiscal leeway.

Two pieces of evidence suggest that the idea has already emerged from the realm of theory. First, US Treasury Secretary Scott Bessent stated: **"We're going to monetize the asset side of the US balance sheet."** Second – and even more remarkable – in August 2025, the Federal Reserve published a paper with the programmatic title "Official Reserve Revaluations: The International Experience".

"At any moment of decision, the best thing you can do is the right thing. The worst thing you can do is nothing."
Theodore Roosevelt

History provides a precedent – and a remarkably instructive one: With the *Gold Reserve Act* of January 30, 1934, Franklin D. Roosevelt raised the official price of gold from USD 20.67 to USD 35 per ounce. This corresponded to an effective devaluation of the US dollar against gold of 41%. The one-time seigniorage gain of approximately USD 2.8bn flowed into the newly created *Exchange Stabilization Fund* (ESF) and thus into the Treasury vehicle that still exists today, allowing the Secretary of the Treasury to intervene in foreign exchange markets without congressional approval. Further US dollar devaluations followed in 1972 and 1973, first to USD 38, then to the current rate of USD 42.22.

"The rising gold price has helped us substantially."
Scott Bessent

For the US, not only is a one-time revaluation conceivable, but also a shift to market-valued gold reserves, similar to the situation in the eurozone. This would make hidden reserves visible and ensure that future increases in the gold price are continuously reflected on the balance sheet. In addition to the one-time effect, the investment perspective from the government's standpoint is equally revealing in this context: What economic dynamics arise when central banks value gold at market prices?

"It is precisely when a free gold market is needed that most modern governments seek to suppress it. For it reflects and measures the extent of the lack of confidence in the domestic currency; and it exposes the fictitious nature of the "official rate."
Ludwig von Mises

Market-valued gold reserves create an asymmetric exposure to rising gold prices. If the gold price rises, the value of the reserves increases immediately and can enable higher distributions, stronger capital buffers, or additional room for maneuver. If the gold price falls, negative effects are absorbed through revaluation accounts, reduced retained earnings, or the forgoing of distributions. The resulting profile resembles a historically embedded call option: substantial upside potential with limited immediate burden on the owner. **In times of high debt and fiscal constraints, gold thus transforms from a passive reserve asset into strategic optionality – in short: *Free Gold*.**

Emerging economies are also eagerly driving forward the remonetization of gold. Under the project name "The Unit," Russian researchers are working on a gold-backed settlement instrument for intra-BRICS trade: 40% physical gold, 60% currency basket of the five founding members. It is still a research project, not an official BRICS program. Yet the concept itself is a signal: In any serious post-US dollar architecture, gold will play a pivotal role.

"Gold goes where the money is, and it came to the United States between World Wars I and II, and it was transferred to Europe in the postwar period. It then went to Japan and to the Middle East in the 1970s and 1980s, and currently it is going to China and also to India."
James Steel

In this context, Bernhard Matthes has pointed out a fascinating parallel: **The gold purchases by central banks in Asia and the Middle East are not mere diversification; they resemble a strategic positioning race.** Should gold indeed become the monetary anchor of a BRICS settlement system, every participating nation will face the same question as the euro accession candidates of the 1990s: At what exchange rate will my currency be incorporated into the new system?

Those who hold substantial gold reserves at this point will enter the new order from a stronger starting position. Viewed in this light, the conspicuous buildup of gold reserves by China, India, Türkiye, and a growing number of other central banks follows a sober logic: It is about securing monetary leverage for an architectural framework that

has not yet been established, but for which they are already positioning themselves. **Or, to put it more colloquially, following the example of the German vacationer in Mallorca who lays his towel on the beach chair at six in the morning, whoever reserves first gets the best spot.**

At the same time, the Shanghai Gold Exchange (SGE) is systematically expanding its infrastructure. Gold is thus transforming from a safe-haven asset into a settlement instrument: repo-eligible collateral, a component of coverage, and a potentially neutral unit of account. What is quietly taking shape here is the beginning of a parallel financial system with Asia as its center of gravity.

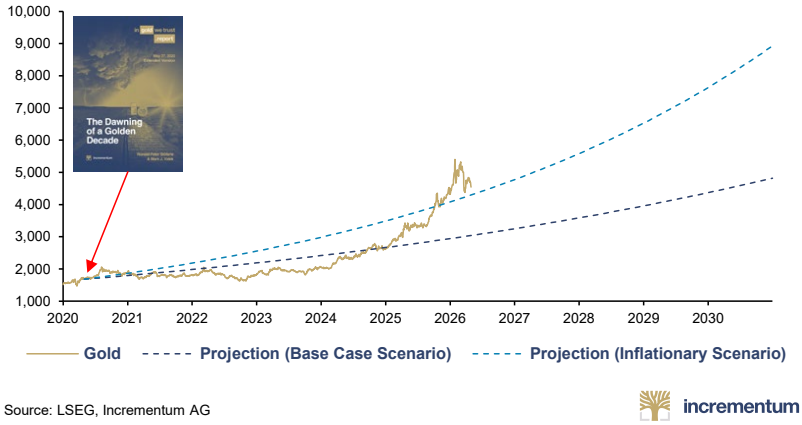
The following metaphor suggests itself: China is playing Go – patiently, strategically, focused on encirclement – while the US is playing poker, relying on short-term bluffs and maximum leverage. And Europe? Sitting at the table, having translated the rules into twenty-four languages, having commissioned an impact assessment and convened an ethics advisory board, while the others have long since begun their respective games.

The Golden Decade Is in Full Swing

At the heart of our analysis lies a single thesis: The gold bull market of recent years is the manifestation of a long-term upward trend that we announced in the *In Gold We Trust* report 2020, titled "The Dawning of a Golden Decade." We were met with skepticism from the mainstream for this. But the numbers speak for themselves. Since we proclaimed the golden decade, the price of gold in US dollars has risen by 165%, or, to put it differently, the US dollar has depreciated against gold by almost two-thirds.

> *When gold goes, it really goes.*
> Jim Sinclair

Gold, in USD, 01/2020–12/2030



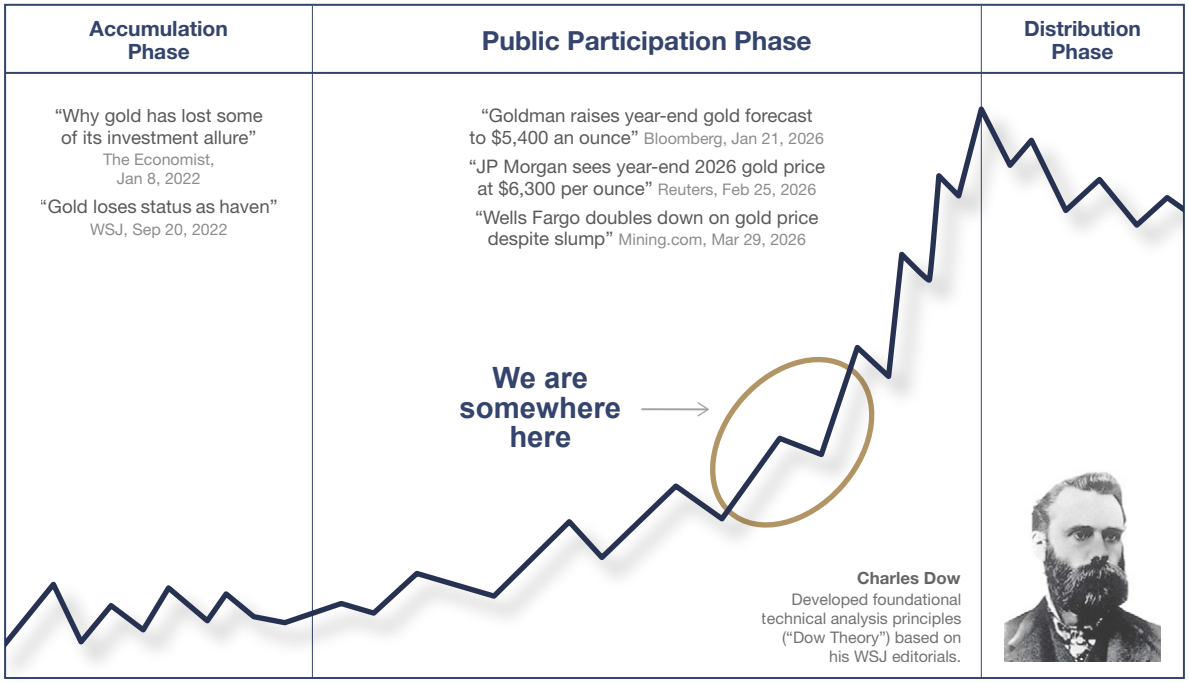
Source: LSEG, Incrementum AG

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According to Dow Theory, we are currently in the middle of the public participation phase, the longest and most dynamic stage of a bull market. This phase is characterized by increasingly optimistic media coverage. At the same time, speculative interest and trading volumes are rising, new financial products are being launched, and analysts who have viewed gold with skepticism for years are suddenly and aggressively revising their price targets upward. In our assessment, we are roughly in the middle of this phase, which will ultimately culminate in a mania phase.

> *Big bull markets always find a way to keep you frightened and OUT. Big bull markets are devils with no conscience – to get in, you have to close your eyes, and just do it.*
> Richard Russell

Where We Think We Are in the Bull Market (Dow Theory)

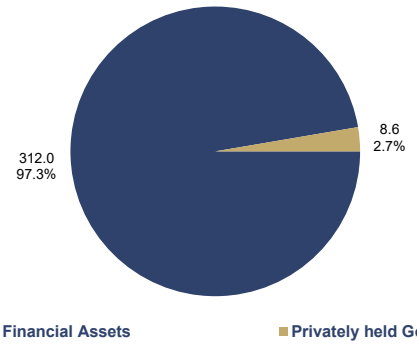


Source: MiningVisuals, Incrementum AG

> *More people believe Elvis is still alive than own gold in the US.*
> Gerald McMillan

The scale of the market makes it unmistakably clear that we are still far from a mania phase: Global financial assets of USD 312trn contrast with privately held gold holdings of USD 8.6trn – 2.7% of the total volume. **Gold is anything but a crowded trade – on the contrary, it is a party where the first guests are just starting to arrive.**

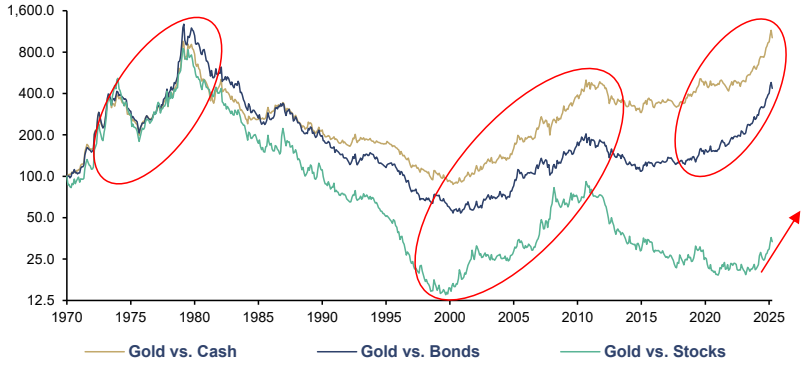
Market Capitalization of Global Financial Assets and Privately held Gold, in USD trn, 2025



Source: BIS, ICE, Metals Focus, Preqin, SIFMA, WFE, World Gold Council, Incrementum AG

Gold is also showing technical breakouts on a relative basis. Compared to cash and government bonds, the precious metal has already reached new cycle highs – but compared to US stocks, the catch-up rally is only just beginning. The chart below illustrates this impressively: While the gold-to-cash and gold-to-bond ratios have surpassed the secular highs of the early 1980s, the gold-to-stocks ratio is still well below the cycle highs of 1980 and 2011.

Gold vs. Cash (US 3M TR), Bonds (US 10Y TR), and Stocks (S&P 500 TR) (log), 100 = 31/12/1970, 12/1970–03/2026

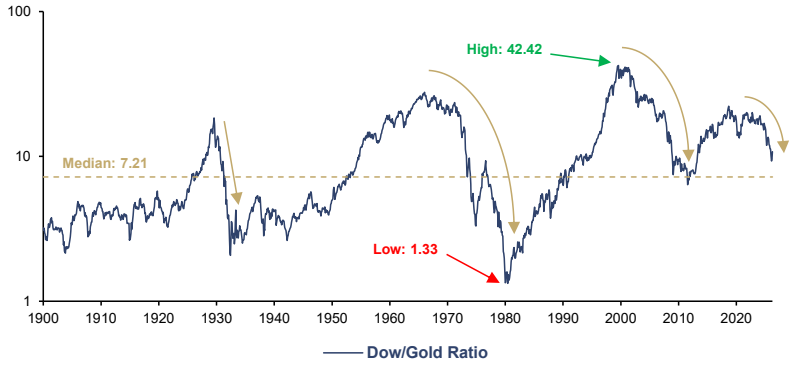


Source: Topdown Charts, Robert J. Shiller, LSEG, Incrementum AG

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Given that gold has recently gained ground against stocks, it is worth taking a long-term look at the Dow/gold ratio. During the past three major downtrends in this ratio – the 1930s, 1970s, and 2000s – the trend was consistently accompanied by a significant rise in the price of gold and stagnant US stock markets. Currently, the Dow/gold ratio stands at 10.74, well above the historical median of 7.21. **Gold remains attractively valued relative to US stocks.**

Dow/Gold Ratio (log), 01/2000–04/2026



Source: Nick Laird, LSEG, Incrementum AG

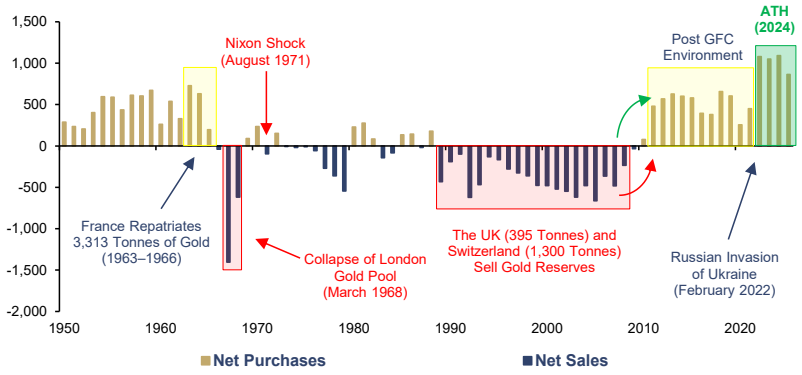
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The baton is passing: From central banks to investors

The demand structure of the gold market has shifted in recent quarters. Central banks have bought over 1,000 t in three of the last four years (2022, 2023, 2024), with 863 t added in 2025. In terms of value, this amounts to USD 60–85 bn per year. To put this in perspective: With global mine production at around 3,600 t per year, central banks alone are absorbing nearly a quarter of annual output.

> *Volatility is the price you pay for performance. Corrections are not a failure of the system – they're part of it.*
>
> Howard Marks

Global Central Bank Gold Purchases, in Tonnes, 1950–2025



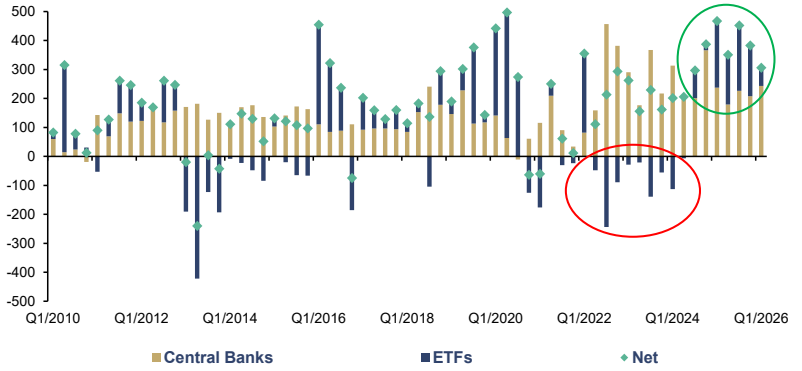
Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council, Incrementum AG

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No snowflake thinks it started the avalanche.
Boaz Weinstein

For several quarters now, we have observed a shift: Retail investors, institutional buyers, and ETF inflows have taken the baton from central banks. This is the handoff that, in Dow Theory, is considered a hallmark of a fully developed public participation phase: The bull market, still supported by central banks during the accumulation phase, is now being shouldered aside by a broader investor base. **The bull market has entered the mainstream.**

Central Bank, ETF, and Net Gold Flows, in Tonnes, Q1/2010–Q1/2026



Source: World Gold Council, Incrementum AG

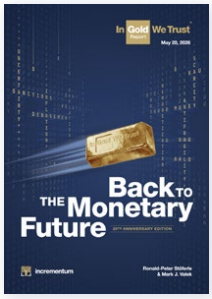
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Those who know it best love it least, because they have been hurt the worst.
Don Coxe

But with this shift, the risks are changing. Central banks are price-inelastic demanders. They accumulate driven by strategic considerations, not by expectations of returns. Investors, on the other hand, react to sentiment, margin calls, and opportunity costs. March 2026 abruptly laid bare this dynamic: According to the World Gold Council, gold ETFs recorded the largest monthly outflow on record at USD 11.8bn, or 84.8 t. The sell-off was concentrated almost exclusively in the West, while Asia, led by China, remained a net buyer. The pattern is revealing: Western ETF investors sell procyclically into the pullback, while Asian buyers use precisely these price declines to build positions. **The question every investor ought to ask: Into whose vaults is Western gold quietly flowing?**

Our assessment remains nuanced: The secular bull market is intact, but the shift in the demand structure calls for vigilance. Corrections of 20–30% were not the exception but the rule in past gold bull markets. At current levels, absolute pullbacks of USD 800–1,000 are quickly labeled a crash – even though, until recently, that represented the *entire* gold price.

20 years *In Gold We Trust* report





















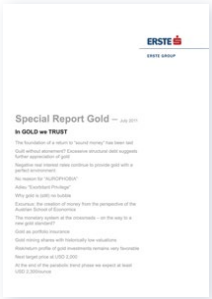








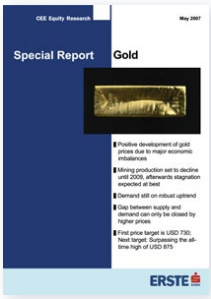












When I bought my precious metals I was playing defense. But as they say, defense is the best offense.
David Bateman

It is therefore crucial to distinguish between *safe-haven gold* – the strategic physical core holding, which is held independently of market events – and *performance gold*, the tactical component that specifically bets on price increases and must be actively managed accordingly. **Those who hold performance gold need not only conviction but also nerves of steel – and consistent risk management.**

Providing precisely this perspective – sober, fact-based, with a touch of humor, independent of market euphoria or doomsday prophecies – has been our mission for twenty years.

Thank You Very Much!

Year after year, the *In Gold We Trust* report strives to live up to its reputation as the "gold standard of gold studies." Our goal is to produce the world's most widely read and comprehensive analysis of gold. The gallery of 20 years *of In Gold We Trust* reports reflects this commitment.

If you put your mind to it, you can accomplish anything.
George McFly, "Back to the Future"

This year's leitmotif, *"Back to the Monetary Future,"* was carefully chosen. The monetary policy decisions of past decades – from the abandonment of the gold standard in 1971 to the era of zero interest rates after 2008 – are key to understanding what is happening in the markets today. In *Back to the Future,* Doc Brown warns Marty McFly emphatically: "We must not interfere with the timeline!" Yet that is precisely what central banks have done: With their monetary policy, they have fundamentally distorted the natural monetary order. We are now experiencing the consequences in real time – persistently elevated inflation rates, asset price bubbles, and an increasing flight to real assets like gold.

If our analyses are correct – and the data since 2007 gives us reason for confidence – then the current gold bull market still has considerable potential ahead of it. For while Marty McFly needed a DeLorean to travel through time, a glance at monetary history is enough for us to foresee the monetary future.

Trust is perhaps the fundamental First Principle.
Tony Deden

In the 20th edition of the *In Gold We Trust* report, we remain committed to the philosophy of *kaizen*, the Japanese art of continuous, incremental improvement: Twenty years of publication are not a reason for us to rest on our laurels, but rather an incentive. This year, the report features a completely revamped design and a redesigned webpage. We have also brought creative reinforcements on board with Mining Visuals, a Swedish specialist in the graphical presentation of mining sector data. Our core team has also grown significantly. As in 2025, the short version is available in German, English, Spanish, and Japanese. And once again, the *In Gold We Trust* report is available as a printed edition on Amazon – because some things, like gold and good research reports, you just want to hold in your hands.

If there is time to reflect, slowing down is likely to be a good idea.
Daniel Kahneman

We thank our more than 20 wonderful colleagues across four continents for their tireless efforts spanning over 20,000 hours and countless time zones.

Special thanks go to our Premium Partners.[2] Without their support, it would not be possible to make the *In Gold We Trust* report available free of charge and to expand our range of services year after year. In addition to the annual publication in five languages, we provide our Monthly Gold Compass as well as ongoing information on our *In Gold We Trust* website at ingoldwetrust.report.

2 At the end of the *In Gold We Trust* report, you will find an overview of our premium partners, including a brief description of each company.

To prepare for the future of money, one must first return to its past. That is why we are convinced that the current gold bull market still has considerable room to run. We would like to present the reasons behind our assessment to you, our valued readers, as a reliable guide to the topic of gold across the more than 460 pages of the *In Gold We Trust* report 2026.

We now invite you to join us on our annual journey and hope that reading our 20th *In Gold We Trust* report brings you as much joy as writing it has brought us.

With warm regards from Liechtenstein,
Ronald-Peter Stöferle and Mark J. Valek



All the Gold in the World*

Give your clients access to it –
by partnering with us.



Unlock new opportunities
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*Equivalent to a cube measuring 22 metres along each edge. SOLIT securely stores 1 cubic metre of this on behalf of its clients.

The Status Quo of Gold



Key Takeaways

- Forecast confirmed, conservative price target reached. Our expectation of a “golden decade,” formulated in 2020, has materialized: In 2025, gold hit numerous new all-time highs in every fiat currency and achieved its strongest annual growth since 1979 at +65%. In January 2026, the price reached a new all-time high of USD 5,595.
- On a USD basis, the compound annual growth rate (CAGR) since 2000 has been 11%; on a EUR basis, 10.5%. Gold thus outperforms nearly every other asset class.
- A controlled devaluation of the US dollar is the stated goal of the Trump administration – but from an economic policy perspective, this is a fallacy: A soft currency policy does not solve structural problems.
- The next US dollar bear market may be just beginning. Since 1971, the DXY has experienced three pronounced bear markets of -35%, -51%, and -40%; the last 15 years of remarkable sideways movement, however, formed a multi-year cycle top.
- Consolidation yes, trend reversal no. Following the spectacular rise of recent months, the Sprott Gold Bullion Sentiment Indicator signaled euphoric levels; the current pause is therefore not surprising.

Fiat money will be a passing fad in the long-term history of money. […] Gold is definitely a fiat money hedge.

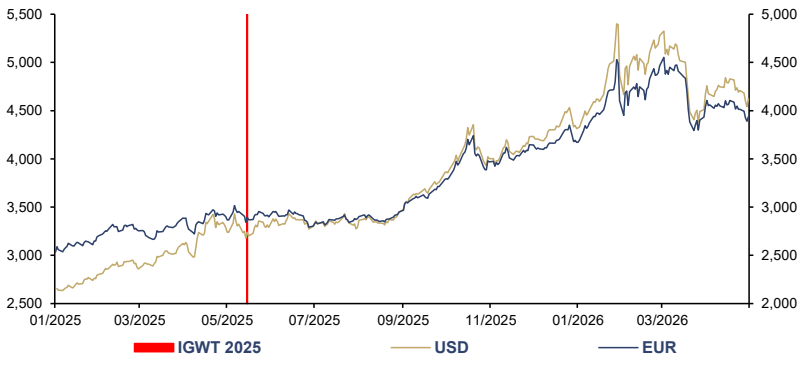
Jim Reid, Deutsche Bank

In the concluding chapter "Quo vadis, aurum?" of the *In Gold We Trust* report 2025 "The Big Long", we summarized: "Historical comparisons as well as our proprietary *Incrementum Gold Price Model* indicate that the gold bull market still has considerable room to run." This statement has proven to be correct: The gold price has hit numerous new all-time highs in every fiat currency and reached the conservative target of our *Incrementum Gold Price Model*, which we presented in the 2020 *In Gold We Trust* report, "The Dawning of a Golden Decade."[1]

Over the course of a reasonable investment horizon, gold protects against the depredations of the stewards of our currencies. That is its purpose.
Jim Grant

Let's now take a closer look at the gold price trend since the last *In Gold We Trust* report in US dollars and euros. Following its publication on May 15, 2025, a sideways phase lasting several months ensued before a spectacular rally began in the fall. It was the strongest annual gain since 1979. In January 2026, gold reached a new all-time high of USD 5,595 before a correction set in amid the Iran crisis.

Gold, in USD (lhs), and EUR (rhs), 01/2025–04/2026



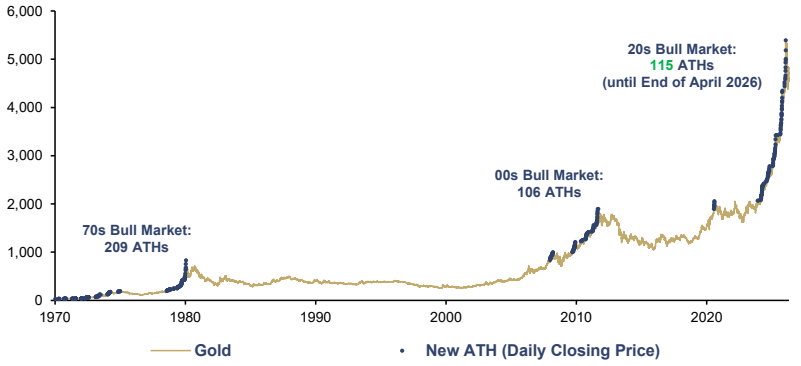
Source: LSEG, Incrementum AG

incrementum

The momentum of the gold price rally is impressive. **In 2025, gold set 51 new all-time highs in US dollars – the second-highest count after 1979's 55.** Through April 2026, another 10 records have been set.

1 *See* "Quo vadis, aurum?," *In Gold We Trust* report 2024; "Quo vadis, aurum?," *In Gold We Trust* report 2020

Gold, in USD, and New ATH (Daily Closing Price), 01/1970–04/2026



Source: LSEG, Incrementum AG

A look at performance metrics since 1970 reveals impressive results: **Gold has a median return of 7.0% and a compound annual growth rate (CAGR) of 9.0%, while 60.7% of all years were positive.** In contrast, while silver shows a higher overall average return, its comparatively lower success rate of 53.6% and pronounced volatility suggest that active timing is advisable for silver investments.

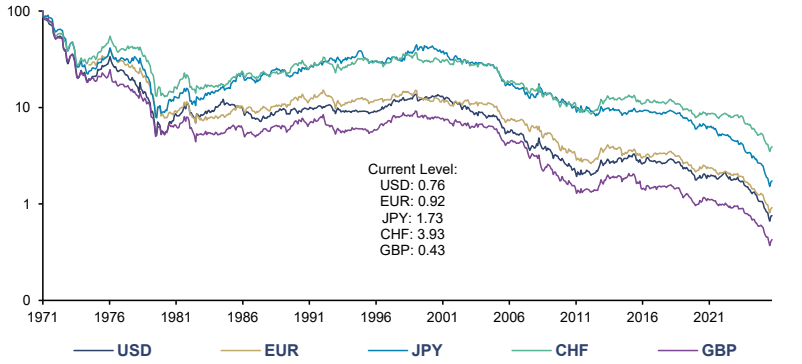
Annual Performance of Gold and Silver, in USD, 1970–2025

	Gold	Silver
Average	11.6%	14.3%
Median	7.0%	3.1%
CAGR	9.0%	6.8%
MAX	126.5%	361.0%
MAX Year	1979	1979
MIN	-31.6%	-47.3%
MIN Year	1981	1981
% POS	60.7%	53.6%
% NEG	39.3%	46.4%
2025	64.4%	146.8%
% RANK	92.9%	96.4%

Source: LSEG, TradingView, Incrementum AG

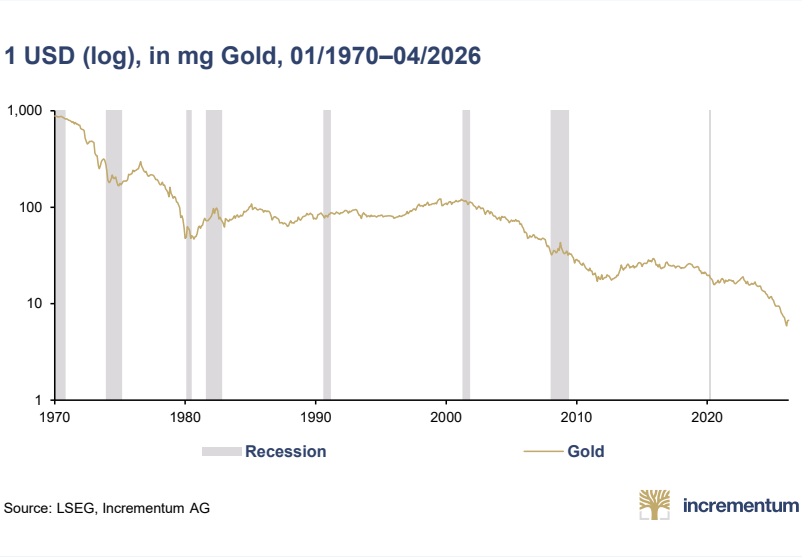
A performance of +64.4% within a calendar year is, by nature, extraordinary; but as you, dear readers, already know, it is not so much that the price of gold rises, as that fiat currencies depreciate in value relative to gold over the long term, some faster, some slower. **Last year, the loss of purchasing power of the US dollar, euro, and other currencies was particularly pronounced.**

> *"How did you go bankrupt?" Two ways. Gradually, then suddenly.*
> Ernest Hemingway



Gold's role, in our view, is not to replace the dollar but to absorb capital fleeing soft money.
Paul Wong

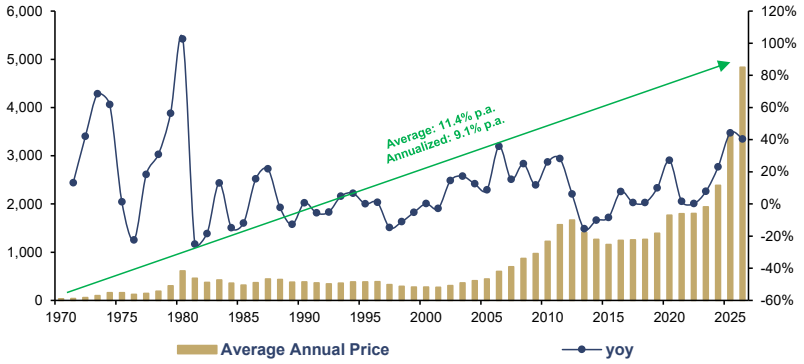
The chart below shows the purchasing power of one US dollar in milligrams of gold. Thus, an ounce of gold does not cost around USD 4,600 – rather, approximately 6.8 milligrams of gold are required to "purchase" a single US dollar. This reversal of perspective, which we have been advocating for years, is not a semantic quibble but a fundamentally different approach to the subject: **It is not that gold is becoming more expensive, but that the US dollar grows lighter.**



Gold is not an asset; it's a standard – a reference point in a world adrift. Gold is the ruler that refuses to stretch.
Tony Deden

With an annual average price of USD 3,445, gold reached a new all-time high last year. Since the start of the year, the average gold price has risen further to USD 4,834. The following chart shows that dollar-cost averaging into gold ("gold saving") appears sensible.

Gold, in USD, Average Annual Price (lhs), and yoy (rhs), 1970–04/2026



Source: LSEG, Incrementum AG

incrementum

Now let's turn to the "market breadth" of gold. 2025 was clearly positive for gold in the major currencies, with a gain of 56.6%. The average performance this millennium remains impressive. Since 2000, gold's annualized performance in US dollars has been 11.2%. Despite significant corrections along the way, gold has outperformed virtually every other asset class and currency.

Even more impressive, however, is the hit rate of positive years – that is, the percentage of years in which the price closed with a positive return – as gold has delivered remarkably consistent performance since 2000. In US dollar terms, gold has risen in 74.1% of those years; in euro terms, in 81.5%. Measured against a weighted currency basket, gold has even risen in an impressive 81.9% of all years. **The data impressively underscore the stability of gold across different currency areas.**

> *Today's Michael Lewis "Big Short" opportunity, in our view, is the ongoing devaluation of fiat currencies relative to real assets with limited supply, which are essential to society either as commodities or sound money.*
>
> Tavi Costa

Performance of Gold, in Major Currencies, 2000–2026 YTD

Year	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000–2004	52.4%	13.3%	28.0%	27.3%	26.8%	52.3%	52.7%	9.1%	51.5%	34.8%
2005–2009	150.1%	136.8%	197.0%	118.1%	118.7%	106.3%	126.8%	127.6%	168.4%	138.9%
2010	29.5%	38.6%	34.2%	13.6%	22.8%	25.1%	13.2%	16.8%	24.8%	24.3%
2011	10.2%	13.9%	10.6%	10.3%	12.7%	5.2%	4.5%	10.7%	30.7%	12.1%
2012	7.1%	5.0%	2.5%	5.3%	4.2%	6.0%	20.7%	4.5%	11.1%	7.4%
2013	-28.0%	-30.9%	-29.4%	-16.1%	-23.0%	-30.1%	-12.6%	-29.8%	-19.1%	-24.3%
2014	-1.8%	11.6%	4.4%	7.3%	7.5%	0.7%	11.6%	9.4%	0.2%	5.6%
2015	-10.4%	-0.1%	-5.3%	0.6%	6.8%	-6.2%	-9.9%	-9.7%	-5.9%	-4.5%
2016	8.5%	12.1%	29.6%	9.6%	5.3%	16.1%	5.4%	10.3%	11.4%	12.0%
2017	13.1%	-0.9%	3.3%	4.6%	5.9%	6.0%	9.0%	8.3%	6.3%	6.2%
2018	-1.5%	3.0%	4.3%	8.9%	6.8%	4.1%	-4.2%	-0.8%	7.3%	3.1%
2019	18.3%	21.0%	13.7%	18.8%	12.6%	19.7%	17.2%	16.6%	21.3%	17.7%
2020	25.0%	14.8%	21.3%	14.1%	22.6%	17.2%	18.8%	14.3%	28.0%	19.6%
2021	-3.6%	3.6%	-2.6%	2.2%	-4.3%	-6.1%	7.5%	-0.6%	-1.7%	-0.6%
2022	-0.2%	6.0%	11.6%	6.3%	7.0%	8.3%	13.7%	1.1%	10.8%	7.2%
2023	13.1%	9.7%	7.4%	13.1%	10.5%	16.3%	21.6%	2.9%	13.7%	12.0%
2024	27.2%	35.6%	29.4%	40.0%	38.1%	30.8%	41.7%	37.1%	30.8%	34.5%
2025	64.4%	44.9%	52.7%	52.4%	56.9%	57.5%	63.9%	43.6%	72.7%	56.6%
2026 YTD	7.1%	7.2%	6.1%	-0.7%	6.0%	4.6%	7.1%	5.6%	13.1%	6.2%
					2000–2026 YTD					
Performance	1,507.5%	1,280.8%	1,804.7%	1,359.3%	1,410.0%	1,225.6%	2,362.5%	689.6%	3,407.4%	1,671.9%
CAGR	11.1%	10.5%	11.8%	10.7%	10.9%	10.3%	12.9%	8.2%	14.5%	11.2%
% POS years	74.1%	81.5%	85.2%	85.2%	81.5%	81.5%	85.2%	74.1%	88.9%	81.9%

Source: LSEG (as of 04/30/2026), Incrementum AG

While central banks sell 2% as the measure of monetary stability, their currencies have lost five times that against gold each year since 2000 – and eighteen times in 2025 alone.

If we flip the perspective 180 degrees, the same truth emerges from the inverse perspective – arguably even more starkly. The following table shows exactly the same data, but measured against the immutable monetary anchor of gold. Over the period 01/2000–04/2026, the average annual loss of purchasing power for the nine currencies amounts to 10.1%; in 2025 alone, the average devaluation totaled 35.9%. That 2% inflation target, which central banks have established as the epitome of monetary stability, is exceeded many times over year after year in the gold-to-paper exchange rate.

Performance of Major Currencies, in Gold, 2000–2026 YTD

Year	USD	EUR	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2000–2004	-34.4%	-11.7%	-21.9%	-21.4%	-21.1%	-34.4%	-34.5%	-8.3%	-34.0%	**-24.6%**
2005–2009	-60.0%	-57.8%	-66.3%	-54.2%	-54.3%	-51.5%	-55.9%	-56.1%	-62.7%	**-57.6%**
2010	-22.8%	-27.9%	-25.5%	-12.0%	-18.5%	-20.0%	-11.6%	-14.4%	-19.9%	**-19.2%**
2011	-9.2%	-12.2%	-9.6%	-9.3%	-11.2%	-5.0%	-4.3%	-9.6%	-23.5%	**-10.4%**
2012	-6.6%	-4.8%	-2.4%	-5.0%	-4.0%	-5.6%	-17.2%	-4.3%	-10.0%	**-6.7%**
2013	39.0%	44.7%	41.7%	19.2%	29.8%	43.0%	14.5%	42.5%	23.6%	**33.1%**
2014	1.8%	-10.4%	-4.2%	-6.8%	-6.9%	-0.7%	-10.4%	-8.6%	-0.2%	**-5.2%**
2015	11.6%	0.1%	5.6%	-0.5%	-6.3%	6.6%	11.0%	10.7%	6.2%	**5.0%**
2016	-7.9%	-10.8%	-22.9%	-8.7%	-5.1%	-13.8%	-5.2%	-9.3%	-10.2%	**-10.4%**
2017	-11.6%	0.9%	-3.2%	-4.4%	-5.6%	-5.7%	-8.3%	-7.6%	-5.9%	**-5.7%**
2018	1.5%	-2.9%	-4.1%	-8.2%	-6.4%	-3.9%	4.4%	0.8%	-6.8%	**-2.8%**
2019	-15.4%	-17.3%	-12.1%	-15.8%	-11.2%	-16.5%	-14.7%	-14.3%	-17.6%	**-15.0%**
2020	-20.0%	-12.9%	-17.6%	-12.3%	-18.4%	-14.7%	-15.8%	-12.5%	-21.9%	**-16.2%**
2021	3.7%	-3.5%	2.6%	-2.1%	4.5%	6.5%	-6.9%	0.6%	1.7%	**0.8%**
2022	0.2%	-5.6%	-10.4%	-6.0%	-6.5%	-7.7%	-12.0%	-1.1%	-9.8%	**-6.5%**
2023	-11.5%	-8.8%	-6.9%	-11.6%	-9.5%	-14.0%	-17.8%	-2.8%	-12.1%	**-10.6%**
2024	-21.4%	-26.3%	-22.7%	-28.6%	-27.6%	-23.6%	-29.5%	-27.1%	-23.6%	**-25.6%**
2025	-39.2%	-31.0%	-34.5%	-34.4%	-36.3%	-36.5%	-39.0%	-30.4%	-42.1%	**-35.9%**
2026 YTD	-8.4%	-8.4%	-8.2%	-1.9%	-8.0%	-6.1%	-10.0%	-7.1%	-12.0%	**-7.8%**
					2000–2026 YTD					
Performance	-93.9%	-92.9%	-94.9%	-93.3%	-93.5%	-92.6%	-96.1%	-87.6%	-97.2%	**-93.6%**
CAGR	-10.1%	-9.6%	-10.7%	-9.8%	-9.9%	-9.4%	-11.6%	-7.6%	-12.7%	**-10.1%**
% POS years	25.9%	18.5%	14.8%	11.1%	18.5%	18.5%	14.8%	25.9%	11.1%	**17.7%**

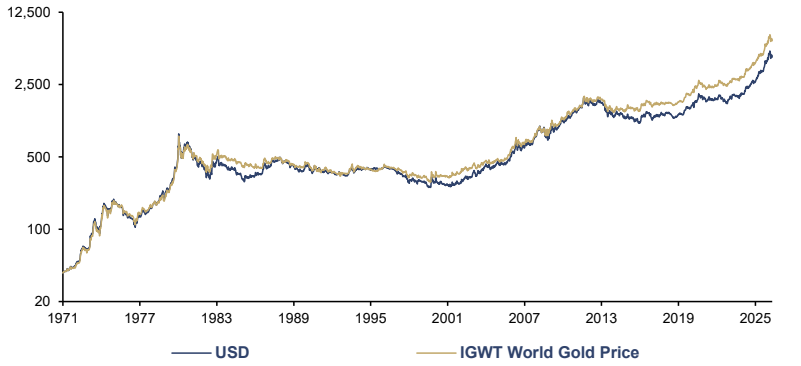
Source: LSEG (as of 04/30/2026), Incrementum AG

> *Good analysis comes from good understanding. And good understanding is provided by a conceptual framework that helps you organize your thinking.*
>
> Stephen H. Penman

The next chart shows the so-called *IGWT World Gold Price*, which is calculated using a currency basket of 16 currencies weighted by nominal GDP. These currencies currently represent just under 80% of global GDP. This is intended to adjust for distortions caused by currency fluctuations when valuing the gold price in a single currency. The chart shows that since 2011/12, as a result of the strength of the US dollar, a gap has opened up between the gold price in US dollars and the World Gold Price, which has gradually widened over time.

Since the end of Bretton Woods, the US dollar has moved in tectonic shifts rather than gradual trends – and after fifteen years of stagnation around the 100 level, the next shift may be just beginning.

Gold (log), in USD, and IGWT World Gold Price, 01/1971–05/2026



Source: World Bank, LSEG, Incrementum AG

incrementum

So what are our expectations for the US dollar? For us, one thing is clear: A controlled and significant devaluation of the US dollar is among Donald Trump's key economic policy priorities. But it would be a grave mistake to artificially weaken the US dollar for the sake of reindustrialization, because currency devaluations do not solve structural problems – they generate inflation, make imports more expensive, and reduce the purchasing power of wages and savings at home and abroad, thereby severely weakening the very backbone of the US economy: domestic consumption.

> *We have currency problems…We have a big currency problem.*
> Donald Trump

Furthermore, a strong currency is a sign of international credibility. Anyone who deliberately devalues the US dollar drives away the capital urgently needed to modernize infrastructure, expand production capacity, and secure technological leadership. The more sustainable path would lie in fiscal discipline, a streamlined bureaucracy, and targeted innovation support – tools that attract new industries and strengthen existing ones without squandering citizens' wealth – including that of foreign creditors holding US dollar bonds – in a race to devalue. To put it bluntly: **If currency debasement were truly the path to prosperity, Zimbabwe would be the new Switzerland.**

> *My philosophy, Mr. President, is that all foreigners are out to screw us and it's our job to screw them first.*
> Treasury Secretary John Connally to Richard Nixon

The following chart tells the story of the US dollar since the end of Bretton Woods as a series of tectonic shifts – and raises the question of whether the next shift is just beginning. Since 1971, the DXY has experienced three pronounced bear markets: -35% following the dissolution of Bretton Woods, -51% between the Plaza Accords, and -40% from the dot-com peak to the global financial crisis trough. **For about 15 years, however, the DXY has been oscillating in a remarkably narrow sideways range around the 100 level.**

> *As your President, one would think that I would be thrilled with our very strong dollar. I am not!*
>
> Donald J. Trump

A US dollar bear market, as defined by historical precedents, has simply not materialized since then – we consider it entirely plausible that it is yet to come. The Trump administration has openly stated that a substantial devaluation is its goal; the debate over a *Mar-a-Lago Accord* has long since reached the upper echelons of the US Treasury Department.

DXY, 01/1971–04/2026



Source: LSEG, Incrementum AG

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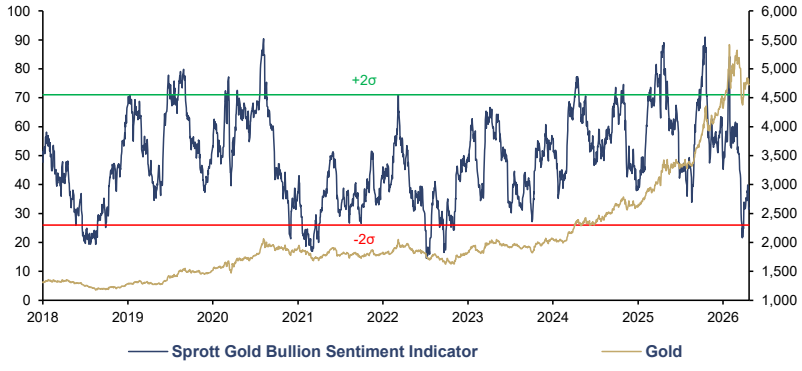
Conclusion

> *We, in our sluggishness, do not realize that the dearness of everything is the result of the cheapness of money. For prices increase and decrease according to the condition of the money. An excessive quantity of money should be avoided.*
>
> Copernicus

After a 64.4% increase in US dollars in 2025 – the strongest annual gain since 1979 – the gold price is in uncharted territory. Our long-standing thesis that reaching new all-time highs would herald a new trend phase has been confirmed. **A pronounced US dollar bear market could be a major positive catalyst in the coming years.** The DXY has formed a multi-year cycle top – similar to the patterns seen in the 1980s and early 2000s. In the coming quarters, the DXY is likely to move toward 90 or lower.

Following the spectacular rise of recent months, the current consolidation in the gold price comes as no surprise – on the contrary, it was overdue. The Sprott Gold Bullion Sentiment Indicator recently showed a sentiment level that was already alarmingly close to the second standard deviation and thus in pronounced euphoria territory. **In the wake of the recent correction, however, this overheating has cooled noticeably – a classic washout that should lay a healthy foundation for the next upward wave.** ■

Sprott Gold Bullion Sentiment Indicator (lhs), and Gold (rhs), in USD, 01/2018–04/2026



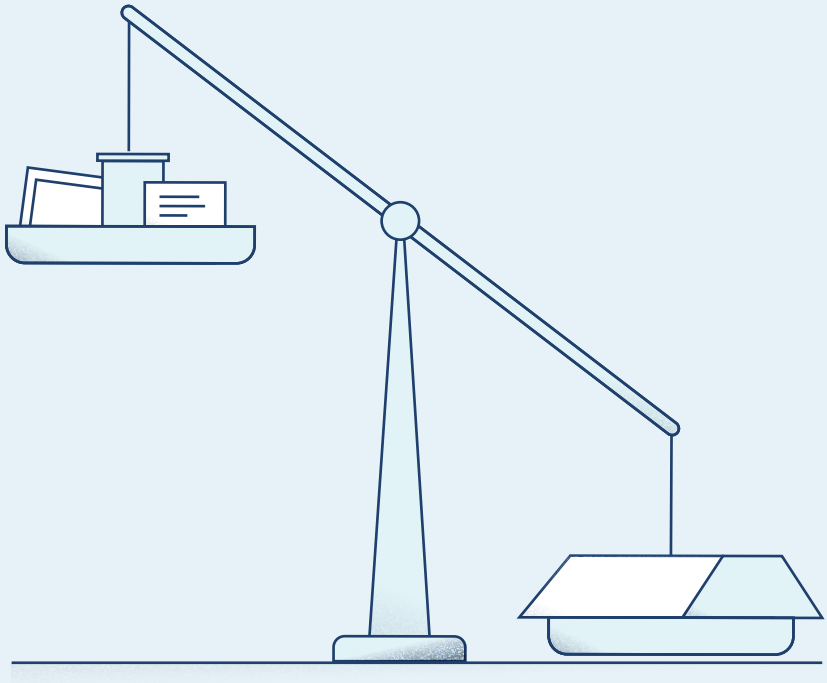
Source: Sprott Asset Management LP, Incrementum AG

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Status Quo of Gold Relative to Stocks, Bonds, and Commodities



Key Takeaways

- The gold bull market is built on rock, not sand: Its relative strength compared to stocks, bonds, and commodities confirms that the bull market remains intact.
- Investor psychology evolves through four phases: FOMO → YOLO → GONZO → HALO. Josh Brown's "Heavy Assets, Low Obsolescence" paradigm marks the regime shift toward physical substance. Gold is the HALO trade par excellence.
- US stocks are trading at historically extreme valuations: Buffett Indicator at 226% (all-time high), Shiller P/E at 38.34 – a level that, in the past 145 years, has only been surpassed at the height of the dot-com bubble. Gold, by contrast, remains undervalued relative to US stocks.
- The classic 60/40 portfolio is losing its raison d'être: Will gold now assume the role that US Treasuries held for four decades?
- The commodity supercycle has begun: A decade-long capex backlog, resource nationalism, fiscal dominance, and a structurally weakening US dollar are setting the stage for sustained outperformance. And yet, the institutional investor community remains conspicuously underweight.

> *60/40 won't cut it anymore and should be 20/40/20/20 instead, with the weights representing cash, stocks, bonds, and commodities.*
>
> Zoltan Pozsar

> *Gold today is not just in a bull market, but a super bull market.*
> Charlie Morris

A gold price chart in absolute terms is like a portrait without a background: impressive, yet analytically hollow without context. Only relative performance – against stocks, bonds, and commodities – provides the necessary depth. After all, gold competes with alternatives in every portfolio, and only the opportunity costs reveal how solid the bull market's foundation truly is. The conclusion is clear: The bull market isn't built on sand, but on granite.

FOMO → YOLO → GONZO → HALO: The Evolution of Investor Psychology in Four Acronyms

The old fiat playbook rested on a simple central bank promise: every trade gets backstopped. FOMO – "fear of missing out" – was followed by YOLO – "you only live once" – and startup excesses were followed by memecoins and absurd NFTs. Why think in decades when the money printer saves every trade anyway?

> *What I needed to get ahead was to compete against idiots. Luckily, there's a large supply.*
> Charlie Munger

This frenzy reached its peak in what Henry Maxey calls "Gonzo capitalism": the stage of escalation in which lockdown-fueled recklessness, leveraged products, and the certainty of government bailouts give birth to a culture of excess. For those left behind by asset-price inflation, saving in the fiat system has become a farce. The only remaining option was to chase the rally.

But every phase of excess generates a corrective. The fourth act goes by the name of HALO – "heavy assets, low obsolescence" – a term coined in February 2026 by Josh Brown to describe assets that combine two characteristics: on the one hand, physical substance – *heavy assets* – such as pipelines, refineries, copper mines, railroads, or the power grid; and on the other hand, resistance to the passage of time – *low obsolescence*. **Brown's litmus test is as simple as it is disarming: Can the business model be replicated by a prompt – or does it require pipelines, mines, and gigawatts?**

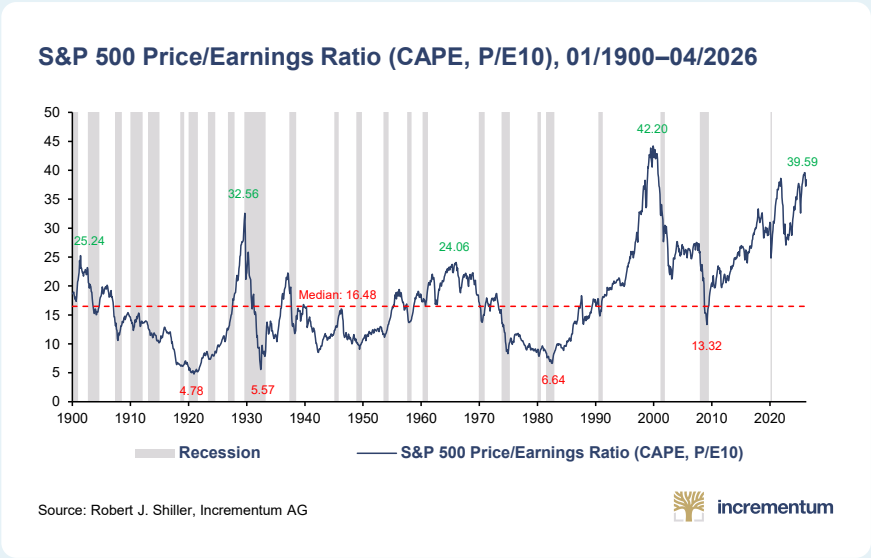
> *The cycle of manias and panics results from procyclical changes in the supply of credit… Money always seems free in manias.*
> Charles Kindleberger

After a decade dominated by business models requiring little capital, higher real returns, geopolitical fragmentation, and the re-materialization of supply chains are shifting market leadership back to tangible assets. Brown emphasizes that this is not a cyclical rotation, but a regime change. Gold is the HALO trade par excellence – no cash flow but

also no AI disruption risk, no counterparty risk, no obsolescence; instead, 5,000 years of monetary continuity. **FOMO → YOLO → GONZO → HALO. From adrenaline to anchor.**

Gold Relative to Stocks

US stocks are as far from cheap valuations as the Bahamas are from a snow-chain requirement. With a Shiller P/E ratio of 38.34, the S&P 500 is trading at dizzying heights – a level that, in the past 145 years, has only been surpassed once: at the absolute peak of the dot-com mania in December 1999, when it reached 42.2. Even the Black Tuesday peak in 1929, at around 32, was significantly lower. By comparison, the long-term median is just 16.



A look at international markets reveals a completely different picture. European stocks currently have a significantly more moderate Shiller P/E ratio of 22.3. The discount is even more drastic in emerging markets: The Shanghai Composite stands at 17.7, and the Brazilian Bovespa trades at a Shiller P/E ratio of just 9.4. That leaves the MSCI World. It currently stands at a hefty 27.7. However, this figure is misleading: It now says far more about the massive US overweight in the index than it does about genuine global diversification. After all, the US currently accounts for 71.3% of the MSCI World, even though the index contains stocks from 23 industrialized nations.

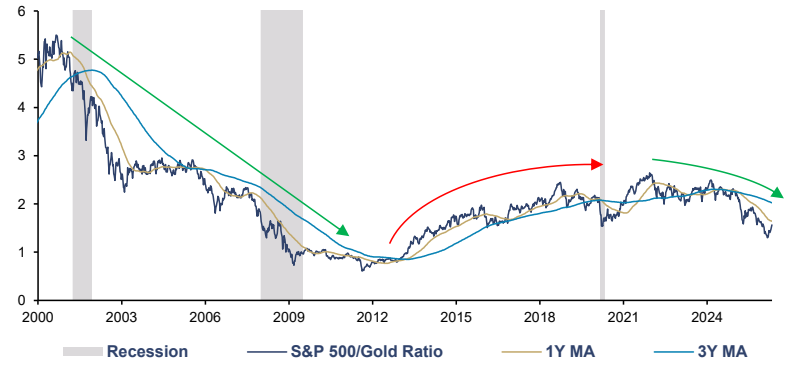
> *Much has been written about panics and manias, much more than we can follow or conceive with even the most stretched intellect; but one thing is certain: at certain times, a great many stupid people have a great deal of stupid money.*
> Walter Bagehot

The dominance of the US stems from the calculation method: The MSCI World weights companies by their market capitalization. And the world's largest corporations – led by tech giants like Apple, Microsoft, and Nvidia – are based in the US. All 22 other industrialized nations share the remaining just under 29%. So anyone investing in an MSCI World ETF is, in effect, investing more than 70% in the US economy.

The following chart depicts the S&P 500/gold ratio since the beginning of 2000 and tells two contrasting stories within a narrow timeframe. Between 2000 and 2011, the ratio fell from over 5.0 to around 0.7, which means that one ounce of gold could purchase an increasing number of units of the S&P 500. Gold's purchasing power, measured in stocks, increased sevenfold. Subsequently, stocks dominated the market until the end of 2021. **Since the cycle high at the end of 2021, the tide appears to be turning:** The ratio has broken below both the 90-day and 1-year moving averages.

> *A pin lies in wait for every bubble.*
> Warren Buffett

S&P 500/Gold Ratio, 01/2000–04/2026



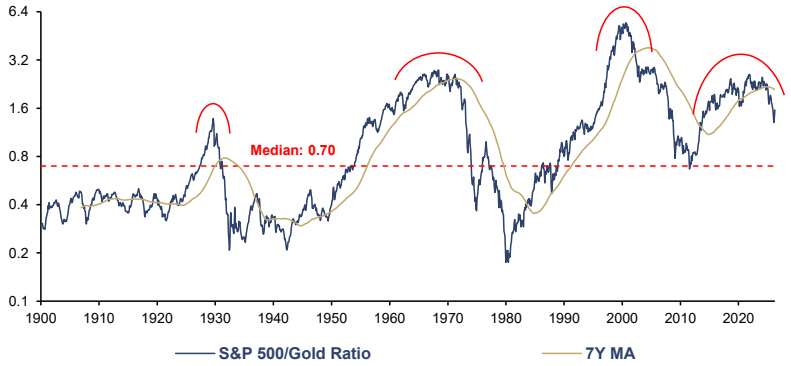
Source: LSEG, Incrementum AG

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History is a gallery of pictures in which there are few originals and many copies.
Alexis de Tocqueville

Let's take a look at this ratio since 1900 and thus over the long term. The chart reveals a remarkable picture: Over the past 125 years, the S&P 500/gold ratio has fluctuated significantly around the long-term median of 0.70, with upward swings – most recently at the turn of the millennium, when the ratio exceeded 5.0 – being corrected just as reliably as downward ones. Currently, the ratio stands at 1.56, well above the median. **Gold appears undervalued relative to US stocks.**

S&P 500/Gold Ratio (log), 01/1900–04/2026



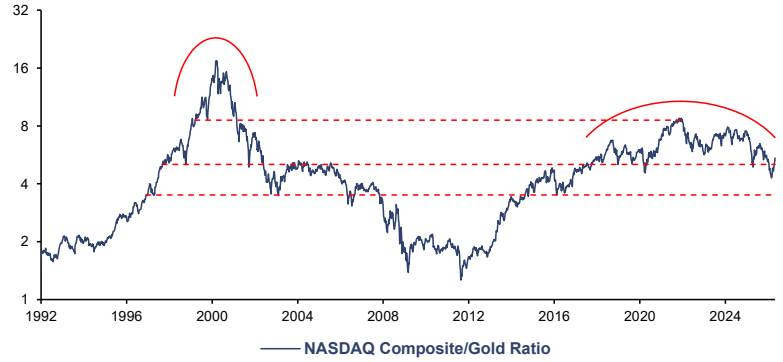
Source: Nick Laird, LSEG, Incrementum AG

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The NASDAQ Composite/gold ratio measures how many ounces of gold are needed to purchase a share in the leading index of US technology stocks – and thus, at its core, how the market values innovation versus substance. The chart shows two key signals: The cycle high of 2000, above the 16 mark, marked the beginning of the bursting of the dot-com bubble, after which the ratio collapsed around 90% by 2012. Gold has recently gained relative strength. If the trend is confirmed, this would be more than a tactical rotation. It would mark the beginning of a secular reallocation away from digital YOLO promises and toward tangible HALO substance.

Even at the peak of the last secular gold bull market in 2011, the gold-to-US-equities ratio stood at 79.3% – today we sit at 45%. We are far from a mania...

NASDAQ Composite/Gold Ratio (log), 01/1992–04/2026



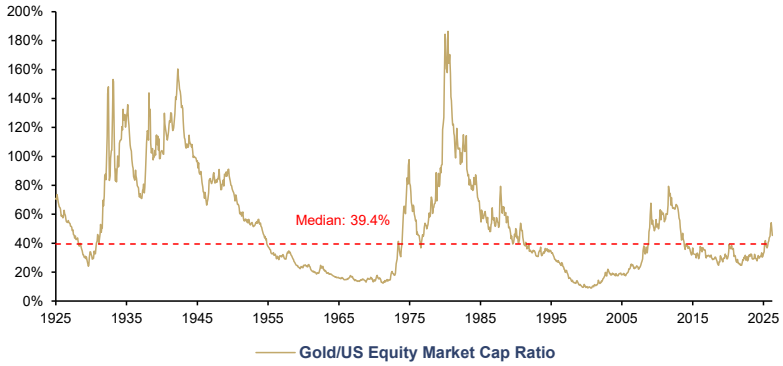
Source: LSEG, Incrementum AG

incrementum

Relative price trends are helpful not only for roughly categorizing major investment cycles but also as a valuation criterion. Currently, the market capitalization of global gold holdings is about 45% of US stock market capitalization, slightly above the long-term median of 39.4%. By comparison, during wartime and the inflationary era of the 1970s, this figure peaked at 186%. Even at the peak of the last secular gold bull market in August 2011, the figure was significantly higher at 79.3%. This shows that the current gold bull market has already gained momentum, but we are still far from the mania of previous peaks.

> *I feel like a lot of what's perceived as wealth is an inflation illusion.*
> Stephanie Pomboy

Gold/US Equity Market Cap Ratio, 01/1925–04/2026



Source: Charlie Morris, World Gold Council, LSEG, Incrementum AG

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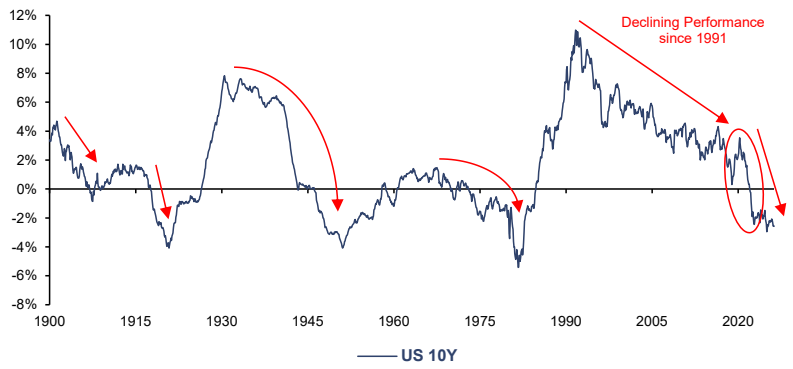
Gold Relative to Bonds

The greatest credit event of all would be a recession in which US yields went up, not down.
Michael Hartnett

I want to steer away from debt assets like bonds and debt, and hold some hard money like gold and Bitcoin.
Ray Dalio

One of our central theses of recent years has been confirmed: (Government) bonds are no longer the antifragile portfolio foundation they were over the past 40 years. The classic 60/40 portfolio, once the untouchable Holy Grail of modern asset management, is proving to be a structurally flawed construct in the current inflationary regime.

As a strategic response to this monetary endgame, we established the new 60/40 portfolio in the *In Gold We Trust* report 2024, "The New Gold Playbook," and assigned gold a crucial dual role within it: as uncorrelated monetary insurance and as a return-enhancing performance driver. Given a global fixed-income market of USD 160trn, only marginal reallocations are needed to trigger a revaluation of precious metals. Those who stick to the old 60/40 playbook will remain nominally rich – but in real terms, they will become poorer.[1]



Gold Relative to Commodities

When it comes to investing in natural resources, you're either going to be a contrarian or you're going to be a victim. There isn't much of a middle ground.
Rick Rule

"Commodities are as sought after by institutional investors as fur-lined gloves in the sweltering heart of the Sahara." That was our assessment last year. A year later, the tide is beginning to turn. Our conviction has always been that commodities – and commodity-sensitive assets in general – must be actively timed, yet during periods of structurally elevated inflation, they are a core component of the portfolio. The following 10 arguments demonstrate that this timing has now arrived.

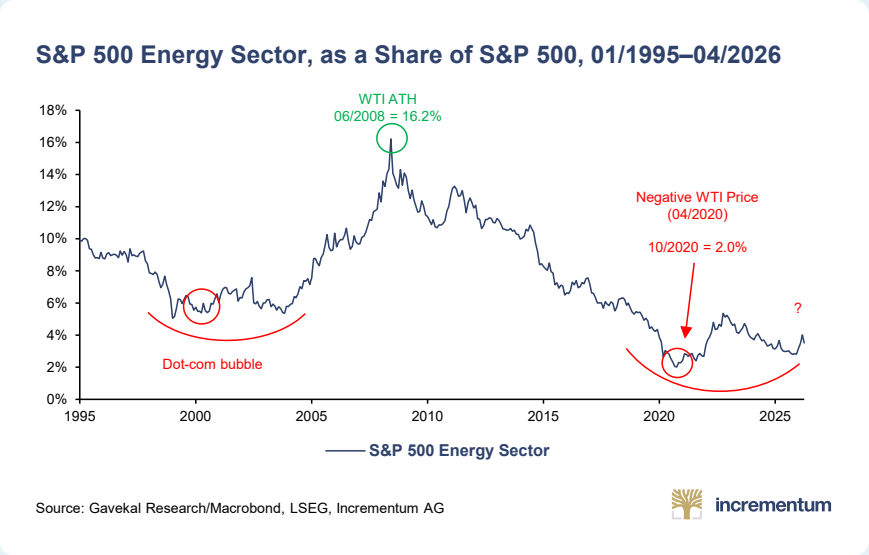
10 Reasons for the Commodity Bull Market

- **Capex shortage:** After a ten-year bear market, a significant investment backlog has built up, structurally limiting production volumes.
- **Inelastic supply:** Mining capacity cannot be expanded at the click of a mouse – it takes 15 to 20 years from discovery to the start of production.
- **Fiscal bazooka:** Globally, the focus is shifting toward higher government spending, particularly in infrastructure and defense.
- **Resource nationalism:** Nations are hoarding their raw materials, controlling exports, and weaponizing supply chains. The result is permanently higher geopolitical risk premiums.
- **Institutional ignorance:** Pension funds and endowments remain structurally underallocated in commodities, often still with zero allocation.
- **Inflation hedge:** Latent concerns about structurally higher inflation are driving capital out of bonds and into hard assets with intrinsic value.

1 See the chapter "The Renaissance of Gold Allocation" in this *In Gold We Trust* report

- **Secular USD bear market:** The eroding status of the US dollar as a global reserve currency devalues the denominating currency of global commodity trade. This is a historically reliable driver of commodity prices.
- **Technological hunger for resources:** Megatrends such as AI, data centers, and e-mobility are resource-intensive and provide lasting support for demand.
- **By-product shortages:** Metals such as silver are primarily produced as by-products, which is why their supply barely reacts to rising prices.
- **Political 180-degree shift:** The hindrance posed by ESG requirements is giving way to active promotion of strategically important commodity projects.

With a weighting of 3.5% in the S&P 500, the energy sector is as thinly represented as on-time trains on the Deutsche Bahn. The last time it was this lightly weighted was on the eve of the great commodities boom of the 2000s. Since the historic low of 2.0% in October 2020 – just a few months after the negative WTI price – a bottoming pattern has emerged that structurally resembles the situation at the turn of the millennium. Oil is (still) unloved, ignored, and practically nonexistent in the portfolios of major asset allocators.



Let us now examine the relative performance of commodities and stocks. The following chart shows the BCOM/S&P 500 ratio (logarithmic) since 1960 – and reveals an impressive pattern of recurring supercycles:

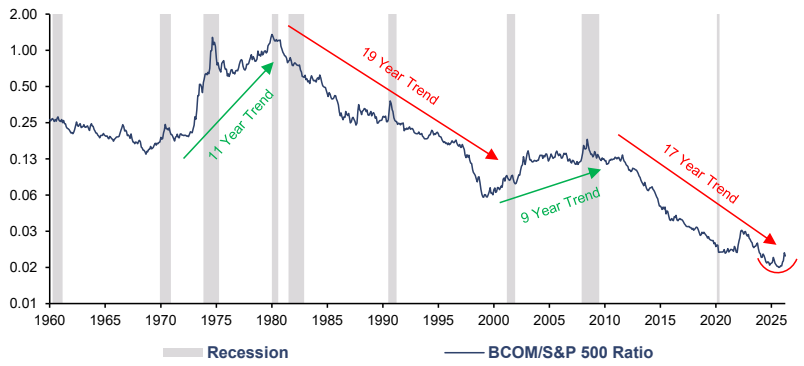
> *Gold remains the reserve asset in the background. The front line is the commodities market.*
> Craig Tindale

- **1969–1980 (11-year trend):** Commodities outperformed amid stagflation, oil crises, and the end of Bretton Woods. The ratio reached its historical high in 1980 at over 1.00.
- **1981–1999 (19-year trend):** The great disinflation and stock market bull run. Commodities fell structurally behind, and the ratio dropped by around 95%.
- **2000–2008 (9-year trend):** The China boom, the commodity supercycle, and a weak US dollar – a strong recovery for commodities.
- **2009–present (17-year trend):** The longest period of underperformance in recent history since the global financial crisis. The ratio has fallen to a record low of around 0.02.

Three observations stand out. First, supercycles are not measured in quarters but in decades: Historically, they have lasted between 9 and 19 years. At 17 years, the current downtrend is already on the long end of that range, suggesting that the next upswing may be closer than consensus assumes. Second, the ratio shows clear signs of bottoming out. Third, commodities are more severely undervalued relative to stocks than at any time since the data series began – even the lows of 1971 and 1999 were less extreme.

Historically, such trend reversals have rarely been gentle, but have often been accompanied by a dramatic shift – triggered by geopolitical shocks, supply bottlenecks, or a change in monetary policy. As is clear, there is no shortage of such triggers in 2026.

17 years of commodity underperformance – and the deepest valuation low since records began. History suggests the reversal is overdue.



Source: LSEG, Incrementum AG

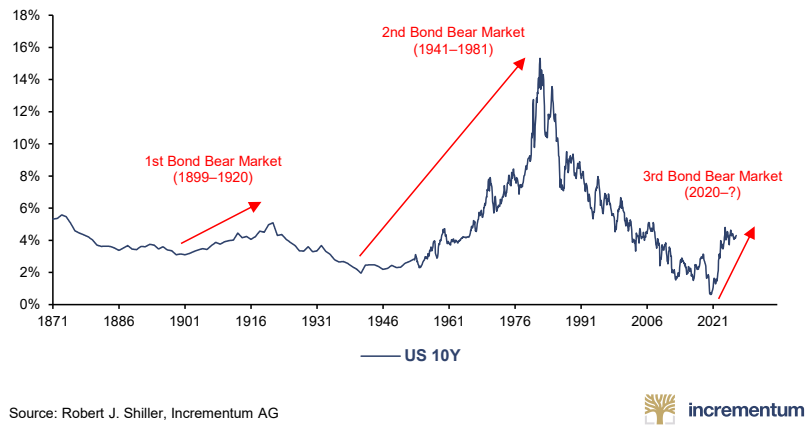
Conclusion

This brings us full circle: from FOMO adrenaline to the HALO anchor. Four acronyms, four states of matter. HALO is the corrective: a return to substance after weightlessness has taken its toll.

This transition is not a tactical rebalancing but a regime change. What was considered a relic in the FOMO world – pipelines, mines, gold – becomes a scarce resource in the HALO world: not replicable via prompt, not rendered obsolete by any software update, free from counterparty risk. In this logic, gold is not just one HALO trade among many, but the prototype: maximum heavy-asset density with a track record of monetary continuity stretching back 5,000 years.

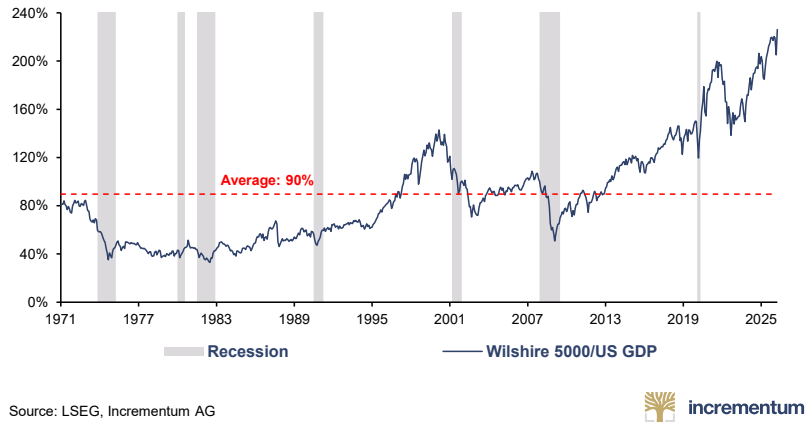
> *If truth is the first casualty of war, bonds are usually a close second.*
> Luke Gromen

The old certainties have fallen, and with them the creed of an entire generation of financial markets. US Treasuries are delivering correlations and drawdowns that haven't been seen in this combination for four decades. Inflation, labeled as temporary just five years ago, has turned out to be structural – and no interest rate cycle will change that as long as government deficits and debt levels dominate.



In US stock markets, valuations for many sectors and individual stocks remain far from bargain levels. The Buffett Indicator[2] stood at approximately 226% as of the end of April 2026 – an all-time high that exceeds the long-term average of 90% by a factor of two and a half and lies about 2.5 standard deviations above the historical trend. By comparison: The December 2021 peak of around 200%, which was already perceived as a mania at the time, seems almost moderate from today's perspective.

> *If the ratio approaches 200%… you are playing with fire.*
> Warren Buffett



That said, we continue to find select attractive opportunities: in the value segment of the old economy, in Europe, in emerging markets, and above all in the commodities and mining sectors. In the new regime, gold is assuming a role it hasn't played since the 1970s: from an exotic item on the margins of a portfolio to the foundation of a monetary realignment. **Gold is no longer just an insurance policy, but the engine of returns for a world in which government bonds have lost their antifragile role.** ■

2 The Buffett Indicator is a valuation multiple that compares the market capitalization of the US Wilshire 5000 Index to US GDP.

TSX: EQX NYSE-A: EQX
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Driven to Outperform

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Disciplined operations.
Delivering results.



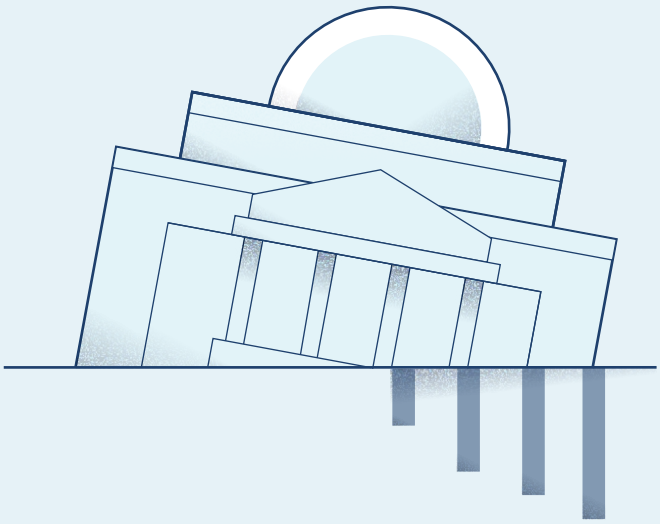


Equinox Gold offers investors meaningful exposure to gold with a diversified portfolio and a pipeline of organic growth projects.

Equinox Gold has a foundation of high-quality, long-life gold operations in Canada and across the Americas, and a clear path to growth from three expansion projects. Guided by a seasoned leadership team, the Company is focused on disciplined execution, operational excellence and long-term value creation.

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Status Quo of Debt



Key Takeaways

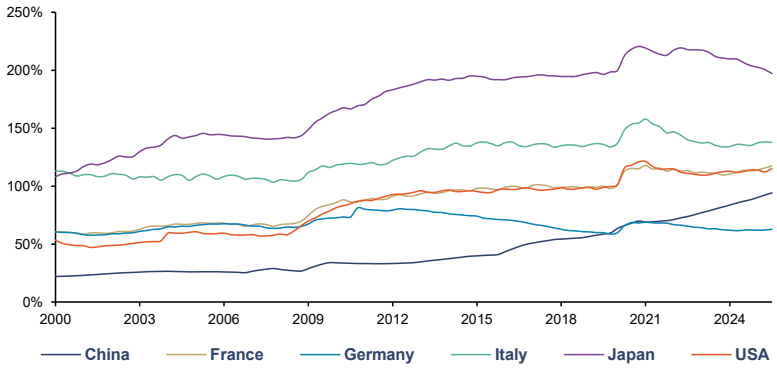
- Since 2007, the year of the first *In Gold We Trust* report and on the eve of the global financial crisis, global government debt has grown by more than 50% to 96.8% of GDP.
- The current polycrisis – aging populations, military buildup, the green transition, and geopolitical instability – places a significant strain on public finances.
- Even primary balances are deep in the red in most industrialized nations. Ironically, much-maligned Italy is the only notable exception, as Germany is now also taking on debt on a historic scale.
- The US deficit of 5.8% (2025) corresponds almost exactly to the average for the *In Gold We Trust* report era (2007–2026). However, the deficit remains far higher than the long-term average of 3.8% for the years 1975–2025.
- Both historically and currently, government bonds are proving to be a "fair-weather asset," particularly because the current significant increase in deficit spending – like earlier ones – is being financed through higher deficits, aka the "guns *and* butter" principle.
- In light of the structural deficits, citizens face the threat of higher taxes, service cuts, and stricter fiscal austerity measures.

The day will come when citizens will have to face the fact that they must pay off the debts the government runs up and declares to be for the "good of the people".

Ludwig Erhard

How times have changed. In 2007, the year of the first *In Gold We Trust* report, Germany, France, and the US were virtually neck and neck in terms of public debt, each with a ratio between 60 and 65%; Italy's ratio was just slightly above 100%; while Japan's was still well below 200%. However, the global financial crisis that struck shortly thereafter would severely shake up public finances.

Public Debt, as a % of GDP, Q1/2000–Q3/2025



Source: BIS, Incrementum AG

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High Debt, Hard Choices
IMF publication, March 2026

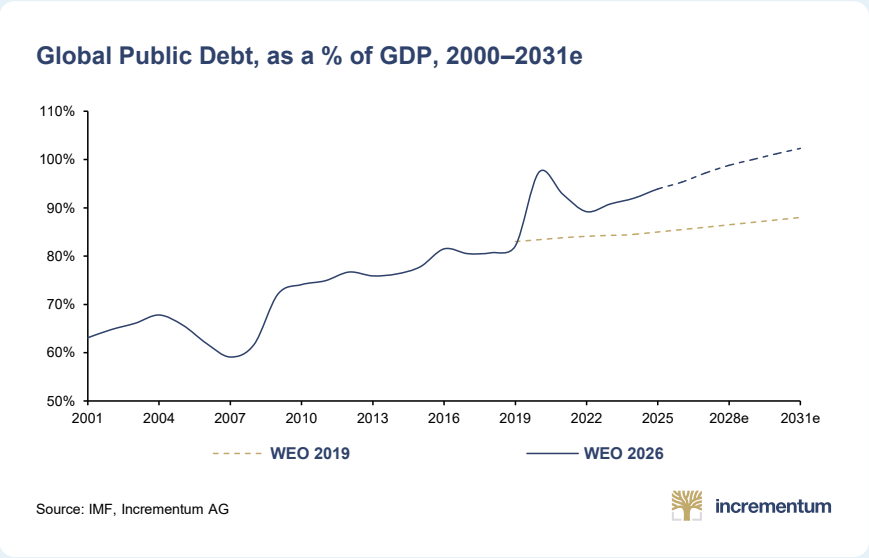
Now, two decades later, the fiscal position of many countries – especially advanced economies – is in danger of finally falling apart. **Despite the consolidation phases following the 2007–08 global financial crisis and the Covid-19 pandemic, the long-term upward trend continues unabated.**

For 2026, the IMF expects a global public debt-to-GDP ratio of 96.8%. In 2007, the year of the first *In Gold We Trust* report and on the eve of the global financial crisis, it was merely 60.9%. That is an increase of more than 50%. In absolute terms, the trend is naturally even more dramatic. In just two decades, government debt swelled from slightly more than USD 35trn to nearly USD 120trn, an increase of almost 3.5 times. Nominal global GDP grew by slightly more than 110% over the same period, from USD 58.3trn to an estimated USD 123.6trn.

This debt dynamic is largely attributable to the current polycrisis. At the same time, the budget is under pressure from a multitude of developments, each of which, taken individually, already poses a major challenge to public finances: the energy transition, in the EU accompanied by a simultaneous shift away from Russian energy supplies; military rearmament; an aging population; migration flows and the resulting funding needs for integration and border protection; and higher interest rates on government debt.

The world is not falling apart. It is being reassembled — and we are living through the reassembly.
Niall Ferguson

A striking break in the trend of government debt was the Covid-19 pandemic, with its multitude of economic, political, and social upheavals. Not only was government debt pushed to a new level, but the rate of increase in government debt has also accelerated since then.

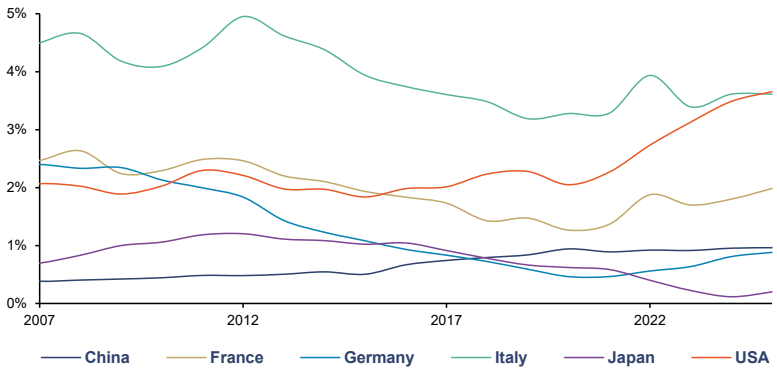


Admittedly, the public debate may attach too much importance to the government debt-to-GDP ratio. The study "Why Care about Debt-to-GDP?" rightly points this out. As an alternative to the government debt-to-GDP ratio, the interest-to-GDP ratio is proposed, which reflects the actual ongoing burden of government debt on the national budget. After all, higher interest rates on a lower debt level can place a greater burden on the budget than lower interest rates on a higher debt level.

Something's gotta be done about your kids!
Dr. Emmett Brown

The following chart tracks the evolution of the interest rate ratio, also starting in 2007. The effects of the ultra-low interest rate policy – which temporarily provided significant relief to governments and ushered in a golden age for finance ministers – are clearly visible, as is the end of that era. **In a long-term comparison, the interest rate ratio remains relatively low for many countries, as the average interest rate on government debt does not yet fully reflect the rise in yields over the past few years.** As of the end of 2025, the average remaining maturity of marketable US government debt is just under 6 years.

Interest Expenditure, as a % of GDP, 2007–2025



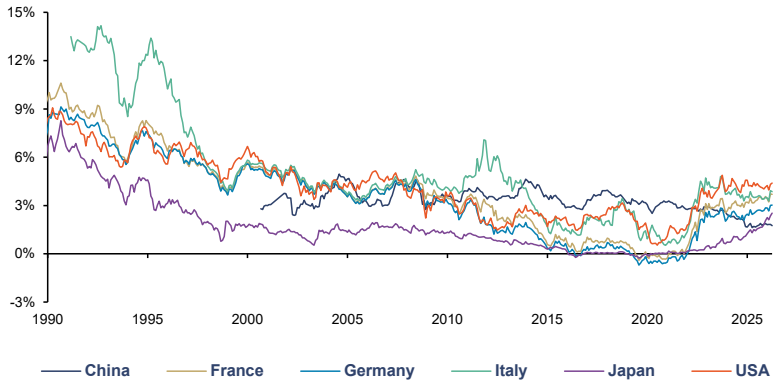
Source: IMF, Incrementum AG

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If you have a garden and a library, you have everything you need.
Marcus Tullius Cicero

Both indicators – the debt-to-GDP ratio and the interest rate ratio – point to the same conclusion: The notion that leading industrialized nations are immune to debt crises is definitively a thing of the past. This is also signaled by bond yields that are climbing slowly but steadily, even though they remain far below previous peaks in a long-term comparison. In the fall of 2025, French government bonds recorded a positive spread against Italian bonds for the first time, a phase that lasted until mid-January and ended abruptly when French Prime Minister Sébastien Lecornu survived a vote of no confidence and pushed through the 2026 budget using Article 49.3 of the French Constitution, against opposition resistance and without a majority of his own.

10 Year Government Bond Yield, 01/1990–04/2026



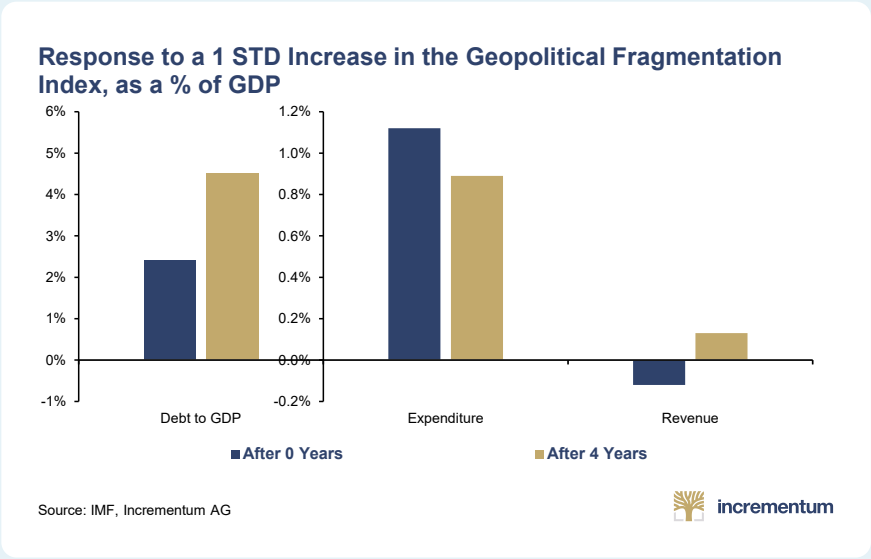
Source: LSEG, Incrementum AG

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It is not about winning or losing, but about playing as long as we can.
Anders Indset

Another factor weighing on public finances is the rise in geopolitical tensions and geopolitical fragmentation. In the *In Gold We Trust* report 2019, "Gold in the Age of Eroding Trust," we analyzed the importance of trust for human interaction in general and economic cooperation in particular. Trust is arguably the most underestimated economic resource in everyday life. Where trust among business partners or legal certainty is lacking, significant additional costs arise. Simulation calculations from a study by Fernandez-Villaverde and Song show that an increase in geopolitical fragmentation raises government debt.[1]

1 See also: IMF: *Fiscal Monitor*, Chapter 1, April 2025



"Guns *or* Butter?" – "Guns *and* Butter!"

"Whatever it takes"; with these words, borrowed from Mario Draghi, Chancellor Friedrich Merz underscored just a few days after winning the federal election in March 2025 the seriousness with which he now intended to tackle Germany's re-armament. During the election campaign, Merz had still vigorously defended the debt brake. A few weeks later, not only was the EUR 500bn "Special Fund for Infrastructure and Climate Neutrality" approved, but it was also decided that defense spending exceeding 1% of GDP would no longer be subject to the national debt brake.

> *My policy on cake is pro having it and pro eating it.*
> Boris Johnson

Chancellor Merz faced the well-known problem that increasing defense spending without expanding the budget deficit would inevitably require significant cuts in other areas of spending. Merz thus acted in line with the findings of the study "Guns and Butter: The Fiscal Consequences of Rearmament and War." Historically, according to the study, which analyzed budget data from 20 industrialized nations for the period 1870–2022, governments in industrialized nations preferred higher budget deficits in the short term – i.e., "guns *and* butter" – to finance rearmament. In the long term, this resulted in a toxic mix of higher taxes and a public spending ratio that remained elevated.

> *To wage war, you need first of all money; second, you need money, and third, you also need money.*
> Raimondo Montecuccoli

The authors do not answer the question of why governments prefer the "guns and butter" option over "guns or butter." Yet the answer is obvious: because choosing the first option can, at least in the short term, create the impression that rearmament and social spending are not in competition with one another. By expanding the budget deficit, voters are led to believe in a *"both-and" scenario*, thereby securing the loyalty of key voter groups – at least in the short term – even as the *"either-or"* reality looms relentlessly in the background, eventually manifesting itself, with a slight time lag, in the form of rising inflation.

The calculations of The Bank for International Settlements (BIS), presented by Secretary General Pablo Hernandez de Cos (who has been in office since July 1, 2025) in a lecture titled "Fiscal threats in a changing global financial system," also show where this "both-and" approach is likely to lead. In the baseline scenario, with primary deficits remaining at the historically high level of 2024, public debt in industrialized nations would rise only slightly to around 110%, while in emerging economies it would rise significantly to just under 100%.

> *There's no trick to being a humorist when you have the whole government working for you.*
> Will Rogers

Without fiscal consolidation, population aging alone would cause debt-to-GDP ratios to climb to around 170% (advanced economies) and 160% (emerging economies) by 2050. If additional spending on the energy transition and military buildup amounting to 2% of GDP is factored in, an additional 50 percentage points are added to the figures for both groups of countries.

War costs more than any financial crisis or natural disaster. Within five years, war-torn economies lose 7% of output – and the scars last for a decade.

As recent IMF calculations show, wars also incur significant economic costs. In war-torn countries, economic output falls by about 3% at the outset; within five years, the average decline is around 7%. The economic losses caused by conflicts generally exceed those associated with financial crises or severe natural disasters. The economic consequences remain evident even a decade later.

The idea that government debt can be easily inflated away is a myth

Weather forecast for tonight: dark.
George Carlin

However, it is a widespread and persistent misconception that higher inflation rates can, in and of themselves, reduce government debt. As we highlighted in the chapter "The Status Quo of Debt Dynamics" in the *In Gold We Trust* report 2022, "Stagflation 2.0," inflating away government debt is only possible if a wave of inflation suddenly sweeps over a country. Bondholders alone foot the bill if they fail to anticipate a wave of inflation.

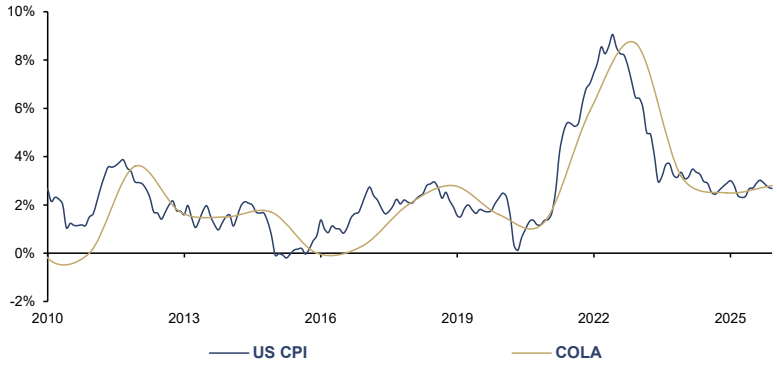
The study "Are Government Bonds Safe in Times of War and Pandemic?" confirms this fact. In times of war, as a result of unexpected waves of inflation and financial repression, it is bondholders[2] who must shoulder the lion's share of a war's financing costs, with the authors treating the Covid-19 pandemic as a war due to the spending tsunami it triggered. In peacetime, however, government bonds were indeed the safe asset. **To put it bluntly: Government bonds are a fair-weather asset.**

Always buy your straw hats in the Winter.
Benjamin Graham

Similarly, transfer recipients only experience a significant loss of purchasing power and provide real relief to the budget if transfer payments are not indexed or are rapidly increased as a result of political pressure. In the US, the automatic adjustment of Social Security expenditures – known by the acronym *COLA* for "cost-of-living adjustment" – has been enshrined in law since 1975.

However, this automatic mechanism designed to counteract a loss of purchasing power for social benefits has a time lag that weakens its protective effect. The nominal adjustment of social transfers occurs retroactively. Consequently, recipients are not compensated for the loss of purchasing power that occurs until social benefits are raised to the nominally higher level.

US CPI, yoy, and COLA (Cost-Of-Living Adjustments), 01/2010–12/2025



Source: Federal Reserve St. Louis, Social Security Administration, Incrementum AG

incrementum

2 For a more in-depth discussion, *see* the section "The Treasury-Fed Accord of March 3, 1951" in "The Status Quo of Gold," *In Gold We Trust* report 2021

The creativity of finance ministers correlates with the precarious state of public finances

Finance ministers are often rather austere figures. Yet at times they fairly burst with creativity – for example, when it comes to inventing new taxes and levies. They also enjoy coming up with the most creative neologisms to conceal or gloss over the poor state of public finances. In Germany, for instance, special budgets have always been called *"special funds,"* even though they are actually *special debts*. Particularly ingenious is the phrase *revenue-side savings* – a term that has been in common use in Austria for many years – which refers to, you guessed it, increases in taxes and fees.

In addition, the rhetorical trick of referring to every government expenditure as an "investment" is gaining traction. Thus, spending on the construction of a new playground becomes an "investment in social cohesion." While this is not entirely incorrect linguistically – since the finance minister does indeed "clothe" every expenditure in a specific purpose (from the Latin *investire* for "to clothe") – it does not correspond to the much narrower economic definition.

> *Austria is a small world in which the great ones hold their trials.*
> Friedrich Hebbel

Austria has come up with yet another original idea – a statistical trick – to lower the national debt ratio. Finance Minister Markus Marterbauer urged the federal states to invest surplus liquid funds in federal treasury bonds, which are bonds with maturities ranging from one month to 10 years, purchased directly from the Republic of Austria. The simple reason: Government bonds held by other local authorities are consolidated in accordance with ESA 2010, Regulation (EC) No. 479/2009, and the "Manual on Government Deficit and Debt – Implementation of ESA 2010," thereby reducing the national debt ratio.

> *Always borrow money from a pessimist. He won't expect it back.*
> Oscar Wilde

In the US, this approach explains the difference between "public debt held by the public" and "total public debt," or between marketable and nonmarketable US federal debt. The former accounts only for marketable US debt securities and stood at 99.4% at the end of fiscal year 2025. The latter includes nonmarketable US federal debt, specifically that held by the two US Social Security funds. At the end of 2025, this US federal debt was significantly higher at 122.3%.

Equally irrelevant from an economic standpoint is the legal and administrative maneuver of excluding certain expenditures from the calculation of the maximum allowable new debt. This allows EU member states, under the so-called "national escape clause" (Regulation (EU) 2024/1263, Art. 26) to spend up to 1.5% of GDP on additional defense expenditures for the years 2025–2028, without this amount being counted toward compliance with the requirements of the Stability and Growth Pact ("Maastricht criteria"). Economically, this distinction is irrelevant, for debt remains debt in economic terms, even if politicians, bureaucrats, and lawyers attach a different legal or political label to certain expenditures.

Deep Dive US

Trump's budget miracle has not materialized (yet?)

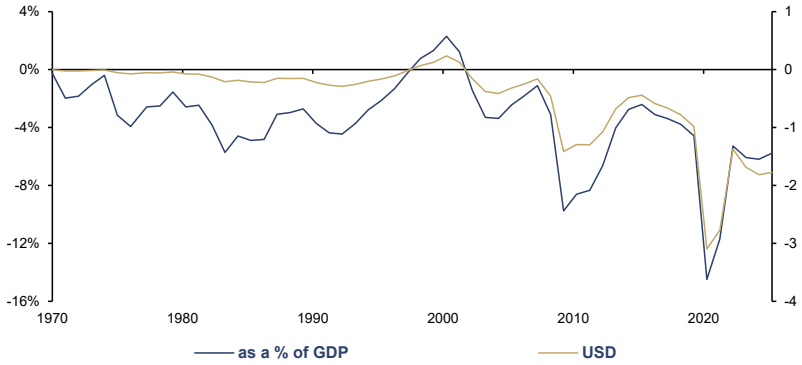
The boldest optimists expected (short-term) miracles from Donald Trump's second presidency and the now-defunct *Department of Government Efficiency* (DOGE), which was originally established with significant input from Elon Musk. We did not share this optimism in our analysis last year and referred to the "DOGE illusion". Nevertheless, the number of federal employees has already been reduced by more than 10%.

> *They've done studies, you know. 60% of the time, it works every time.*
> Brian Fantana, Anchorman

The final accounts for the first fiscal year of Donald Trump's second term are now available. The deficit fell slightly again to USD 1.8trn, down from USD 1.9trn in fiscal year 2024. Fiscal year 2026, which runs through the end of September, is also expected to end with a deficit of less than USD 2trn. Given the surprisingly robust economic

development in the US the budget deficit as a percentage of GDP is likely to continue to decline, after 6.6% in FY 2024 and 5.8% in FY 2025. Yet, the deficit is still miles away from the long-term average of 3.8% for the years 1975–2025. **Last year's deficit of 5.8% corresponds almost exactly to the average for the IGWT era 2007–2026.**

US Budget Deficit, as a % of GDP (lhs), and in USD trn (rhs), 1970–2025



Source: Federal Reserve St. Louis, Incrementum AG

incrementum

In the fall of 2024, the current and then-designated Treasury Secretary Scott Bessent had presented the 3-3-3 Plan. As economic policy goals of the Trump administration to revitalize the US economy, the plan aimed to raise real economic growth to 3%, reduce the deficit to 3%, and increase oil production by 3 million barrels per day. So far, the Trump administration has only come a small step closer to this highly ambitious deficit target.

Blessed are the young, for they shall inherit the national debt.
Herbert Hoover

In the first half of FY 2026 (October 2025–March 2026), the budget deficit fell by just over 10% compared with the same period last year. However, the deficit of USD 1.2trn remains the third-worst start to a fiscal year on record. As a share of GDP, the deficit for these six months is likely to have fallen from approximately 8.7% in the previous fiscal year to below 8.0% due to nominal economic growth.

Customs revenue provided some relief. In the first six months of the fiscal year, it rose by 283% yoy to USD 167bn. The Supreme Court's decision on February 20 declared certain tariffs unconstitutional and ordered the payback of up to USD 182bn (plus interest). In response, Donald Trump not only announced new special tariffs but also imposed them immediately. At 10%, they are lower than the originally announced 15%.

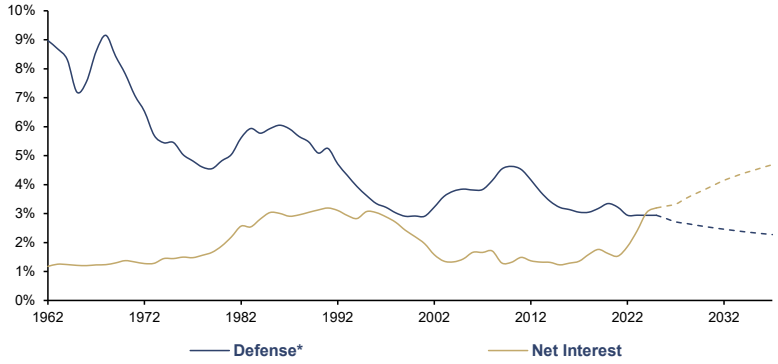
Consequently, it remains unclear for the current fiscal year how high tariff revenues will actually be in the end. In the first half of FY 2026, they accounted for 6.7% of total revenues, compared to 1.8% in the previous year.

For the immediate future…it's hard to bet against a long, steady worsening of fiscal problems without a political realignment and restoration of the possibility of bipartisan action.
Alan Auerbach

Both in the *In Gold We Trust* report 2024 and the *In Gold We Trust* report 2025, we have already explained that the US is now in breach of what is known as Ferguson's Law.[3] This principle, named after the British historian Niall Ferguson, states that the hegemon risks losing its dominant position as soon as interest payments exceed defense spending. This has been the case in the US since FY2024. Trump's repeated announcement of an increase in military spending by well over 50% to USD 1.5trn would be an attempt to avoid falling prey to Ferguson's Law, not by balancing the budget but by increasing military spending. There are considerable doubts as to whether this strategy can succeed in the medium term, let alone the long term.

3 *See* "Status Quo of Debt Dynamics," *In Gold We Trust* report 2025; "Status Quo of Debt Dynamics," *In Gold We Trust* report 2024

US Government Spending by Category, as a % of GDP, 1962–2056e



Source: CBO, Incrementum AG, *Defense spending for 2026–2056 = 48% of discretionary spending (average of 2014–2024)

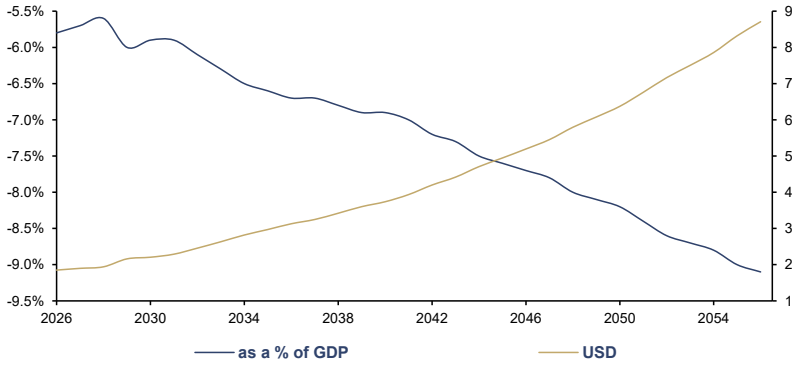
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The announcement of a dividend of "at least" USD 2,000 per resident from Trump's tariffs, excluding high-income earners, would put additional strain on the federal budget. This supposed dividend has been parried by repeated calls to repeal the tariffs before the midterm elections in November.

And the US budget outlook for the next 20 years is by no means rosy. The saying "Predictions are difficult, especially when they concern the future" (Niels Bohr) is naturally all the more true the longer the forecast period. This is even more true for areas where politics calls the shots; after all, legal regulations can be changed at virtually any time. Nevertheless, long-term calculations have their merits. They outline in broad strokes where the path would lead based on the current legal framework under certain assumptions, such as for real GDP growth, population trends, etc.

> *You don't pay taxes — they take taxes.*
> Chris Rock

US Budget Deficit, as a % of GDP (lhs), and in USD trn (rhs), 2026e–2056e



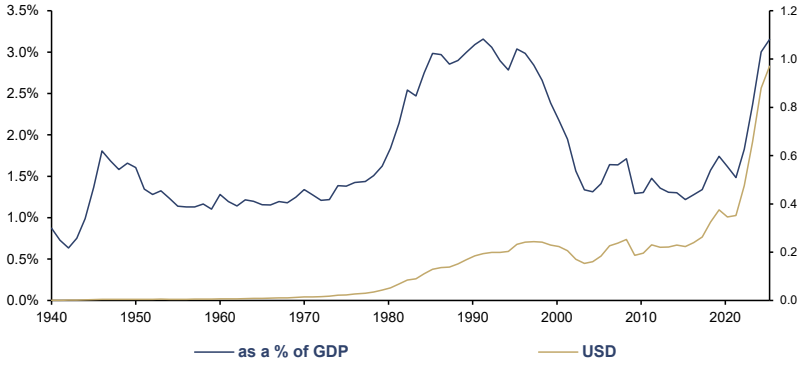
Source: CBO, Incrementum AG

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In absolute terms, nominal interest payments are already on track to double to USD 2trn per year by 2034. In the more meaningful relative analysis, an increase of just under 50% is projected by 2046 – from the current 3.2% of GDP to 4.7% in 20 years.

> *In this respect, Trump, as a real estate developer, understands the importance of the cost of debt servicing.*
> Chris Wood

US Interest Expenditure, as a % of GDP (lhs), and in USD trn (rhs), 1940–2025



Source: Federal Reserve St. Louis, Incrementum AG

incrementum

The clock is ticking: only 7 years left until the US Social Security fund (OASI) is depleted

I believe that the word "social" is the weasel word par excellence. As a weasel is alleged to be able to empty an egg without leaving a visible sign, so can these words deprive of content any term to which they are prefixed while seemingly leaving them untouched.

Friedrich A. von Hayek

However, another significant fiscal event falls within this 20-year period. According to current projections from the "2025 OASDI Trustees Report," one of the two US Social Security trust funds (OASDI), the "Federal Old-Age and Survivors Insurance Trust Fund" (OASI), will be depleted as early as 2033. As of the end of 2024, it still held assets of USD 2.5trn. Starting in 2033, the benefit level currently mandated by law would therefore have to be reduced to 77%. This benefit level could be covered by current revenues. Alternatively, the Social Security contribution rate of 10.6% payable for OASI would have to be significantly increased.

The situation looks much better for the second, significantly smaller fund, the "Federal Disability Insurance Trust Fund" (DI). Under the medium-range projection, its current assets of USD 183.2bn are expected to grow to USD 703.8bn by the end of the projection period in 2034.

The US debt situation is even more alarming when considering the calculations in the US Treasury Department's *Statement of Long-Term Fiscal Projections*. According to these calculations, unfunded Social Security liabilities now total USD 88.4trn over a 75-year period. In 2021, this figure was only USD 71.0trn. If these obligations are added to the official US federal debt of USD 47.8trn, the federal government's total liabilities now exceed USD 136.2trn – roughly five times the annual GDP.

The US total government debt of nearly USD 50trn may come as a surprise. Most reports currently cite US debt at just over USD 39trn. However, this figure includes only federal debt. In international comparisons, it is standard practice to cite total government debt – that is, the debt of all levels of government (federal, state, local, and social security). In this respect, the public debt of the US is underestimated.

Based on the latest available figures as of the end of 2023, the public debt of the states and local governments amounts to USD 6.1trn. This would bring the total US debt as of the end of 2023 to approximately USD 40trn, or 148% of GDP. US Treasury bonds held by the US Social Security funds (OASDI) are included in this figure. In the meantime, federal debt alone has grown by more than an additional USD 5trn, or just under 3 percentage points. **The US debt level is therefore likely already over 150%. This puts the US well ahead of Italy, whose national debt stands at around 137%.**

Under Kevin Warsh, the new Chair of the Federal Reserve, will the Fed's balance sheet become even more interest-rate-sensitive?

The appointment of the new Federal Reserve Chair is, in and of itself, a topic for the chapter "Status Quo of Inflation Dynamics." There, we will delve deeper into Kevin Warsh's views relevant to monetary policy. However, the selection of Warsh certainly also has implications for debt trends, provided that the new chair – who has only been in office for a few days – can actually assert his views.

Counting unfunded Social Security obligations, total US federal liabilities exceed USD 136trn – roughly five times annual GDP. The headline figure of USD 39trn captures only a fraction of the truth.

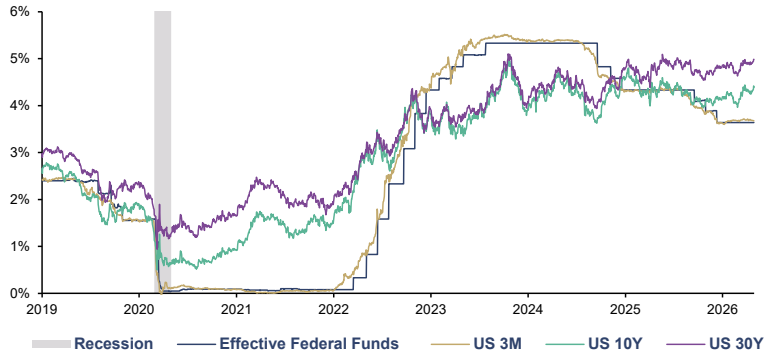
Warsh considers the Federal Reserve's balance sheet total to be significantly too high and wants to reduce it further. From its all-time high in April 2022 of just under USD 9trn, the balance sheet total was reduced by USD 2.5trn – or nearly 30% – by early December 2025. Since then, it has been on a slight upward trend again. The Federal Reserve had announced that it would purchase USD 40bn in T-bills monthly through its Reserve Management Purchases (RMP) program until Tax Day on April 15. From then on, the pace of purchases should be significantly reduced.

Kevin Warsh is an outspoken opponent of quantitative easing (QE), unless QE is used as an emergency measure. When another round of QE was decided in November 2010 under then-Chairman Ben Bernanke, Warsh resigned in protest at the end of March 2011 from the position he had assumed at the end of February 2006 following his nomination by President George W. Bush, even though he had originally approved QE2. In 2014, years after his departure, he characterized QE – unless used in times of emergency – as a "reverse Robin Hood" that increases social inequality by widening the wealth gap.

> *QE is reverse Robin Hood. It's policy that steals from the poor, to give to the rich.*
> Kevin Warsh

Warsh's dual strategy – lower key interest rates and balance sheet reduction – would, as a result of falling demand for US Treasury bonds, make financing US government debt more expensive at the long end but cheaper at the short end**. This would result in greater interest rate sensitivity of US debt, which, it is hoped, would lead to a reduction in financing costs.**

Effective Federal Funds Rate and US Government Bond Yields, 01/2019–04/2026



Source: LSEG, Incrementum AG

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At the same time, Warsh is banking on a productivity boom as a result of the hoped-for AI revolution. The productivity gains are expected to spur economic growth and thereby improve the US federal finances through higher tax revenues and lower

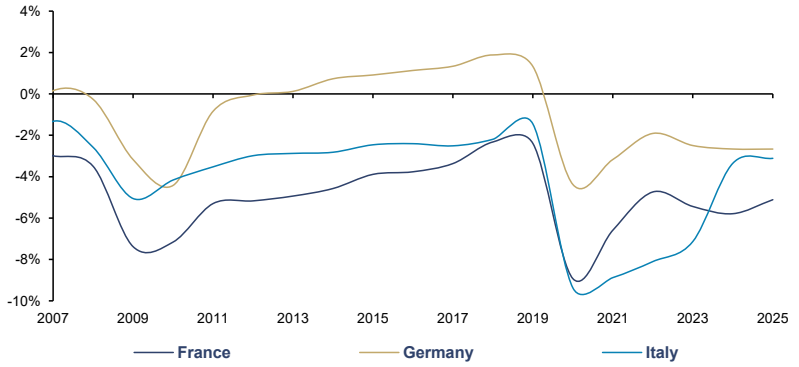
> *Computers are useless. They can only give you answers.*
> Pablo Picasso

social spending. The US federal budget is also expected to be relieved by the detection of fraud involving federal funds, thanks to the use of AI and software from Palantir. The resulting lower federal deficit is then expected to ease pressure on the long end of the yield curve as well – at least that is the plan.

Deep Dive Euro Area

As clearly highlighted in the *In Gold We Trust* report 2025 "The Big Long," Germany, under Chancellor Merz, has made a remarkable about-face, moving away from its role as a fiscal model. This shift is now slowly becoming apparent in traditional economic indicators as well.

Budget Balance, as a % of GDP, 2007–2025



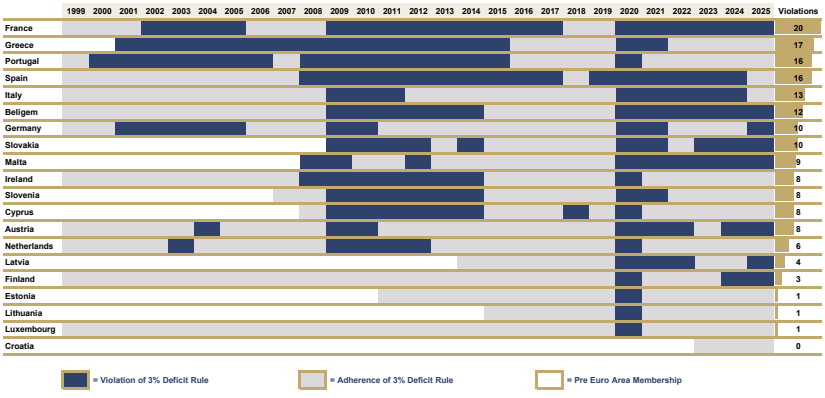
Source: IMF, Incrementum AG

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> *I know very well that the stability pact is stupid, as are all decisions that are rigid.*
> Romano Prodi

The German deficit in 2025 would have been even higher had spending not been slowed by bureaucratic bottlenecks in planning and approval. Instead of the originally planned expenditures of EUR 143bn or 3.2% of GDP, only EUR 110bn, or around 2.5% of GDP, could be spent. At 2.7%, the general government deficit was nevertheless considerable – especially by German standards. In 2019, Germany still recorded a surplus of 1.3%; in 2018, the surplus was even higher, at 1.9% of GDP. In the current year, the deficit is expected to be 4.8%, then 4.3% in 2027 and 3.8% of GDP in 2028. Even under the EU Commission's approved exclusion of defense spending amounting to 1.5% of GDP, Germany is unlikely to meet the 3% Maastricht limit. **That said, it must be honestly acknowledged that the Maastricht criteria are often viewed merely as recommendations rather than a binding set of rules.**

Euro Area Countries in Violation of 3% Deficit Rule, 1999–2025



Source: Agenda Austria, European Commission, Incrementum AG

Germany's "Club Med-ization"

The consequence of this excessive spending is a significant rise in German government debt, which is expected to increase to at least 80% of GDP by 2030. In 2019, at 59.4%, it was still below the Maastricht ceiling of 60%. By 2029, three expenditure items – social security systems, interest payments, and defense costs – are expected to consume the government's entire revenue. All other expenditures will have to be financed by taking on new debt.

The verdict from the renowned Munich-based ifo Institute was scathing. It described the 2026 budget as a "sham" ("Mogelpackung"). One reason for this harsh criticism is the fact that the "Special Fund for Infrastructure and Climate Neutrality" is largely not being used for *additional* investments, as announced. Of the ten largest investment items, totaling EUR 24.4bn, planned for 2026, not even EUR 6bn actually flow toward investments. For example, EUR 7.6bn to social security funds is classified as investment expenditure, as are EUR 6.9bn for international aid, guarantees, and compensation.

> *We all know what to do, but we don't know how to get re-elected once we have done it.*
> Jean-Claude Juncker

An initial assessment in spring 2026 reaches an even more damning conclusion for 2025. The ifo Institute estimates that 95% of the EUR 24.3bn in funds allocated for investment in 2025 were misappropriated, e.g., to plug budget holes. The Institute for the German Economy (IW) calculates a misappropriation rate of 86%. However, due to the federal election in the spring, the 2025 budget was not passed until the fall of 2025.

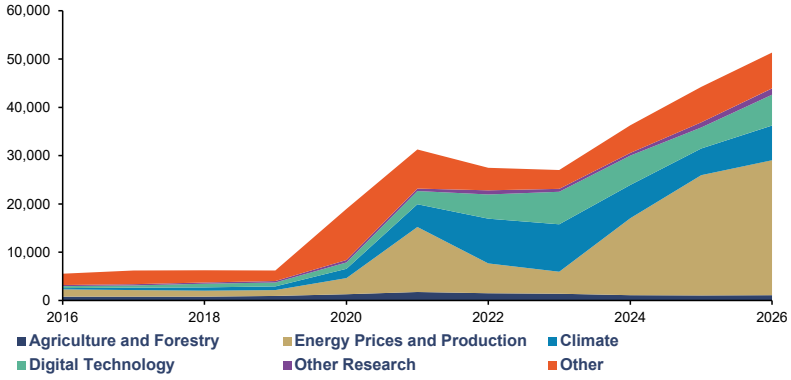
The ESM study "Public investment in ageing societies: rethinking fiscal stimulus in structurally tight labor markets" highlights an important aspect. In labor markets that are tight due to aging, additional government investment intensifies competition for the already scarce resource of labor. Consequently, additional investments in an economy operating close to its capacity limit fuel inflation and crowd out private investment. Bottlenecks caused by a shortage of skilled workers – whether in the planning or implementation of projects – have the same effect. Without an expansion of the labor supply, the additional government spending thus simply leads to higher prices.

> *In youth we learn; in age we understand.*
> Marie von Ebner-Eschenbach

In this respect, thinking has often remained stuck in the 1970s, when employment programs were launched in the wake of the two oil crises. The then Austrian Chancellor Bruno Kreisky (SPÖ) coined a Keynesian bon mot in 1979 – one that is at least well-known in Austria: "A few billion more in debt causes me fewer sleepless nights than a hundred thousand unemployed." At that time, however, the public debt-to-GDP ratio stood at just 23.6%; a few years earlier it had been under 10%, and four years later it was already over 40%.

What is remarkable about the development in Germany is the fact that Germany is increasingly transforming into a state-subsidized economy. Within just a few years, subsidies to companies have increased fivefold, and a further significant rise of 10% is expected this year.

German Federal Corporate Subsidies, in EUR mn, 2016–2026



Source: Dezernat Zukunft, Incrementum AG

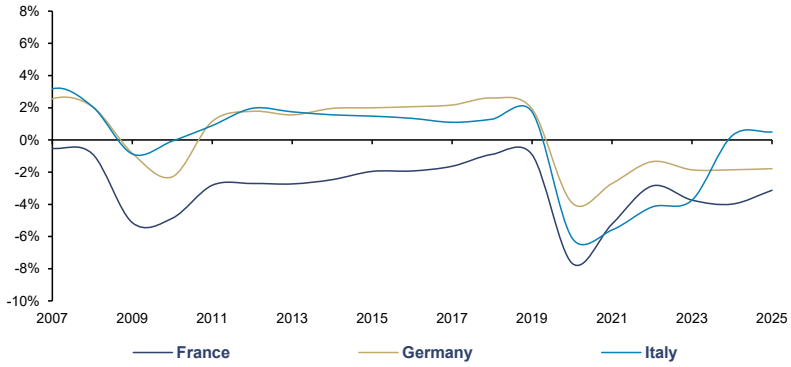
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It is therefore not surprising that discussions took place in Germany this spring regarding an increase in the value-added tax by 2 or even 3 percentage points to 21% or 22%. The most recent increase, from 16 to 19%, went virtually unnoticed by the public amid the excitement of the 2006 World Cup on home soil. In that sense, it is a bad omen for German consumers that, just like in 2006, a World Cup is coming up this summer, albeit on North American turf.

The state is the great fiction through which everyone endeavors to live at the expense of everyone else.
Frédéric Bastiat

Germany's massive surge in spending is also evident in its primary deficit, while Italy has been returning to a primary surplus on a quarterly basis since Q4/2024 and on an annual basis since 2025. In other words: Without the burden of old debt – the government debt-to-GDP ratio doubled to 120% between 1980 and 1994 – Italy's fiscal position would be exemplary.

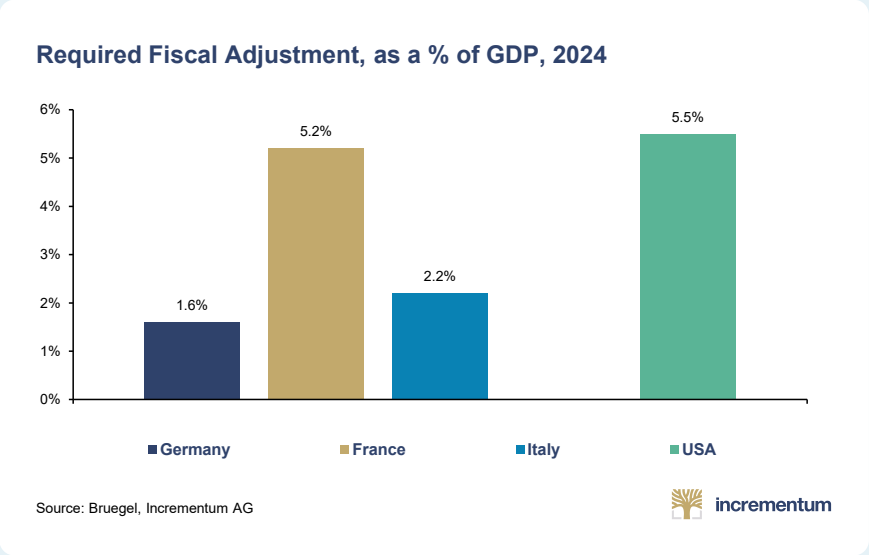
Primary Balance, as a % of GDP, 2007–2025



Source: IMF, Incrementum AG

incrementum

In its study "What will it take to stabilize debt in advanced countries?", the Bruegel Institute calculated by how much the structural primary deficit must improve to stabilize the level of public debt. Even though Bruegel describes the absolute level of the necessary primary surplus as not "dramatically high," the adjustment required for many countries is substantial, particularly given the challenging domestic, foreign policy, and economic conditions. Among the major economies, France needs to improve its structural deficit by more than 5 percentage points. The US also finds itself in this less-than-illustrious club.



NextGenEU – Rosy projections backfire quickly

Unsurprisingly, the costs of the EU's NextGenEU Covid-19 recovery fund have been glossed over. Unsurprising, because shared EU debt is, above all, a political tool to enforce a political goal – the EU central state. Combined with the maxim *"Whatever the cost,"* which has been popular since the 2012 eurozone sovereign debt crisis, this creates a toxic cocktail. And how this debt is to be serviced remains unclear. The only certainty is that it must be repaid from 2028 through 2058. The amounts required for repayment and the accruing interest are staggering, partly because the NextGenEU decision was based on significantly lower interest rates. Starting in 2028, EUR 25bn–EUR 30bn will have to be spent annually for this purpose. That corresponds to around 20% of the annual EU budget.

> *I love money. Got me a USD 300 pair of socks. Got a fur sink... And, of course, I bought some dumb stuff, too.*
> Steve Martin

Eurobonds – Never let a crisis go to waste

The proposal by Joachim Nagel, President of the Deutsche Bundesbank, for the strictly limited issuance of joint debt likely came as a surprise to many – and presumably just as many were irritated by it. Ultimately, it was withdrawn just as quickly as it was made.

Opposition to Eurobonds remains as resolute as it is persistent on many fronts, as they would represent a further step toward greater integration, aka "United States of Europe". Advocates of a centralized United States of Europe, however, are calling for the introduction of Eurobonds precisely for this reason. These are also seen as indispensable for broader global acceptance of the euro. Whether this hope is justified is highly doubtful, however, given the freezing of Russian currency reserves and their use as collateral for a loan from EU member states to Ukraine. Blanchard et al., on the other hand, argue in their proposal from last year that financial markets are calling for another global, liquid, and secure financial instrument.

It is highly likely that any permanent introduction of Eurobonds would not reduce national borrowing but would instead further increase overall debt. This is because financing needs are increasingly spiraling out of control. The European Commission estimates that EU member states will require annual investments of EUR 1.2trn through 2030 to achieve the EU's climate goals. Defense spending is rising significantly, the cost pressures of demographic change are steadily and irreversibly increasing in the medium term, and the costs of immigration also remain high.

> *I hope life isn't a big joke, because I don't get it.*
> Jack Handey, Deep Thoughts

Is the era of unrestricted gold ownership ending? Where governments once tolerated gold as a private matter, they now treat it as a fiscal target.

Financial repression

A popular method for indirectly improving public finances is the various forms of financial repression. These include the legal obligation, particularly for institutional investors such as insurance companies and pension funds, to hold a certain percentage of their investment portfolio in supposedly safe government bonds. The regulatory preference for government bonds with the highest credit rating – which, unlike other asset classes, commercial banks are not required to back with capital – also boosts demand for government bonds and lowers bond yields below the level that would have prevailed without this regulatory preference.

The only difference between a tax man and a taxidermist is that the taxidermist leaves the skin.
Mark Twain

Capital controls, an instrument of financial repression that has been frowned upon in the West since the definitive end of the gold standard and the introduction of the system of flexible exchange rates, could, however, come back into vogue if there are major and sustained capital outflows, e.g., as a result of prohibitive wealth or capital taxes. This would not only prevent capital flight but also, at least in the short term, safeguard the currency's external value.

Gold in the crosshairs of the Treasury

Start every day off with a smile and get it over with.
W. C. Fields

Gold is now increasingly coming under the scrutiny of fiscal authorities. For the first time, Belgium will impose a 10% capital gains tax on realized profits from investments in gold starting January 1, 2026. However, this new regulation will not be applied retroactively; and the market value as of December 31, 2025, will serve as the tax basis, regardless of the date of purchase. In Austria, a case caused a media stir because a citizen who wanted to sell his gold was denied the sale because he could not prove when and where he had purchased the gold. This demand for proof of origin, which is not required by law, had no tax-related basis but was due to an overzealous application of the Anti-Money Laundering Directive.

In Italy, there were also heated discussions this spring regarding a proposed bill. Anyone who cannot provide proof of purchase when selling gold will be required to pay a 26% tax on the proceeds of the sale. The proposal, which was ultimately withdrawn, provided for a kind of amnesty rule. Privately owned gold could have been legally registered by paying a 12.5% tax. In the event of a subsequent sale, the tax would then be calculated based only on the difference between the current selling price and the price at the time of legalization.

These examples show that, even though many legislative proposals ultimately failed, the days of buying and selling gold with virtually no restrictions are over. Anecdotal evidence clearly points toward increasingly stringent government control over gold in particular and assets in general.

Fiscal inflation

Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.
Sam Ewing

The IMF has also joined this competition of dubious ideas – which mostly only combat the symptoms, and only in the short term, rather than solving the structural budget problems at their root – with a questionable proposal of its own. **Thus, allowing "controlled inflation" for a certain period is advocated to enable *gradual* and *sustainable* budget consolidation.** Such "fiscal inflation" would succeed provided that government bonds are not inflation-indexed. In the US, not even 10% of marketable US Treasury bonds are inflation-indexed; in Germany, the figure is just around 4%.

To put it bluntly, this means: The IMF welcomes a systematic devaluation of private and public pension plans backed by government bonds, as well as the expropriation of foreign creditors. There is no escaping a legally mandated investment in government bonds, e.g., in the second pension pillar. However, voluntarily exposing oneself to such a high risk of a real loss of purchasing power is likely to be more than just unwise, especially in light of this IMF recommendation.

When the IMF endorses "controlled inflation" as fiscal therapy, the patient should reconsider the doctor.

Asset register

The specter of an asset registry continues to haunt the EU media. However, there is still no concrete legislative proposal regarding a general requirement to register assets**. Regardless of how much substance should be attributed to the proposal for the possible introduction of such a registry, it reflects growing concern over a reversal of the burden of proof in tax matters:** It is no longer the state that must prove that a certain amount of money was earned illegally or insufficiently taxed, but rather citizens must prove that the money with which they make major purchases was earned legally and taxed in accordance with the law. Albeit far-fetched, this reversal of the burden of proof is justified by invoking the fight against money laundering and terrorism, emotionally underpinned by the essentially totalitarian stance that anyone who has nothing to hide has nothing to fear.

> *Seize the moment. Remember all those women on the Titanic who waved off the dessert cart.*
> Erma Bombeck

This rationale also serves as an argument for the renewed restrictions on cash use in the EU starting in the summer of 2027. In just over a year, cash purchases worth more than EUR 10,000– except between private individuals – will be prohibited. The buyer's identity must be recorded for purchases of EUR 3,000 or more. Currently, the limit stands at EUR 10,000. Member states are free to set stricter limits. For example, France and Spain set their national limits at just EUR 1,000 some time ago, while Italy set its limit at EUR 5,000. Ongoing currency devaluation brings with it an equally ongoing real reduction in the limit.

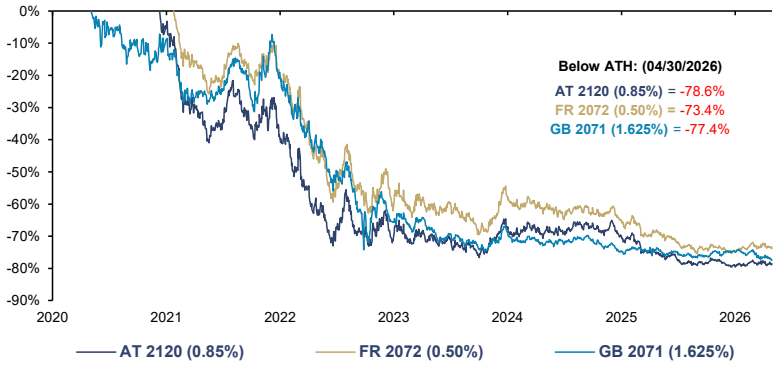
Conclusion

Our long-standing maxim, "Anything but bonds" is no longer a particularly bold statement in light of the structural developments of the past decades. And yet it represents a sharp departure from cherished habits[4] and from the mantra regurgitated by finance ministers and investment guides, according to which government bonds are safe because countries cannot go bankrupt. This is a deliberate distortion of historical reality. Countries do not even have to formally go bankrupt for bondholders to suffer (severe) losses.

The promise of receiving the full face value of a government bond at maturity offers little comfort. Many investors will have to painfully realize, at the latest on the day of payment, that while the nominalist view – according to which 100 monetary units are always 100 monetary units without any qualification – is indeed significant in terms of (financial) law, this equation does not hold true economically, especially in times of elevated inflation rates.

4 *See* chapter "The Psychology Behind Gold's Underallocation" in this *In Gold We Trust* report

AT 2120 (0.85%), FR 2072 (0.50%) and GB 2071 (1.625%) Below All-Time High, 01/2020–04/2026



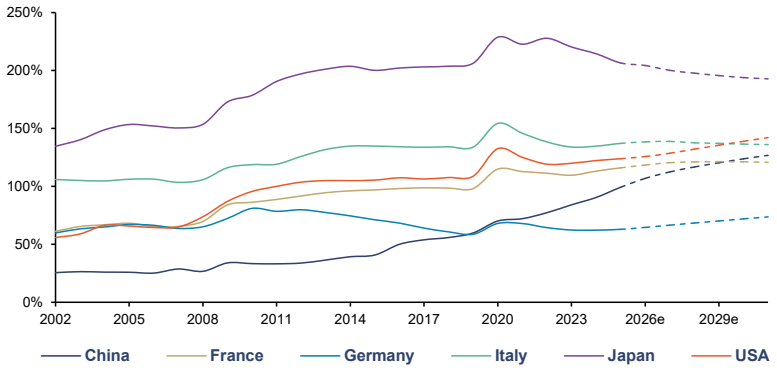
Source: LSEG, Incrementum AG

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Doing nothing is very hard to do... you never know when you're finished.
Leslie Nielsen

And the long-term outlook for government debt in the leading industrialized nations is bleak. Such long-term projections also bring to light those "invisible" debts that currently exist as legally enforceable claims against the social security system – whether against pay-as-you-go pension systems or the healthcare system – for which governments, unlike corporations, are not required to set aside reserves.

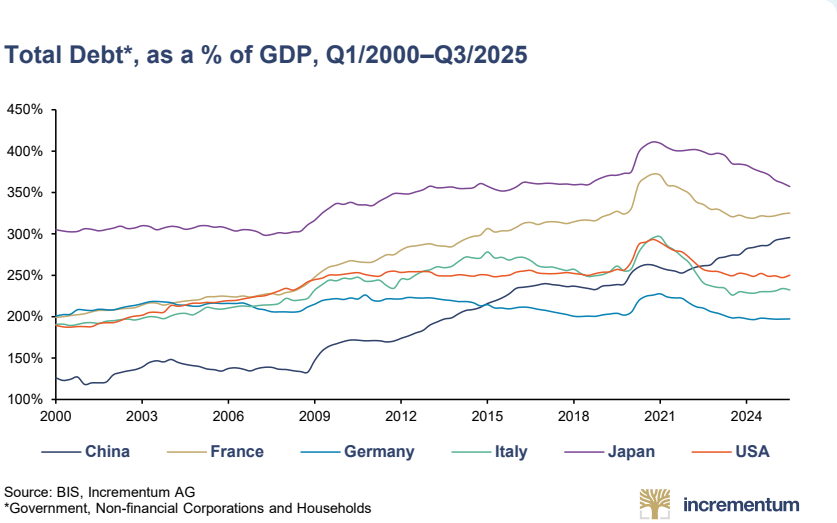
Government Debt Forecast, as a % of GDP, 2002–2031e



Source: IMF, Incrementum AG

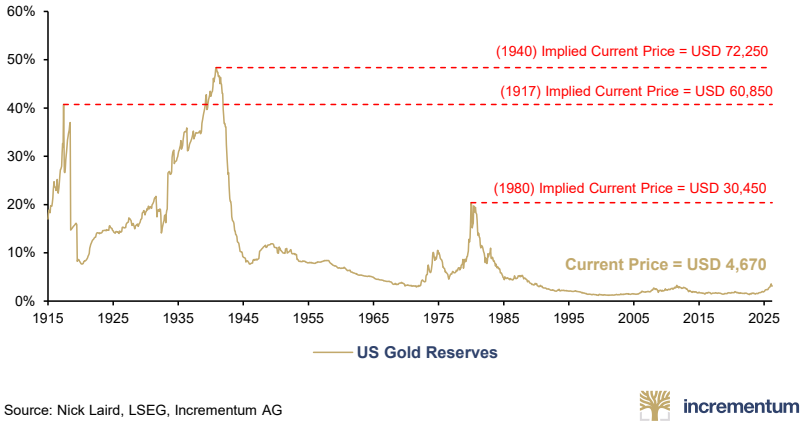
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We have repeatedly pointed out that government debt represents only a portion of total societal debt. In addition to the government – federal, state, local, and social security – private households and corporations are also in debt, although their relative share of total societal debt as well as the respective sector-specific debt-to-GDP ratio vary significantly from country to country. This leads to (highly) divergent public debates and political dynamics in the event of interest rate changes and rising yields.



Finally, the following chart is extremely revealing, as it illustrates the gold backing of US federal debt. In the early 1940s, and thus immediately before the US entered World War II, US gold reserves covered 51% of US federal debt. By the end of 2025, this figure had fallen to just 3%, though it had fluctuated around this level since the mid-1990s. If, by the end of 2025, 51% of US federal debt were covered by gold reserves – as it was in the early 1940s – the price of an ounce of gold would need to be valued at around USD 75,000. Even reaching the interim high of 18% in 1980 implies a nearly sixfold increase in the current gold price to around USD 26,000. ■

> *That was then, this is now.*
> S. E. Hinton



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Status Quo of Inflation Dynamics



Key Takeaways

- The attack on Iran triggered an energy price shock that, at least in the first month, was on par with the 2022 energy crisis. Until then, inflation in the US remained stubbornly at elevated levels, as we had expected. In the euro area, the inflation rate even fell below the 2% mark, partly due to the euro's appreciation.
- The oil intensity of Western economies has declined significantly compared to the era of the two energy price shocks of the 1970s. This is also due to the significantly greater importance of the services sector.
- A few days ago, Kevin Warsh succeeded Jerome Powell as the new Chair of the Federal Reserve. Warsh hopes the AI boom will spur a productivity surge in the US economy. This is expected to lay the groundwork for lower interest rates. Additionally, the Federal Reserve's balance sheet is set to shrink.
- Warsh clearly sees the responsibility for preventing elevated and high inflation rates as lying with the Federal Reserve. As he put it in one of his pithy statements: "Inflation is a choice."
- Even after the current energy price shock subsides, we expect higher inflation rates – along with increased inflation volatility – when base effects are factored out.

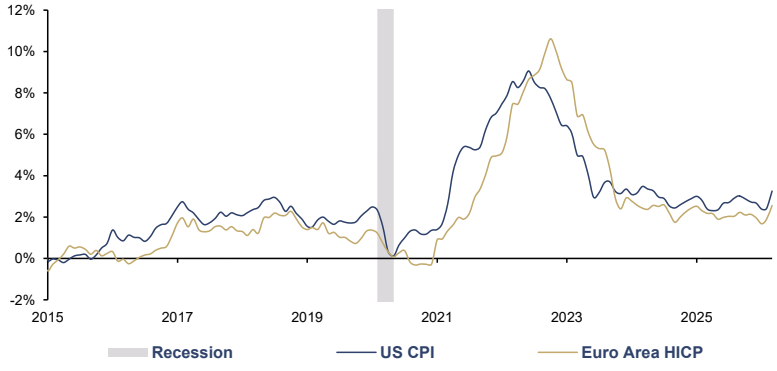
Inflation is a choice, and the Fed must take responsibility for it.

Kevin Warsh

I have learned from my mistakes, and I am sure I can repeat them exactly.
Peter Cook

Actually, this chapter should have begun as follows: Persistently elevated inflation rates coupled with increased inflation volatility – that is the shortest possible summary of our inflation forecast from recent years. For the US, at least, this inflation forecast proved accurate. **Since May 2021 – and thus for five years – the CPI has not reached the Federal Reserve's 2% target, let alone fallen below it.** This also applies to the Federal Reserve's preferred indicator, the core PCE. In January, this had even exceeded 3.0% again. In the euro area, however, the HICP fell below the ECB's inflation target of 2.0% in January and February, largely because energy prices continued to decline yoy and were supported by the euro's significant appreciation since January 2025.

US CPI and Euro Area HICP, yoy, 01/2015–03/2026



Source: LSEG, Incrementum AG

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A smooth sea never made a skilled sailor.
Franklin D. Roosevelt

But on February 28, the US and Israel attacked Iran – and the inflation landscape was redrawn overnight. Energy prices shot up sharply. However, the blockade of the Strait of Hormuz is not only leading to a price increase but also to a rapid shortage of supply. Within a short time, initial administrative measures were imposed, particularly in Asia, to curb energy demand.

It remains entirely unclear how long-lasting the disruption to the energy markets will be. The damage to energy infrastructure in the Gulf states is, in some cases, significant, so force majeure clauses have already had to be invoked on multiple occasions. The blockade of the Strait of Hormuz – initially by Iran and, since mid-April, also by the US – has nearly completely shut down this lifeline, which is vital for global trade and, in particular, energy trade. Where up to 100 ships used to pass through the strait daily, there is now an eerie silence.

US producer prices have crossed 4.0 % year-over-year and 6.0 % annualized for three consecutive months – pipeline pressure is building before consumer prices have fully caught up.

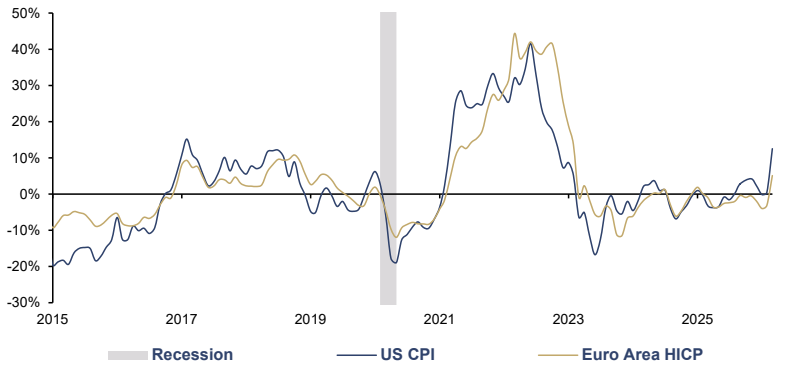
The severity of the energy price shock was already evident in the initial data releases. The ECB was the first major central bank to publish its flash estimate for March. The HICP, which had been pushed below the 2% mark in January and February by falling energy prices and the appreciation of the euro, rose sharply from 1.9% to 2.5%, later revised to 2.6%. **On a month-over-month basis, the increase was 1.2%, corresponding to an annualized inflation rate of 15.4%. This is significantly higher than the peak of 11.5% during the 2021–23 inflation wave.** The flash estimate for April shows headline inflation rising further to 3.0%.

> *Inflation is like a drug in more ways than one. It is fatal in the end, but it gets its devotees through many difficult moments.*
> Lord D'Abernon

Unsurprisingly, energy prices were largely responsible for this steep rise, shooting up 4.9% yoy after falling 4.0% and 3.1% yoy in the previous two months. Compared to the previous month, energy prices exploded by 6.8%, which, annualized, corresponds to a 120% increase – more than double.

In early April, the US released its first CPI inflation figures following the outbreak of the Iran war. The headline CPI rose by 0.87% month-over-month, which corresponds to an annualized rate of 10.9%. This figure was surpassed only during the peak of the inflation surge in mid-2022. As a result, the CPI rose by 3.3% yoy, the highest figure since early 2024. Energy prices, which account for just over 7.0% of the basket of goods, surged by 12.5% yoy and 10.9% month-over-month – significantly more than in the euro area in both cases.

Inflation Component: Energy, yoy, 01/2015–03/2026



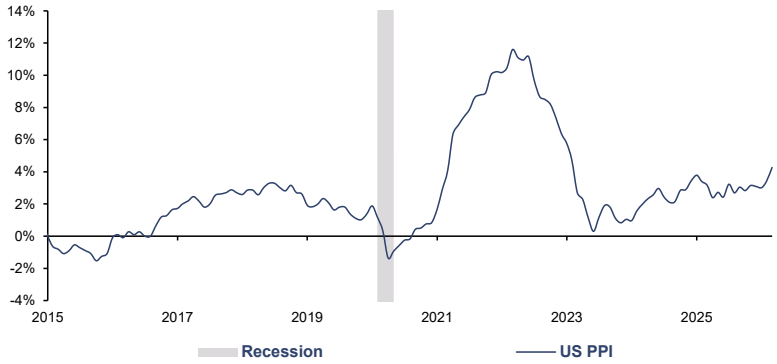
Source: LSEG, Incrementum AG

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The first data on producer prices also show mounting inflationary pressure. It should be noted that, unlike in the euro area, annual change rates in the US were below zero only during the first months of the Covid-19 pandemic. Since the annual rates of change normalized in 2024, a clear upward trend has emerged, reaching 4.0% in March – the highest level since February 2023. On an annualized basis, producer prices exceeded the 6.0% mark in all three months of the current year.

> *Boy, that escalated quickly.*
> Ron Burgundy

US PPI, yoy, 01/2015–03/2026

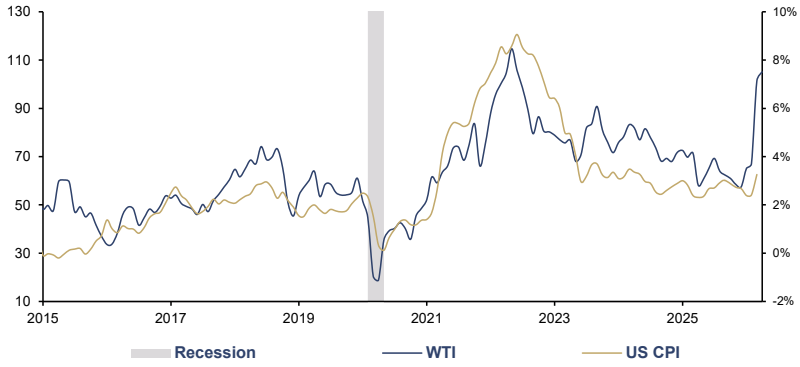


Source: LSEG, Incrementum AG

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The correlation between oil prices and the inflation rate remains very high despite the economy's declining oil intensity. During the recent inflationary surge, other prices followed the trend in energy prices with only a few months' delay.

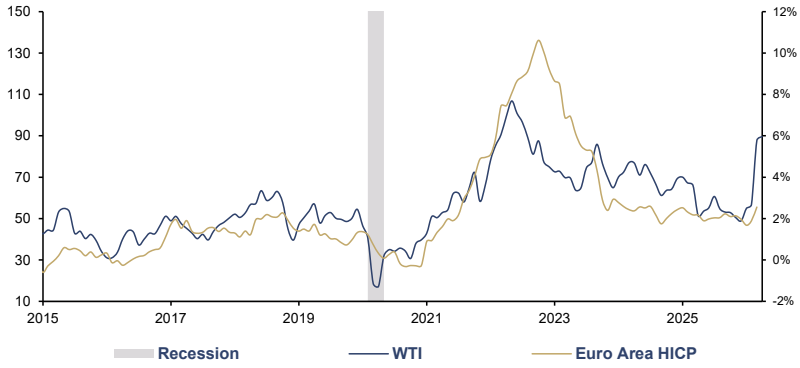
WTI (lhs), in USD, and US CPI (rhs), yoy, 01/2015–04/2026



Source: LSEG, Incrementum AG

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WTI (lhs), in EUR, and Euro Area HICP (rhs), yoy, 01/2015–04/2026



Source: LSEG, Incrementum AG

incrementum

For the US, simulation calculations by the Federal Reserve using its FRB/US model showed that a USD 10 increase in the price of oil raises the inflation rate by 0.2 percentage points. The second-round effects accounted for in this model nearly double that effect to 0.35 percentage points. With an oil price of USD 95 per barrel, analysts expect a US inflation rate of around 3.2%; at USD 110, 3.5%; at USD 130, 3.9%; and at USD 150, 4.3%.

These calculations also show how uncertain inflation forecasts are for the coming months. Given the high level of (geo)political uncertainty, no reliable forecasts can be made, with two very general exceptions: (1) The risk of (significantly) rising inflation rates is significantly higher than that of structurally falling inflation rates; (2) Inflation volatility will rise.

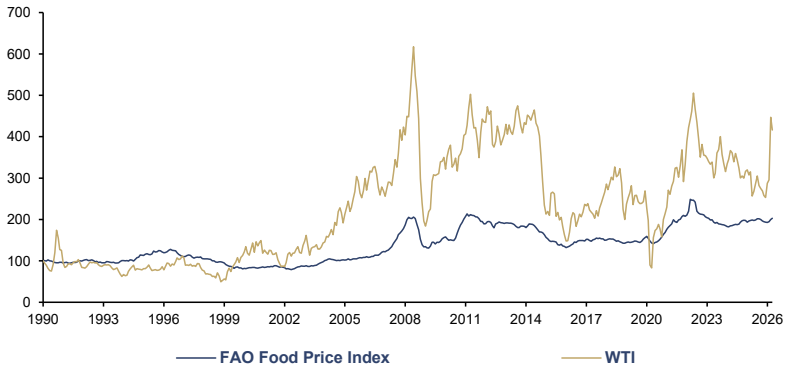
> *If price stability is squandered, financial stability is put at risk. If financial stability is lost, the economy is imperiled and the social contract is threatened.*
> Kevin Warsh

Indirectly, energy is contained in every (consumer) product and every service, meaning that a prolonged energy price shock has a ripple effect. In this respect, analyses that do not take second-round effects into account fall significantly short. During the 2021–2023 inflation wave, rising energy prices were already making themselves felt in the other subsectors of the consumer basket after just a few months. Furthermore, with a slight delay, even the more rigid energy prices, such as retail electricity prices, are beginning to rise.

The correlation between oil prices and food prices is also positive. Modern agriculture in particular is energy-intensive, from tilling the fields to harvesting and transporting crops to cities; moreover, the fertilizers themselves require substantial energy to produce – or are based on gas.

> *Modern agriculture is the use of land to convert petroleum into food.*
> Albert Allen Bartlett

FAO Food Price Index, and WTI, in USD, 01/1990–04/2026



Source: FAO, Incrementum AG

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Central banks once again in a dilemma

The expected sharp rise in inflation is putting central banks under considerable pressure. This is because both the Federal Reserve and the European Central Bank completely underestimated the surging wave of inflation in 2021. Jerome Powell's assessment that the higher inflation rates were merely "transitory" and Christine Lagarde's downplaying of the situation as a "hump" – after which the inflation rate was expected to more than double – are not exactly a source of pride. ECB President Christine Lagarde, who will remain in office until the end of October 2027, likely does not want to make this mistake a second time, especially since rumors of her early resignation have not materialized – at least so far.

> *I have seen the future, and it is very much like the present, only longer.*
> Kehlog Albran

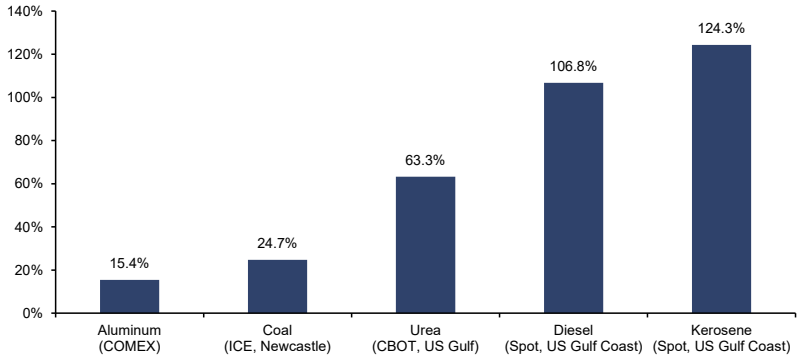
Jerome Powell, whose term as chair ended just a few days ago, will nevertheless be confronted with the threat of a second wave of inflation. After all, his term as a regular member of the Board of Governors does not end until January 31, 2028.

The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.
Thomas Sowell

Either way, interest rate hikes would further dampen the economic outlook, in addition to the significant consequences of higher energy prices. Prospects have brightened to a modest degree in the euro area over the past few quarters, while the US continues to post surprisingly strong growth and is likely to be able to weather an interest rate hike economically. However, the Federal Reserve Bank of Atlanta's real-time GDP indicator for Q1/2026 has deteriorated significantly since the outbreak of the Iran war. In the first days of the war, the GDPNow forecast was still well above 3.0%; the last estimate from the end of April stood at just 1.2%.

What many may not realize is that the Gulf region is not only an exporter of oil but also of many byproducts, such as helium, fertilizer, and feedstocks for synthetic fertilizer production. Furthermore, the Gulf states are among the major exporters of energy-intensive raw materials such as aluminum. In homogeneous markets, the loss of marginal supply leads to a price increase across the entire market.

Performance of Various Commodities, in USD, 01/2026–04/2026

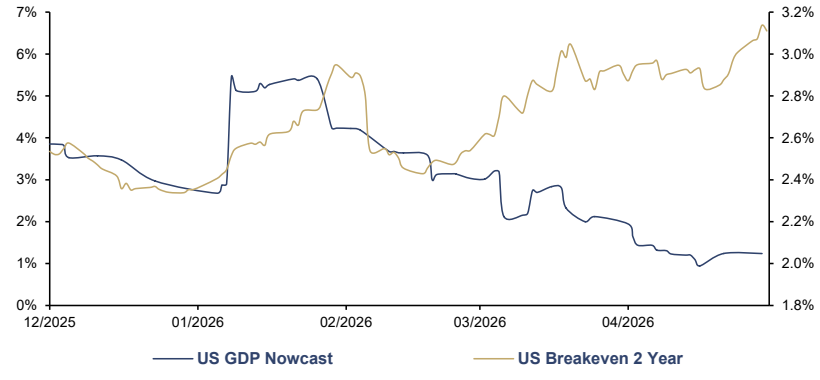


Source: Federal Reserve St. Louis, Investing.com, Trading Economics, Incrementum AG

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In any case, the probability of a stagflationary scenario has risen significantly.[1]

US GDP Nowcast (lhs), and US Breakeven 2 Year (rhs), 12/2025–04/2026



Source: Federal Reserve Bank of Atlanta, Incrementum AG

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1 *See* also "Stagflation 2.0," *In Gold We Trust* report 2022

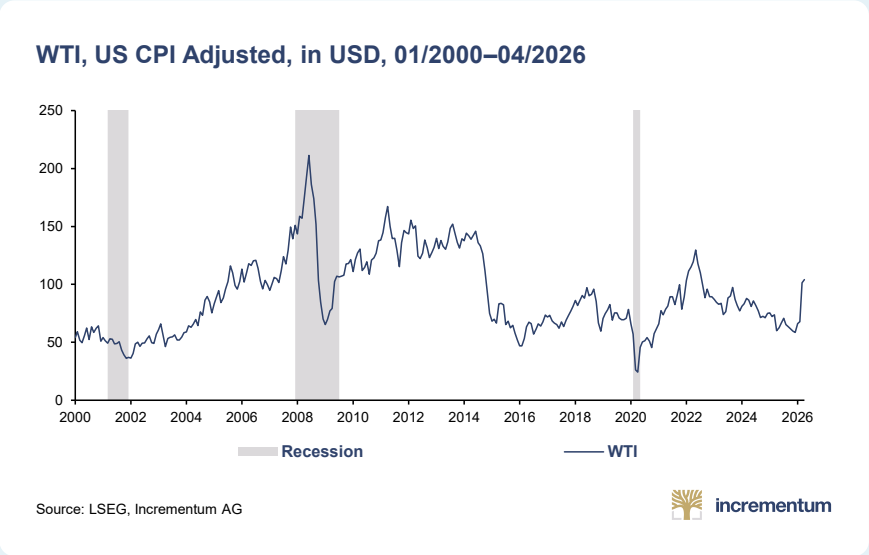
The return of the 1970s in a different guise?

In 1973, the US needed 0.91 barrels of oil to produce USD 1,000 of GDP. Today, just 0.31. Western economies are far less oil-dependent – which is precisely why this time the shock arrives differently.

A comparison with the two waves of inflation in the 1970s is obvious. These were strongly influenced by political developments in the Arab world, whereas the first wave of inflation in the late 1960s had monetary and economic causes. The first oil crisis was triggered by the deliberate 5% cut in oil production by OAPEC (the "Organization of Arab Petroleum Exporting Countries"). The Arab states wanted to force Western nations to withdraw their support for Israel in the wake of the Yom Kippur War. **The oil price initially rose from USD 3 to USD 5 per barrel – a 70% increase – and later to USD 12, a fourfold increase. In today's terms, based on a price of USD 60, this would represent a rise to as much as USD 240.**

The second oil crisis followed in 1979–1980 in the wake of the Islamic Revolution in Iran and the First Gulf War (Iraq vs. Iran) that began shortly thereafter. The oil price doubled within a year to just under USD 40.

However, the oil price is still far from its record highs. The nominal all-time high for WTI was reached on July 11, 2008, at USD 147 per barrel; adjusted for inflation, this currently corresponds to around USD 220.

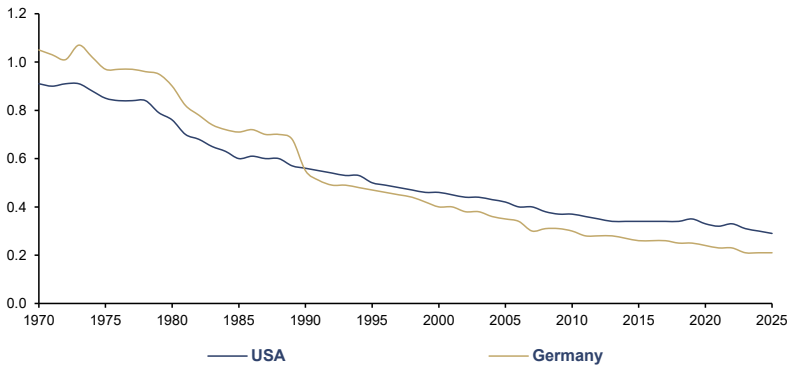


Since the 1970s, the share of petroleum in primary energy demand has fallen significantly, from just under 45% in 1971 to around 30%. However, the share of natural gas has risen, from just over 16% in the early 1970s to just under 25%. Natural gas is considered, in particular, a substitute for coal. Over these five and a half decades, however, primary energy demand has nearly tripled, which is why – despite its declining relative importance – demand for oil has more than doubled in absolute terms.

"Formula for success: rise early, work hard, strike oil."
J. Paul Getty

Oil intensity has declined significantly in recent decades. Oil intensity is the amount of crude oil consumed per unit of real gross domestic product (GDP). In 1973, at the time of the first oil crisis, 0.91 barrels of oil were required in the US to generate USD 1,000 in GDP. By 2025, this figure had dropped to just 0.31 barrels. Germany was even able to reduce its energy intensity by 80%, a development also attributable to the special effect of reunification.

Energy Intensity*, 1970–2025



Source: AAGEB, BEA, BP, Destatis, EIA, Eurostat, World Bank, LSEG, Incrementum AG
*Barrels per USD 1,000 of Real GDP

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The core mission of a central bank is to maintain price stability, not to subsidize the treasury or inflate asset bubbles through loose policies.
Kevin Warsh

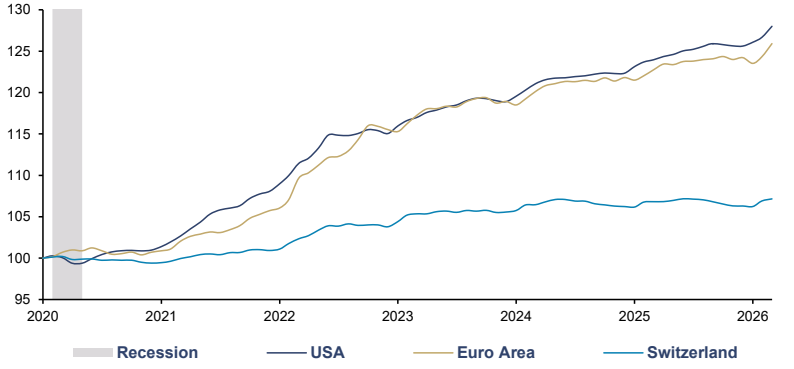
However, one factor significantly distorts the statistics. Since 1970, the share of the comparatively energy-extensive service sector in the US has grown by nearly 30%, from 60.2% to 76.7%, and in Germany by almost two-thirds, from just over 45% in 1970 (FRG) to nearly 75%. However, the service sector also includes the public welfare system. If a wife cares for her husband at home or parents raise their children themselves, this is not included in the gross domestic product. If the same woman cares for a neighbor in a nursing home or looks after the neighbor's children as a kindergarten teacher and is paid for it, this increases the gross domestic product. However, energy consumption for this service has hardly increased as a result, whereas the gross domestic product has. This shift of previously unpaid activities within one's own household into the formal sector – which is mostly funded by tax revenues – gives the impression of greater energy independence.

The cumulative loss of purchasing power is significant

Money doesn't make you happy. I now have USD 50mn, but I was just as happy when I had USD 48mn.
Arnold Schwarzenegger

The current inflation shock comes on top of a significant decline in purchasing power in recent years. After all, a falling inflation rate does not mean that prices are falling, only that they are rising more slowly.

Various Headline Inflation Indices, 100 = 01/2020, 01/2020–03/2026



Source: LSEG, Incrementum AG

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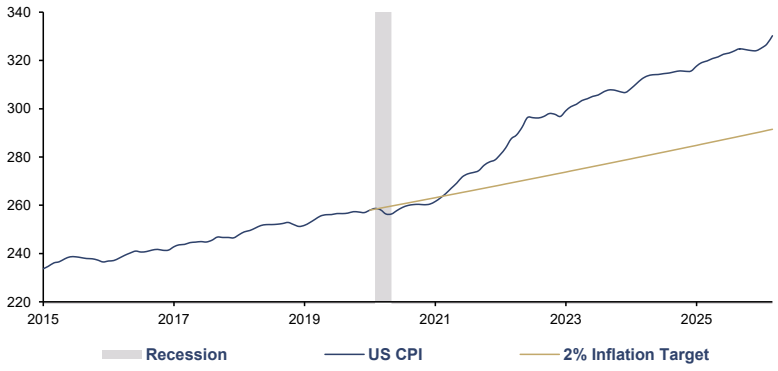
In this regard, the US outperforms the eurozone as a whole as well as most individual countries. This is due to the lower inflation rates in the eurozone since the fall of 2023. The euro's significant appreciation in 2025 – by more than 13% – provided additional relief to consumers, particularly with regard to energy prices, in addition to the normalization of energy prices.

This significant loss of purchasing power is also one of the reasons for the loss of political trust. After all, this psychological nominal price effect persists, even though nominal wages have, in the vast majority of cases, at least offset the loss of purchasing power caused by sharply rising consumer prices, bringing inflation-adjusted real wages back to their previous levels.

> *I would say Fed policy has been, in a sense, a reverse Robin Hood.*
> Kevin Warsh

For the US, the following chart shows how far the actual price level has deviated from the price trend that citizens had expected based on the inflation target communicated by the Federal Reserve.

US CPI, yoy, and 2% Inflation Target, 01/2015–03/2026

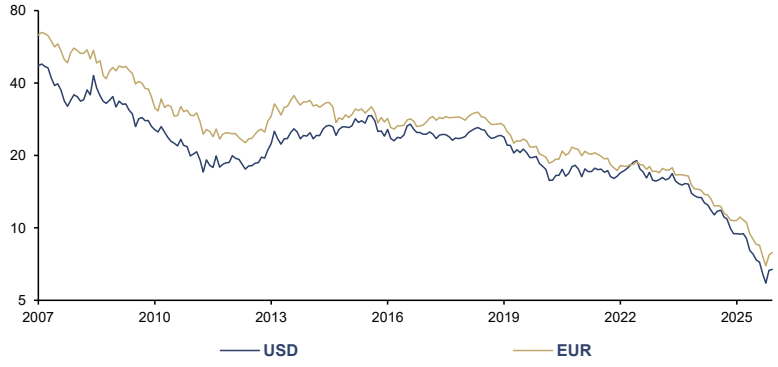


Source: LSEG, Incrementum AG

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The loss of purchasing power of fiat currencies becomes even more apparent over a longer period. Since May 2007, when the first *In Gold We Trust* report was published, the CPI has risen by nearly 60% and the HICP by around 48%. The loss of purchasing power is even greater when considering the gold purchasing power of the US dollar or the euro – that is, how many milligrams of gold 1 US dollar or 1 euro buys.

1 USD and 1 EUR (log), in mg Gold, 05/2007–04/2026



Source: LSEG, Incrementum AG

incrementum

Deep Dive US

The hottest topic over the past 12 months was actually the debate over US tariffs and their impact on the US inflation rate. With the sharp rise in energy prices in the early days of the Iran war, this issue has completely faded into the background.

Kevin Warsh's announcement of a regime change

> *Across countries, the unexpected deterioration of fiscal surpluses during and after the pandemic is strongly correlated with the unexpected increases in inflation.*
> Ricardo Reis

During his Senate confirmation hearing for the position of Chairman of the Federal Reserve's Board of Governors, Kevin Warsh reiterated his call for "a regime change" at the Federal Reserve. **Ultimately, Kevin Warsh believes that persistently high inflation is the result of government excesses in the form of sustained high government spending and an inflated central bank balance sheet.** This argument bears a clear resemblance to the *Fiscal Theory of the Price Level* (FTPL) developed by John H. Cochrane, only with monetarist undertones.

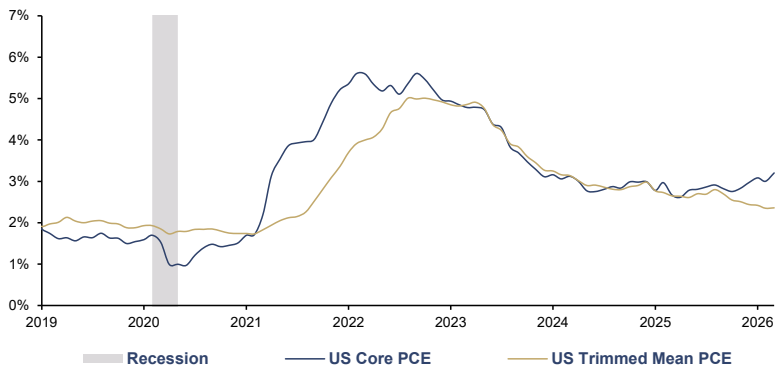
A key economic component of Warsh's plan for a fundamental change in monetary policy mechanics is a productivity boost in the real economy, which is to be triggered by the emerging AI boom. The resulting dampening effect on (consumer) prices is intended to give the Federal Reserve the opportunity to lower interest rates. At the same time, Warsh wants to further and significantly reduce the Federal Reserve's balance sheet. **While the ECB has already managed to reduce its balance sheet by nearly 30%, the Federal Reserve has only reduced its balance sheet by around 25%.**

> *Inflation is what happens when that one-time change in the price level becomes self-fulfilling. That is, higher prices lead to higher prices.*
> Kevin Warsh

In his Senate hearing, Warsh drew attention with a new detail. First, he described the previously favored (core) PCE index as a "rough swag". As an alternative, better inflation measure, he cited the *trimmed mean PCE inflation rate* from the Federal Reserve Bank of Dallas. In this method, all individual PCE components are sorted in ascending order. The extreme ends of the distribution are then removed ("trimmed"), using an asymmetric approach: 24% of the weight is removed at the lower end, but 31% at the upper end. This asymmetric approach is justified by the fact that, in an environment of generally lower inflation rates, sharp price increases in individual PCE components are less frequent but more pronounced. This is intended to better reflect the underlying inflation trend.

A welcome – and timely – side effect: **At 2.3%, the inflationary pressure in February for the *trimmed mean* was significantly lower than for overall PCE inflation at 2.8%, which would make an interest rate cut, so strongly and repeatedly called for by Trump, easier to justify.**

US Core PCE and US Trimmed Mean PCE, yoy, 01/2019–03/2026



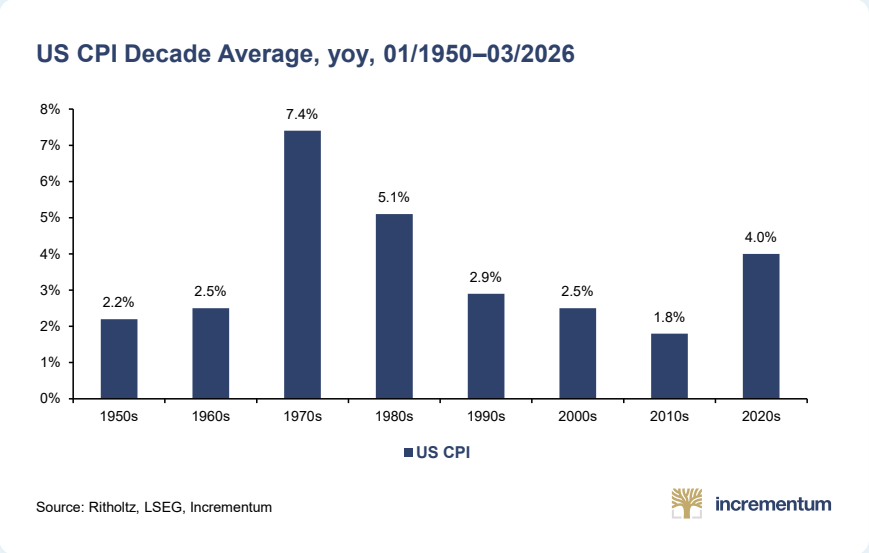
Source: Federal Reserve St. Louis, LSEG, Incrementum AG

incrementum

Warsh also emphasized during the hearing that the Federal Reserve's independence is "essential." However, an analysis by the FT shows that Warsh has been particularly hawkish in his speeches and writings since 2006 under Democratic presidents, especially during his tenure as a member of the Board of Governors from 2006 to 2011 – a position he resigned from in protest against another round of QE. Under Republican presidents, his statements were mostly significantly more dovish.

I used to be indecisive, but now I'm not so sure.
Anonymous

In any case, even Kevin Warsh is unlikely to succeed – except perhaps through a statistical quirk – in ensuring that the 2020s will secure a spot on the podium in the low-inflation rankings of the decades since 1950. The gap to the fourth-ranked decade, the 1990s, is already considerable at 1.1 percentage points. For this to happen, the average inflation rate for the remainder of the decade would have to remain consistently below 2%. Should the war in Iran result in significant and persistent disruptions, the 1980s – currently in second place – might even be overtaken.



Monetary inflation factors

As of November 2025, the Federal Reserve ended its QT. In total, bonds worth USD 2.4trn were sold. The balance sheet total shrank from just under USD 9trn in April 2022 to slightly over USD 6.5trn. By comparison, the ECB reduced its balance sheet by 30%, although the sharp rise in gold reserves – revalued on a quarterly basis – expanded the balance sheet. The assets accumulated under the various QE programs were reduced by 50% to EUR 3.6trn, QE bonds by just under 30%, and QE loans to commercial banks under the long-term refinancing operations (LTROs) by virtually the entire amount.

Nothing is so permanent as a temporary government program.
Milton Friedman

At the December 2025 FOMC meeting, the Federal Reserve announced that it would allow its balance sheet to grow by purchasing approximately USD 40bn in Treasury securities per month until the tax deadline on April 15; thereafter, these *reserve management purchases* (RMPs) are to be "significantly reduced." As a result, the Federal Reserve's balance sheet total rose again, reaching USD 6.7trn. The Federal Reserve is also replacing its mortgage-backed securities (MBS) with T-bills. By replacing MBS with T-bills, the Federal Reserve is swapping long-term securities for short-term securities, making its balance sheet more interest-rate sensitive.

Easing of capital rules has an inflationary effect

Whew! For a moment there I thought we were out of paper.
Wizard of Id

In our two-tier monetary system, central banks control the money supply in the narrow sense – cash and central bank reserves, as well as, possibly soon, digital central bank money. Building on this, commercial banks provide economic actors with the vast majority of medium of exchange through balance-sheet-expanding and credit-based creation of demand deposits. In this respect, commercial bank lending has a significant impact on the money supply in circulation. Currently, the money supply multiplier

stands at just over 4 in the US and just under 4 in the euro area, whereas it was more than twice as high before the global financial crisis. The numerous rounds of QE have inflated central bank balance sheets.



Source: LSEG, Incrementum AG

incrementum

In this respect, changes in capital regulations affect commercial banks' lending practices, and thus the amount of credit or money circulating in an economy, thereby strengthening or weakening inflationary pressure. Easing credit standards tends to lead to an expansion of the money supply and thus to higher inflationary pressure, especially if central banks do not simultaneously pursue a tightening policy.

> *Heard about the guy who fell off a skyscraper? On his way down past each floor, he kept saying to reassure himself: so far so good… so far so good… so far so good.*
> Hubert, La Haine

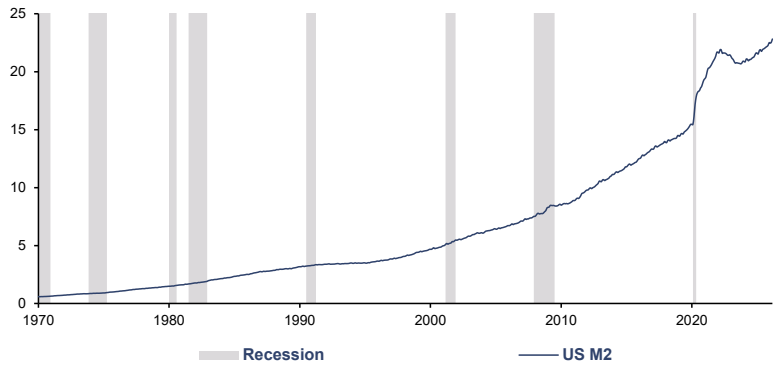
And this is precisely the lever that is currently being adjusted in the US. New regulations for systemically important banks have been in effect since early April. These are intended to reduce existing misincentives for large banks to seek out assets with comparatively low risk – such as the explicitly mentioned US Treasuries. In other words: Demand for US Treasuries is to be stimulated, thereby pushing yields down – marginally. In March, Michelle W. Bowman, Federal Reserve Vice Chair for Supervision, announced that further reform proposals for banking regulation would soon be presented. These proposals are intended to enable commercial banks to be "better positioned to support economic growth," which means nothing other than making it easier to grant loans.

Following the sharp fluctuations during the Covid pandemic, the broad money supply aggregate M2 in the US is already back at the lower end of the 5–10% range – where money supply growth has fluctuated in noncrisis periods since 1996 – with a growth rate of just under 5%. **On average, M2 grew by 6.3% per year over these 30 years.**

> *I made a fortune by getting out too soon.*
> J.P. Morgan

Only in 2017 and 2018 did broad money growth fall below this range, when, under Janet Yellen and during Jerome Powell's first year in office, interest rates were raised in a total of seven small increments to 2.25–2.5%. At the press conference following the interest rate decision on December 19, 2018, the new chairman – who had been in office for less than a year – made his famous "autopilot" remark, which he corrected a few weeks later – the infamous "Powell pivot."

US M2, in USD trn, 01/1970–03/2026



Source: LSEG, Incrementum AG

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Inflation expectations

Investors now have access to a wide range of metrics that reflect short-, medium-, and long-term inflation expectations. These can be divided into market-based and survey-based inflation expectations, although the predictive power of all indicators is limited.

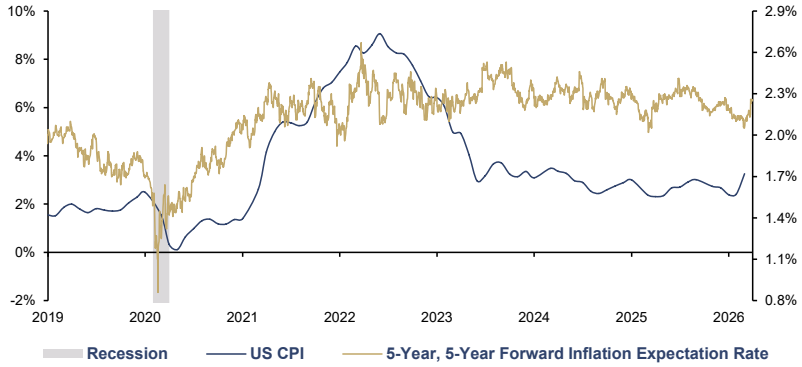
Market-based inflation expectations

5-year, 5-year-inflation expectations

Since the peak in April 2022, long-term inflation expectations have been on a downward trend, which even accelerated slightly in the days leading up to the outbreak of the Iran war and only came to an abrupt end just before reaching the 2.0% mark. In the first weeks of the Iran war, the 5y5y inflation expectation climbed to above 2.25%. All in all, however, the data should be interpreted to mean that market participants have a high degree of confidence in the Federal Reserve—and in US economic policy.

> *Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one.*
> Charles Mackay

US CPI (lhs), and 5-Year, 5-Year Forward Inflation Expectation Rate (rhs), yoy, 01/2019–04/2026



Source: Federal Reserve St. Louis, LSEG, Incrementum AG

incrementum

Breakeven rate

The break-even inflation rate indicates the inflation rate required for the purchase of an inflation-linked bond to yield at least the same real interest rate as the purchase of a conventional bond. It is striking that the 5-year break-even rate already recorded a marked upward surge of just over 30 basis points in the first weeks of 2026. **The outbreak of**

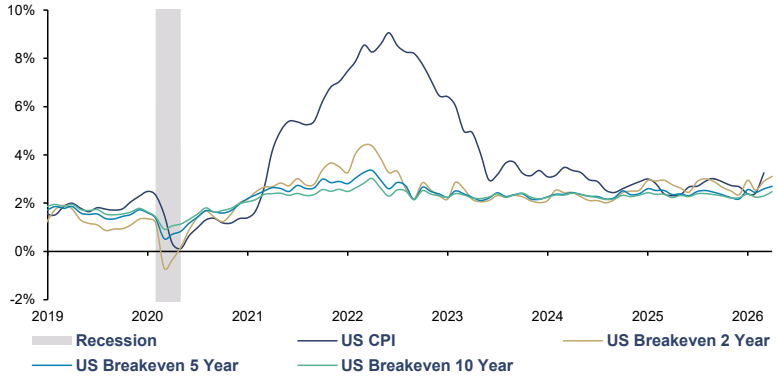
> *I have had to revise my formula for happiness. I used to think it was reality minus expectations. But that needs to be modified to reality minus the right expectations.*
> Vitaliy Katsenelson

Markets remain convinced inflation won't return – not because they have foresight, but because of the power of anchored expectations.

the Iran war led to a second upward surge, and after a brief slowdown in the second half of March, a third surge followed, bringing the 5-year breakeven rate to 2.70% – more than 50 basis points higher than at the end of 2025.

The 2-year breakeven rate, at 3.11%, has already risen by nearly 80 basis points since the start of the year, and by nearly 60 basis points since the outbreak of the war in Iran. However, this is only 10 basis points above the level at the end of August 2025. **The 10-year breakeven rate is, naturally, reacting much more cautiously.** Since the start of the year, it has risen by 23 basis points to 2.48%, and thus only marginally more since the start of the year. This significantly higher level compared to the second half of the 2010s confirms the generally higher inflation expectations, slightly above the Federal Reserve's inflation target.

US CPI, yoy, and Various US Breakeven Rates, 01/2019–04/2026



Source: LSEG, Incrementum AG

incrementum

It is difficult to get a man to understand something when his salary depends on his not understanding it.
Upton Sinclair

Are the markets massively underestimating the risk of inflation?

Perhaps the most intriguing question is not *whether* inflation will return, but why the markets remain so convinced that it will not. Long-term inflation swap rates and the 5y5y forward rate both signal the same thing: near-total confidence in a return to price stability. No one in the bond market seems to seriously believe that inflation rates could remain structurally above target – neither due to fiscal dominance, nor due to second-round effects in energy, nor due to administratively induced inflation from Brussels.

It is precisely this composure that gives us pause. History offers few examples in which inflation, after an initial outbreak, disappeared permanently and quietly – the 1970s saw two waves, and the second was the higher one. The fact that market participants currently rule out a repeat scenario is less a testament to their foresight than to the power of anchored expectations: What was once declared "temporary" remains so in the minds of many, even the second time around.

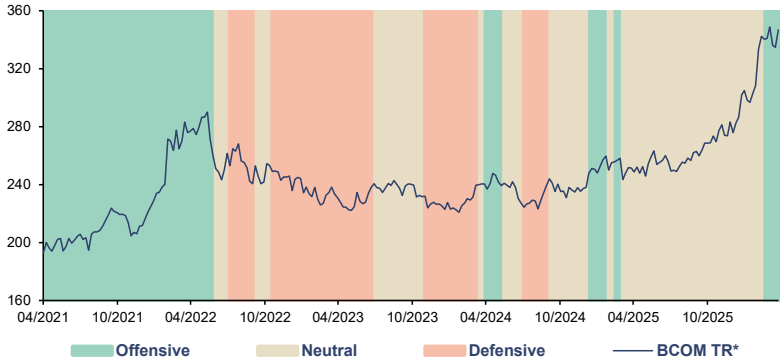
Those who cannot remember the past are condemned to repeat it.
George Santayana

The price of gold seems to see things differently. Either the yellow metal senses what the markets have not yet priced in – or the swap curves are right, and gold is chasing an inflation that never comes. Our assessment is clear: **The swap curve underestimates the probability of a structural inflation regime, and gold is doing what it has always done historically – it perceives monetary reality earlier than the futures markets.**

Incrementum Inflation Signal

The Incrementum Inflation Signal has recently jumped from *neutral* to *offensive*. This marks the first offensive signal reading in around a year.

BCOM TR*, and Incrementum Inflation Signal, 04/2021–04/2026



Source: LSEG, Incrementum AG
*Bloomberg Commodity Total Return Index

incrementum

It is noteworthy that the signal remained neutral for an extended period even though the Bloomberg Commodity Index had posted visible gains in recent months. The reason was the lack of market breadth: On a year-on-year basis, the rise in the index was driven essentially by precious metals, while many other commodity segments showed hardly any meaningful upward momentum. **Excluding precious metals, the broad commodity market had moved largely sideways until the Iran war.**

This picture has changed markedly of late. As geopolitical tensions surrounding Iran have intensified, energy commodities such as oil and gas in particular have risen sharply in price. At the same time, there are growing signs that various agricultural commodities, including wheat, have also formed a bottom. Restricted supply chains and heightened uncertainty on the supply side are exerting additional upward pressure on prices.

With the shift into offensive territory now having occurred, the indications are increasing that inflationary tendencies are once again gaining relevance. Against this background, commodities appear increasingly attractive from a diversification perspective. In an environment of geopolitical tensions, fragile supply chains and rising price momentum once again, active commodity investing can make an important contribution to portfolio stabilization.

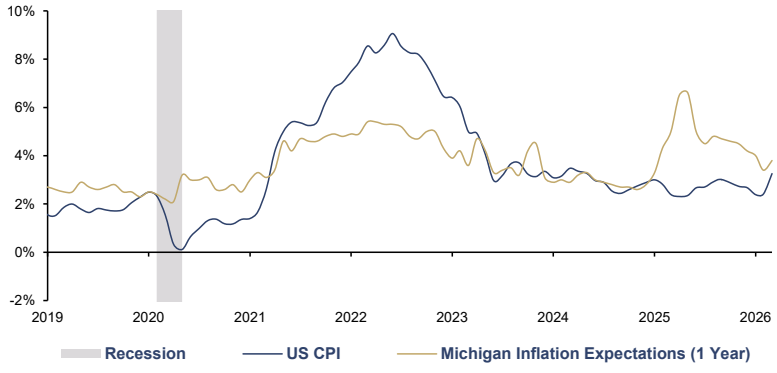
Survey-based inflation expectations

Inflation expectations, University of Michigan

With Donald Trump's election victory, short-term inflation expectations shot up sharply. They peaked at 6.6% in May 2025. However, the results varied greatly depending on party preference. While Republicans expected inflation to decline, Democrats feared it would skyrocket. After that, the trend was steadily downward, even though the proportion of consumers attributing their poor financial situation to high prices fluctuated at a high level around 40% and has risen noticeably since the fall of 2025. **The outbreak of the Iran War has significantly pushed up short-term inflation expectations (median) from 3.4% to 4.7%.** However, survey-based inflation expectations are generally also not a good predictor of inflation trends.

> *When all else fails, there's always delusion.*
> Conan O'Brien

US CPI and Michigan Inflation Expectations (1 Year), yoy, 01/2019–03/2026



Source: LSEG, Incrementum AG

incrementum

Deep Dive Euro Area

What is a committee? A group of the unwilling, picked from the unfit, to do the unnecessary.
Richard Harkness

In February, rumors circulated that Christine Lagarde would step down before the end of her term. Her term expires regularly at the end of October 2027 and cannot be extended. However, the rumors did not prove true. **But the political wrangling over Christine Lagarde's succession will begin by fall at the latest.** According to Article 283 TFEU, the right to propose a candidate lies with the governments of the eurozone countries—in practice, Germany and France – even though Spain quickly positioned itself when rumors of Lagarde's early departure first surfaced. Since Germany continues to hold the presidency of the Commission with Ursula von der Leyen, France is likely to take the lead in the decision-making process regarding Lagarde's successor. The proposed candidate must undergo a nonbinding hearing before the European Parliament and the Governing Council of the ECB. The appointment is made by a decision of the European Council by qualified majority. The eight-year term of office is scheduled to begin on November 1, 2027.

Meanwhile, Christine Lagarde continues to push forward with her pet project, the digital euro, even though she will no longer be ECB President by the time of its planned launch in 2029. In addition to the digital euro intended for consumers, the ECB is also working on a concept for a tokenized financial system known as Appia. The concept is scheduled to be published in 2028, and it will serve as the basis for implementing the next steps toward the introduction of tokenized central bank money. Both initiatives are designed to strengthen the EU's strategic autonomy and thus primarily serve a political objective.

Administrative and bureaucratic inflation factors

Heaven for the climate, hell for the company.
Mark Twain

While the US under President Trump withdrew from the Paris Climate Agreement as well as from the energy transition, **the EU has only slightly scaled back its fight against climate change.**

In early November 2025, it was decided to postpone the introduction of the second phase of the EU Emissions Trading System (ETS-2) until 2028. No significant changes were made to the climate targets of reducing CO_2 emission by 90% by 2040, and by 100% by 2050. The first phase, EU ETS 1, was introduced in 2005. It covers large energy facilities and energy-intensive industries, as well as aviation and shipping companies. These sectors are responsible for around 40% of CO_2 emissions. Free allowances for companies with particularly high CO_2 emissions have so far mitigated the rise in costs. In the wake of the looming energy crisis resulting from the war in Iran, initial calls emerged to temporarily suspend the ETS entirely, as proposed by Italian Prime Minister Giorgia Meloni.

In 2028, this auctioning process will be expanded to the road transport and buildings sectors (EU-ETS 2). Gasoline and diesel, as well as natural gas and heating oil, will then almost certainly become significantly more expensive. In an overview study, the highly respected and non-partisan *Research and Documentation Services* of the German Bundestag list various analyses that estimate the future CO_2 price. The range is wide, extending from EUR 50 to EUR 400 per ton. A large portion of the estimates lies well above the current price of CO_2. This applies both to the market price – which has fallen significantly since mid-January to around EUR 75 as of mid-April – and to the price set by the German federal government for sectors not yet covered by emissions trading.

Following a three-year inflation surge that drove the HICP up by 18 %, the ECB now treats a 0.3-percentage-point undershoot as a problem – a measure of how far it has drifted from citizens' lives.

With a CO_2 price of EUR 200 per ton, the costs for a four-person household, for example, would rise by around EUR 1,000 per year. The surcharge for diesel and gasoline would roughly quadruple compared to current levels. In absolute terms, that amounts to at least 50 cents per liter.

However, on January 1, 2026, another price driver came into effect: the *Carbon Border Adjustment Mechanism* (CBAM). It is another building block in Brussels' fight against CO_2 emissions and a textbook example of the intervention spiral, whereby significant and sustained administrative interference in the price mechanism leads to ever-increasing interventions. On the one hand, the CBAM is intended to prevent foreign companies from offering their products at lower prices due to rising costs for CO_2 emissions in the EU. On the other hand, it is also intended to make the cost-driven migration of companies from the EU to other EU countries less attractive. A reference price was recently set for the first time, at EUR 75.36 per certificate for imports in Q1/2026. However, the certificates do not have to be purchased until 2027.

> *Most of the major problems we face are caused by politicians creating solutions to problems they created in the first place.*
> Walter E. Williams

But perhaps the motivation behind CBAM isn't as noble as it seems at first glance. **After all, the EU is the biggest beneficiary of CBAM, receiving 75% of these green tariffs – which are euphemistically called "compensation payments" – and thereby increasing its own resources.** A full 25% goes to the nation-states. To put it bluntly – and admittedly in very exaggerated terms: The EU accuses Trump's tariff policy of doing exactly what it is essentially doing itself – but, of course, under the guise of noble motives. The fact that the implementation of CBAM has also been designed to be extremely bureaucratic should come as no surprise to anyone. Announcements of debureaucratization coming from the mouths of bureaucrats are, as a rule, exactly that: lip service.

> *Bureaucracy stifles initiative. There is little that bureaucrats hate more than innovation, especially innovation that yields better results than the old routines.*
> Frank Herbert

Back to ETS-2: The ECB's reaction to the postponement of the introduction of ETS-2 was quite remarkable. Top ECB officials noted that this delay in expanding emissions trading to the transport and buildings sectors could lower the inflation rate in 2027 by 0.2 percentage points, from the 1.9% forecast at the time to 1.7%. This would put the eurozone at risk of missing its 2.0% inflation target in 2027.

The fact that the ECB is in all seriousness presenting a possible 0.3 percentage point miss of its target as a problem – following a three-year inflation surge that drove the HICP up by 18% – shows how far it has drifted from the reality of citizens' lives. And a low inflation rate still means that prices are continuing to rise, albeit at a slower pace. **Yet even more than inflation, central bankers – erroneously – fear price deflation.**[2]

2 *See* "Inflation vs. Deflation – The Big Showdown?," *In Gold We Trust* report 2018; "Excursion: Monetary Tectonics – Inflation versus Deflation," *In Gold We Trust* report 2013

The deflation phobia of modern economists and policymakers has extended beyond just worrying about banking collapses. It has progressed to a pathological level.
Saifedean Ammous

A new study, "The costs of deflations: a historical perspective," fundamentally challenges this very fear of price deflation. However, asset price deflation, particularly in the real estate market, would have caused far more damage – not least because it would have plunged the banking sector into considerable difficulties. **The most important task of (monetary) policy would therefore be to prevent the formation of financial bubbles.** In close alignment with the business cycle theory of the Austrian School of Economics, the credit-induced boom is identified as the actual problem, while the correction is seen as the inevitable adjustment of excessive credit and debt expansion.

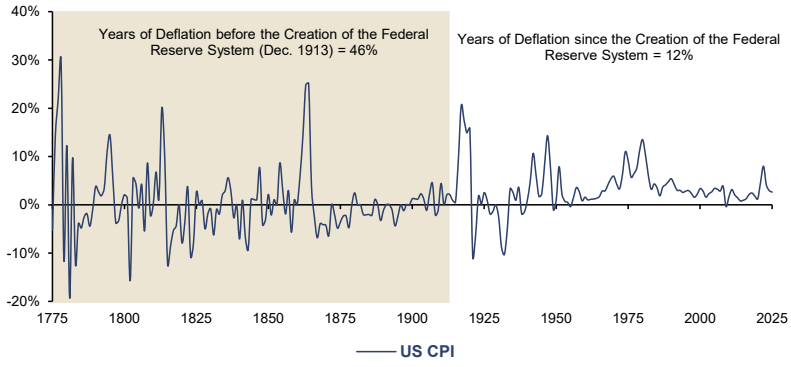
It is a sobering fact that the prominence of central banks in this century has coincided with a general tendency toward more inflation, not less.
Paul Volcker

A historical comparison shows that the asymmetrical relationship between inflation and deflation is not a given of nature but rather a phenomenon of the fiat money era: **The authors analyzed 3,687 phases of price inflation and price deflation during the period 1870–2013**. The ratio between periods of price inflation and price deflation was highly revealing:

- Classic gold standard (1870–1913): 1.25:1
- Interwar period (1920–1938): 1.18:1
- Postwar period (1947–2013): 18.4:1

There could hardly be clearer evidence that the fiat era is structurally inflationary – and that central banks' obsession with the risk of price deflation stems more from historically inherited trauma than from empirically grounded concern.

US CPI, yoy, 1775–2025



Source: Nick Laird, LSEG, Incrementum AG

incrementum

Conclusion

What we do know is that speculative episodes never come gently to an end. The wise, though for most the improbable, course is to assume the worst.
John Kenneth Galbraith

The past 20 years have been more than turbulent economically. They began with the global financial crisis of 2007–08, which led to a sharp but short-lived recession. This was followed by the first rounds of QE, which at the time broke with convention – a monetary policy described as "extraordinary" that has since become the norm, i.e., "ordinary." QT is not a departure from QE but merely its winding down – a process that is still ongoing. The Covid-19 pandemic led to another round of QE, followed by the long-anticipated wave of inflation, which was exacerbated by the outbreak of the war in Ukraine and the accompanying high uncertainty in the energy markets. The leading central banks failed miserably in combating it, partly because the wave of inflation was completely underestimated for a long time.

All roads lead to inflation.
Paul Tudor Jones

We had warned of the looming wave of inflation early on. Zero and low interest rate policies were bound – sooner or later – to result in (sharply) rising prices.[3] The important conceptual distinction between inflation—the rise in the unbacked money

3 See also Stöferle, Ronald, Taghizadegan, Rahim and Hochreiter, Gregor: *The Zero Interest Trap*, 2019

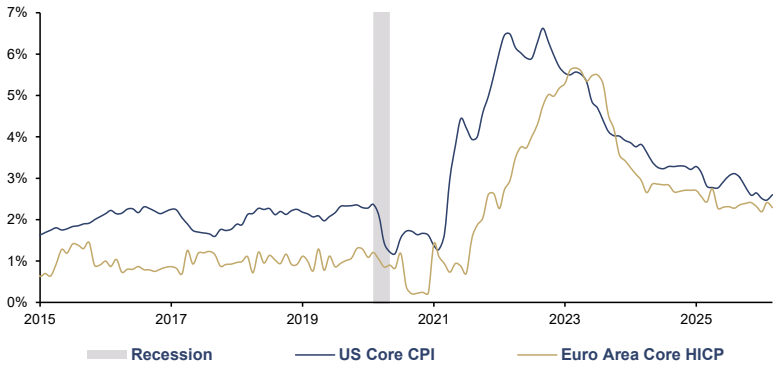
supply – and price inflation – the rise in the general price level—is helpful here,[4] even if this conceptual separation of cause – inflation – and effect – price inflation – is hardly applicable in everyday life.

In 2018, when the *In Gold We Trust* report was given a title for the first time, we named it "Gold and the Turning of the Monetary Tides." In November 2020, we published the inflation special "The Boy Who Cried Wolf: An Inflationary Decade Ahead?" and warned early on of the looming, inescapable inflation crisis. In the *In Gold We Trust* report 2021, we identified a title-deserving "Monetary Climate Change" and thus the steadily increasing fiscal dominance that is transforming central banks from – already poor – guardians of price stability into state financiers, even if this is, of course, not openly communicated. In the *In Gold We Trust* report 2024, "The New Gold Playbook", we detailed the consequences of this solidifying new normal, including the two closely related theses that structurally higher inflation rates and the "anything but bonds" investment principle are here to stay.

Apart from temporary one-off effects such as exchange rate fluctuations or the current energy price shock with its base effects in both directions, we expect the inflation rate to remain at an elevated level, particularly in the US. The combination of high budget deficits and continued solid growth figures, as well as political pressure on the Federal Reserve to keep interest rates relatively low, provides the rationale for our assessment. The structurally higher level of inflation is particularly evident in core inflation rates.

> *I am not sure the West is ready to confront the consequences of its actions: persistent inflation, reduced industrial output, lower growth, and higher unemployment.*
> Wolfgang Münchau

US Core CPI and Euro Area Core HICP, yoy, 01/2015–03/2026



Source: LSEG, Incrementum AG

incrementum

The fact that energy and food prices are excluded from the calculation of core inflation – and will therefore cause the (core) inflation rate to remain well below the overall inflation rate in the coming quarters – is of little comfort to consumers. It is therefore to be expected that the already wide gap between central bankers, statisticians, and economists on one hand, and the general public on the other, will widen further when the former group uses core inflation to argue that inflation isn't so bad after all.

> *I think we now understand better how little we understand about inflation.*
> Jerome Powell

The moral consequences of inflation

One dimension of (high) inflationary periods that remains largely overlooked in public debate is the negative impact of inflation on morale and trust in institutions. One author who has examined this aspect in depth is Lord Brian Griffiths. In his book *Inflation Is About More Than Money: Economics, Politics and the Social Fabric*, he argues that inflation is essentially an act of deception, since a banknote represents a "promise to pay" a specific value. If this value is eroded by inflation, this promise is broken, which, from a moral standpoint, amounts to theft. He thus opposes the monetary

> *No subject is discussed as much today—or understood as little—as inflation.*
> Henry Hazlitt

4 *See* "Inflation ≠ rising prices: confusing terminology with grave consequences," *In Gold We Trust* report 2012

"The best way to destroy the capitalist system is to debauch the currency." – Lenin understood that inflation erodes more than purchasing power; it erodes the social anchor itself.

nominalist view, according to which 100 monetary units would always be 100 monetary units, regardless of their purchasing power.

Therefore, Griffiths rejects the notion that inflation is merely a systemic flaw and defines it as a "moral disease" that fuels "social disorder" because it undermines decency and honesty in society. It punishes thrift and rewards debt, which causes economic harm in the long run. Moreover, it hits the poor and those whose wealth consists of wages and savings rather than tangible assets the hardest, which is particularly reprehensible. Furthermore, periods of inflation gradually erode confidence in the financial system, capitalism, and democratic government.

> *The mother of the family […] speaks of what is uppermost in her mind: the eggs, they simply must be bought today. Six thousand marks apiece they are, and just so many are to be had on this one day of the week at one single shop fifteen minutes' journey away.*
> Thomas Mann

In the tradition of the Austrian School of Economics, Guido Hülsmann argues similarly, for example in his essay "Cultural Consequences of Monetary Interventions" or in his book "Die Krise der Inflationskultur" ("The Crisis of Inflation Culture"). In his novella "Unordnung und frühes Leid" ("Disorder and Early Sorrow"), Thomas Mann explored the hyperinflation following World War I and how it fueled political and social extremism and a kind of hyperreality.[5]

Even though prices are constantly changing and thus the purchasing power of money is never constant, excessive fluctuations in purchasing power cause the price structure to lose its anchor. Yet it is not only the economy in particular that loses its anchor in times of sharply rising inflation rates but society in general as well. Or as Lenin put it: "The best way to destroy the capitalist system is to debauch the currency."

Among the moral consequences of rising inflation is the scapegoat-hunting that is particularly popular among politicians. For this keeps alive the myth that politicians and central banks are innocent of inflationary waves. Entrepreneurs are popular scapegoats. After all, entrepreneurs represent a minority of the population, and alienating this voter group is therefore not an electoral tactical problem for many parties.

> *Nothing is easier, or more emotionally satisfying, than blaming high prices on those who charge them, rather than on those who cause them.*
> Thomas Sowell

Yet this populist blame game – the claim that excessive corporate profits were the main driver of the 2021–2023 inflation surge – turned out to be a myth during the most recent inflation surge as well. At least, that is the conclusion reached by Christopher Conlon's study, "Did profits cause inflation?" ECB President Christine Lagarde, too, had joined the populist campaign against entrepreneurs during the inflation surge, which she had completely underestimated.

The anti-business witch hunt in the energy sector has taken – and continues to take – particularly absurd turns. Many energy suppliers in Europe are state-owned. The higher profits flowed into state budgets that had been severely strained by the fiscal excesses of the Covid pandemic, while the same politicians accused the energy suppliers of making excessive profits at the expense of citizens – even though they themselves sat on the supervisory boards of these companies and, as a rule, even held the majority on these boards. However, one economic factor – which is itself attributable to inflation – does have a definite impact on nominal profits. Sharp price increases have a positive effect on nominal profits insofar as the depreciation of capital goods is based on the old price level. The new, higher price level is reflected in corporate profits only when repairs or replacement investments must be made.

In conclusion, it can be summarized that the looming energy (supply) crisis comes at an inopportune time. Following the disastrous misjudgment during the inflationary surge just a few years ago, central banks are just as discredited in the public eye as the

5 *See* also Paul A. Cantor: "Hyperinflation and Hyperreality: Thomas Mann in Light of Austrian Economics," *Review of Austrian Economics*, Vol. 7, No. 1, 1994, pp. 3–29

established political parties – the remaining established political parties, that is, since in the leading industrial nations on both sides of the Atlantic, so-called established parties now dominate the political landscape only in the US, Spain, and Germany.

Dwindling trust, fueled by another sharp surge in inflation, could prove to be the final nail in the coffin for these parties. In the US, the first-past-the-post system has, at least so far, prevented the rise of new parties – yet as the MAGA movement has demonstrated, even an existing but hollowed-out party shell can be reoccupied. A look at the UK or France, however, shows that even in a political system with a first-past-the-post system, parties that once supported the state can vanish from the scene. ■

Get your facts first, then you can distort them as you please.
Mark Twain



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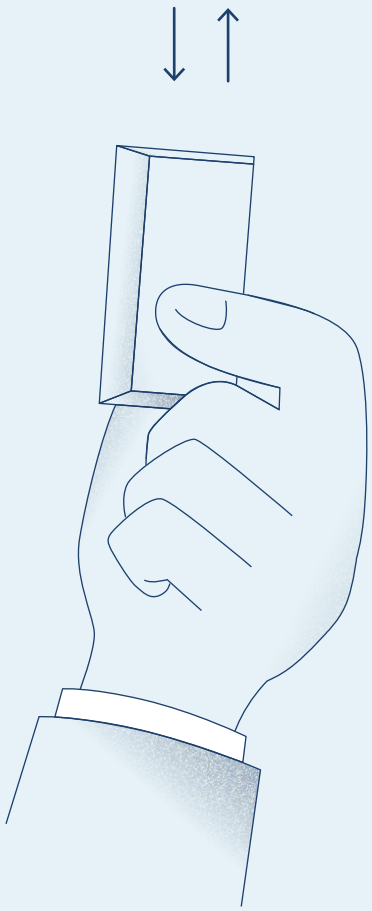
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The Status Quo of Gold Demand and Gold Supply



Key Takeaways

- Central banks bought 863 t of gold in 2025 – worth a record USD 95.2bn – and the Central Bank Gold Reserves Survey 2025 found that 95% expect global reserves to rise further, with zero respondents anticipating a decline.
- Gold is no longer a passive reserve asset, as central banks are increasingly treating gold as an active balance-sheet tool. This is a form of "silent remonetization" without the political cost of debt issuance.
- Investment demand surged 84% yoy to 2,175 t in 2025, driven by record ETF inflows of USD 89bn (800 t) and physical bar-and-coin demand of 1,374 t – a decade high.
- Asia's weight in the gold market is reaching a tipping point. Asian gold ETF inflows in 2025 alone (USD 25bn) exceeded the cumulative total from the launch of the first Asian gold ETF in 2007 through 2024. In Q1/2026, Asian ETFs posted their strongest quarter on record.
- On the supply side, total gold supply reached 5,002 t in 2025, with mine production at a new record of 3,672 t, yet the muted recycling response to record prices is remarkable – suggesting that holders have internalized expectations of further monetary debasement.

Gold is the ultimate means of payment in extreme circumstances.

Adam Glapinski, President of the National Bank of Poland (NBP)

We now turn to the most critical gold supply and demand developments, focusing on central banks and private investors. For further insights, we recommend the World Gold Council's (WGC) *Gold Demand Trends*.

Gold Demand

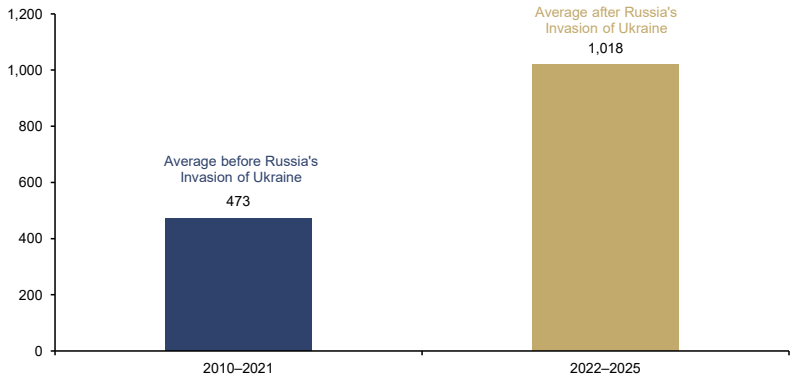
Central bank gold demand

Gold is the canary in the coal mine. It signals problems with respect to currency markets. Central banks should pay attention to it.
Alan Greenspan

Central banks have remained the structural anchor of gold demand, despite the moderation in the pace of gold purchases. For three consecutive years, from 2022 to 2024, official sector purchases exceeded 1,000 t, marking a decisive break from the pre-2022 regime. What began as a gradual diversification trend has evolved into a strategic repositioning of reserves in response to a more fragmented and politicized monetary order.

Then, in 2025, the total amount of gold purchased by central banks amounted to "just" 863 t. As a reminder, the 2010–2021 period averaged 473 t per annum. In terms of monetary value, last year's purchases by global central banks totaled around USD 95.2bn, which broke 2024's record of USD 83.8bn, thereby becoming the new all-time high level.

Average Annual Global Central Bank Gold Purchases, in Tonnes, 2010–2025



Source: World Gold Council, Incrementum AG

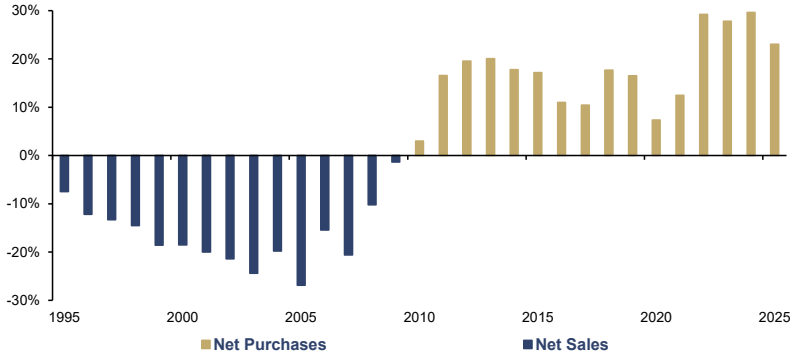
incrementum

In relative terms, after a series of three years of central bank demand representing almost a third of the annual gold mine production, in 2025 the official acquisitions amounted to roughly a fourth of the gold mined. **In spite of the moderation from the record pace, last year still ranked among the highest levels in modern history.**

The road to wisdom? Well, it's plain and simple to express: Err and err and err again, but less and less and less.

Piet Hein

Global Central Bank Gold Purchases, as a % of Mine Production, 1950–2025

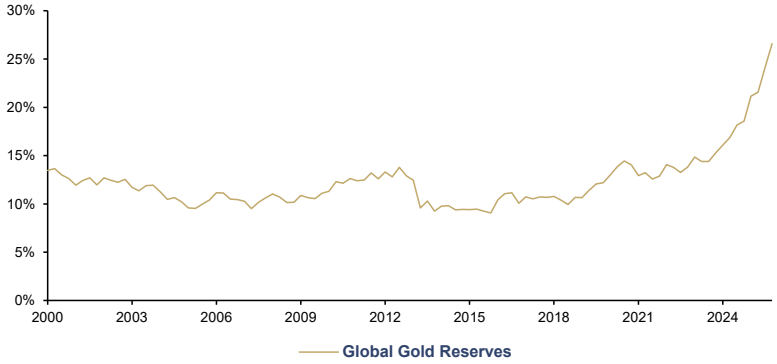


Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council, Incrementum AG

incrementum

Therefore, the strategic trend remained unmistakable: Gold continues to gain importance as a reserve asset, because of its neutrality and the lack of a counterparty risk. The share of gold in global foreign exchange reserves has continued to increase, gradually moving back toward levels last seen in the early 1990s.

Global Gold Reserves, as a Share of Global Total Reserves, Q1/2000–Q4/2025



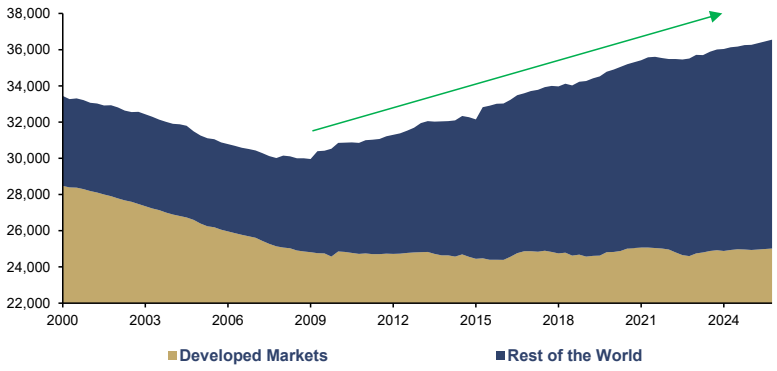
Source: World Gold Council, Incrementum AG

incrementum

Your old road is rapidly agin'.
Bob Dylan

One of the most remarkable developments of recent years has been the divergence between emerging markets and developed economies in their approach to gold reserves. Emerging market central banks have significantly increased their gold holdings as part of a broader effort to diversify away from traditional reserve currencies and to strengthen financial resilience. In contrast, gold reserves among advanced economies have remained largely stagnant, reflecting the fact that many developed countries had already accumulated the bulk of their gold reserves decades ago.

Gold Reserves, in Tonnes, Q1/2000–Q4/2025



Source: World Gold Council, Incrementum AG

incrementum

Oh my God, they found me. I don't know how, but they found me. Run for it, Marty!
Dr. Emmett Brown

Seemingly, central banks haven't purchased enough gold yet. According to the Central Bank Gold Reserves Survey 2025, which was published almost a year ago, in June 2025, a record 95% of central banks expect global gold reserves to increase over the next 12 months. Notably, 2025 was the first year in the survey's history in which zero respondents expected gold reserves to decline – a unanimity that speaks volumes about the shift in institutional consensus. The motivations are consistent and telling: gold's performance in crises, its role as a store of value, and its function as a diversifier in a world where trust in fiat assets is increasingly conditional.

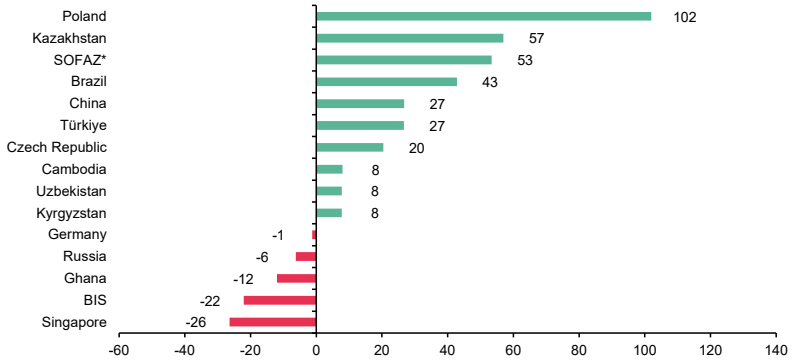
Hard choices, easy life. Easy choices, hard life.
Jerzy Gregorek

Interestingly, central banks are becoming more active managers of their gold holdings, in order to use this monetary hedge as well as possible against systemic risk. At any rate, gold is hardly regarded as a passive reserve asset insofar as operational sophistication has increased.

The most significant central bank buyers in 2025 were mostly from emerging markets.

Gold is increasingly seen as a balance sheet tool that can be mobilized in times of fiscal strain.

Top 10 Buyers and Top 5 Sellers of Gold Reserves, in Tonnes, 2025



Source: World Gold Council, Incrementum AG
*State Oil Fund of the Republic of Azerbaijan

incrementum

Yet, one developed-market central bank once again proved a striking outlier. For the second year in a row, Poland stood out as the most aggressive buyer. The Polish central bank added 102 t in 2025, continuing a multi-year strategy of strengthening its gold position. Notably, Poland has announced plans to purchase another 150 t, which would raise its total gold reserves to approximately 700 t, placing it among the top ten gold-holding nations globally.

> *There are few virtues which the Poles do not possess, and there are few errors they have ever avoided.*
> Winston Churchill

This recent pivot by the Polish central bank can be traced back to a distinct moment: the Russian invasion of Ukraine. According to the president of the National Bank of Poland (NBP), Adam Glapiński,

> *we [the NBP] will keep buying gold until we reach 700 tons, because that's where we are on the political map.... A country that borders a war zone is subject to special scrutiny. Investors and international institutions assessing our credibility take our reserves into account.*

On the flip side, Russia appeared among the sellers in 2025. This development is notable because the Russian central bank had been one of the most consistent buyers of gold between 2006 and 2021. The recent sales likely reflect the need to monetize reserves in order to finance the ongoing war effort, effectively allowing Russia to "sell the rally" in gold prices. All in all, owing to the gigantic accumulation of gold bullion coupled with the tremendous rally in the gold price, gold reserves are now, broadly speaking, the predominant asset held in the central banks' balance sheets.

> *Fate, it seems, is not without a sense of irony.*
> Morpheus

The importance of gold for central bank balance sheets was highlighted by the experience of the Bundesbank in 2025. Rising interest rates caused losses on the central bank's bond holdings, leading to an annual loss of EUR 8.6bn. However, the surge in the gold price dramatically increased the value of the Bundesbank's gold reserves.

> *If I were German, I would definitely keep the Bundesbank and the D-mark.*
> Margaret Thatcher

Indeed, the valuation of the Bundesbank's gold position on the revaluation account increased by EUR 125bn, which more than compensated for the decline in other assets. As a result, despite the losses recorded on the income statement, the Bundesbank's net equity increased by EUR 112bn to EUR 363bn.

In Italy, political pressure has mounted to assert greater state control over the central bank's gold reserves, framing them explicitly as part of national wealth available for public purposes. Undoubtedly, this debate is revealing that gold is being reconsidered, from an untouchable reserve asset to a funding source, even if temporarily.

Gold is the only safe investment for state reserves.
Adam Glapiński

Evidently, Poland provides an even clearer example of this emerging paradigm. Having been the largest central bank buyer since 2024, the National Bank of Poland has signaled a willingness to actively manage its gold holdings. Governor Adam Glapiński recently floated the idea of generating up to USD 13bn through gold transactions to finance defense spending, potentially selling gold with the intention of repurchasing it later. While details remain undefined, the message is unmistakable: **Gold is increasingly seen as a balance sheet tool that can be mobilized in times of fiscal strain.**

This marks an important shift in central banks' working procedures and mentality. Besides viewing gold as a strategic reserve, they are beginning to recognize its optionality as a source of liquidity and fiscal flexibility. **In this sense, gold is being quietly and discreetly remonetized, as it can be activated without the political and market consequences associated with conventional debt issuance.**

For the first time in roughly three decades, gold surpassed Treasuries in central bank reserve share — one of the most consequential portfolio rebalancings in modern history.
WisdomTree, 2025

Strikingly, Poland once again leads the buying side, adding approximately 20 t in January and February alone. Uzbekistan has extended its accumulation streak to five consecutive months, bringing year-to-date purchases to 16 t. China continues its steady and methodical approach, adding a further 2 t and marking its 16th consecutive month of purchases. Meanwhile, the Czech National Bank has quietly built one of the most consistent accumulation programs globally, with 36 consecutive months of buying and 4 t added so far this year.

On the selling side, Russia has liquidated roughly 15 t, while Türkiye has emerged as the most active tactical operator. After selling 8 t in February, the Turkish central bank significantly increased its activity in March, with estimates suggesting around 50 t were mobilized for liquidity provision and FX operations. Importantly, Turkish officials emphasized that a substantial portion of these transactions consists of gold-currency swaps, implying that much of the gold may eventually return to reserves.

Crucially, these developments illustrate that central bank demand is increasingly characterized by the dual dynamic of strategic buying on one hand and tactical liquidity management on the other.

Conviction Buyers vs. Opportunistic Buyers

When conviction buyers are net buyers, prices can run far. The 1970s show how far.
Goldman Sachs

To better understand the evolving dynamics of gold demand, it is useful to distinguish between conviction buyers and opportunistic buyers.

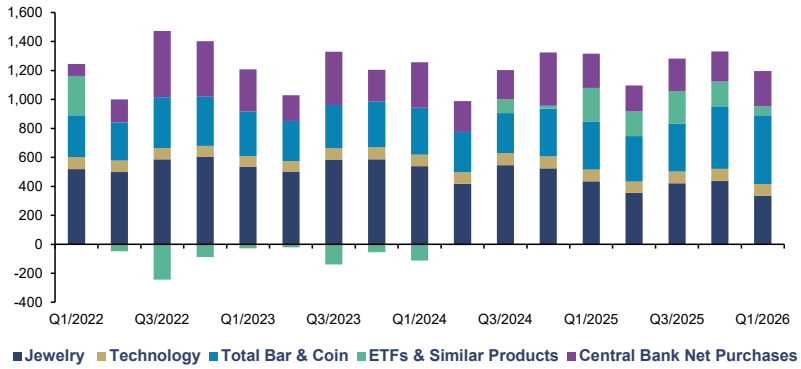
Due to their accumulation being largely insensitive to price fluctuations, conviction buyers are driven instead by strategic considerations such as inflation hedging, currency debasement, and protection against systemic risk. When these actors enter the market, they tend to absorb supply in a relatively inelastic manner, thereby setting the direction of the gold price.

Hope is not a method.
General Gordon Sullivan

Opportunistic buyers, by contrast, are highly price-sensitive, as they tend to increase purchases during price corrections and step back during rallies. Importantly, however, they rarely sell. In short, their behavior introduces a stabilizing mechanism into the market, providing a floor during downturns while naturally capping excessive upside during periods of strong price appreciation.

Investment Demand for Gold

While central banks provide the structural foundation of gold demand, private investors determine the marginal price dynamics. This became particularly evident in 2025, when investment demand surged to 2,175 t – an increase of roughly 84% yoy – driven by record ETF inflows and robust physical buying.



This resurgence reflected a powerful convergence of macroeconomic forces: persistent inflation, geopolitical fragmentation, rising concerns over sovereign debt sustainability, and growing doubts about the resilience of the international monetary system. At the same time, declining real yields and a weaker US dollar reduced the opportunity cost of holding gold, while the strong price momentum itself attracted additional inflows.

> *Progress is cumulative in science and engineering, but cyclical in finance.*
> Jim Grant

Structurally, investment demand remains bifurcated. Despite Asia continuing to dominate physical gold investment, particularly through bars and coins, Western financial markets, especially North America, remain the epicenter of ETF activity. That said, this division is gradually evolving, as Asian participation in ETF markets accelerates. Viewed through the lens introduced earlier, Western investors, particularly ETFs and macro-oriented capital, tend to behave as conviction buyers, while households in emerging markets, primarily in Asia, represent the core of opportunistic demand, accumulating primarily during periods of price weakness.

Q1/2026 offered a textbook illustration of how investment demand behaves in a mature bull market. Within less than 30 days, gold prices surged by more than 20%, pushing volatility above 30%.

> *You're gonna need a bigger boat.*
> Jaws, 1975

This rapid ascent triggered significant profit-taking, with more than 150 t liquidated by February, pushing outflows to levels not seen since the pandemic. However, the subsequent correction in March was not driven by a deterioration in fundamentals but by a shift in financial conditions.

A stronger US dollar, rising bond yields, and increasing uncertainty surrounding Federal Reserve policy weighed on investor positioning. Likewise, broad equity market sell-offs forced investors to liquidate gold holdings to raise cash, reinforcing the decline. As repeatedly observed in previous cycles, gold's liquidity makes it one of the first assets to be sold in periods of financial stress, even when the underlying drivers remain intact.

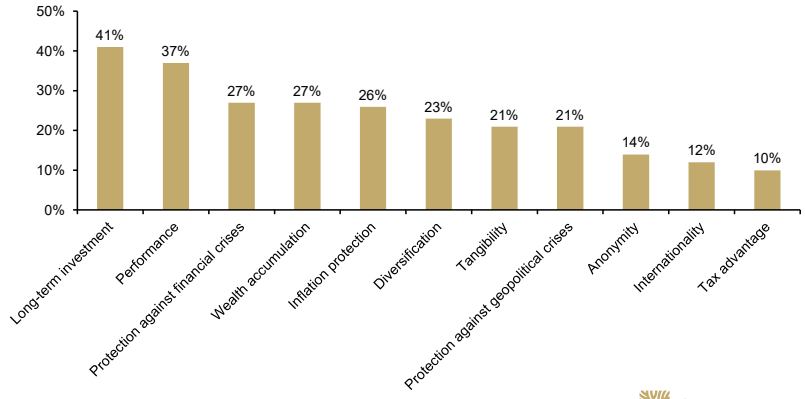
> *Whether it's the best of times or the worst of times, it's the only time we've got.*
> Art Buchwald

At its core, gold investment demand continues to be driven by a consistent hierarchy of motives centered on wealth preservation and financial resilience. **This is confirmed by the Precious Metals Study Switzerland 2025 (Schweizer Edelmetall-Studie 2025), conducted by the University of St. Gallen for philoro,** which finds that investors primarily view gold as a long-term store of value, complemented by its role as a hedge against inflation, economic crises, and geopolitical instability. While factors such as

Conviction buyers don't care about the price. Opportunistic buyers care about nothing else. This aysmmetry makes the gold market robust.

portfolio diversification, performance potential, and the tangible nature of gold also contribute to its appeal, these remain secondary to its fundamental purpose as a safeguard against systemic risk. Essentially, regardless of geography or investment vehicle, gold is acquired not merely to generate returns but to preserve purchasing power in an increasingly uncertain monetary environment.

Reasons for Investing in Precious Metals, 2025



Source: Philoro, Incrementum AG

incrementum

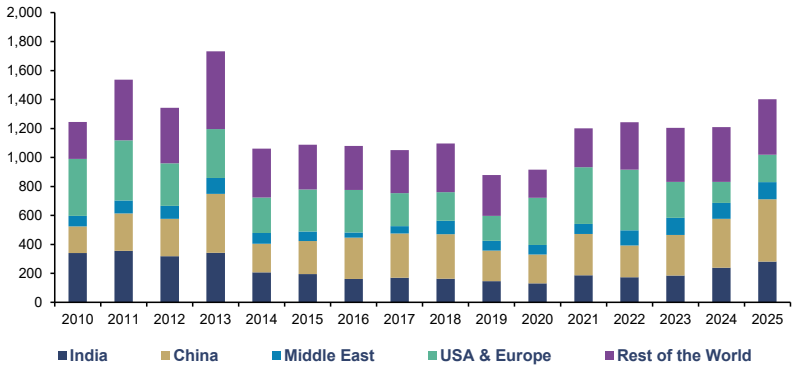
Bar and Coin Demand

> *We're all better off because Italy makes the pasta and Switzerland makes the watches.*
> Howard Marks

Unquestionably, physical investment demand remains the most stable component of the gold market. In 2025, bar and coin demand reached 1,374 t, making it the highest level in more than a decade.

Notably, Asia was once again at the center of this development. Zooming in, Chinese demand alone amounted to 444 t, while India recorded 280 t, with both marking multi-year highs.

Gold Bar & Coin Demand, in Tonnes, 2010–2025



Source: World Gold Council, Incrementum AG

incrementum

The drivers behind this demand are both structural and cyclical. In China, the prolonged weakness of the property sector, declining yields on traditional financial assets, and rising geopolitical tensions have reinforced gold's role as a preferred store of value. In India, cultural affinity, rising incomes, and increasing financial uncertainty continue to underpin demand, with a noticeable shift from jewelry toward investment products.[1]

> *Genius is eternal patience.*
> Michelangelo

Beyond these two Asian countries, the Middle East has also emerged as an increasingly important center of physical demand. Last year was its strongest on record, with bar and coin demand reaching 118.2 t, reflecting the region's growing role as both a financial hub and a trading nexus. This segment of the market behaves differently from financial investors. In essence, households rarely liquidate their gold holdings in response to short-term price movements. Instead, they tend to accumulate on dips, effectively creating a structural floor beneath the market. This characteristic has already been visible in early 2026, when continued buying in China and India helped absorb selling pressure during the double-dip corrections in February and March.

> *Tis but a scratch.*
> *A scratch? Your arm's off!*
> *It's just a flesh wound.*
> Monty Python and the Holy Grail, 1975

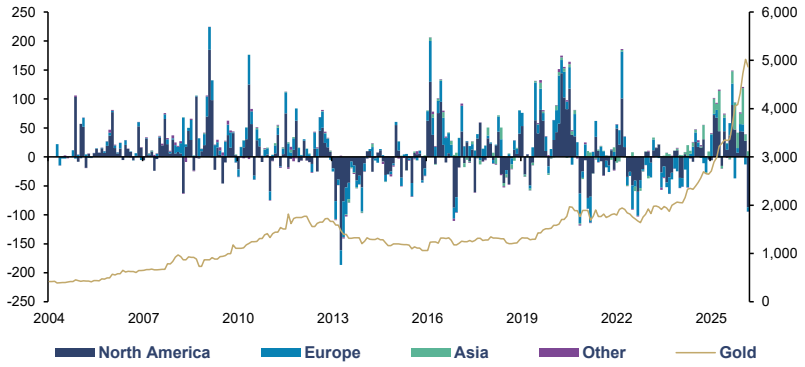
ETF Demand

Nevertheless, nowhere was the conviction vs. opportunistic buyers' dichotomy more visible than in the ETF market recently. While in 2025 physical investment demand remained heavily concentrated in Asia, the ETF market continued to be dominated by Western financial centers, particularly North America.

2025 marked a turning point for ETF demand. Global physically backed gold ETFs recorded net inflows of approximately USD 89bn, or 801 t, the second strongest annual inflows ever recorded. These inflows pushed global ETF holdings to 4,025 t, with assets under management reaching a new all-time high.

Of note, North American funds played the leading role in this surge. In fact, North American ETFs accounted for roughly 57% of total global inflows, highlighting the continued importance of the United States as the primary hub for gold-related financial investment.

Monthly Gold ETF Flows by Region (lhs), in Tonnes, and Gold (rhs), in USD, 01/2004–03/2026



Source: World Gold Council, Incrementum AG

incrementum

Nevertheless, the structure of ETF demand is gradually evolving. While North America continues to dominate in absolute terms, Asia is gaining increasing prominence in ETF flows and holdings. Asian gold ETFs experienced a record year in 2025, attracting USD 25bn in inflows, an amount that exceeds the cumulative inflows recorded in the region between 2007, when the first Asian gold ETF was launched, and 2024.

> *We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.*
> Bill Gates

1 *See* chapter "India – Structure, Dynamics and Future of the World's Largest Gold Ecosystem" in this *In Gold We Trust* report

> *Europeans found the Chinese amusing for their rejection of paper money and their practice of weighing metallic currency on scales. People presumed that the Chinese were five generations behind us — in reality they were a generation ahead of Europe.*
>
> Felix Somary

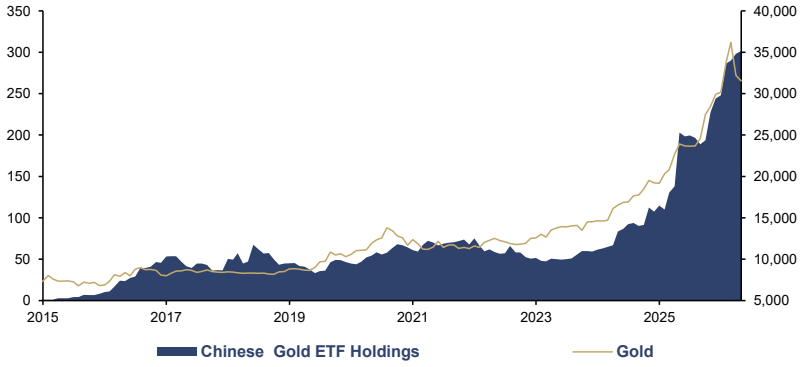
If there were still any doubts about the rise of Asia, this year's opening quarter cleared them all. In March, following the Iran war that began at the end of February, global gold ETFs experienced record monthly outflows of approximately 84.8 t, the largest decline since September 2022. This reversal was overwhelmingly driven by Western markets.

North American ETFs alone saw holdings decline by 87 t in March, resulting in net outflows of 15.7 t for the quarter. Similarly, European ETFs recorded outflows of 7.3 t in March, extending February's weakness and bringing total quarterly outflows to 7.5 t.

Yet, despite this pronounced Western selling, the global picture remained constructive. Gold ETFs still recorded net inflows of 62 t in Q1/2026, as strong demand from Asia more than offset Western outflows.

Incredibly, Asian ETFs delivered their strongest quarter on record, led by China and India. Chinese funds alone accounted for the majority of regional inflows, driven by a combination of safe-haven demand, equity market weakness, and currency depreciation.

Chinese Gold ETF Holdings (lhs), in Tonnes, Gold (rhs), in CNY, 01/2015–04/2026

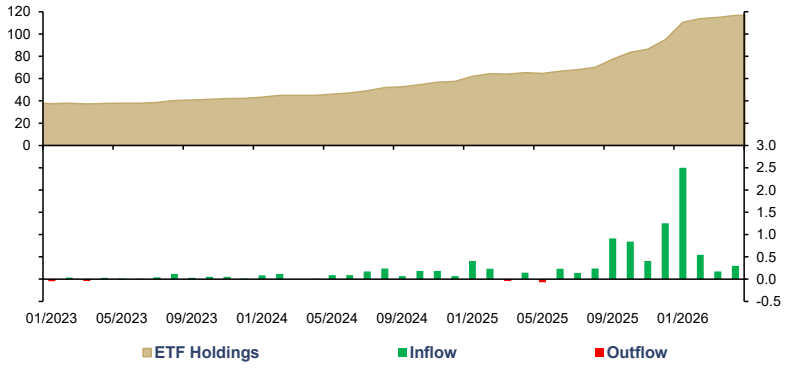


Source: World Gold Council, LSEG, Incrementum AG

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On the same note, Indian investors continued to increase allocations, supported by both structural and cyclical factors.

Indian Gold ETF Holdings (lhs), in Tonnes, and Flows (rhs), in USD bn, 01/2023–04/2026



Source: World Gold Council, Incrementum AG

incrementum

This divergence neatly reflects the interaction between different investor types. Western ETF investors, acting as conviction buyers, drove both the earlier rally and the subsequent liquidation, while Asian investors increasingly stepped in during the correction, reinforcing their role as opportunistic buyers and helping to stabilize the market.

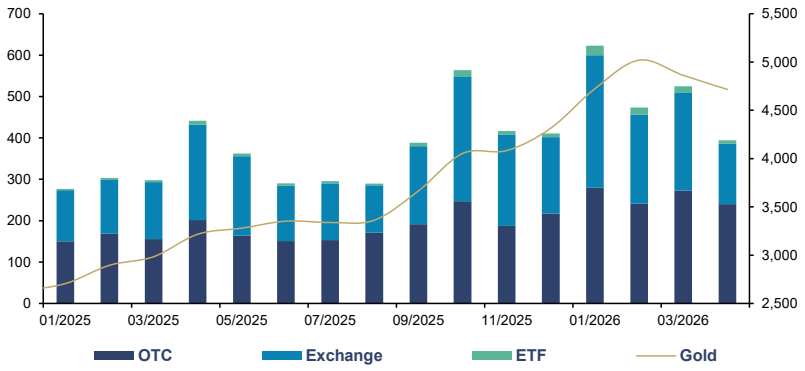
Liquidity and Market Depth: A Bull Market Under Stress

Another notable feature of Q1/2026 was the continued expansion of gold market liquidity. Despite the sharp correction in March, trading activity remained exceptionally strong. **Global gold trading volumes averaged approximately USD 525bn per day, making March the third-highest month on record in dollar terms.** In all trading segments, from OTC, exchanges, and ETFs, activity has expanded gradually.

This resilience underscores an important point: The gold market is not only deep but is becoming increasingly liquid across all venues. Far from signaling weakness, the surge in trading volumes during the correction reflects heightened engagement from both institutional and retail participants.

> *You can lead a banker to liquidity, but you can't make him lend.*
> Mark Dow

Daily Gold Trading Volumes, in USD bn, 01/2025–04/2026



Source: World Gold Council, Incrementum AG

incrementum

Jewelry Demand

While investment demand surged in 2025, jewelry demand declined in volume terms as a direct consequence of record-high gold prices. Global jewelry demand fell to 1,543 t, representing a decline of approximately 18% compared with the previous year. The decline was particularly pronounced in China and India, the two largest jewelry markets. Chinese jewelry consumption dropped to 386.1 t, while Indian demand amounted to 430.5 t, after both had already fallen, slightly in India and significantly in China in 2024. In fact, China recorded its lowest jewelry demand since 2010, while India experienced its second-lowest demand on record, surpassed only by the pandemic year of 2020.

> *Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity.*
> Coco Chanel

Global Gold Jewelry Demand, in Tonnes, 2024–2025

	2024	2025	yoy
Global Demand	1,886.9	1,542.3	-18%
India	563.4	430.5	-24%
China	511.3	386.1	-24%

Source: World Gold Council, Incrementum AG

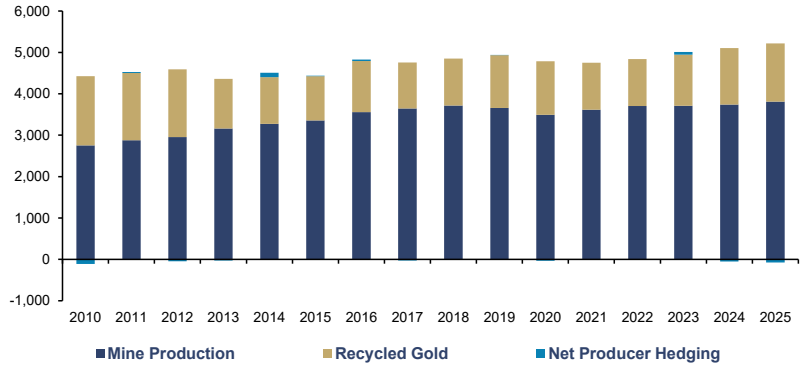
USD 525bn per day – gold is more liquid than ever before.

Gold Supply

On the supply side, the gold market remained relatively stable in 2025. Total gold supply amounted to 5,002 t, representing a modest increase of around 1% compared with 2024, as mine production continued its gradual ascent to a new record.

The supply breakdown was as follows:

- mine production: 3,672 t
- recycled gold: 1,404 t
- net producer hedging: –74 t



The subdued response of recycling to record-high prices remains one of the more intriguing features of the current cycle. Historically, rising prices have incentivized holders to sell, boosting secondary supply. This time, however, the reaction has been muted. It is as if homeowners in a red-hot housing market collectively decided not to sell, not because they couldn't but because they expected prices to continue rising.

In other words, expectations of further appreciation, combined with the absence of acute financial stress, reduced the incentive to liquidate existing gold holdings. However, the developments of the last quarter certainly altered the sentiment of gold holders.

Conclusion

Breaking down the structure of global gold demand reveals the evolving architecture of the gold market. In 2025, total demand consisted of several major components:

- jewelry: 1,638 t
- technology: 323 t
- bars and coins: 1,374 t
- ETFs and similar products: 801 t
- central banks: 863 t

The structure of the gold market is undergoing a profound transformation that increasingly mirrors the broader transition toward a multipolar global economy. Indeed, the resilience of Asian demand was evident in early 2026.

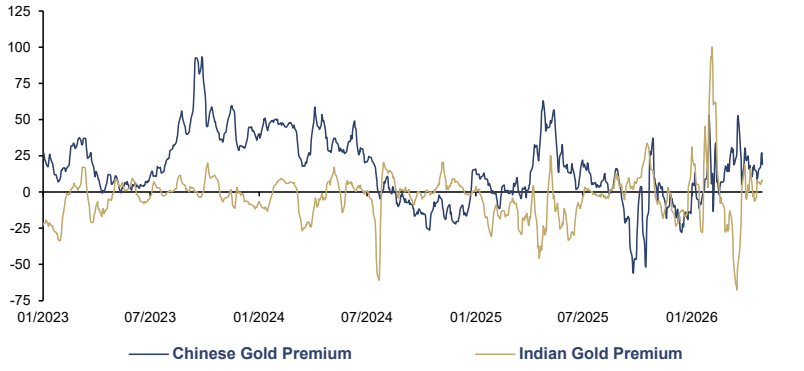
In a nutshell, geopolitical events, in addition to influencing demand, are increasingly affecting the physical flow of gold, markedly in emerging markets. The intensification of conflicts in the Middle East has significantly disrupted air transport routes, with cargo prioritization shifting toward essential and perishable goods. On this account, gold shipments, particularly to key consumer markets, have been constrained.

History teaches: Those who hold the physical metal, not paper claims, will define the terms of that transition.

The United Arab Emirates, a crucial refining and trading hub, has been exceptionally affected. Given that India sources approximately one-third of its gold imports from the UAE, logistical bottlenecks are likely to weigh on demand in the Indian subcontinent. Unmistakably, these frictions are producing observable market distortions, with premiums in China and India rising, while those in Dubai are declining.

> *You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics.*
> Dwight D. Eisenhower

Gold Premium/Discount in China and India, in USD, 01/2023–04/2026



Source: World Gold Council, Incrementum AG

Evidently, there is a geographical division in the global gold market. Intriguingly, this regional asymmetry seems to parallel the global economy itself. Demand has shifted East, where gold is accumulated, held, and culturally embedded; while the "financial services" layer remains firmly anchored in the West, where capital flows, leverage, and price formation are concentrated.

This hybrid structure of pricing dynamics has become clearly apparent. In recent years, gold has frequently traded at premiums in Chinese and Indian markets relative to Western benchmark prices.

Understanding the structure of the global gold market becomes far clearer when viewed through the lens of conviction buyers and opportunistic buyers.

On the one hand, conviction buyers, who are primarily central banks and Western institutional investors, set the direction of the market. Central banks accumulate gold largely independent of price, driven by long-term strategic considerations such as monetary sovereignty and reserve diversification. Western investors, particularly through ETFs and macro-oriented strategies, tend to reinforce trends, allocating capital aggressively during periods of price momentum. Together, these actors create powerful directional moves, absorbing supply and pushing prices higher.

> *Conviction buyers set the price. Opportunistic buyers set the floor.*
> Goldman Sachs

The two most powerful warriors are patience and time.
Leo Tolstoy

On the other hand, opportunistic buyers are predominantly households in emerging markets, especially in China, India, and the Middle East. Their behavior is markedly different: Highly price-sensitive, they tend to accumulate gold during corrections and step back during rallies, but seldom sell. This creates a stabilizing force within the market, providing a floor during downturns and moderating excessive upside.

This dynamic has become clearly visible. The sharp correction in March, driven by Western ETF outflows and tightening financial conditions, was met with renewed physical demand in Asia, preventing a more severe decline. What might have otherwise evolved into a deeper sell-off instead proved to be a contained and ultimately constructive correction.

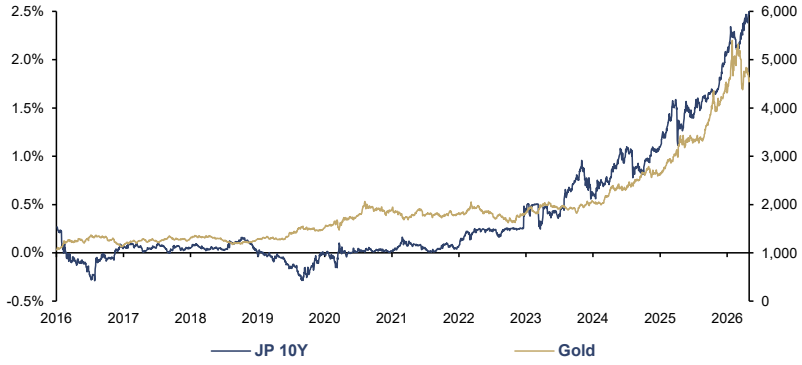
It must be a fragile system if it can be brought down by just a few berries.
Katniss Everdeen

Beyond the physical dynamics, developments in global bond markets may be reinforcing gold's role within the financial system. **In particular, Japan's government bond market, long considered one of the most stable pillars of global finance, is showing signs of strain.** This matters because the JGB market is the second-largest sovereign bond market in the world and a cornerstone of global financial stability. If confidence in such a market begins to erode, the implications extend far beyond Japan. That being said, the observed correlation between rising JGB yields and the gold price reflects a deeper shift. As traditional safe haven assets come under pressure, gold increasingly reasserts itself as the ultimate store of value.

Sometimes there is so much writing on the wall that the wall falls down.
Christopher Morley

The bear market in Japanese government bonds – with the 40-year yield breaking above 4% for the first time since 2007 and the 10-year yield reaching levels not seen since 1999 – provided a real-time illustration of this dynamic. When the world's second-largest sovereign bond market trembles, the flight to gold is not merely a portfolio rebalancing; it is a verdict on the sustainability of the global debt architecture.

JP 10Y (lhs), and Gold (rhs), in USD, 01/2016–04/2026



Source: LSEG, Incrementum AG

incrementum

It's hard enough to predict the present.
Lloyd Blankfein

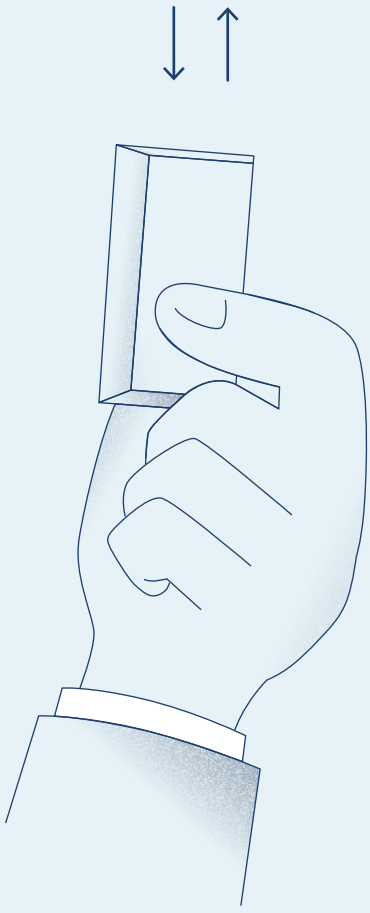
For several years, we have been expecting that the Chinese exchanges might eventually challenge Western dominance in price discovery. Notwithstanding, current developments suggest that this transition may be slower than anticipated.

Like Liberty, gold never stays where it is undervalued.
Justin S. Morrill

Inventories held by the Shanghai exchanges have been declining, indicating persistent physical withdrawals from the system. Meanwhile, holdings in Western vaults, particularly those linked to the LBMA and COMEX, remain elevated or continue to increase.

In conclusion, the modern gold market is evolving into a globally integrated investment ecosystem, where both physical ownership and financial instruments contribute to the metal's enduring appeal. Needless to say, this dual structure that is becoming more blurred has important implications for the future of this market.

As Asian wealth deepens and the center of gravity of physical demand continues its eastward migration, the gold market's dual structure – Western pricing, Eastern accumulation – faces a reckoning. The question is not whether this balance will shift, but when. And if history is any guide, those who hold the physical metal, not paper claims, will define the terms of that transition. ■



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The Status Quo of Gold – Conclusion



Key Takeaways

- Five pillars support the gold bull market: the rapid deterioration of government finances, growing anti-US -dollar sentiment, the eroding credibility of the Federal Reserve, the expanding role of institutional investors, and inflation volatility.
- Government bonds: The “risk-free investment” is becoming the “yield-free risk investment”: Global debt reached a record high of USD 348trn at the end of 2025, and the US surpassed the USD 39trn mark in March 2026.
- De-dollarization has entered the mainstream: At 56.9%, the US dollar’s share of global currency reserves is at its lowest level in roughly three decades. Even if the recent decline is partly due to exchange rates, the structural diversification trend remains unmistakable.
- The allocation gap remains wide: Our long-term analysis places the optimal gold allocation between 14% and 20%; Morgan Stanley now recommends 20% gold in a 60/20/20 portfolio. However, institutional investors’ allocations remain in the low single digits. Gold is evolving from a satellite investment to a core investment.
- Commodities remain historically cheap: The GSCI/ S&P 500 ratio stands at 0.81 – well below the long-term median of 3.87. Rarely have real assets been so undervalued relative to financial assets.
- The system is not collapsing; it is melting: Denominator decay makes gold the Switzerland of the currency world – not cheap, but reliable, neutral, and trustworthy.
- The Incrementum Ratios (Oktoberfest beer, iPhone, ski pass) confirm: Gold’s purchasing power is rising steadily.

All roads lead to gold.

Kiril Sokoloff

Big bull markets always find a way to keep you frightened and OUT. Big bull markets are devils with no conscience – to get in, you have to"close your eyes and just do it".
Richard Russell

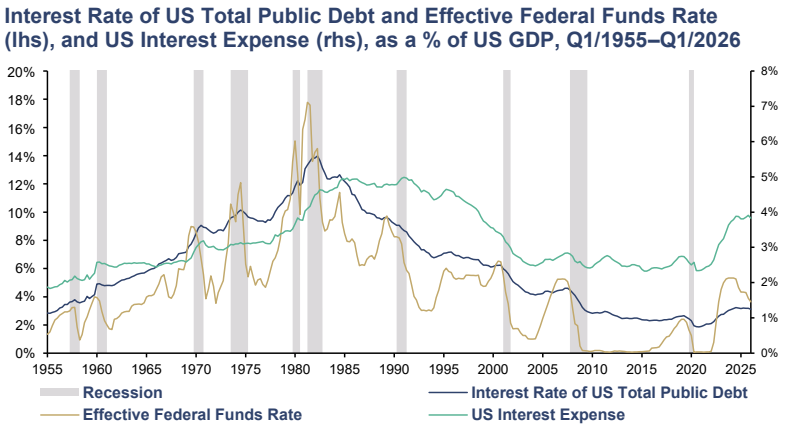
After our tour de force through the diverse world of gold, we would like to conclude by summarizing the key points. The gold bull market is no flash in the pan, but rather the visible result of tectonic shifts in the global financial system. 2025 and the first months of 2026 did not merely alter individual data points; they shook entire foundations: the sustainability of government finances, the US dollar's status as a global reserve currency, the credibility of the Federal Reserve, the portfolio architecture of institutional investors, and the inflation expectations of an entire generation of investors. **Five pillars, five tipping points – and gold is the common thread that connects them.**

The 5 Pillars of the Gold Bull Market

1. Rapid deterioration of public finances

Do you have enough non-debt money?
Ray Dalio

Global debt reached a new record high of USD 348trn in Q4/2025, increasing by USD 29trn over the course of a year. On March 17, 2026, the US surpassed the USD 39trn mark with a public debt-to-GDP ratio of more than 120%; fiscal year 2025 closed with a deficit of USD 1.8trn, and net interest payments once again exceeded the defense budget. Wherever one looks in the OECD world: **government debt-to-GDP ratios well into the triple digits, Germany's departure from its role as a fiscal model – the risk-free investment is increasingly mutating into a yield-free risk investment.**



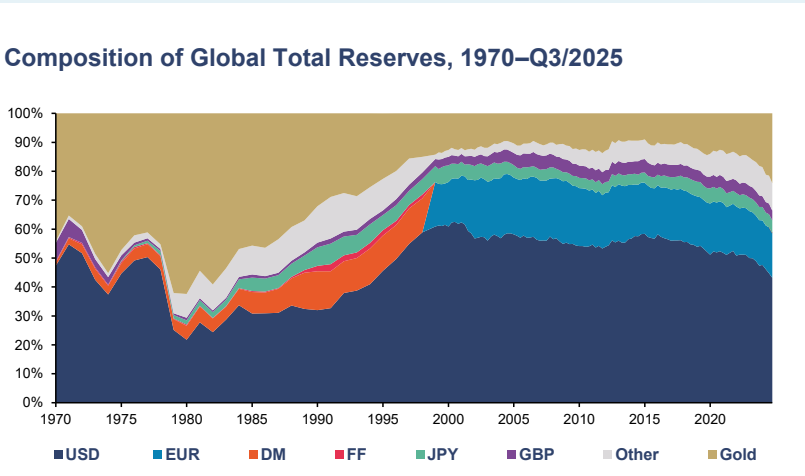
Source: CBO, Federal Reserve St. Louis, LSEG, Incrementum AG

incrementum

2. Acceleration of anti-US-dollar sentiment

The freezing of Russian currency reserves in 2022 was the paradigm shift that pushed the matter over the edge. Suddenly, the uncomfortable truth could no longer be ignored: US Treasuries were neither "risk-free" nor readily available. Since then, emerging-market central banks in particular have been accelerating their diversification away from the dollar and toward gold – the only reserve asset without counterparty risk.

The statistics confirm this monetary U-turn from two perspectives: Including gold, the US dollar's share of global central bank reserves has fallen to around 43% – the lowest level since 1994. Excluding gold, i.e., looking purely at foreign exchange reserves, the figure stands at 56.9% – the lowest it has been in about 30 years. **Whichever lens you choose, de-dollarization has entered the mainstream.**



Source: IMF, World Gold Council, Incrementum AG

incrementum

3. Eroding credibility of the Federal Reserve

Since September 2024, the Federal Reserve has cut the benchmark interest rate by a cumulative 175 basis points – from 5.25–5.50% to 3.50–3.75%. However, the 10-year Treasury yield has risen by around 50 basis points over the same period. Such a constellation – interest rate cuts accompanied by all-time highs in the S&P 500, M2, government debt, and gold – is historically unprecedented.

> *Americans are getting stronger: 20 years ago, it took two people to carry ten dollars' worth of groceries. Today, a five-year-old can do it.*
>
> Henny Youngman

The risk-free asset is mutating into a yield-free risk asset – and the only reserve without counterparty risk bears the oldest name in financial history.

The Federal Reserve has effectively buried the implicit 2% inflation target – without ever holding a funeral. The bond market has long understood this: The yield curve no longer prices in credibility, but mistrust. The new Federal Reserve Chair, Kevin Warsh – barely a few days in office – left no doubt at his Senate hearing on April 21, 2026, where he announced a "*regime change*" and a "*new framework for inflation.*" **The verdict is self-evident: Anyone who needs a new framework has tacitly abandoned the old one.**

4. Institutional investors are slowly waking up

Gold ETFs account for just 0.17% of US retail portfolios, which is 6 basis points below the 2012 peak. JPMorgan sees potential for an increase in allocation from the current 2.8% to 4–5%, and Morgan Stanley now recommends a 60/20/20 portfolio consisting of 60% stocks, 20% bonds, and 20% gold. For us, one thing is clear: Gold is evolving from a satellite investment to a core investment.

5. Inflation: the fiscal accelerator

> *The path of least resistance is inflation.*
> Paul Tudor Jones

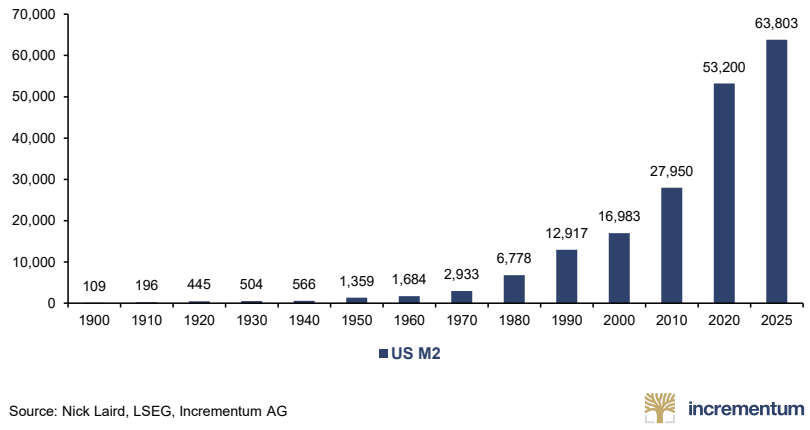
Just how much the bond market still believes in the old 2% world is evident from the breakeven spreads: As of April 2026, they stand at 2.58% for 5 years, 2.38% for 10 years, and just 2.24% for 30 years. The inverted shape of the breakeven-curve is telling: the longer the horizon, the lower the expected inflation – as if the structural drivers of recent years were to vanish overnight. Investors are calibrating their future expectations against a past that structurally ended in 2022, ignoring the fact that the 20th century saw three massive waves of inflation in the US alone: 1940–47, 1966–70, and 1973–82. It is an intellectual wager with an asymmetric payoff profile – and this is precisely where the strategic opportunity for gold lies.

Five pillars, five breaking points – and all point in the same direction. What is unfolding here is not a cyclical phenomenon but a regime shift: The monetary system of the past decades is losing its anchor points, and gold is returning to where it has stood for millennia – at the center.

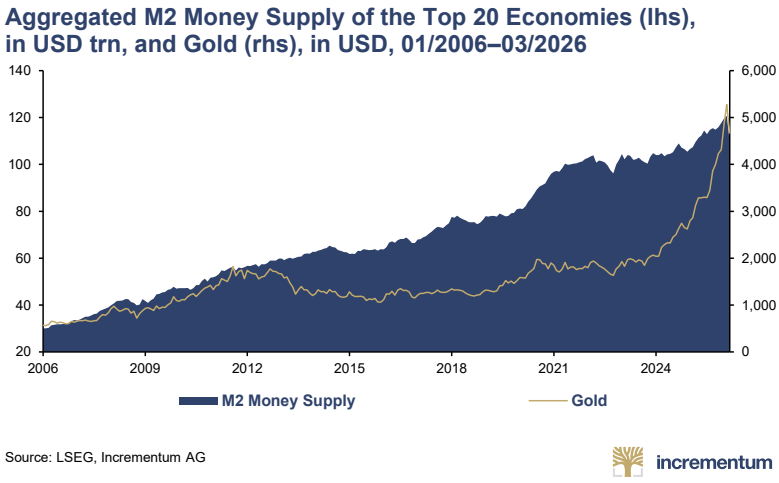
This return is no coincidence but the logical consequence of fundamental economic laws that cannot be regulated away. **Loyal readers know: We always place the monetary function of gold at the forefront of our analyses.** Money is subject to the same fundamental economic principles as all goods: Its value is determined by supply and demand. Confidence in the purchasing power of money thus depends largely on expectations regarding the future money supply. If the money supply grows faster than the supply of goods and services, purchasing power will decline sooner or later. This fundamental economic law explains why gold acts as a natural counterweight to unbacked currencies: Its supply cannot be arbitrarily expanded.

> *The dollar is an excellent tool for commerce but a poor tool for savings.*
> Ray Dalio

The following chart illustrates this development impressively: While the US population has grown by a factor of 4.5 since 1900, from 76mn to just under 350mn, the M2 money supply exploded from USD 9bn to nearly USD 23trn – a more than 2,500-fold increase. **On a per capita basis, this represents an increase of more than 540 times, from USD 109 to over USD 63,000.** The money supply has become a shell without substance – growing in nominal terms but devalued in real terms.



Money supply growth is a key long-term driver of the gold price. After three years of low growth rates, the global money supply is now growing more rapidly again, though it remains at the lower end of the historical range. On a long-term average, M2 has grown by 6.6% per year in the G20 countries. The thesis put forward by our friend Larry Lepard in his highly recommended book *The Big Print* is that a significant acceleration is on the horizon. **If the "Big Print" does indeed materialize, it will act as an additional catalyst for the gold price.**



In our interviews and presentations, we always emphasize that gold is not a (substitute) religion, not a jack-of-all-trades, and not a panacea for every portfolio problem. This makes the question of the correct weighting all the more valid. A pragmatic benchmark for private investors is the share of gold in central banks' currency reserves: Globally, the figure stands at around 24% – but in Western industrialized nations, it is significantly higher still.

> *Gold is the ruler that refuses to stretch.*
> Tony Deden

Gold Reserves, Q3/2025

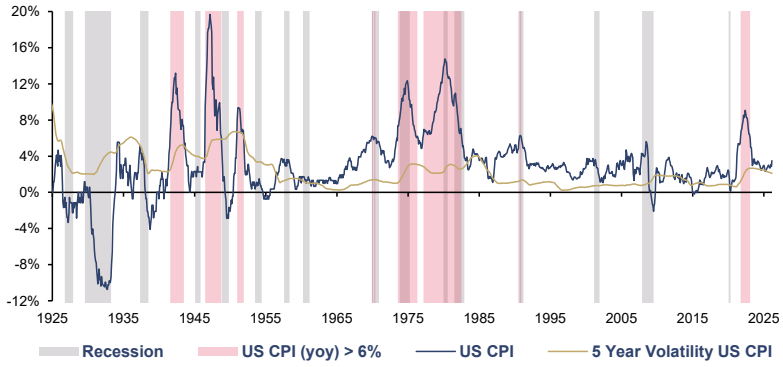
	Per Capita, in USD	Share of Total Reserves	% of GDP
China	USD 201.07	7.7%	1.4%
Euro Area	USD 3,770.24	69.4%	7.4%
Japan	USD 839.23	7.8%	2.3%
Canada	USD 0.00	0.0%	0.0%
Russia	USD 1,996.15	40.0%	11.1%
Switzerland	USD 14,202.18	12.1%	12.3%
UK	USD 551.26	18.3%	1.0%
USA	USD 2,941.13	80.4%	3.3%
World	USD 550.72	24.2%	3.8%

Source: IMF, World Bank, World Gold Council, Incrementum AG

Our own quantitative long-term analysis for the period from 1970 to 2024, which we presented in the *In Gold We Trust* special "The Optimal Gold Allocation," confirms this finding: **Depending on risk aversion, the ideal gold allocation ranges between 14% and 20%.**

Belatedly but unmistakably, Western financial investors are now rediscovering gold. This is evident from the sharp rise in ETF demand over the past few months. A key reason for this appears to be latent concerns about inflation and stagflation. As we explained earlier, we expect increased inflation volatility and at least one more wave of inflation in the coming years. Therefore, we assume that the correlation between stocks and government bonds will remain positive, which further strengthens the case for negatively correlated portfolio hedges such as gold.

US CPI, yoy, and 5 Year Volatility US CPI, 01/1925–03/2026



Source: LSEG, Incrementum AG

incrementum

> *Supply chains will shift from just-in-time to just-in-case.*
> Paul Singer

As predicted in the *In Gold We Trust* report 2025, "The Big Long," silver and mining stocks – and ultimately commodities as well – have also awakened from their slumber following gold. Fundamentally, a commodities allocation offers investors three potential advantages:

- long-term positive returns
- low correlation with stocks and bonds
- hedging against inflationary pressure

In his Substack article "Copper: Limits to Growth in the Age of Demand Simultaneity," commodities analyst and investor Craig Tindale argues that the physical world imposes hard limits on the digital ambitions of the AI era.[1] His thesis: Central banks can print

1 *See* also the debate "Shovels, Not Spreadsheets – Luke Gromen Debates Craig Tindale" in this *In Gold We Trust* report

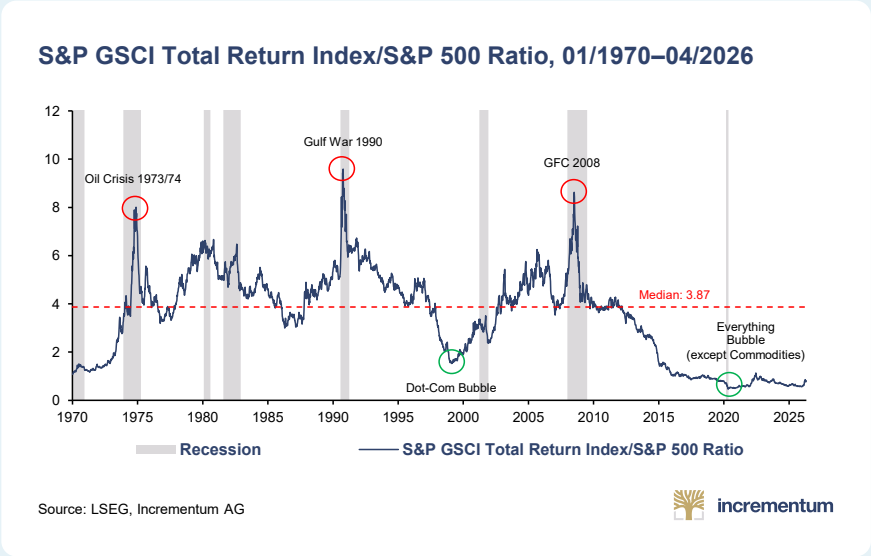
money, but they cannot print the copper, the smelters, or the mines needed to build the infrastructure for an AI boom. The mines are not developed, the smelters are not built, yet the demand is already there.

Central banks can print money – but not copper, not smelters, not mines. The AI boom is hitting the hard wall of the physical world.

As shortages intensify, Tindale argues, copper will rise from an industrial raw material to a strategic commodity – with export restrictions, strategic stockpiling, and government allocation to preferred industries. Defense and critical infrastructure will be prioritized, while the private market fights over the scraps. Tindale's conclusion is blunt: The AI data centers currently under construction could be the last wave to be completed before the bottleneck hits. **The digital world is a tenant of the physical world – and the rent is due.**

A glance at the relative valuation of commodities compared to the stock market shows that capital markets have barely priced in these physical realities. The following chart has been a companion to loyal readers for years. It shows that commodities remain historically extremely cheap relative to stocks. The GSCI Commodity Index (TR) has barely recovered from its historic low in April 2020 relative to the S&P 500. The ratio currently stands at 0.81. It is thus miles away from its all-time highs and remains well below the long-term median of 3.87.

There aren't any commodity managers left from the carnage in commodities from 2011 to 2020. As such, it has been a challenge to convince real money allocators that they need commodity managers.
Marko Papic



On the Valuation of the Gold Price: Already Too Expensive or Still Cheap?

In the wake of the sharp rise in the price of gold in recent months, the question now arises: Is gold already too expensive?

As we have argued for years, value is subjective. Objective factors such as production costs play only a minor role in valuation. Thus, the market value of a Vincent van Gogh masterpiece far exceeds its production costs; a glass of water in the middle of the desert is valued differently than on the shores of the Wolfgangsee in Austria; and the first beer after a long hike has a higher marginal utility than the fifth.

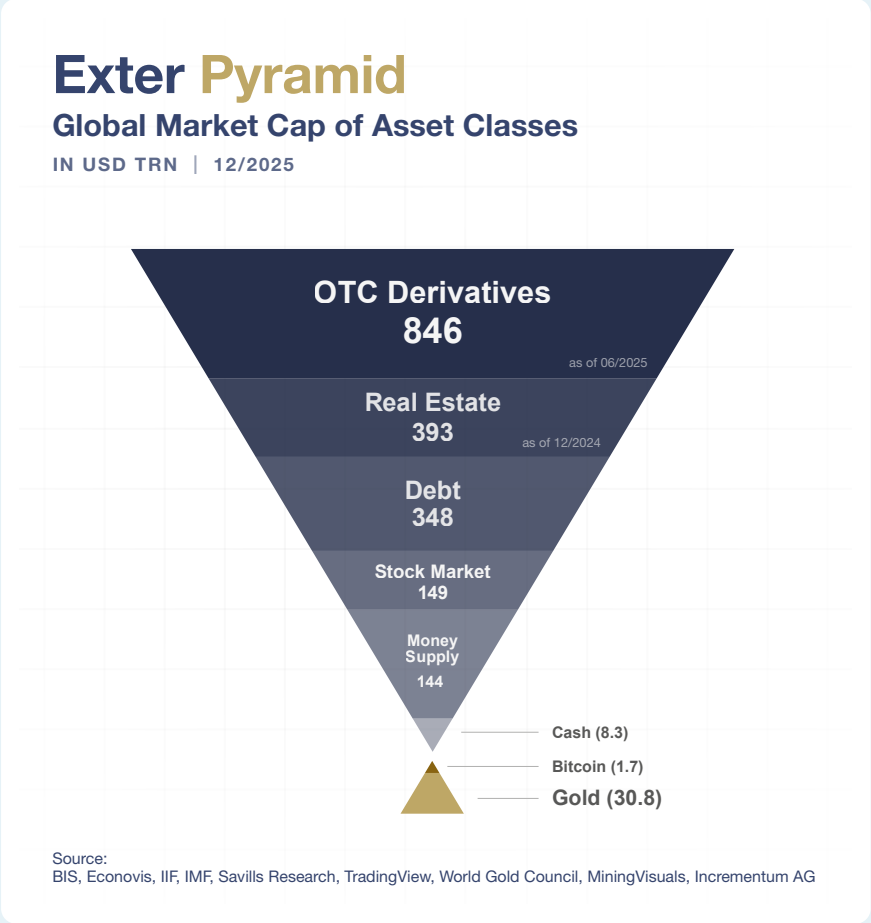
Value does not exist outside the consciousness of men.
Carl Menger

In the *In Gold We Trust* report 2019, "Gold in the Age of Eroding Trust," we examined John Exter's theories in detail in the chapter "The Enduring Relevance of Exter's Pyramid". He views gold as the apex of an inverted debt pyramid, though in reality it is not

part of this pyramid at all: While all elements of the pyramid are debt – even cash represents an obligation of the central bank – gold is not a liability and is thus the only true alternative to fiat money.

> *Confidence is suspicion asleep.*
> John Exter

Until now, crises tended to trigger a flight to US Treasuries rather than to gold, which kept the debt pyramid stable. This has changed fundamentally in the wake of the market turbulence following *Liberation Day* and the outbreak of the Iran War. Despite sharp losses on the stock markets in the meantime, US Treasuries were sold off at the same time. Whether this development signifies a lasting change in the reaction function is not yet foreseeable. But once confidence in US Treasuries wanes, the pyramid will collapse, and gold will rise to become the last refuge.



> *What's the difference between a liquidity and a solvency event? Usually about an hour and a half.*
> Russell Napier

Exter's central warning applies today more than ever: What happens when financial assets, whose liquidity was taken for granted, suddenly find themselves without demand? Then the house of cards collapses – and gold stands ready to assume the role of the final anchor of liquidity.

Conclusion

> *The dollar still exists, but it's silently losing its meaning as a stable reference point. Governments, media, and markets still talk in USD – but it's like benchmarking against a melting ice cube.*
> SightBringer

The system isn't collapsing – it's melting. What we're witnessing isn't a dramatic collapse but a creeping decay of the denominator. The unit of account itself – the fiat money in which we quantify value – is losing substance. We call this process *denominator decay*: an erosion that does not play out in headlines but in a quiet, persistent destruction of purchasing power.

The consequences are anything but quiet. In an unstable world, people seek anchors – assets whose value does not depend on the credibility of an issuer. When investors who have believed in DCF models and the efficient market hypothesis their entire lives suddenly buy gold, it is more than a tactical portfolio decision; it is *the psychology of touch* – the need for an asset one can touch, weigh, and hold in one's hand.

Gold is not a panic trade. It is a preparedness trade – the Switzerland of the monetary world: not cheap, but reliable, neutral, and trustworthy.

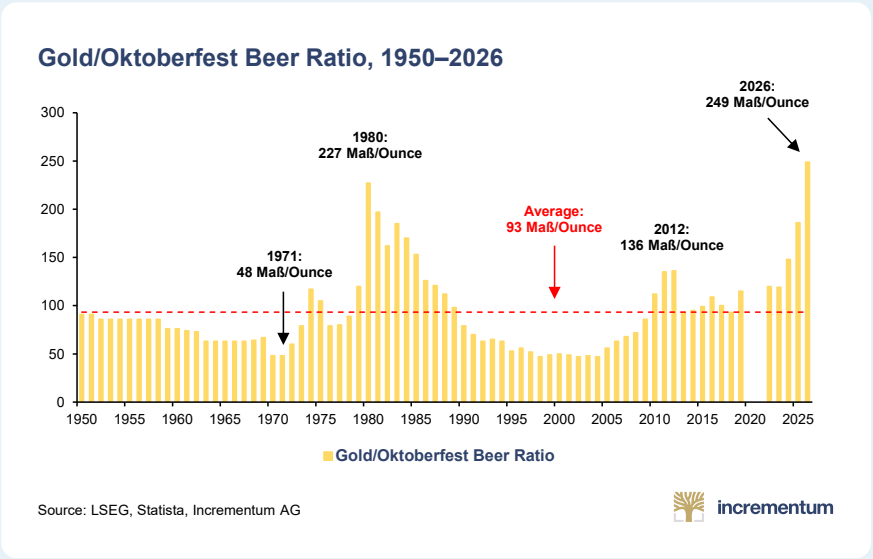
In Gold We Trust Special: Incrementum Gold/ Oktoberfest Beer Ratio[2]

On September 19, the cry of "O'zapft is!" will ring out once again at Munich's Theresienwiese. The price of beer for Oktoberfest 2026 has not yet been set – but one thing is already certain: Gold's purchasing power for beer will once again be significantly higher. At the end of August 2025, gold was trading at EUR 2,950; by mid-April 2026 it had already reached just under EUR 4,100 – an increase of more than a third in six months.



Courtesy of: Exithamster

Had the Oktoberfest opened its gates in mid-April, the gold-to-Oktoberfest beer ratio would have stood at 249 Maß, up from 186 Maß at the 2025 Oktoberfest. That is a one-third increase, even if we assume a further rise in the euro price per liter to the extent of the most recent price hike, up to EUR 16.30. In 2024, one ounce of gold bought 148 Maß; in 2023, it was only 119 – less than half the current amount.



Because the price of a Maß of Oktoberfest beer has risen so sharply in recent years – with prices up by more than a third since 2019 – ideas that were previously unthinkable are now being openly discussed. The president of the Bavarian Brewers' Association has proposed charging an admission fee to enter the festival grounds at Theresienwiese. This additional source of revenue is intended to give vendors the opportunity to curb the rise in beer prices.

> *The whole world is about three drinks behind.*
> Humphrey Bogart

Is beer at the Wiesn already *exorbitantly* overpriced? The old record high of 227 Maß from 1980 has since been significantly surpassed, not to mention the 77-year average of 93 Maß. **In that regard, it's time to be a little careful – at least with your own liver.**

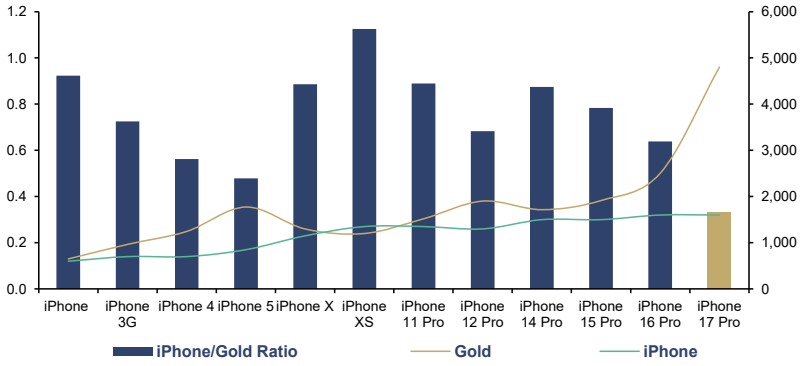
2 We take a closer look at the gold-to-Oktoberfest beer ratio every fall in an *In Gold We* Trust special. For last year's *In Gold We* Trust special, see "The Gold/Oktoberfest Beer Ratio 2025," September 2025.

In Gold We Trust Special: Incrementum iPhone/Gold Ratio[3]

There's no chance that the iPhone is going to get any significant market share. No chance.
Steve Ballmer, April 2007

"iPhone at a Bargain Price" – that's what the headline should read. In mid-April, the iPhone 17 Pro Max with 1 TB of storage cost just 0.33 ounces of gold – the lowest price in the entire history of the iPhone. The very first iPhone cost 0.92 ounces, nearly three times as much as today. In US dollars, however, the list price remained unchanged at USD 1,599 – a small consolation for those iPhone lovers who hadn't invested in gold.

iPhone/Gold Ratio (lhs), and Gold and iPhone (rhs), in USD, 2007–2025



Source: venturebeat.com, LSEG, Incrementum AG

incrementum

You realize how old you are when you tell a kid you had phones attached to the wall. They look at you like you just said you rode dinosaurs to the iPhone store.
Chris Rock

On a US dollar basis, the price increase from USD 599 for the first iPhone amounts to 167% over the entire iPhone era – an average of 5.3% per year. For gold investors, the picture looks much brighter: Over the same period, the price of gold rose by an average of 11.4% per year. Calculated in gold, the iPhone has thus become 5.5% cheaper annually – a total of nearly two-thirds. For this smaller amount of gold, however, the buyer has received more iPhone year after year. The performance improvements are indeed enormous: **Processor power alone has increased more than three hundredfold compared to the original iPhone.**

	2007	2012	2017	2022	2025
	iPhone	iPhone 5	iPhone X	iPhone 14 Pro Max	iPhone 17 Pro Max
Processor performance (Geekbench)	100–150 (estimate)	~2,000	~12,000	~19,000	~46,000
RAM	128 MB	512 MB	4 GB	6 GB	12 GB
Max. storage	16 GB	16 GB	512 GB	1 TB	2 TB
Cameras	1 (2 MP)	2 (8 MP; 1.2 MP)	3 (2 x 12 MP; 1 x 7 MP)	4 (1 x 48 MP; 3 x 12 MP)	4 (3 x 48 MP; 1 x 18 MP)
Video quality	N/A	1080p @ 30 fps	4K @ 60 fps	4K @ 60 fps	4K @ 120 fps
Battery	1,150 mAh	1,440 mAh	3,174 mAh	3,200 mAh	4,823 mAh
Resolution	480 x 320 (163 ppi)	640 x 1,136 (326 ppi)	2,436 x 1,125 (458 ppi)	2,556 x 1,179 (460 ppi)	2,868 x 1,320 (460 ppi)
Price in USD	USD 599	USD 849	USD 1,149	USD 1,499	USD 1,599
Price per oz of gold	0.92	0.48	0.89	0.87	0.33

3 We will again take a closer look at the iPhone/gold ratio this fall in an *In Gold We* Trust special when the new iPhone is unveiled. For last year's *In Gold We Trust* special, *see* "The iPhone/Gold Ratio 2025," September 2025

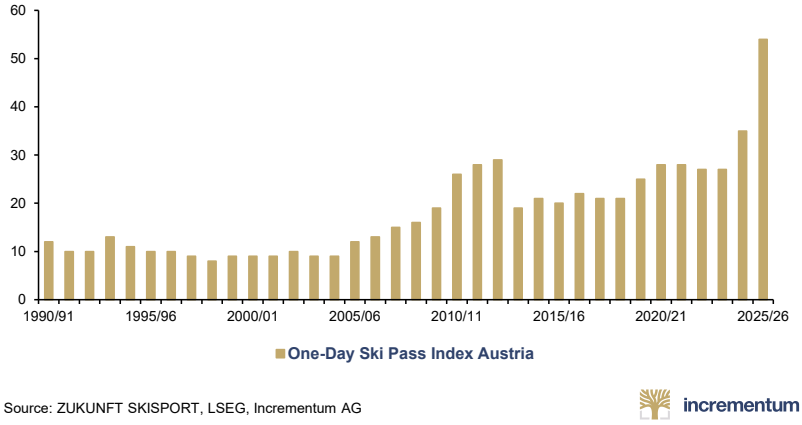
In Gold We Trust Special: Incrementum Gold/ Ski Pass Ratio[4]

"Ski pass prices in free fall." Never before in the past 35 years has one ounce of gold been able to buy anywhere near as many one-day ski passes as this year – namely, 48. Last winter season, it was only 35 one-day passes, based on an equally weighted index of 11 ski resorts[5] – 13 fewer. And yet, the gold-to-ski-pass ratio had already risen by 29.6% the year before.

Spring skiing became even more affordable. Compared to a ski vacation in January, not only were the temperatures more pleasant, but also the sun illuminated the mountain peaks for significantly longer periods of daylight. The continued rally in the price of gold meant that, by mid-April, gold investors received 54 day passes for one ounce – 6 more day passes than before. In other words, while a day pass cost 0.021 ounces in January, by mid-April it cost only 0.019 ounces.

> *Skiing: the art of catching a cold and going broke while rapidly heading nowhere at great personal risk.*
> Henry Beard & Roy McKie

Gold/Ski Pass Ratio, WS1990/91–WS2025/26



Source: ZUKUNFT SKISPORT, LSEG, Incrementum AG

incrementum

A comparison with the much more expensive ski resorts in North America is also telling. For one ounce of gold, you could have hit the slopes in Vail for just 14 days in mid-April, and in Whistler for 20 days. In comparison, Austria's top ski resorts prove to be a bargain.

This also applies to those skiers in Austria who didn't bet on gold. The trend of rising prices continued compared to the previous year, averaging 4.8%. Compared to the 2019/20 winter season, day passes have become a remarkable 41.8% more expensive overall. However, with daily prices under EUR 80, a day of skiing in the Austrian Alps costs significantly less than in the mountains of North America. ■

> *It's better to go skiing and think of God than go to church and think of sports.*
> Fridtjof Nansen

4 For this winter's *In Gold We* Trust Special, *see* "Schifoan – The Gold/Ski Pass Ratio 2026," January 2026. We will publish an update on the Hahnenkamm Races in Kitzbühel at the end of January 2027.

5 These are the Stubaier Glacier, Kitzbühel, Obertauern, Kleinwalsertal, Arlberg, Wilder Kaiser, Sölden, Wagrain/Snow Space, Fiss, Steinplatte, and Schmittenhöhe ski resorts. We would like to thank Günther Aigner *of ZUKUNFT SKISPORT*, one of the most renowned experts and a top speaker on the topic of winter sports, for providing the data.

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2 PRODUCING ASSETS IN MEXICO



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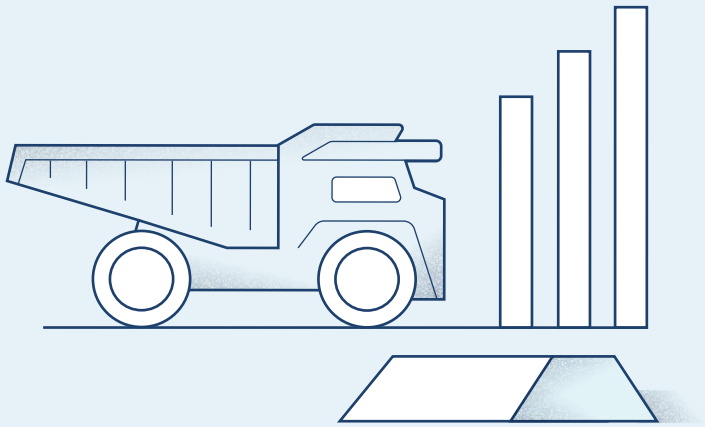
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The Renaissance of Gold Allocation



Key Takeaways

- Central banks and private investors are increasing their gold allocations, while the traditional role of bonds as a risk-free portfolio anchor is increasingly being called into question.
- The stock-bond correlation is positive again, real bond yields are under pressure, and the risk of a lost decade for traditional balanced portfolios is palpable.
- De-dollarization, demographic-driven fiscal pressure, high government debt, geopolitical fragmentation, and recurring inflation shocks are increasing demand for scarce, liquid, and counterparty-free real assets.
- The *IGWT Gold Allocation 2045 Model* forecasts a gold price of up to USD 20,800 and a gold market capitalization of USD 210trn by the end of 2045.

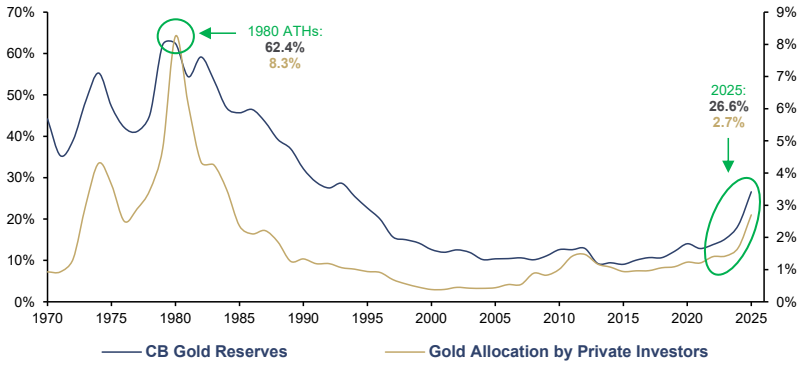
Gold has begun to replace some US Treasury holdings as the risk-free asset in many portfolios, most notably in central banks and large institutional portfolios.

Ray Dalio

Fiscal Singularity

The leitmotif of this report – *Back to the Monetary Future* – also contains a reference to a monetary paradox of our time: The further the financial system drifts from its old anchors – technologically, politically, and on the balance sheet – the greater the need for precisely those characteristics that have defined good money for centuries. In other words, the more pronounced the effects of money's dematerialization become, the greater the need for an asset whose value is based not on promises but on substance.

CB Gold Reserves (lhs), as % of Total Reserves, and Gold Allocation by Private Investors (rhs), 1970–2025



Source: Bloomberg, ICE Benchmark Administration, IMF, WFE, World Gold Council, Incrementum AG

incrementum

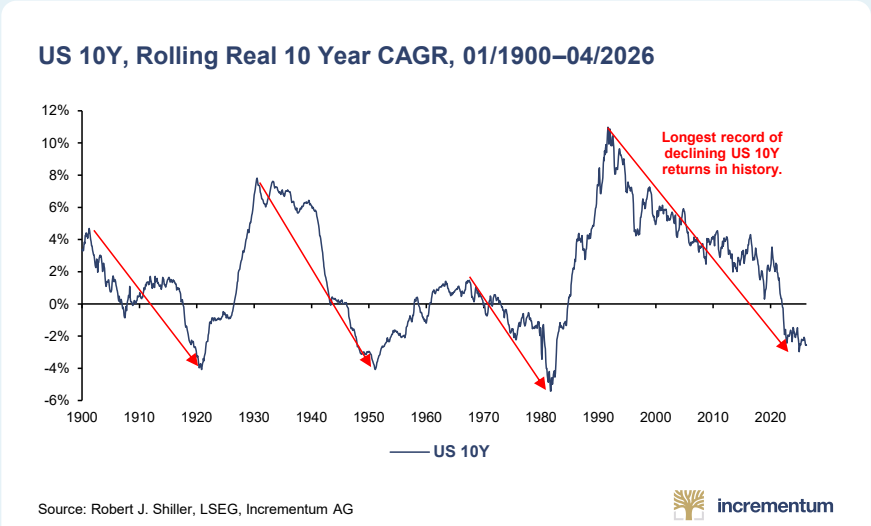
The boom is built on the sands of banknotes and deposits. It must collapse.
Ludwig von Mises

We are currently likely only at the beginning of a global renaissance in gold allocation. Both central banks and private investors have rediscovered gold, yet by historical standards, the potential for growth remains substantial. To reach the all-time high of 8.3% in private gold allocations, private investors would need to more than triple their current allocation of 2.7%. Central banks, in turn, would need to more than double their current share of gold in total reserves – 26.6% – to return to the previous peak of 62.4%.

Underlying this paradox is a structural escalation of the global debt crisis, which is causing the conflicting objectives of the existing monetary system to intensify ever further and is gradually pushing the global economy toward fiscal singularity. In a physical sense, a singularity refers to a point at which known laws and models fail because quantities such as density, curvature, or energy tend toward infinity, and the existing framework of order can no longer hold. In the context of the debt situation, this means that the higher the debt burden rises, the more sensitive the system becomes to interest rates. At the same time, persistent inflationary pressure ensures that the interest burden continues to increase and that the conflicting objectives of price stability, debt sustainability, fiscal policy flexibility, and financial market stability become increasingly acute.

Over the years, ever-new layers of liabilities, guarantees, implicit government promises, and accounting workarounds have been piled up. Interest rates were pushed down to near zero and, in some places even below, to make the burden appear manageable. But an artificially pacified volcano is not extinct. It is merely politically pacified until the next eruption. The euro crisis, the gilt crisis in the United Kingdom, the crisis of US regional banks: None of these were isolated events but rather harbingers of a deeper fragility. **The bond market, the engine of today's financial system, has long since begun to lose its structural resilience.**

> *Toward the later stages of a long-term debt cycle, we are beginning to reach the point where the problems are materializing in the present.*
> Lyn Alden



The rolling 10-year annualized inflation-adjusted performance of 10-year US Treasury bonds has fallen to -2.58% as of April 2026. A similarly weak level was last reached in the early 1980s. However, the historical cycle lows were significantly lower, at least -4% in each case. Furthermore, as of April 2026, the real 10-year performance has only been in negative territory for 51 months, which represents a relatively short phase by historical standards. Further downside potential cannot therefore be ruled out, even though the structural downtrend **has been in place for 37 years and thus already marks the longest phase of declining real performance since the start of the data series**. The chart thus underscores that US Treasuries have recently been unable to fulfill their traditional role as a store of real value over long periods.

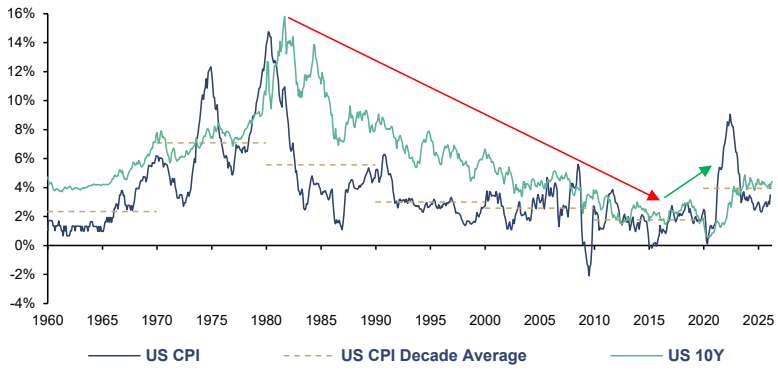
> *You will never fully convince someone that he is wrong; only reality can.*
> Nassim Nicholas Taleb

The fact that many institutional investors still interpret this as a temporary market disruption is telling. The allocation data presented later in this chapter support this assessment. Looking back has conditioned them to draw the wrong lesson, as explained in detail from a behavioral economics perspective in this *In Gold We Trust* report in chapter 14, "The Psychology Behind Gold's Underallocation".

During the era of major disinflation, duration was almost always the right answer, and **the 60/40 portfolio was the photosynthesis of that era**. Stocks provided the light, bonds the water, and falling interest rates seemingly effortlessly transformed both into oxygen in the form of returns. Until new, unstable elements such as inflation volatility, fiscal dominance, and geopolitical fragmentation disrupted the order. The following

chart illustrates not only the nature of the regime but also its breakdown: After inflation and yield averages had fallen for decades, the current decade-long inflation average of 3.94% is now noticeably higher than in the 1990s, 2000s, and 2010s.

US CPI, yoy, and US 10Y, 01/1960–04/2026



Source: LSEG, Incrementum AG

incrementum

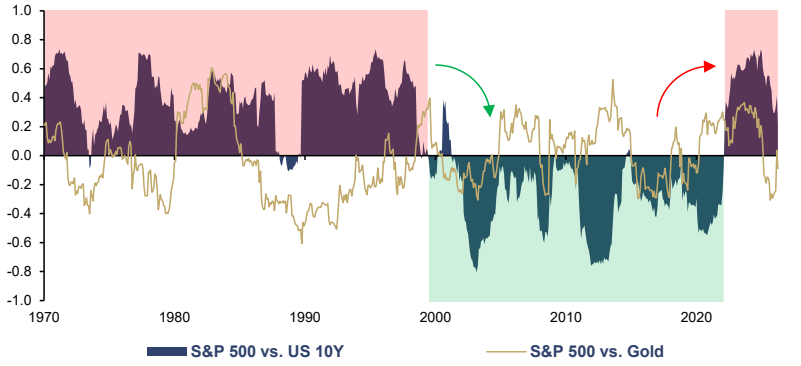
The future is already here – it's just not very evenly distributed.
William Gibson

Regimes age. And sometimes they collapse faster than institutional habits can adapt. **The monetary future, however, might be less new than many believe, and this is precisely why gold is gaining structural significance.**

Gold vs. Bonds: A Duel for the Ages or One with an Expiration Date?

Gold and bonds share a peculiar commonality: **Both thrive on trust, but in completely different ways.** Government bonds represent a claim to future cash flows within a political regulatory framework. Gold, on the other hand, is not a promise but an asset without a counterparty, without a maturity structure, and without issuer risk. Gold is, so to speak, the monetary antithesis. While bonds depend on the integrity and solvency of the system, gold gains relative appeal precisely when that integrity is called into question.

The following chart corrects one of the most persistent misconceptions in modern portfolio theory: **Government bonds are not fundamentally negatively correlated with stocks.** The negative stock-bond correlation was less a law of nature than a regime phenomenon. Since 1970, the rolling 2-year correlation between the S&P 500 and the US 10-year Treasury has been positive for long stretches. On average, it stands at around +0.10. This means that, historically, bonds have by no means always reliably cushioned equity risks.



After roughly two decades of predominantly negative correlation, the stock-bond correlation has clearly returned to positive territory. Stocks and bonds have thus forgotten the "catenaccio" of the classic 60/40 portfolio: Instead of defensively hedging each other, they now move in lockstep – they charge forward together and retreat together. If the striker falls, the defender is no longer there to cover. As a result, the classic 60/40 portfolio loses the very characteristic that made it so attractive in past decades: the automatic diversification effect. When stocks and bonds can fall simultaneously, the supposed risk balance turns into a shared dependence on the same macroeconomic factors – inflation, real interest rates, fiscal dominance, and monetary policy credibility.

While the rolling correlation between the S&P 500 and gold also fluctuates, its long-term average since 1970 has been around -0.02, which is lower than that of stocks and bonds. In several periods of market stress, it has even been negative. **Gold is therefore not a perfect hedge in every market environment, but a structurally independent portfolio component that gains importance when bonds lose their role as a reliable counterweight to stocks.**

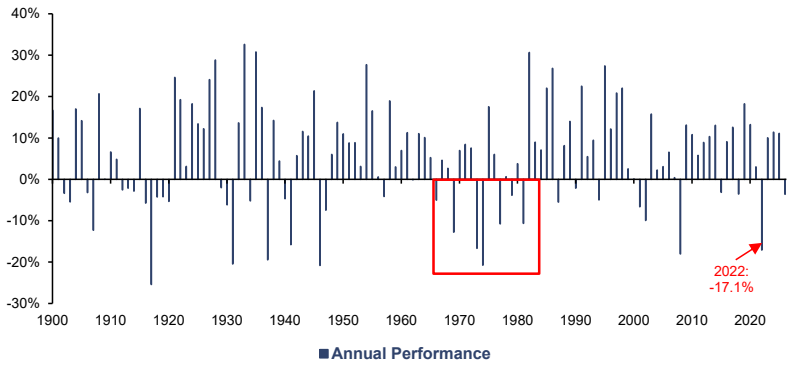
> *There's something loose between my legs... apart from the obvious!*
> Sebastian Vettel

In disinflationary and deflationary shocks, the protective function of high-quality government bonds generally remains intact. In such phases, duration acts as a classic "flight to quality" mechanism. Therefore, it would be analytically incorrect to prematurely write off government bonds. But that is only half the story. The other half is this: **In inflationary and stagflationary environments, during periods of negative real interest rates, fiscal dominance, or geopolitically induced supply and energy shocks, the diversification power of nominal bonds structurally erodes.**

> *If I could go back in time, I would.*
> Loris Karius

The next chart illustrates the consequences of this erosion of correlation in real performance data. **In 2022, the inflation-adjusted 60/40 portfolio suffered one of the worst setbacks in modern capital market history, with a return of -17.1%.** Should 2026 also end in the red, this would mark the fifth consecutive year of losses for bonds over the past six years. The supposedly defensive portfolio component has thus become a liability, much like Loris Karius did for Liverpool in the 2018 Champions League final.

Historically, this pattern is by no means unprecedented. Between 1966 and 1981, the 60/40 portfolio recorded seven years of negative real returns, including five years with losses exceeding 10%. This period was marked by inflationary pressures, rising interest rates, and macroeconomic instability – in other words, the very conditions that are once again coming to the fore today.

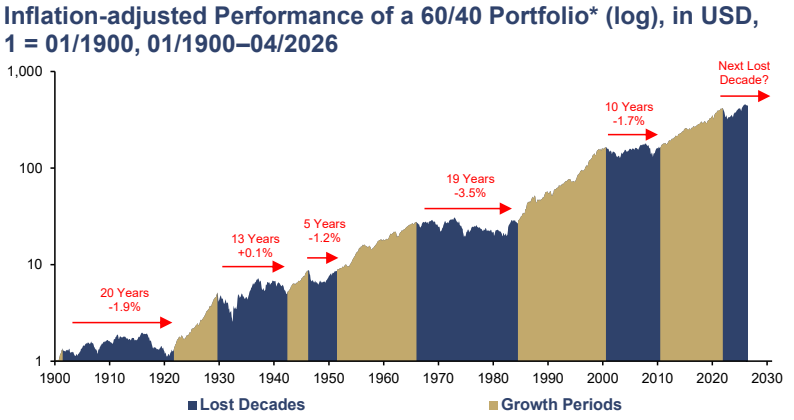


Source: LSEG, Incrementum AG, *60% S&P 500 TR and 40% US 10Y TR

incrementum

The riskiest thing in the world is the belief that there's no risk.
Howard Marks

The long-term cumulative performance of a 60/40 portfolio shows that, while it has indeed generated significantly positive real returns since 1900, it by no means delivered the steady returns it appears to have when looking exclusively at the last few decades of the disinflationary phase. For long stretches, real performance was characterized by extended sideways phases in which investors achieved little or no gains in purchasing power. About half of the time was accounted for by such lost periods. **The question of whether the 60/40 portfolio entered a new lost decade at the end of 2021 is therefore historically legitimate.**



Source: Robert J. Shiller, Incrementum AG, *60% S&P 500 TR and 40% US 10Y TR

incrementum

We have already demonstrated in previous *In Gold We Trust* reports that the traditional 60/40 model is not a law of nature.[1] Neither the analysis of the "new 60/40 portfolio" nor our work on optimal gold allocation ever viewed gold as a mere ornament. Rather, it was already suggested there that gold gains strategic relevance precisely in those scenarios where nominal bonds lose their protective effect in real terms. The decisive point for this chapter, however, is another: It is not primarily about an optimization exercise but about **the realization that the macroeconomic coordinate system has shifted**.

1 *See* "The New Gold Playbook," *In Gold We Trust* report 2024;

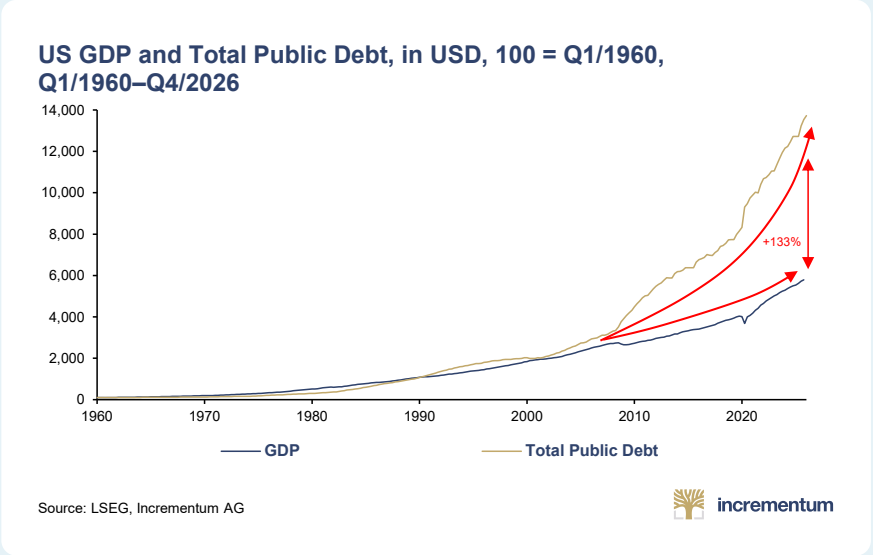
The bond market in the headwinds of the new macro regime

When it comes to the correlation between stocks and bonds, differentiation is crucial: Long-term correlation is not the same as short-term correlation. Furthermore, it is too simplistic to equate correlation with diversification across the board. In practice, the benefits of diversification are significantly more complex and must always be assessed within the respective macroeconomic context. **For the bond market, several countervailing forces are currently accumulating, and their simultaneous occurrence makes them particularly problematic.**

> *How did you go bankrupt? In two ways: gradually, then suddenly.*
> Ernest Hemingway

Debt

The bond market is suffering from a structural overload of the debt system. In recent decades, bonds have benefited from falling interest rates, declining inflation expectations, and high monetary policy credibility. Under the new regime, however, they face headwinds from a debt dynamic that demands low real interest rates, while precisely these low real interest rates can undermine investors' purchasing power.



The chart illustrates one of the central fault lines of the new macroeconomic regime: Since 1960, total US debt has not only grown significantly faster in absolute terms than economic output but has also gradually decoupled from it. Until the mid-1970s, GDP was expanding even more dynamically than debt. Since then, the relationship has gradually reversed. **Credit-financed growth has increasingly turned into debt that requires further growth.**

> *Sooner or later, this can't go on like this any longer; unless it takes even longer, in which case one can only say that everything takes time, and it's about time things changed soon.*
> Karl Valentin

By the end of 2025, the cumulative growth of total US debt will have exceeded that of GDP by 133%. Only during the 2020 COVID crisis was this divergence even more pronounced. Thus, the chart shows not merely a long-term rise in debt but a creeping shift in macroeconomic dynamics: The debt foundation is growing faster than the real economic framework it is meant to support.

For the bond market, this development is of fundamental importance. The further debt and economic output diverge, the more the political response function changes. High debt levels increase the pressure to keep nominal financing costs under control and real financing costs as low as possible. What was once regarded as the bond market's disciplining function is increasingly becoming a political imposition in such an environment.

> *Making the impossible possible is becoming an impossibility.*
> Andreas Brehme

This puts government bonds in a paradoxical position. They remain the government's primary refinancing instrument, yet precisely because of this, they lose part of their role as a nonpolitical portfolio anchor. If the system's sustainability depends on persistently low real interest rates, the bond market becomes **more vulnerable to financial repression, fiscal dominance, and higher inflation volatility.**

Inflation and interest-rate trends

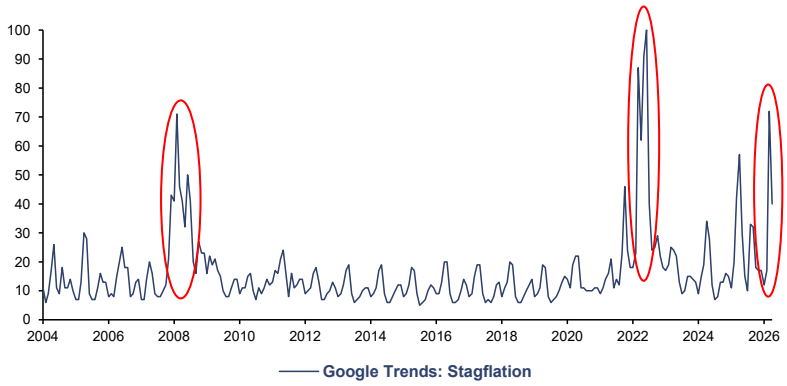
It's a bad surface. Me, I cannot do damage to bad surface. Bad surface is bad surface.
Daniil Medvedev

Stagflation refers to a macroeconomic scenario in which the traditional monetary policy response loses its effectiveness. Economic growth slows down, while price pressures do not ease sufficiently. For central banks, stagflation is what a clay court is to Daniil Medvedev: the most unpleasant playing field. Interest rate cuts can exacerbate inflation risks, while rate hikes weigh on growth, debt sustainability, and financial markets. **It is precisely this dilemma that lies at the heart of the new macroeconomic regime.**

Ignoring the warning signs and continuing with the tried-and-true strategies of the past means ignoring the third, decisive howl of the wolf.
"The Boy Who Cried Wolf: An Inflationary Decade Ahead?", *In Gold We Trust* Special

The next chart shows that the stagflation debate is by no means a relic of the 1970s and has not only returned to the macroeconomic spotlight in the current decade but also in people's minds. Indeed, the term *stagflation* has recently been invoked with significantly greater frequency. Following 2022, when we deliberately titled our *In Gold We Trust* report "Stagflation 2.0", the perception of stagflation has thus reached a significantly higher level for the second time this decade. It is becoming a latent concept in the collective market memory.

Google Trends: Stagflation, 01/2004–04/2026



Source: Google, Incrementum AG

incrementum

Let me tell you something that we Israelis have against Moses. He took us 40 years through the desert in order to bring us to the one spot in the Middle East that has no oil!
Golda Meir

The following chart illustrates how this trend is being transmitted through the market via energy prices and interest rate movements. The pattern following 2021 is particularly striking: The oil price surged ahead, while yields on 10-year US Treasury bonds followed with a lag. The WTI oil price rose sharply from its COVID low and at times reached levels of around USD 120 in 2022. This energy price shock, combined with the drastic expansion of the money supply, fueled inflationary pressure and forced monetary policy into the fastest cycle of interest rate hikes in history. As a result, the US 10-year yield rose from its COVID low near 0.5% to the range of over 4%.

US 10Y (lhs), and WTI (rhs), in USD, 01/2015–04/2026



Source: LSEG, Incrementum AG

incrementum

This pattern is crucial for the current outlook. Should the oil price rise sustainably again, this would not only be a warning sign that inflation could once again be less "transitory" than central banks would like but would also imply rising bond yields. For central banks, this would once again intensify the conflict of objectives: **To maintain credibility in the fight against inflation, they would have to remain more restrictive or accept further interest rate hikes, even if growth and debt sustainability are already under pressure.**

It is probably a good time to retire that word.
Jerome Powell

If inflation and interest rates remain high or rise again simultaneously, stocks come under pressure from margin compression and valuation multiples, while bonds are weighed down by rising yields and negative real returns. The new macro regime is not necessarily characterized by persistently high inflation but rather by higher inflation volatility and recurring inflation shocks. **Those who continue to rely on the old 60/40 playbook are implicitly betting on the return of the old disinflationary world.** But those who wait for the return of the old realities are waiting like an Elvis fan outside the gates of Graceland – with great longing but likely in vain.

The truth is like the sun. You can block it out for a while, but it's not going away.
Elvis Presley

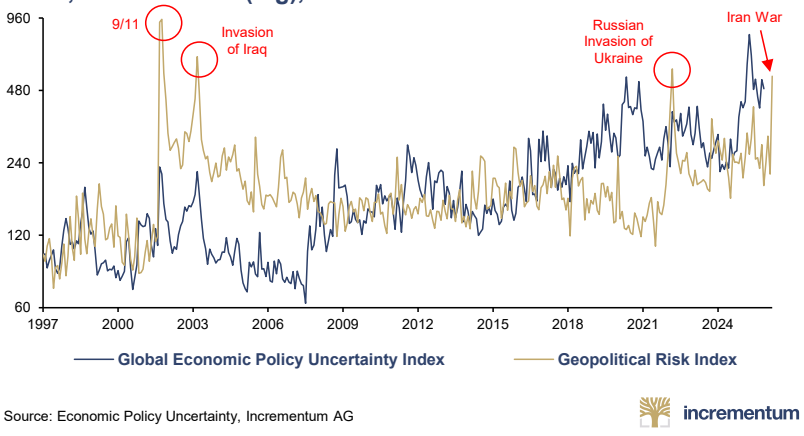
Geopolitics & war economy

In a fragmented world order, bonds are no longer merely interest-bearing instruments and diversifiers, but increasingly also serve as **a canvas for geopolitical power politics.**

The historical analysis by Greenwood et al. shows that wars are not merely humanitarian and real-economy disasters but also leave deep scars on government bond markets. Based on monthly observations of government bond prices since 1822, the authors document that a global war shock of one standard deviation reduces the yields of a global bond portfolio by around five percentage points within a year.

Crucially, however, it is not the war itself that moves the markets. Even explicit military threats – whether verbal or through physical demonstrations of power – depress the bond prices of the threatened states. The study thus shows that geopolitical risk is a systematic driver of government bond markets not only as a realized conflict but already in its anticipated form. A military threat thus becomes more than mere rhetoric. It can act as an instrument of geo-economic influence by worsening a country's refinancing conditions and restricting its fiscal maneuvering room.

Global Economic Policy Uncertainty Index and Geopolitical Risk Index, 100 = 01/1997 (log), 01/1997–03/2026



Source: Economic Policy Uncertainty, Incrementum AG

incrementum

A reliable barometer of geopolitical uncertainty on a global scale is the *Geopolitical Risk Index*, which has already hit a high for the second time this decade following 2022 and, with a percentile rank of 98.5, underscores the precarious global geopolitical situation. A comparison with the *Global Economic Policy Uncertainty Index* also shows that geopolitical escalations are often accompanied by economic policy uncertainty. They

In the nature of things, you can never try to escape one danger without encountering another.
Niccolò Machiavelli

frequently spill over into the economic policy sphere through sanctions, emergency fiscal measures, protectionist reflexes, conflicting monetary policy objectives, or an abrupt reassessment of global capital flows.

For now, fortunately, we are in Cold War II, not World War III. However, Cold War II is proceeding rather faster than Cold War I.
Niall Ferguson

Taken together, these factors show that **uncertainty at these two levels has risen in a trend-like and structural manner since the late 1990s**. Since the chart above is on a logarithmic scale, extreme fluctuations are visually smoothed out. The visible trend should therefore not be viewed as linear but rather exhibits an exponential character.

This trend is confirmed by the annual global military expenditure figures provided by the SIPRI Institute. The year 2024 marked not only the eighth consecutive year of rising military spending but also the sharpest year-over-year increase in military spending on record. Of course, these figures do not yet account for the consequences of the Iran War, which means that further increases in military spending are to be expected.

Global Military Expenditures, yoy, 1988–2024



Source: SIPRI, Incrementum AG

incrementum

Gentlemen, you can't fight in here! This is the War Room!
Dr. Strangelove

For investors, this insight is of central importance. Even though major wars are rare in financial centers, the global economy is virtually constantly shaped by geopolitical flashpoints and risks of escalation. **It is precisely this latent uncertainty that must be continuously priced into the bond market.** While war is a rare event for individual countries, it represents the macro-financial worst-case scenario when it occurs: a multi-crisis comprising fiscal stress, rising financing costs, increased default risk, inflation, and disruptions to trade and capital flows. Furthermore, geopolitical threats alone can already function as hybrid instruments of economic warfare. This makes the government bond market itself part of the geopolitical playing field. For the traditional understanding of government bonds as a supposedly stable portfolio anchor, this is an uncomfortable but crucial realization.

The gravity of scarcity: gold's structural advantage in the new macro regime

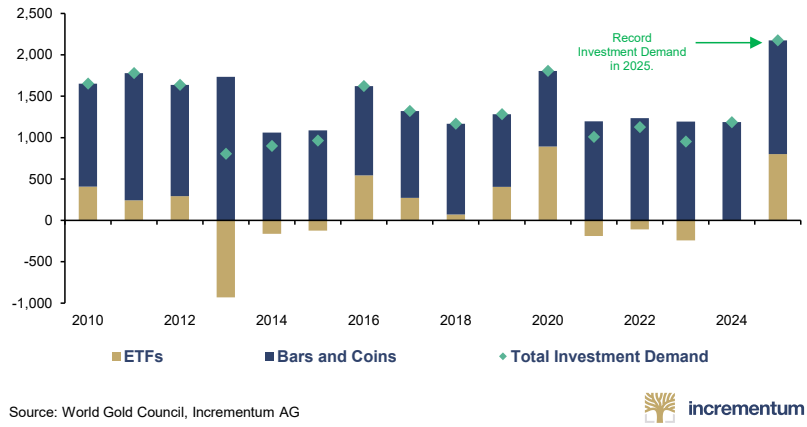
The eternal duel between gold and bonds remained balanced for so long only because it was fought under exceptionally favorable conditions for bonds. **The past forty years were the golden age of disinflation.**

This simple thought experiment made a deep impression on me. This led me to the theory of gravity.
Albert Einstein

The roles of bonds and gold are shifting in a macro regime characterized by high debt, recurring inflation concerns, and geopolitical fragmentation. In such phases, nominal security comes at an increasingly high price: Bonds can stabilize their nominal value but lose purchasing power in real terms. Gold, on the other hand, is not a debtor's promise but a scarce, liquid real asset without counterparty risk.

According to data from the World Gold Council, above-ground gold reserves amount to approximately 220,000 t, or about USD 31trn, but are growing by only about 1.8% per year. At the same time, the market is large enough to absorb institutional capital flows: The investable gold market comprises approximately USD 14trn, of which about USD 9trn is in bars, coins, ETFs, and OTC holdings of private investors, and about USD 5trn is held by central banks and official institutions. Gold is thus scarce but not illiquid, which is a unique combination. **The gravity of this scarcity can be seen in the structural revaluation on the demand side.**

> *The first lesson of economics is scarcity: There is never enough of anything to satisfy everyone who wants it. The first lesson of politics is to ignore the first lesson of economics.*
> Thomas Sowell



Total investment demand for gold reached 2,175 t in 2025, the highest level in the entire time series since 2010. Of particular note, alongside the fairly constant and inelastic demand for bars and coins, are the renewed ETF inflows of 800 t. This signals that gold is not only in demand among long-term-oriented retail investors but is also making a stronger return to the institutional allocation process. **Gold is no longer merely hoarded but is being strategically reallocated and remonetized.**

> *Having a strategy suggests an ability to look beyond the short term and the trivial to view the long term and the essential.*
> Lawrence Freedman

The more debt becomes a systemic limiting factor, the more problematic the bond market itself becomes. Duration is then no longer just a bet on interest rates and a hedge against crises, but implicitly a bet on political credibility, inflation discipline, and the absence of fiscal overreach. This is where the structural appreciation of gold lies. **Debt and repression do not mechanically affect the price of gold, but they do affect the desired gold allocation in the system.**

It's All a Matter of Allocation

Gold surpassed the USD 1,000 per ounce mark in 2009, reached USD 1,900 by 2011, consolidated for nearly a decade, and then broke through the USD 2,000 threshold in 2020 and the USD 2,500 threshold in 2024. Each of these milestones was accompanied by a corresponding – albeit often delayed – shift in the way the research community began to think about gold allocations.

What the data shows

As gold rose above USD 1,500 amid sovereign debt fears in the early 2010s, a few voices began recommending more substantial allocations. Sprott recommended 10 to 15%, of which 10% should be in physical gold and up to 5% in gold-related instruments such as mining stocks. Van Vliet and Lohre identified 13% as the allocation at which gold most effectively counteracted downside risks over a ten-year investment horizon.

> *…the classic 60/40 portfolio performs well over very long periods but can be a major disappointment when starting valuations are stretched. Since 1900, it has returned about 4.7% in real terms, yet it has also gone through six periods of weak performance averaging 11 years, which underscores the case today for a more valuation-sensitive approach.*
> GMO

Stocks and bonds have forgotten the catenaccio of the classic 60/40 portfolio. They now charge forward together — and retreat together.

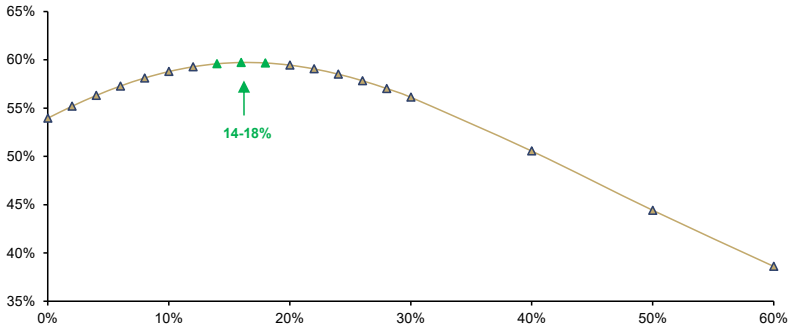
The failure of the traditional 60/40 portfolio in 2022 accelerated this reassessment. WisdomTree concluded that a gold allocation of 16 to 19% maximizes risk-adjusted returns. A peer-reviewed study by the University of Zurich's Department of Finance, covering the period from 1972 to 2024, concluded that active rebalancers should hold 15 to 27% in gold. The same study also showed that gold's market capitalization relative to global equities implies a CAPM-consistent allocation of around 12%, which translates to a model portfolio of approximately 52% equities, 35% bonds, and 12% gold. **In contrast, Swiss households held less than 1% of their financial assets in gold in practice**.

The *In Gold We Trust* position

> *Nullius in verba.*
> Latin proverb

In August 2024, we published an independent quantitative analysis titled "The Optimal Gold Allocation: How Much Gold Does Your Portfolio Need?" The analysis was based on monthly return data from January 1970 to April 2024 for gold, the S&P 500, and 10-year US Treasuries. **Our research found that a gold allocation of 14% to 18% over this period maximizes the Sharpe ratio in a mixed stock-bond portfolio. Beyond 18%, the Sharpe ratio declined.**

Optimal Gold Allocation for Risk-Adjusted Returns Maximization: Gold Allocation (x-axis), and Sharpe Ratio (y-axis), 01/2010–04/2024



Source: Robert J. Shiller, LSEG, Incrementum AG

incrementum

> *The risk now is that they may join the celebration when it is already in full swing, and by then, the price of admission could be much higher.*
> *In Gold We Trust* Special: "The Optimal Gold Allocation"

At the upper end of the spectrum, a 40% gold allocation did achieve the highest annualized performance in the dataset – namely, 9.75% p.a. – but at the cost of significantly higher volatility and deeper drawdowns. On a risk-adjusted basis, such a high weighting was therefore not recommended. The table below shows performance metrics across various gold weightings and illustrates the trade-off between return, volatility, and drawdown.

Optimal Gold Allocation in an Equity/Bond Portfolio, 1970–2024

Gold Allocation	Performance p.a.	Annualized Volatility	Max. Drawdown	Sharpe ratio
0 %	9.37 %	8.28 %	-27.00 %	0.54
2 %	9.41 %	8.16 %	-26.38 %	0.55
4 %	9.44 %	8.05 %	-25.76 %	0.56
6 %	9.48 %	7.96 %	-25.13 %	0.57
8 %	9.51 %	7.89 %	-24.50 %	0.58
10 %	9.53 %	7.84 %	-23.87 %	0.59
12 %	9.56 %	7.82 %	-23.46 %	0.59
14 %	9.59 %	**7.81 %**	-23.07 %	**0.60**
16 %	9.61 %	7.83 %	-22.67 %	**0.60**
18 %	9.63 %	7.87 %	-22.28 %	**0.60**
20 %	9.65 %	7.92 %	**-21.97 %**	0.59
22 %	9.67 %	8.00 %	-22.10 %	0.59
24 %	9.69 %	8.10 %	-22.24 %	0.59
26 %	9.70 %	8.22 %	-22.37 %	0.58
28 %	9.71 %	8.35 %	-22.51 %	0.57
30 %	9.72 %	8.51 %	-22.65 %	0.56
40 %	**9.75 %**	9.49 %	-25.99 %	0.51
50 %	9.73 %	10.77 %	-31.55 %	0.44
60 %	9.66 %	12.25 %	-36.76 %	0.39

Source: Robert J. Shiller, LSEG, Incrementum AG

At the time of publication in August 2024, however, our recommendation for the market environment at that time – characterized by geopolitical tensions, recession fears, fiscal erosion, and rising debt burdens – was 25%. This was higher than all third-party recommendations cited in the same report. To put this in context: **At that time, 71% of US investment advisors held less than 1% in gold, and 75% of the managers surveyed had minimal or no gold exposure; none of them held more than 10%.**

Wall Street joins the party

In the fall of 2025, prominent investors began to issue explicit allocation recommendations. Jeffrey Gundlach of DoubleLine recommended 25% and described this weighting as "not excessive." Michael Hartnett of Bank of America proposed an equal-weighted allocation across stocks, bonds, cash, and gold – 25% each. Ray Dalio recommended 15% as "storehold of wealth" in an environment he compared to the early 1970s. Jamie Dimon, for his part, stated that it was "semi-rational" to hold some gold in the portfolio.

During the same period, Mike Wilson, Chief Investment Officer at Morgan Stanley, proposed a 60/20/20 model: 60% stocks, 20% bonds, and 20% gold. Wilson argued that bonds had lost their status as a safe haven and pointed out that institutional gold allocations, on average, remained at just 0.5% to 2%.

> *With deglobalization, great power rivalry, and unconstrained fiscal and monetary policy, the 50-50 balanced fund that worked for 30 years is now dead. The new default: 60% equities, 20% precious metals, 20% energy.*
>
> Louis-Vincent Gave

All of this occurred more than a year after we published our analyses on optimal gold allocation and the new 60/40 portfolio. Gundlach's 25%, Dalio's 15%, and Morgan Stanley's 20% all fall within the range we had previously defined for the recommended gold allocation.

Gold allocation by institutional investors

Pension funds

The institutional shift toward gold is not limited to well-known investors and large asset managers. Pension funds – among the most conservative capital allocators of all – are also moving in this direction, and the Swiss pension system offers perhaps the clearest insight into this trend.

72% of family offices hold no gold at all. Among those that do, the average allocation is just 0.9%.

According to the consulting firm Complementa, Swiss pension funds that hold gold typically allocate between 3% and 5% of their total assets, while the average across all Swiss pension funds remains close to 1%. Several well-known institutions have built up or expanded their gold positions in recent years. Publica, the Swiss federal pension fund with assets of CHF 42.5bn, increased its gold allocation in 2024 from 2.6% to 3.5%, with approximately 80% held physically and 20% via swaps. PKBS, the pension fund of the City of Basel, and compenswiss are each aiming for a gold allocation of 3%.

The World Gold Council's August 2024 study on Swiss pension funds provides a useful quantitative context: A 5% allocation to gold reduces the required reserve ratio for Swiss pension funds from 14.8% to 13.8%, while expected returns remain largely stable. The case for gold is not about chasing performance. It is about structural resilience.

> *We're all better off because Italy makes the pasta and Switzerland makes the watches.*
> Howard Marks

Even beyond Switzerland, sentiment among institutional investors is shifting in the same direction. A survey by NTree International of 150 European institutional investors found that 67% intend to increase their commodity allocation, with gold being by far the preferred commodity category at 73%. State Street's 2025 analysis of public pension funds documents that the share of alternative investments rose from 11% of assets in 2008 to 23% in 2024 – a trend reflecting a broader institutional willingness to move beyond traditional equity and bond portfolios.

However, the most significant structural development may take place in India. In December 2025, the Indian Pension Fund Regulatory and Development Authority published new investment guidelines allowing National Pension System funds, for the first time, **to invest up to 5% of their assets in gold and silver ETFs.** With the NPS's assets under management totaling around INR 16trn by the end of 2025 – equivalent to approximately USD 170bn – even a moderate allocation represents a significant new channel of institutional demand.

Family offices

The picture for family offices mirrors the data on pension funds in one key respect: **The gap between articulated macroeconomic concerns and actual gold allocations remains wide. However, it is beginning to close.**

> *Family offices are signaling confidence in long-term growth while maintaining a disciplined approach.*
> Sara Naison-Tarajano, Goldman Sachs, 2025

The *Goldman Sachs 2025 Family Office Investment Insights Report*, which surveys 245 family offices with an average net worth of at least USD 1bn, shows that commodity allocations have remained stable at 1% since 2023. Geopolitical conflicts ranked as the greatest investment risk, cited by 61% of respondents. Gold appears in the report primarily as a hedge against tail risks; some family offices increased their allocations to gold and other real assets as part of geographic diversification. The overall picture, however, is one of stability rather than a broader reallocation.

The *UBS Global Family Office Report 2025*, based on 317 family offices with an average net worth of USD 2.7bn, shows that gold and precious metals account for an average of 2% of portfolios worldwide – up from 1% in 2023. Even more notable is that 21% of family offices stated they intend to increase their precious metals allocation significantly or moderately over the next five years – the highest planned increase across all asset classes in the survey. The head of portfolio strategy at UBS also emphasized that the average gold allocation of 2% is expected to rise further over the course of 2025.

> *Accomplish great things when they are small. Handle what is going to be rough when it is still smooth.*
> Lao Tzu

The *WisdomTree 2025 European Investor Survey*, which included 802 participants, found that gold is perceived as the most important safe haven: 41% of respondents cited it as their preferred store of value – ahead of Bitcoin and the US dollar. Participants' average gold allocation stood at 5.7%, a figure that, according to the study, matched holdings in developed-market government bonds.

The *JPMorgan 2026 Global Family Office Report*, which covers 333 single family offices from 30 countries with an average net worth of USD 1.6bn, highlights the central paradox: Inflation ranks among the top investment concerns, yet capital is flowing more into macro hedge funds and infrastructure than into gold. 72% of the family offices surveyed in this study held no gold at all; among those that did hold gold, the average allocation was just 0.9%. The concern is there. In most cases, the corresponding allocation response is not yet.

95% of central banks expect gold's share of global reserves to continue rising. In 2021, that figure was 52%.

Another survey confirms this pattern. The *RBC and Campden Wealth 2025 North America Family Office Report*, which covers 317 family offices with combined assets of USD 285bn, shows that inflation is among the respondents' top concerns, yet gold is still not cited as a preferred response tool. 48% stated they wanted to improve their liquidity, and 33% were actively reducing risk, while capital continued to flow into AI, defense, and the "Magnificent Seven."

When the trajectory of allocation slowly shifts

> *Deep doubts, deep wisdom; small doubts, little wisdom.*
> Chinese proverb

By early 2025, gold had surpassed the USD 3,000 per ounce mark and was hitting new all-time highs with a frequency last seen during the bull market of the 1970s. Geopolitics ranks as the number one investment risk worldwide, and yet gold holdings among private investors remain at a modest level.

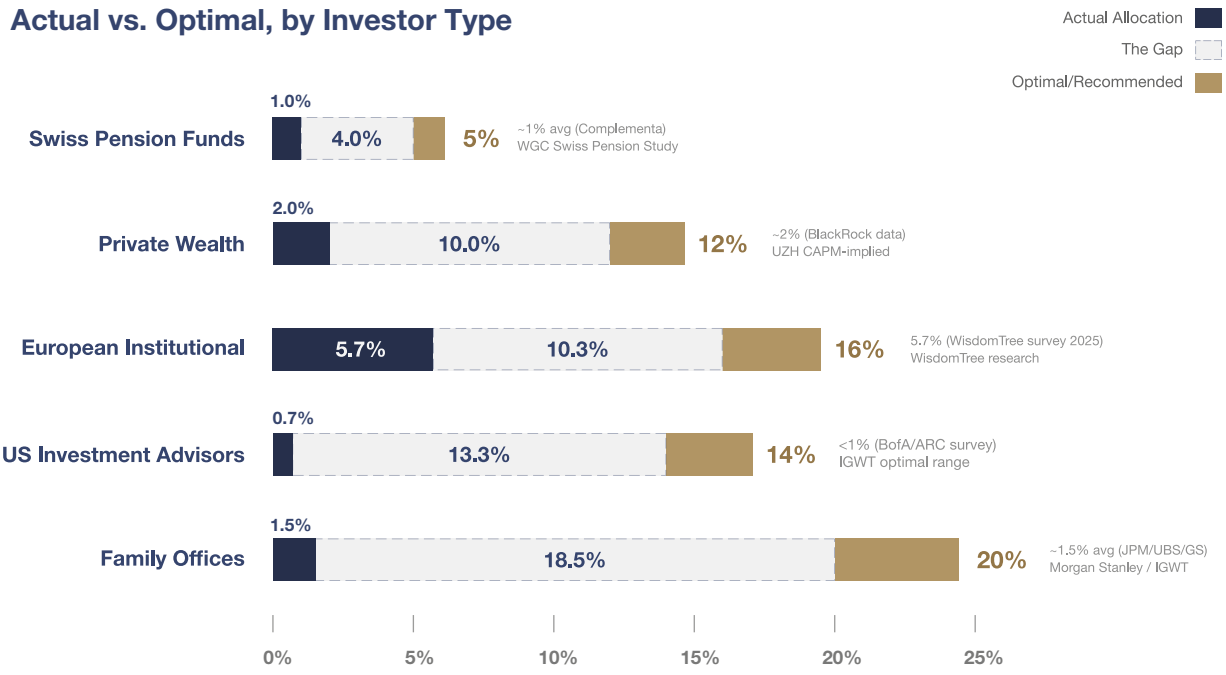
The shift among institutional investors, while slow, is nonetheless visible. BlackRock positions gold in its 2026 investment outlook as a key diversifier alongside hedge funds and private markets, noting that traditional diversifiers such as long-term US Treasuries no longer provide the same portfolio buffer as they once did. Goldman Sachs has raised its price target for gold to USD 5,400 by the end of 2026, up from USD 4,900 in January 2026.

Michael Widmer, Head of Metals Research at Bank of America, forecasts an average gold price of USD 4,538 for 2026 and a breach of USD 5,000 during the course of the year. He emphasized that both central banks and institutional portfolios benefit from greater diversification into gold. Citi raised its short-term target to USD 5,000, citing heightened geopolitical risks, shortages in the physical market, and renewed uncertainty regarding the Federal Reserve's independence. JPMorgan, UBS, and Deutsche Bank have raised their price targets for 2026 to USD 6,300, USD 6,200, and USD 6,000 per ounce, respectively.

> *Whether a central bank portfolio or an institutional portfolio, they can benefit from diversification into gold.*
> Michael Widmer, Bank of America, 2026

Central banks were ahead of pension funds, family offices, and many private investors in this reassessment, as data from the World Gold Council shows. In 2025, they purchased 863 t of gold, and a record 43% of central banks plan to further increase their reserves over the next twelve months – up from 29% in 2024. Meanwhile, 95% of central banks expect the share of gold in global reserves to continue rising over the next five years – compared to 81% in 2024 and 52% in 2021. Total gold demand exceeded the 5,000-tonne threshold for the first time in recorded history in 2025. It thus reached a value of USD 555bn, representing a 45% increase over the previous year.

Every percentage point between what the evidence suggests and what portfolios actually hold is capital that is still on its way. Gold is not returning to the mainstream – in our view, it never left. **The question is not whether portfolios will catch up. The question is when.**



Source: Optimal: IGWT Special (Aug 2024); Morgan Stanley Wilson (Oct 2025); WGC Swiss Pension Study (Aug 2024); WisdomTree research; UZH Hens & Amstein (Jan 2025). Actual: JPMorgan 2026 FO Report; UBS GFO 2025; Goldman Sachs FO 2025; Complementa; WisdomTree European Investor Survey 2025. Chart by: MiningVisuals, Incrementum AG

IGWT Gold Allocation 2045 Model

> *My favorite thing to remember is the future.*
> Salvador Dali

A serious 20-year outlook does not require exact point forecasts for gold prices or returns. It requires driving forces robust enough to shift the probability weights of different scenarios. Anyone who, 20 years ago, in the first *In Gold We Trust* report, looked at the pure mathematics of debt, the geology of gold mining, or the demographics of the West, was not surprised by reality but rather confirmed.

On the occasion of our 20th anniversary – marking our transition out of adolescence – we venture a 20-year projection. At its core is the question of what proportion of global liquid assets could plausibly be allocated to gold by the end of 2045 – and what scale of gold market capitalization and gold price this would result in.

Our *IGWT Gold Allocation 2045* Model is based on a deliberately simple equation:

Gold price = Global liquid assets × Target allocation / Investment gold holdings

This formula clearly separates three levels. Global liquid assets define the potential capital pool. Investment gold holdings define the physical supply base. The target allocation is the decisive macroeconomic variable. It is influenced by the driving forces shaping the new macroeconomic regime and is a function of demographics, GDP growth, debt, geopolitics, war economies, currency fragmentation, and de-dollarization.

The inertial factors behind the gold allocation

For target allocation, we distinguish between factors with high, medium, and low inertia. Some trends resemble a heavy ocean liner: Even when slamming on the brakes, it continues moving straight ahead for miles. **These include demographics, gold geology, and debt dynamics.** Other developments resemble tankers: They can change

course but only slowly. **These include shifts in GDP power, de-dollarization, and geopolitical tensions.** Finally, there are speedboats – political and technological shifts such **as AI or the development of CBDCs** – that can turn more quickly, but whose direction is more open-ended.

The demographic shift: from open-air rave to opera premiere.

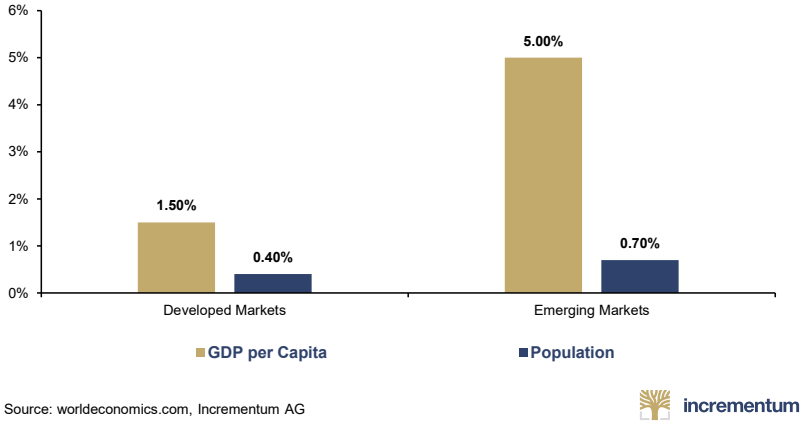
For a 20-year model, ocean liners and tankers are particularly decisive. **They do not determine tomorrow's gold price, but they shift the probability that the share of gold in global liquid assets will be higher in the future than it is today.**

Demographics and GDP growth

Mars needs people.
Elon Musk

The demographic and economic landscape of the coming decades points to a structural shift in global growth drivers. The following chart illustrates this macroeconomic divergence over the past decade. Between 2015 and 2025, GDP per capita in emerging markets grew at a 10-year CAGR of around 5.0%, while the population increased by 0.7% per year. In developed economies, by contrast, GDP per capita growth stood at just 1.5%, with population growth at 0.4%. **Emerging markets thus not only grew faster but also combined income convergence with a continued positive demographic contribution.**

10-Year-CAGR of GDP per Capita, and Population in Developed and Emerging Markets, 2015–2025



Source: worldeconomics.com, Incrementum AG

incrementum

God Save the Rave!
Scooter

The second chart extends this logic through 2050. **In PwC's projections on long-term growth drivers, emerging markets clearly dominate among the countries with the highest expected real GDP growth rates.** It is particularly striking that growth is often fueled by two sources: on the one hand, positive population dynamics, and on the other, rising real GDP per capita.

At the same time, PwC expects negative population growth by 2050 for some industrialized nations such as Japan and Germany — shifting the demographic average age from an open-air rave to an opera premiere. This widens the macroeconomic gap not only between growth and stagnation, but between demographic expansion and demographic burden.



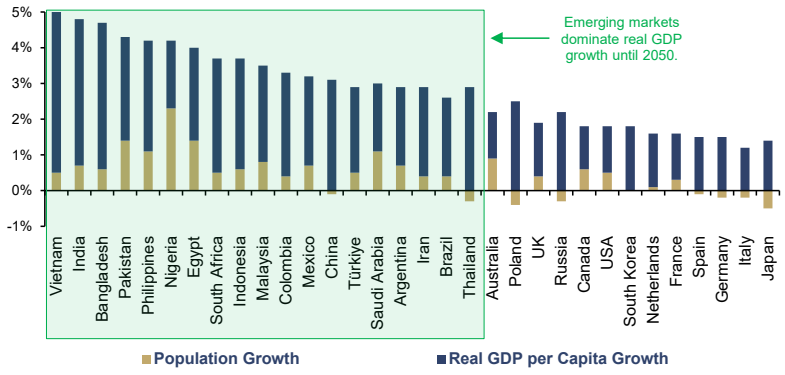
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Projected Real GDP Growth Composition at PPP until 2050



Source: PwC, Incrementum AG

incrementum

The implications for gold run in two directions. On the one hand, aging populations in industrialized nations increase structural spending pressures on government budgets. Pensions, healthcare, and long-term care are becoming permanent fiscal burdens. On the other hand, the population and purchasing power tend to grow more strongly in regions where gold traditionally plays a greater role as a private store of value. **Demographics and economic growth thus affect the gold allocation not only through debt and government spending but also through the long-term private demand base.**

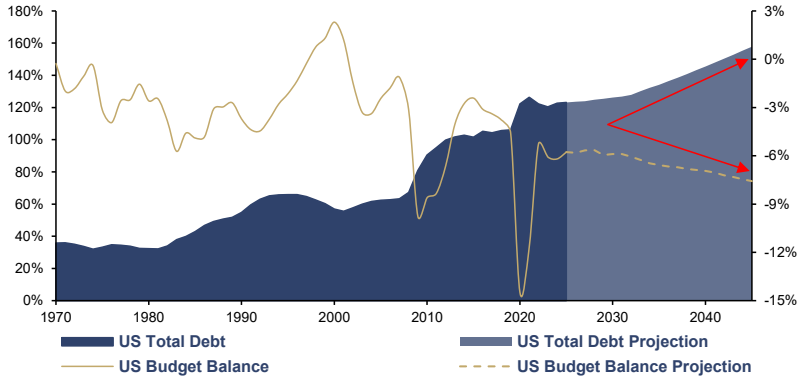
> *The dominant factor for business over the next two decades – barring war, plague, or a collision with a comet – will not be economics or technology. It will be demographics.*
> Peter Drucker

Debt and deficits

A second trend with high inertia is the debt trajectory. According to the Congressional Budget Office, the US debt-to-GDP ratio will continue to rise from its current level of 123.1% toward 160% of GDP by the end of 2045, while the budget deficit is projected to increase from its current level of around 5.8% to about 7.6% of GDP. Financing costs are also moving in a problematic direction. Interest costs of around 3.3% in 2026 will rise to about 5.6% by the end of 2045.

> *I am the king of debt. I am great with debt. Nobody knows debt better than me.*
> Donald Trump

US Total Debt (lhs), and US Budget Balance (rhs), as a % of GDP, 1970–2045



Source: CBO, LSEG, Incrementum AG

incrementum

However, this development is not a purely American phenomenon. According to the IMF, global debt stood at around USD 251trn in 2024, or slightly above 235% of global GDP. This shifts the role of government bonds. They remain the government's primary refinancing instrument but lose some of their status as a nonpolitical portfolio anchor. This is a positive development for the gold allocation, because the more debt sustainability depends on negative or capped real interest rates, the higher the strategic value of an asset that does not represent a claim against a debtor.

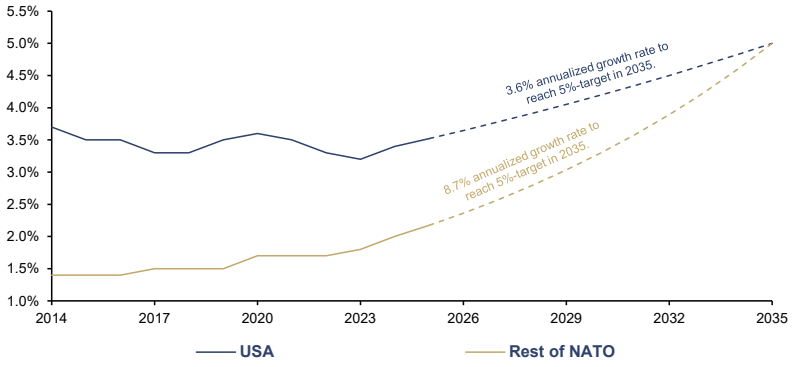
> *This surface-level stability masks deeper structural developments that may be adding to risks, which could materialize suddenly if current macroeconomic trends continue.*
> Carmine Di Noia, OECD

The average growth rate of above-ground gold has been 1.7% per year since 1900. Geology, not monetary policy, sets the pace.

Geopolitics and war economy

Due to geopolitical escalation and the return of military deterrence to the center of Western security policy, NATO members agreed at the summit in The Hague in June 2025 to spend 5% of GDP annually on core defense requirements, as well as defence- and security-related spending, by 2035. The US is already at a high level, while the remaining NATO countries would have to catch up significantly to reach the targeted 5% goal by 2035. This would require an annualized growth rate in defense spending of around 8.7% for the remaining NATO countries. For the US, it would be around 3.6%.

Defense Expenditures of the USA and the Rest of NATO, as a % of GDP, 2014–2035



Source: NATO, SIPRI, Incrementum AG

incrementum

War is harmful, not only to the conquered but to the conqueror.
Ludwig von Mises

Whether the 5% target is met exactly is secondary to the model's logic. What matters is the overarching trend. Security is becoming fiscally relevant again. A war economy means higher government demand, potential supply and energy price shocks, rising refinancing needs, and a higher risk premium on capital flows. It does not have to escalate first for the financial markets to react. Even geopolitical threats can shift risk premiums, as explained earlier in this chapter. **For bonds, this is headwind. For gold, it is a structural demand driver that points to a rising gold allocation.**

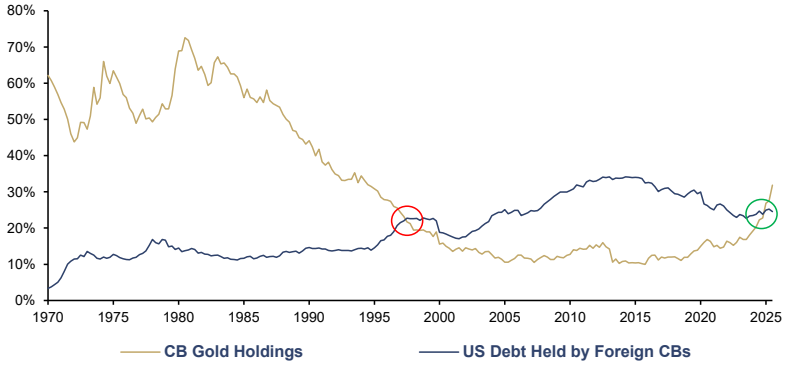
Reserve fragmentation and de-dollarization

War is merely the continuation of politics by other means.
Carl von Clausewitz

Reserve fragmentation and de-dollarization are no longer merely theoretical debates but are visible in central bank balance sheets. The US dollar remains the dominant reserve asset, yet its exclusivity is waning.

For instance, the share of US bonds held by foreign central banks has been declining since the mid-2010s. At the same time, the share of gold in currency reserves is rising significantly. The World Gold Council estimates official gold holdings at the end of 2025 to be just under 39,000 t, or approximately USD 5trn, which corresponds to about 26% of globally allocated reserves.

CB Gold Holdings, as a % of Currency Reserves, and US Debt Held by Foreign CBs, as a % of Total Debt, Q1/1970–Q3/2025



Source: Crescat Capital, Federal Reserve St. Louis, World Gold Council, Incrementum AG

Gold is attractive to central banks in a fragmented world order because it has no issuer, carries no default risk, has no duration, and does not depend on the political reliability of another state. Therefore, the significantly more strategic and slower-moving central bank demand must be interpreted differently than ETF flows or short-term futures positioning.

This development is relevant to our model for two reasons. First, it has a direct, endogenous effect on physical demand for gold via the price channel. According to JPMorgan, an additional annual demand boost of around 600 t from central banks since 2022 has already contributed significantly to the gold price rally. Second, it has an indirect effect via the signaling channel. **When official institutions revalue gold as a reserve anchor, this lowers the cognitive barrier for investors to view gold not merely as crisis insurance but as a structural allocation.**

The two model variables outside the allocation

The factors described so far primarily affect the target allocation. They answer the question of how high the gold allocation of global liquid assets could be in different macro scenarios.

Gold is held by central banks primarily for diversification purposes but also to hedge against geopolitical risk.
ECB

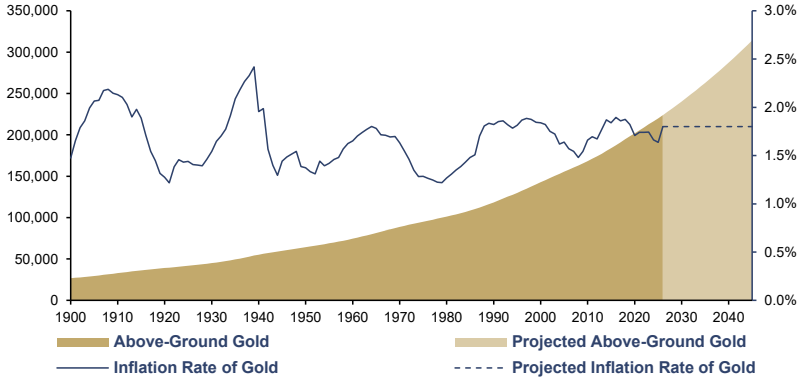
Two additional variables must be distinguished: **investment gold holdings and global liquid assets.** They do not determine the gold allocation itself, but rather the price dynamics resulting from a given gold allocation.

Investment gold holdings

The supply side of the model is characterized by physical inertia, as gold is not a freely scalable market. Above-ground gold reserves are growing only slowly. Major new discoveries are becoming rarer, permitting processes are taking longer, production costs are rising, and gold production cannot be expanded at the push of a button.

The average rate of growth in above-ground gold reserves has been 1.8% over the past ten years and around 1.7% since 1900. The geological expansion of the gold supply thus remains stable over very long periods. **For the projection through the end of 2045, we therefore assume a constant stock inflation rate of 1.8% per annum, i.e., the pace of the past decade.**

Above-Ground Gold (lhs), in Tonnes, and Inflation Rate of Gold (rhs), 1900–2045



Source: USGS, World Gold Council, Incrementum AG

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It's time to get back out in the field and start drilling!
Richard Schodde

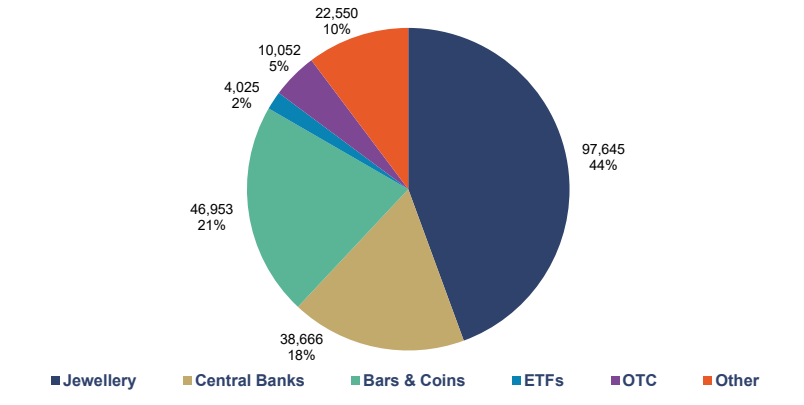
Based on current reserves of 220,000 t of gold as of the end of 2025, according to the World Gold Council, this results in an additional stock of nearly 100,000 t by the end of 2045. **Above-ground gold reserves would thus rise to approximately 314,000 t.**

However, for our model calculation, it is not the entire above-ground gold stock that is decisive, but rather the portion held by private and institutional investors. This includes:

- Bars and coins
- Physically backed ETFs
- OTC investment holdings

As of December 2025, 21.4% of the total stock consists of bars and coins, 1.8% of physically backed ETFs, and 4.6% of OTC investment holdings. In total, this amounts to 27.8% of the above-ground gold stock, or approximately 61,000 t of gold, which is currently held by private and institutional investors.

Above-Ground Gold by Use, in Tonnes, 2025



Source: World Gold Council, Incrementum AG

incrementum

The bull market in gold and silver is primarily a bull market in financial insurance.
John Butler

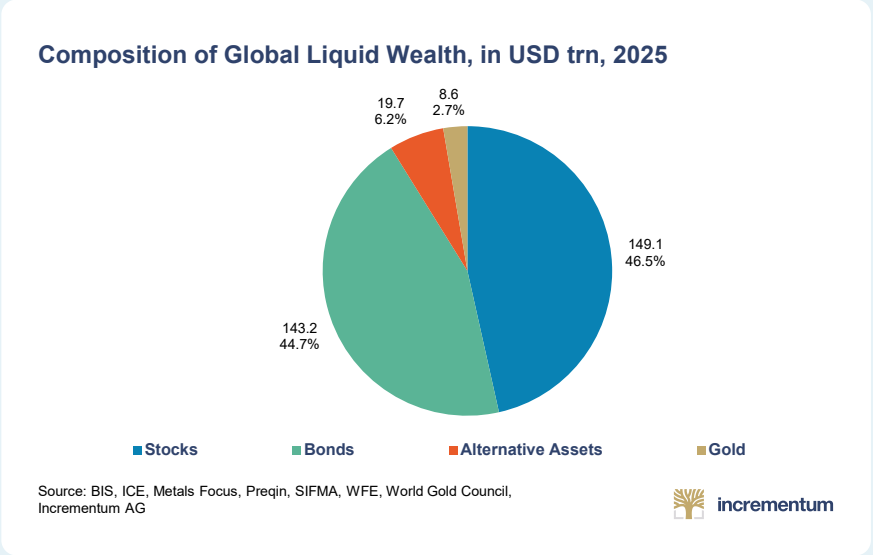
It is striking that this investment share has grown steadily over the past 15 years. Between 2010 and 2025, the share of investment gold rose from 22.2% to 27.8%. This corresponds to an annualized growth rate of 1.5%. Assuming this trend continues through the end of 2045 and an increasing portion of the gold stock shifts into investment-relevant categories, the share of investment gold will rise to around 37.4% by the end of 2045**. In this case, investors would hold approximately 118,000 t of gold by 2045 – nearly twice as much as today.**

For the sake of model clarity, we deliberately do not take into account possible feedback effects of a higher gold allocation. On the one hand, it would be plausible that a rising gold price or a higher gold allocation in global liquid assets would increase the investment share, as gold is perceived more strongly as a strategic allocation. On the other hand, this relationship is not a clean ceteris paribus effect: Stronger demand from central banks or robust jewelry demand can also influence the distribution of above-ground gold stocks. Historical data also provide no compelling evidence for this. For example, between 2010 and 2015, the share of gold in global liquid assets declined, while the share of investment gold in total gold holdings rose. The shift in holdings toward investment gold thus does not appear to depend exclusively on the short-term gold price or the current share of gold but rather stems from a **longer-term remonetization and financialization of gold holdings**.

Global Liquid Assets

Global liquid assets constitute the capital pool from which a strategic gold allocation can be drawn. In defining global liquid assets, we follow the World Gold Council's framework, according to which these assets consist of gold, bonds, equities, and alternative assets. As of the end of 2025, global liquid assets amount to approximately USD 321trn. Within this investment universe, gold has so far played only a marginal role. **According to the WGC, gold held by investors accounts for just 2.7%.** By contrast, 46.5% is allocated to equities, 44.7% to bonds, and 6.2% to alternative investments.

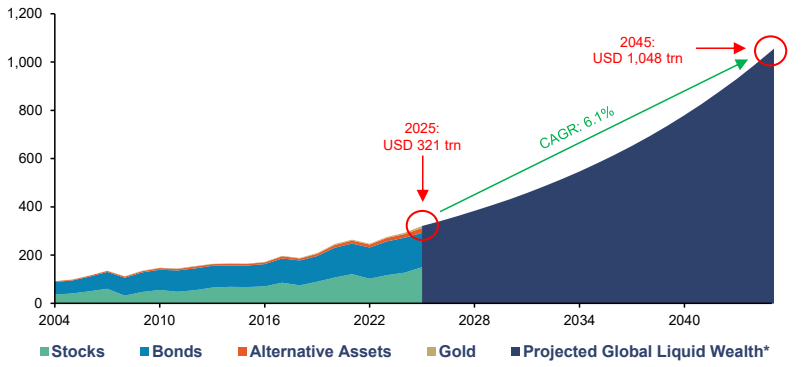
> *When you have money, think of the time when you had none.*
> Japanese proverb



For the projection through the end of 2045, the key variable is naturally the growth of the total asset pool. Ex ante, this cannot be determined with certainty. Historically, there have been repeated phases of significant asset losses, so any projection must remain an assumption. A sober look at long-term trends therefore serves as a suitable starting point for projecting global liquid assets. **Between 2004 and 2025, global liquid assets grew at a CAGR of approximately 6.1%**. This pace does not appear excessive. By comparison, the CAGR of the global M2 money supply since 2000 has been 6.8%, and that of the US 6.2%. The assumed continuation of the current trend thus falls within a range that is well-grounded in monetary terms.

> *The ability to simplify means to eliminate the unnecessary so that the necessary may speak.*
> Hans Hofmann

Global Liquid Wealth, in USD trn, 2004–2045



Source: BIS, ICE, LSEG, Metals Focus, Preqin, SIFMA, WFE, World Gold Council, Incrementum AG, *assuming the 2004–2025 CAGR of 6.1%.

incrementum

Assuming a continued expansion of global liquid assets at 6.1% per year, the investable capital pool would grow to approximately one quadrillion USD by the end of 2045. The absolute magnitude is less critical than the implication this has for gold.

Gold reserves grow predictably – but at a geological pace. That is the key point. Compared to the physical gold supply, which resembles a tasting menu with fixed courses, the global capital pool behaves like an all-you-can-eat buffet where dishes are constantly replenished as soon as plates are empty. **As global liquid assets grow, the potential demand base expands. If the target allocation to gold increases at the same time, this effect is amplified.**

The key point is not that large portions of these assets would need to be shifted into gold. Even small percentage shifts in allocation can trigger significant price effects in a scarce monetary asset. JPMorgan notes that foreign investors hold approximately USD 57trn in US financial assets and that the first signs of a reallocation of these holdings are becoming apparent. **Even a reallocation of just 0.5% of these holdings into gold would amount to approximately USD 273.6bn, or about 2,500 t of gold**. This asymmetry is what makes gold so interesting in the current macro regime. The market is large and liquid but remains small relative to the global financial asset base. **Small shifts in allocation can therefore have major price effects.**

Three scenarios for the gold allocation

> *Some "overestimation" of tail risk is not irrational by any metric, as it is more than required overall for survival.*
> Nassim Taleb

Three scenarios can be derived from the driving forces described above. The basic assumption is simple: the more adverse the macroeconomic environment, the higher the plausible gold allocation. The starting point is the current gold allocation of private investors, which stands at 2.7% as of the end of 2025. From there, we assume a gradual increase in the gold allocation through the end of 2045 toward the respective target allocation. The three scenarios, which we have defined based on these driving forces and assigned empirically plausible probabilities to, are presented in the table below.

Three Scenarios for the Gold Allocation

Scenario	Macro Outlook	Target allocation in gold	Probability
Soft Landing	Debt stabilizes, inflation normalizes, geopolitical fragmentation remains limited, the dollar system remains dominant.	2.5 %	10 %
Muddling through	The current trajectory continues: higher deficits, recurring inflation shocks, gradual de-dollarization, and structurally higher geopolitical risk premiums.	5.0 %	40 %
Debasement & Fragmentation	Financial repression, high inflation volatility, reserve fragmentation, accelerating geopolitical bloc formation, and significantly higher demand for neutral reserve assets.	7.5 %	50 %

Source: Incrementum AG

- In **the soft-landing scenario**, gold remains a strategic diversifier. The old disinflationary world does not return fully, but the key stress factors remain manageable. The debt-to-GDP ratio stabilizes, inflation normalizes, and geopolitical fragmentation remains limited. **In this case, private investors aim for a moderate gold allocation of 2.5%.**
- In **the muddling-through scenario**, gold becomes a structural portfolio anchor. The world does not tip into a full-blown crisis, but the key stress factors persist: high deficits, volatile inflation, positive equity-bond correlations, a politicized bond market, and creeping reserve fragmentation. **In this scenario, a gold allocation of 5.0% appears plausible.** The reallocation occurs not least at the expense of nominal government bonds, whose role as a diversifier is structurally losing its appeal.
- In **the debasement-and-fragmentation scenario**, gold becomes the monetary safe haven. Financial repression, increased inflation volatility, the formation of geopolitical blocs, and a loss of confidence in the existing reserve system lead to significantly higher strategic allocations. **In this environment, a target gold allocation of 7.5% for private investors appears realistic.**

From today's perspective, the sum of inertial factors points most strongly toward the realization of the moderate or adverse scenario. Neither debt trajectories, demographic trends, nor reserve fragmentation suggest a rapid return to the old world of disinflation. The soft-landing scenario remains possible, but it requires a remarkable combination of fiscal discipline, a productivity boost, geopolitical détente, and credible inflation normalization. The debasement-and-fragmentation scenario, on the other hand, is not a Cassandra-like warning from the fringes of the market, but a realistic tail risk whose probability of occurrence rises with every further breach of trust in the monetary and reserve system.

> *Markets are adapting to a new set of rules, while most market participants are still operating under the old ones.*
> Bob Farrell

20 Years into the Future: Gold Price Projection Through the End of 2045

Based on the input factors described projections for the gold price and its market capitalization through the end of 2045 can now be calculated. The parameters of the formula are known: the magnitude of global liquid assets, the target allocations of the three scenarios, and the estimated investment gold holdings through the end of 2045.

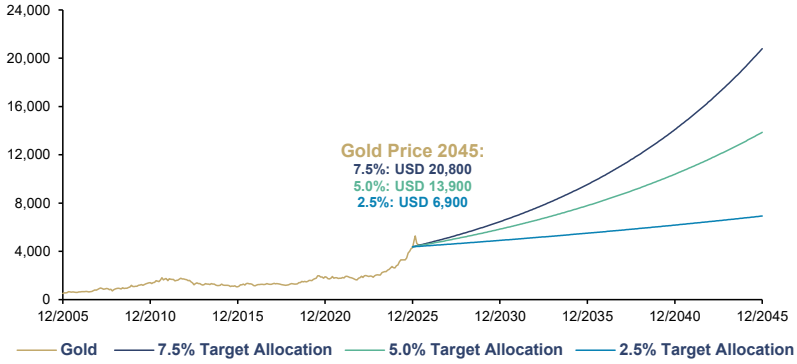
> *Practice should be the result of reflection, not the other way around.*
> Hermann Hesse

Gold price = Global liquid assets × Target allocation / Investment gold holdings

So let's hop into the DeLorean and take a double trip through time: 20 years back and 20 years forward, to estimate what price paths might emerge by 2045.

The reallocation will not be funded by idle cash. It will be funded by liquidating the asset class that has been the bedrock of institutional portfolios for forty years: government bonds.

Incrementum Gold Allocation Model 2045: Gold, and Price Projections by Target Allocations, in USD, 12/2005–12/2045



Source: BIS, ICE, LSEG, Metals Focus, Preqin, SIFMA, WFE, World Gold Council, Incrementum AG

incrementum

Gold should be the bedrock of all portfolios.
Brent Johnson

In our three scenarios, the price of gold at the end of 2045 ranges from approximately USD 6,900 to USD 20,800 per ounce. In the soft-landing scenario, gold reaches around USD 6,900. This represents a return of about 58% from the starting level. In this scenario, the share of gold held by private investors would decline slightly from 2.7% to 2.5%, as macroeconomic conditions largely stabilize and strategic pressure in favor of gold eases. In the muddling-through scenario, the price of gold rises to around USD 13,900, representing a return of approximately 217%. In our scenario deemed most likely – the debasement & fragmentation scenario – the gold price rises to USD 20,800, corresponding to a 375% return.

Gold Price, in USD, and CAGR through 2045, by Scenario

Scenario	Target allocation in gold	Probability	Target Gold Price	CAGR
Soft Landing	2.5 %	10 %	6,900 USD	2.3 %
Muddling through	5.0 %	40 %	13,900 USD	5.9 %
Debasement & Fragmentation	7.5 %	50 %	20,800 USD	8.1 %
Probability-weighted	6.0 %	-	16,600 USD	6.9 %

Source: Incrementum AG

Probability-weighted, this results in a **gold allocation of around 6.0%** by the end of 2045 **and an implied gold price of approximately USD 16,600**. This corresponds to an annualized return of around 6.9%. By comparison: Over the past 20 years, the gold price has increased nearly eightfold. **The CAGR from 2006 to 2025 was around 11.2%.**

Recent developments, in particular, have been extraordinary. Over the past two years, gold has risen by 27.2% and 64.4% in US dollars, respectively. The latter marked the fourth-strongest year in history. So, a lot has already happened. And yet, the logic of long-term remonetization suggests that the renaissance of gold allocation still has significant upside potential.

These targets provide a realistic framework for assessing price expectations. When we published our 10-year gold price forecast through the end of the "golden decade" in the *In Gold We Trust* report 2020, "The Dawning of a Golden Decade" – USD 4,800 in the base scenario and USD 8,900 in the inflationary scenario – these targets were dismissed as utopian by many market participants. Today, analysts seem to be outdoing one another with bullish gold price forecasts on a weekly basis.

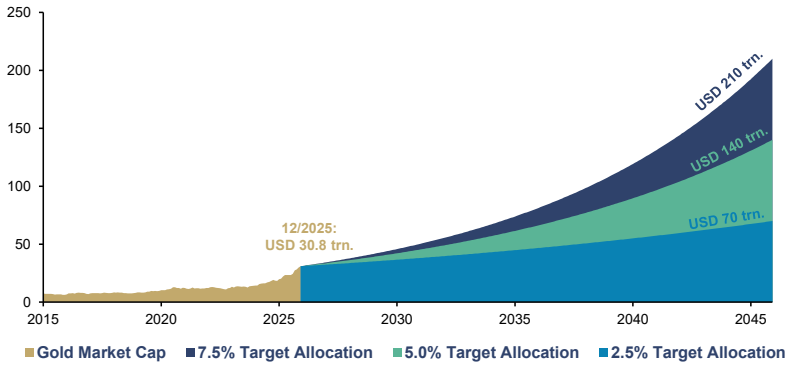
> *No enthusiasm should be greater than the sober passion for practical reason.*
> Helmut Schmidt

Our gold price paths from the *IGWT Gold Allocation 2045 Model* remain within the corridor we defined back in 2020 for the end of this decade, with prices reaching **around USD 4,900 in the soft-landing scenario and around USD 6,500 in the debasement-and-fragmentation scenario by the end of 2030**. We therefore view our targets as confirmed, but at the same time consider it unrealistic and implausible that no major correction – or even a multi-year bear market – will occur within the next 20 years. In the 1970s, gold experienced drawdowns of around 50% at times, and in the 2000s, around 30%. The current bull market has so far been spared corrections of this magnitude.

For gold market capitalization, the results imply that the value of above-ground gold could rise to as much as USD 210trn by the end of 2045. This corresponds roughly to a sevenfold increase in the current market capitalization of USD 30.8trn. In the most bearish scenario, market capitalization would still more than double – to approximately USD 70trn.

> *Gold will be around, gold will be money when the dollar and the euro and the yuan and the ringgit are mere memories.*
> Richard Russell

Incrementum Gold Allocation Model 2045: Gold Market Cap, by Target Allocations, in USD trn, 12/2015–12/2045



Source: BIS, ICE, LSEG, Metals Focus, Preqin, SIFMA, WFE, World Gold Council, Incrementum AG

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Thus, the model's message is clear: The gold allocation does not need to surge to trigger significant price effects. **Even a gradual increase in the target allocation, combined with growing liquid assets and only slowly growing gold reserves, can push the gold price significantly higher.**

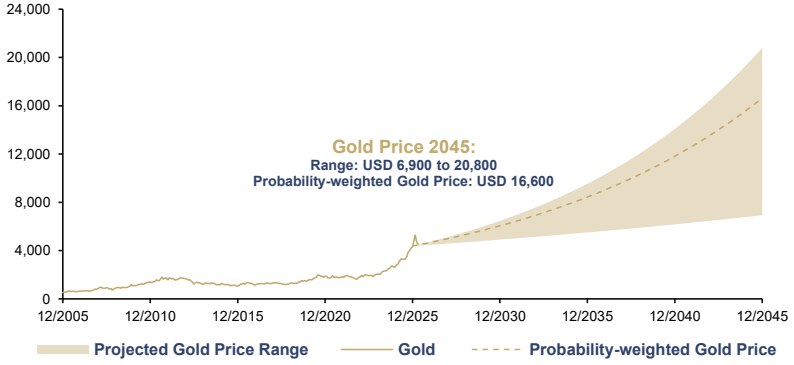
Conclusion

The *IGWT Gold Allocation 2045 Model* is not a point forecast but a regime compass. It does not ask what price gold should have tomorrow, but what price gold can reach if a growing portion of global liquid assets demands a scarce, neutral, and highly liquid monetary real asset, thereby further driving the renaissance of gold allocation.

Gold is the most established currency and has proven to be much less risky than all government debt instruments.
Ray Dalio

The decisive variable is the gold allocation. Demographics, debt, geopolitics, and reserve fragmentation suggest that this allocation is more likely to rise than fall over the next two decades. Liquid assets form the growing capital pool. Monetizable gold reserves form the inert physical supply base. Gold's long-term price dynamics arise from this difference between financial elasticity and physical scarcity. The analysis shows where gold could be headed once institutional investors have caught up with the future.

Incrementum Gold Allocation Model 2045: Projected Gold Price Range, and Probability-weighted Gold Price, in USD, 12/2005–12/2045



Source: BIS, ICE, LSEG, Metals Focus, Preqin, SIFMA, WFE, World Gold Council, Incrementum AG

incrementum

Crucially, this reallocation will be funded not by idle cash but by liquidating the asset class that has been the bedrock of institutional portfolios for forty years: nominal government bonds. In this environment, gold is not a substitute for all bonds but an increasingly necessary counterweight to a bond market that is becoming more part of the problem than part of the solution.

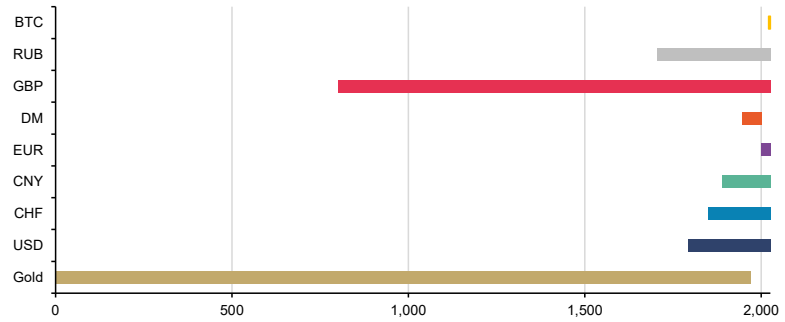
I am not an angry citizen. I call a spade a spade.
Dietrich Mateschitz

Institutional capital is the supertanker of financial markets: slow to turn but unstoppable once it does. The greater the pressure from inflation, debt, geopolitical fragmentation, and positive stock-bond correlations becomes, the more difficult it will be for pension funds, insurance companies, and other institutional investors to stick to traditional allocation patterns. Retail ETF buyers also took some time to jump on the gold bandwagon. But compared to pension funds, they seem almost like high-frequency traders on Red Bull.

Gold still represents the ultimate form of payment in the world. Fiat money, in extremis, is accepted by nobody. Gold is always accepted.
Alan Greenspan

Further remonetization of gold is also quite likely. In such a scenario, gold would once again play a significantly more prominent role in monetary policy. A look at the long history of money shows that gold, after all, has by far the longest history as a currency. Although it has not been the official anchor of the global monetary system since the end of Bretton Woods in 1971, it has certainly not lost its monetary character in the meantime and continues to serve as a reserve asset for most countries.

Lifespan of Various Currencies, 0–2026



Source: Wikipedia, Incrementum AG

incrementum

Is the monetary policy shifting away from gold? **In any case, a renaissance of gold as a monetary anchor is emerging, as central banks are increasingly seeking to acquire gold.**

At the same time, the emergence of Bitcoin shows that the demand for scarce, neutral, and nondilutable money has not disappeared. In 2021, El Salvador became the first country to adopt Bitcoin as legal tender, although mandatory acceptance was later significantly restricted as part of agreements with the IMF. In the US, meanwhile, a strategic Bitcoin reserve was established in 2025. This is further evidence that neutral monetary assets are increasingly being discussed at the institutional level. Anyone who had claimed in 2009 that Bitcoin would appear on government balance sheets a little over a decade later would likely have been taken about as seriously as Leonardo da Vinci presenting his flying-machine design to a medieval city council.

I've seen the future.
Leonard Cohen

Whatever the monetary order of the coming decades may look like, the likelihood that today's monetary system will remain unchanged appears slim. Perhaps we will find that, the closer we get to the future of money, the more it seems surprisingly familiar to us in crucial respects. For the monetary future may not emerge from a radical break with its past, but rather from a return to its most robust principles: scarcity, neutrality, and trust. In this sense, gold is not backward-looking. **Rather, it is an asset of the future with a very long past.**



Strike gold without swinging a pickaxe

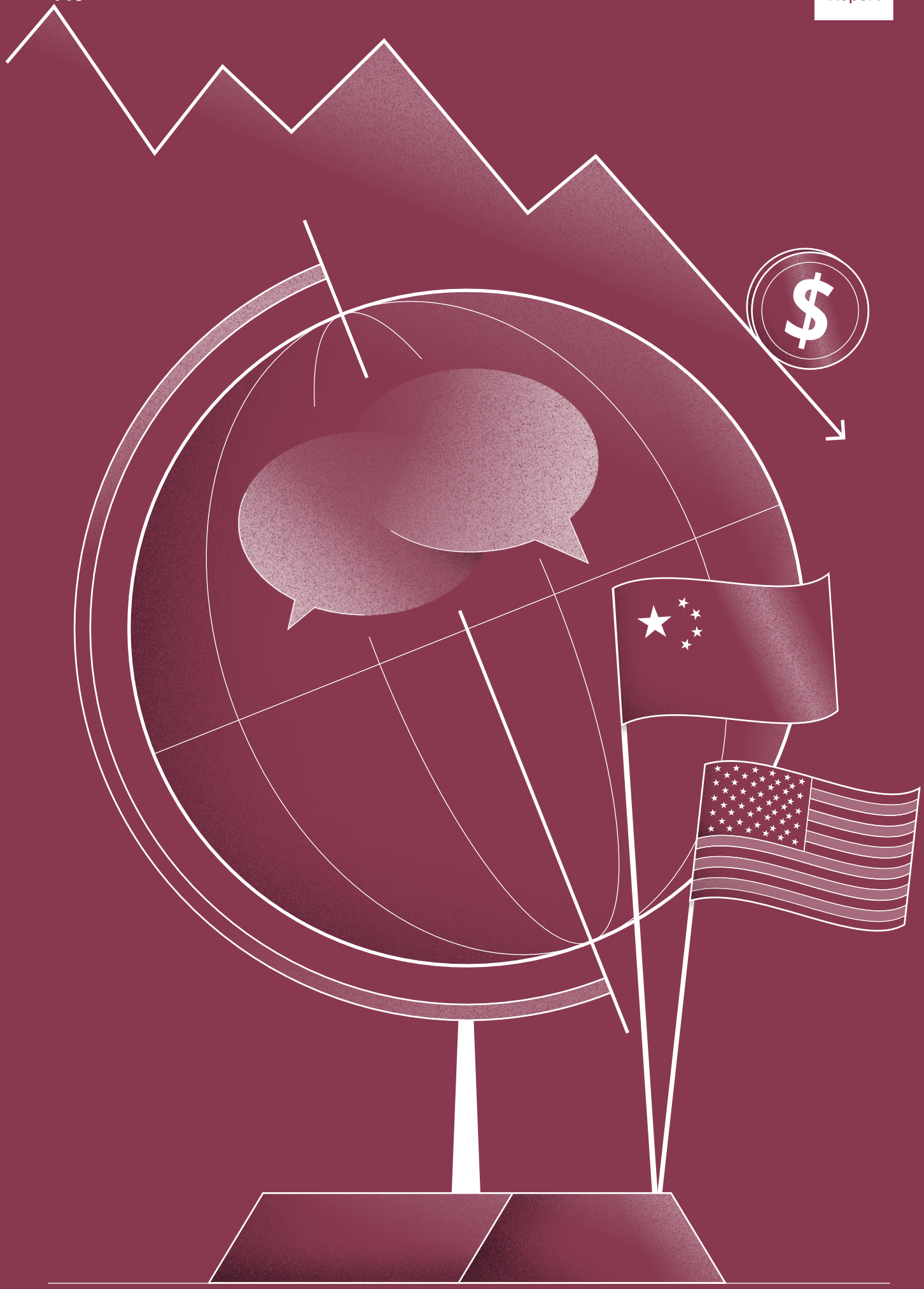
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Gold and Geopolitics

Two Systems, One World:
The Battle for the Global Monetary Order Intensifies 148

The tug-of-war between dollarization – Team US and de-dollarization – Team China – continues unabated, with both sides pulling more forcefully. Yet only one asset stands – neutrally – outside both systems: gold.

Shovels, Not Spreadsheets: Luke Gromen Debates Craig Tindale 166

The two renowned analysts Luke Gromen and Craig Tindale discuss the significant impacts of the Iran war on global supply chains and the international monetary order.

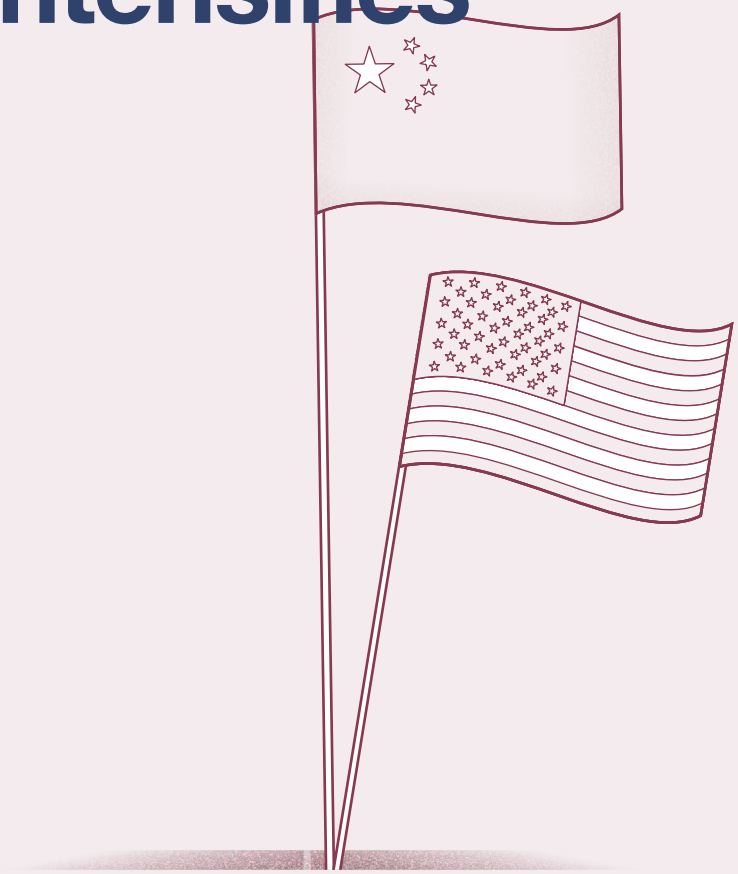
Gold and the End of the US Dollar Standard 174

The US dollar standard is coming to an end because the US is no longer willing to accept that the rest of the world should invest its excess savings in US assets. Gold is increasingly replacing US assets. However, it will take time for a new system to establish itself.

Gold and the Monetary Analogue of Mackinder's
Foundational "Heartland Theory" 192

We apply Mackinder's Heartland Theory to the monetary sphere and show how gold, as the anchor of the financial system, resembles Mackinder's *Heartland*, while the significance of the US dollar wanes.

Two Systems, One World: The Battle for the Global Monetary Order Intensifies



Key Takeaways

- China has spent four decades building parallel financial infrastructure, and its 15th Five-Year Plan codifies monetary independence as a national security priority.
- The largest military budget no longer guarantees monetary hegemony. Cheap drones and missiles erode the security umbrella that has historically backstopped the US dollar's reserve status.
- Team USA's counteroffensive is full-spectrum: a US dollar squeeze that collapsed Iran's banking system before the first strike, a stablecoin market exceeding USD 300bn projecting digital US dollar dominance, and a Pentagon Economic Defense Unit armed with USD 200bn in firepower.
- The Strait of Hormuz crisis exposed the mechanism by which any adversary capable of disrupting energy flows can force oil-importing creditors to sell Treasuries – a systemic vulnerability hiding in plain sight.
- Gold is moving from the accumulation to the operation phase, becoming the active settlement layer between blocs that trust neither each other's currencies nor each other's central banks.
- Whichever team prevails, gold wins. It requires no allegiance, no counterparty, and no trust in any single sovereign's plan – which is precisely why it emerges as the reserve asset of the era to come.

> *I do think the more multipolar side wins... the more that they get some degree of US dollar independence and neutral reserve assets like gold get elevated. But that's not even necessarily bad for the US.*
>
> Lyn Alden

> *No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be.*
>
> Isaac Asimov

> *The world cannot take a China with a trillion-dollar trade surplus.*
>
> Scott Bessent

> *The desire to reform the global trading system and put American industry on fairer ground vis-à-vis the rest of the world has been a consistent theme for President Trump for decades. We may be on the cusp of generational change in the international trade and financial systems.*
>
> Stephen Miran

Even the smallest disturbance can sometimes cascade into a significant disruption. The global monetary system is experiencing just such a disruption – not from a single event, but from a cascade of them, each reinforcing the last, each making the old timeline harder to return to.

What unfolds before us is the real-time expression of game-theoretic dynamics that have been building for years, as the world transitions from positive-sum (trading) to zero-sum (competition) to negative-sum (conflict). **"In a negative-sum world, you not only pay to gain, you also pay to punish," writes Alexander Campbell.**

Consider where we stood just twelve months ago, when we published "Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order". The Strait of Hormuz was open to global commerce. The Mar-a-Lago Accord was just beginning to be implemented. Today, actions taken by both Team USA and Team China are colliding with and driving major macro events. **The tug-of-war between US dollarizing and de-dollarizing forces has officially gone from gradual to sudden.**

The post-World War II institutional order of Bretton Woods, SWIFT, the United Nations, and NATO is in freefall – and with the UAE's abrupt withdrawal from OPEC effective May 1, OPEC has now joined the list. In its place, we see the construction of a parallel architecture in real time. China's gold-for-yuan settlement facility is operational. The expanded CIPS system now connects thousands of institutions across continents. The trilateral pact among Russia, China, and Iran, signed weeks before US-Israeli military strikes, lays the foundation of an alternative financial order.

Meanwhile, stablecoins – US dollars issued not through central bank mechanisms but through distributed ledgers – have become Team USA's most potent lever for projecting monetary influence into markets the traditional US dollar cannot easily reach.[1] Some

1 *See* chapter "A Golden 'Stabilization' Op in Plain Sight" in this *In Gold We Trust* report

alliances are clear, while others require closer scrutiny. Luke Gromen observes: "[W]e have told Russia, China, and Iran that 'if they don't hang together, they will surely hang separately.'" China, Russia, and India appear to understand that they will not survive to work out their differences if they do not hang together. Yet, India is not totally divorced from Team USA, either.

Per usual, we focus this year's de-dollarization chapter not only on whether the US dollar is weakening but also on which institutions and what monetary anchors will define the era that follows. What role will gold and silver play in both teams' architectural blueprints?

A note of caution: US dollar weakness in a given year does not necessarily equal systemic de-dollarization. The US dollar can suffer a brutal bear market while the reserve system remains mechanically intact. The true tug-of-war is shaped by political, military, demographic, and technological forces – from artificial intelligence reshaping labor to drone warfare revolutionizing military doctrine to the continuing reshuffling of alliances.

Global Reserve Metrics, 2006–04/2026

Metric	2006	2026
USD Share of Global Reserves	66%	57%
CIPS Participants	-	+3,000 Institutions, 167 Countries
Gold Price	USD 600	USD 4,621
China's Official Gold Holdings	600 Tonnes	2,200 Tonnes
Stablecoin market cap	-	USD +230 bn

Source: DeFiLlama, IMF, PBoC, Incrementum AG

As this year's *In Gold We Trust* report is titled "Back to the Monetary Future," the critical question becomes: Which monetary future are we heading toward? **And perhaps even more importantly, who controls the gold?**

DXY, 01/2010–04/2026



Source: LSEG, Incrementum AG

incrementum

Team China's Offense: The Dragon's Long Game

Having long prepared for the end of the fiat US dollar, China's authorities are acting as if they are convinced its end is nigh.
Alasdair Macleod

A global economic reordering is already being built – and no nation has invested more patiently, or more deliberately, in constructing the alternative than China. **What does it look like when a civilization that has used monetary metals for millennia prepares for the next monetary order?**

What Western commentators frame as reactive – China "responding" to sanctions – is better understood as the continuation of a strategy spanning four decades. Like the Qing dynasty's century-long accumulation of silver reserves before the Opium Wars collapsed the old Asian order, Beijing's gold strategy, grounded in Chinese statecraft, shows a patience that Western policymakers, operating on electoral cycles measured in years, struggle to comprehend.

As Alasdair Macleod points out, this began in 1983, when Deng Xiaoping placed all gold and silver under unified state control. The following accumulation was deliberately spread across the People's Bank of China, the military, and state enterprises, which is why PBoC reserves represent, as Macleod notes, "the small tip of a far larger iceberg." The true magnitude of Chinese holdings of monetary metals remains shrouded in opacity, an asymmetry that gives Beijing a substantial negotiating advantage.

China needs to develop a powerful currency that can be widely used in international trade, investment and foreign exchange markets, and attain reserve currency status.
Xi Jinping, February 2026

The Shanghai Gold Exchange opened in 2002; since then, the Chinese public has withdrawn approximately 28,000 t of gold – a transfer of monetary metal into private hands unmatched in modern history. Simultaneously, China became the world's largest gold miner and a significant importer of gold doré.



For students of monetary history, the pattern is unmistakable: Nations that accumulate monetary metal at this pace are typically in the midst of – or actively preparing for – a reset of the monetary order. Rome amassed precious metals to underpin its imperial reach, Britain accumulated gold to consolidate its nineteenth-century hegemony, and the United States entered the 1944 Bretton Woods conference holding roughly 20,000 t of gold – close to two-thirds of global monetary gold reserves at the time. **That bullion hoard was not incidental to the outcome at Bretton Woods; it was the outcome. Whoever owns the gold writes the rules.**

It was the rise of Athens and the fear that this inspired in Sparta that made war inevitable.
Thucydides

Has the activation phase begun? Xi's post-Liberation Day actions – traveling to ASEAN countries while Washington penalized them – are a key signal. Additionally, China announced SGE vaults in Hong Kong and a planned vault in Saudi Arabia for gold-yuan exchange. The Cross-border Interbank Payment System (CIPS), a SWIFT competitor, now serves over 3,000 institutions across 167 countries. The renminbi's share of China's

cross-border payments reached 53% in 2025, up from 17% in 2010 – a structural shift in payment flows that speaks to the monetary repositioning.

In early 2026, regulators instructed Chinese financial institutions to reduce Treasury holdings – diplomatic cover for what appears to be deliberate policy redirection. Beijing simultaneously banned stablecoins – which it views as extensions of US dollar hegemony – while Hong Kong moved forward as a digital asset hub. One country, two systems continues to operate, but now with a unified strategic purpose: one system for preserving capital flows, one for enabling new monetary arrangements.

The BRICS share neither values nor deep trust. What they share is the conclusion that a US-dominated financial architecture poses a greater existential risk than their mutual rivalries.

Supporting evidence from the 15th Five-Year Plan

The proposals put forth for China's 15th Five-Year Plan (2026–2030), which was formally introduced this March, codify what the gold and currency moves already demonstrate. Alpine Macro's Yan Wang identifies three pillars that are core to the plan: development, security, and domestic demand. **Beijing's goals for each pillar contain the following de-dollarizing moves:**

- "Development" includes technological self-sufficiency, Xi's "new-quality productive forces." The plan accelerates the decoupling of China's tech supply chain from Western dependence, particularly in semiconductors, AI, and critical minerals.
- "Security" is holistic, extending beyond the military domain to encompass financial markets and the broader economy, and framing US dollar exposure as a national security vulnerability.
- "Domestic demand" is the rebalancing of China's economy away from export dependence toward internal consumption, thereby reducing the need for US dollar-denominated trade settlement.

> *Hide your strength, bide your time.*
> Deng Xiaoping

These three pillars describe China's institutional de-dollarization. But they also reflect urgency born of internal fragility. Chinese officials have publicly acknowledged what they call "involution" – the condition in which enterprises expend more effort yet fail to create new value, a dynamic familiar to anyone who lived through the economies of the late-1980s Soviet bloc.

> *Can China rise peacefully? My answer is no.*
> John Mearsheimer

Beijing's 2026 launch of a National M&A Guidance Fund – effectively a state-mandated fund to absorb and dismantle nonperforming companies – signals that the de-dollarization offensive is occurring alongside painful domestic restructuring. The parallel financial architecture is not limited to offense but is also being put in place to hedge against the risk that China's internal economic contradictions outpace its external strategy. The arithmetic is unforgiving: A dramatically undervalued RMB and a USD 1trn-plus goods surplus leave Beijing no choice but to keep pushing production outward – which is precisely why the parallel architecture is moving from design to deployment.

BRICS+ and the UNIT

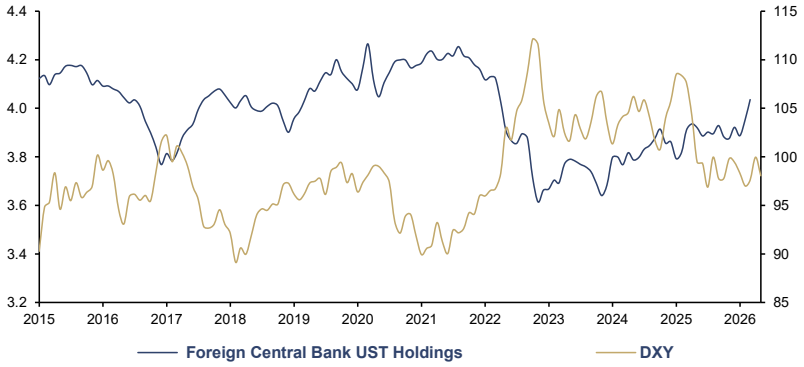
Xi, Putin, and Modi standing together, hands clasped – an image that discredited an entire generation of analysts who assumed India would never side with China. Yet these nations do not share values. They do not deeply trust each other. What they share is the hard-won conclusion that a US-dominated financial architecture poses a greater existential risk to their sovereignty than their mutual rivalries. This is not ideology; it is realpolitik. As Matthew Piepenburg puts it: "The BRICS… don't all trust each other…but they do trust gold."

Russia-China trade settled in local currencies has reached 99.1% – a near-complete de-dollarization of bilateral commerce. Russian Minister of Foreign Affairs Sergey Lavrov's April 15 visit to Beijing went further – with Moscow publicly pledging to "fill the resource gap" left by the Hormuz blockade, offering to redirect energy exports to make up for the drop in Middle Eastern supply. The move cements a structural energy partnership that runs on ruble-yuan rails – a bilateral circuit that now operates entirely outside the dollar system.

> *I think Saudi Arabia is in the early stages and just accumulating gold because it will eventually become part of a new system, to the detriment of the dollar.*
> Jan Nieuwenhuijs

Saudi Arabia joined Project mBridge in June 2024, and rumors suggest the SGE has activated a delivery treasury in Saudi Arabia for yuan-to-gold conversion – potentially closing the loop on an oil-yuan-gold settlement circuit that solves the renminbi's core limitation as a reserve currency: its closed capital account. If oil can be priced in yuan and converted to gold through a trusted intermediary, the renminbi acquires the backing and flexibility it previously lacked. As Piepenburg notes, "The fact that these oil states are happy to discuss going outside of the US dollar to transact oil says a lot about the next 20 years."

Foreign Central Bank UST Holdings (lhs), in USD trn, and DXY (rhs), 01/2015–04/2026



Source: Federal Reserve St. Louis, LSEG, Incrementum AG

incrementum

The UNIT

> *The unit of account has to be something that is stable in value, otherwise it cannot serve its purpose.*
> Friedrich August von Hayek

The most ambitious BRICS+ monetary initiative is the UNIT: a proposed trade settlement currency backed by gold (40%) and BRICS+ currencies (60%). **The basket design, reminiscent of Keynes's BANCOR proposal at the Bretton Woods conference, ensures no single national currency dominates the new architecture.** JP Morgan's technical analysis concludes that the structural barriers are manageable; the true constraint has been political demand. That is changing as BRICS nations drift further from Western institutions and recognize the durability of gold-backed alternatives.

China's long game is formidable – but it has not gone unanswered. If Beijing has spent four decades building the alternative, Washington has spent the last months mobilizing to defend the incumbent system. The counteroffensive is not entirely reactive either; it has its own framework, its own institutional architects, and its own monetary logic.

POLICY TIMELINE

China's Gold & Dedollarization

Four Decades of Deliberate Infrastructure — from State Monopoly to Activation

Sources: PBoC, Shanghai Gold Exchange, World Gold Council, CIPS, MiningVisuals, Incrementum AG

ACTIVATION 2020–2026

- **Feb 2026** — Crypto & stablecoin ban formalized. Xi calls for RMB reserve currency status in Qiushi. PBoC gold buying streak reaches 15 months.
- **Dec** — BRICS Unit prototype launched (40% gold, 60% currencies).
- **Oct** — Silver export controls tightened. London lease rates spike 39%.
- **Jun** — SGE opens first offshore certified vault in Hong Kong. Two new HK gold contracts.
- **Feb** — Insurance gold pilot: 10 major insurers authorized to allocate up to 1% of assets to gold (potential $27bn).
- **2025** — Saudi Arabia joins mBridge. Russia-China trade settles 92% in local currencies. CIPS volume reaches $24.6tn. China Treasury holdings fall to $698bn — lowest since 2008.
- **2024**
- **2023** — RMB overtakes USD in China's cross-border payments (53% vs 43%). First e-CNY crude oil settlement.
- **2022** — Post-sanctions CB gold buying surge. PBoC resumes reporting. Begins largest Treasury sell-off. e-CNY integrates with Alipay.

INTERNATIONALIZATION 2014–2019

- **2018** — Yuan-denominated crude oil futures launch on Shanghai INE. Petro-yuan born.
- **2016** — Shanghai Gold Benchmark Price: first RMB-denominated gold fix.
- **2015** — CIPS Phase 1 launches (SWIFT alternative). PBoC reveals 1,658t in reserves.
- **2014** — SGEI launches in Shanghai FTZ; yuan-denominated gold trading open to foreign investors.

LIBERALIZATION 2002–2013

- **2013** — World's largest gold consumer. First gold ETFs approved. SGE withdrawals exceed 2,000t.
- **2009** — PBoC reveals reserves jumped to 1,054t — six years of secret accumulation disclosed.
- **2008** — Gold futures listed on Shanghai Futures Exchange.
- **2007** — China becomes world's largest gold producer.
- **2004** — Ban on private gold ownership formally lifted.
- **2002** — Shanghai Gold Exchange opens. All imported gold flows through the SGE.

FOUNDATION 1983–2001

- **2001** — PBoC announces end of direct control over gold pricing and distribution — precursor to market opening.
- **1983** — State Council places all gold & silver under unified state control. Monopoly purchase, monopoly distribution.

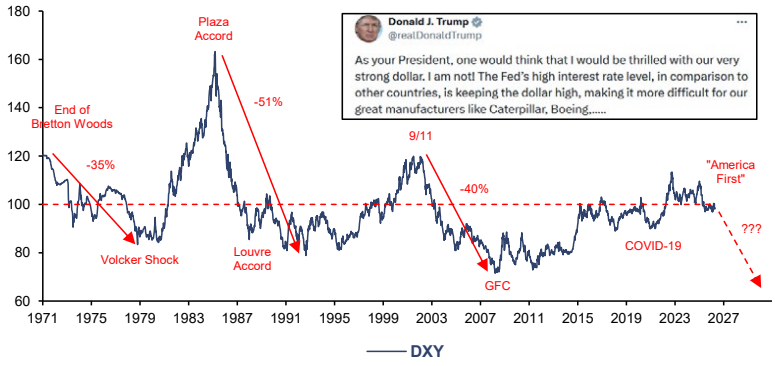
Team USA's Counteroffensive

The Mar-a-Lago Accord cont'd

If reverse perestroika succeeds, we will live through a volatile reverse 1985–1991.
Michael Every

Having implemented the first wave of the Mar-a-Lago Accord's prescriptions in 2025 – tariffs, defense spending pressure, energy supply expansion, and deliberate US dollar depreciation – the US administration is now advancing Miran's next phase with notable clarity: coordinated currency intervention, a formal Treasury-Federal Reserve partnership to suppress long-term yields, and taxation mechanisms targeting foreign capital flows.

DXY, 01/1971–04/2026



Source: LSEG, Incrementum AG

incrementum

While many analysts believe there are no tools available to unilaterally address currency misvaluation, that is not true.
Stephen Miran

These proposals are best understood within Michael Every's theoretical framework of "Reverse Perestroika" – the deliberate transformation of the US economy from consumption and financialization toward capital investment and military-industrial production. Whereas Gorbachev sought to dismantle the Soviet military-industrial complex, this administration is actively reconstructing the US one.

The January 23 "rate check" by the New York Federal Reserve on USD-JPY – the first such signal since the US intervened to sell yen in March 2011 – suggests direct currency intervention is on the table, even though Bessent has denied this. Warsh's nomination as Federal Reserve Chair and Miran's elevation to the Federal Reserve Board of Governors reinforce this trajectory. On the taxation front, the IRS's December 2025 proposed rewrite of Section 892 represents a step toward Miran's conceptual "user fee" on foreign holders of US dollar assets. As Miran notes, "Tariffs provide revenue, and if offset by currency adjustments, present minimal inflationary or otherwise adverse side effects." Yet he also acknowledges the historical burden: "Historically, the United States has pursued multilateral approaches to currency adjustments." – this moment appears to require a different playbook entirely.

There's a lot more coordination going on between the Treasury and the Fed than people want to believe. People thought Trump and Powell would be bickering, but they're actually kind of on the same team right now. Bessent and Trump are bringing growth down, and that helps Powell achieve lower inflation.
Quinn Thompson

The risks are considerable and, for students of monetary history, familiar. Currency intervention has a mixed track record when economic fundamentals are absent. The Plaza Accord of 1985 succeeded partly because it emerged from genuine multilateral consensus;[2] today, no such consensus exists among major powers. Yet, reverse perestroika is structurally bullish for gold, whether it succeeds or fails. Success means managed devaluation and artificially suppressed real rates – the textbook environment for gold appreciation. Failure means a loss of confidence in US monetary institutions and their credibility, pushing capital toward the one asset that sits outside any team's control or manipulation. Gold, as always, benefits from the uncertainty itself.

2 *See* "History Does (Not) Repeat Itself – Plaza Accord 2.0?," *In Gold We Trust* report 2019

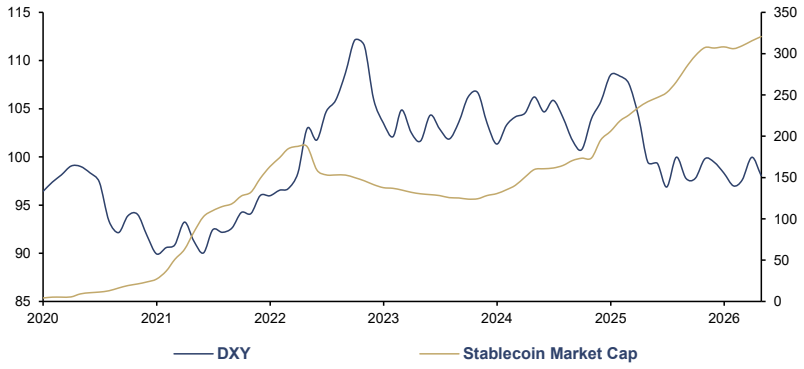
Miran's framework addresses the structural defense of US dollar hegemony – tariffs, currency intervention, and yield management. But Team USA has a second weapon, one that operates not through state policy but through market adoption and technological infrastructure.

Dollar Milkshake and Stablecoins

Brent Johnson's Dollar Milkshake Theory – the proposition that the US dollar strengthens by absorbing global liquidity through offshore US dollar-denominated debt – remains mechanically intact in its core logic.[3] However, April 2025's tariff implementation delivered the first visible crack in the glass: volitional US dollar demand – the discretionary capital allocation choices of investors – fled even as mechanical demand – the involuntary debt-servicing requirements of foreign debtors persisted. **The system is beginning to segregate.**

> *The United States is quietly building a digital US dollar empire, not through central bank digital currencies, but through privately issued, dollar-backed stablecoins.*
>
> Brent Johnson

DXY (lhs), and Stablecoin Market Cap (rhs), in USD bn, 01/2020–04/2026



Source: DeFiLlama, Incrementum AG

As Johnson recently framed it, the eurodollar system "is a prison that everyone built around themselves." It functions through inertia and the absence of alternatives, not through genuine preference.[4]

Stablecoins have become Team USA's most effective instrument for extending US dollar dominance into markets the legacy US dollar infrastructure cannot easily penetrate. The market now exceeds USD 300bn in total capitalization. Tether alone holds more US Treasuries, which it uses as collateral for its US dollar stablecoins, than the vast majority of sovereign nations. Citi projects a base case of USD 1.9trn in total stablecoin market capitalization by 2030. Cryptocurrency exchanges are further expanding this channel. In January 2026, the prominent Asian exchange Bybit announced the introduction of fully reserved, bank-like accounts, thereby directly competing with local banks in emerging markets.

> *The root of the economic imbalances lies in persistent US dollar overvaluation that prevents the balancing of international trade, and this overvaluation is driven by inelastic demand for reserve assets.*
>
> Stephen Miran

Izabella Kaminska sees stablecoins as a potential migration path from the aging eurodollar plumbing – the banks and SWIFT rails that have carried US dollar flows for decades – to new, distributed ledger rails over which the United States would exercise far greater control.[5] It amounts to a reconstitution of monetary infrastructure for the twenty-first century.

3 *See* "Dollar Milkshake Meets Golden Anchor: Mar-a-Lago and the New Economic Order," *In Gold We Trust* report 2025; "From Wedlock to Deadlock: The East-West Divorce – Debate between Brent Johnson und Louis-Vincent Gave," *In Gold We Trust* report 2024

4 *See* "How Bankers Turned Money into 'Σ 0 ∞ € ¥'," *In Gold We Trust* report 2021

5 *See* chapter "A Golden 'Stabilization' Op in Plain Sight" in this *In Gold We Trust* report

The US dollar has implicitly rested on the US Navy since 1945. If the Navy can no longer guarantee Hormuz, the dollar's monetary premium is being repriced – whether Washington admits it or not.

As Peter Earle observes, what Asia is building through regulated stablecoin frameworks in Hong Kong and Singapore may be "less about displacing the dollar as reserve money than about disaggregating the mechanisms whereby dollar liquidity is accessed, transferred, and re-hypothecated" – a competitive fiat pluralization under shadow-dollar pricing that changes the channels of US dollar dominance without confronting it directly.

The regulatory battle lines over stablecoins have been drawn. The US enacted stablecoin legislation to encourage the use and inclusion of stablecoins in the financial system. On the other hand, China banned them entirely, regarding them as Trojan horses for US dollar hegemony. Beijing's calculus is not wrong; each smartphone that transacts using popular stablecoins such as USDT or USDC is a node in a US dollar network that operates beyond the reach of local monetary authorities and their capital controls. **China is building CIPS, gold-for-yuan vaults, and the UNIT to displace US dollar infrastructure from above through state action.**

> *If the US dollar is a milkshake, stablecoins are the longest straw.*
> Brent Johnson

> *There is an ideological hardwiring at the top of the Chinese hierarchy to favour production over consumption… China will continue to rely on the rest of the world to absorb their excess production because the domestic political cost of empowering their own consumers is too high.*
> Daleep Singh, former Biden White House adviser; chief global economist at PGIM

Yet China's counter-strategy faces a structural constraint that Izabella Kaminska identifies. Beijing cannot easily reduce its US dollar dependence by selling Treasuries, as large-scale sales would push the renminbi upward, harming export competitiveness and threatening the political model itself. China is, in a sense, more imprisoned by the US dollar system than Iran ever was. This is precisely why rumors – which Bessent himself acknowledged to lawmakers – that Beijing may be developing digital assets backed by gold rather than the renminbi deserve attention. A gold-linked instrument would allow cross-border settlement outside the US dollar sphere while sidestepping the capital account liberalization that the CCP cannot politically afford.

Stablecoins are replacing local currencies from below through consumer choice and merchant adoption. Every calls them a "gamechanger" that will "completely change the geometry and geography of how the financial system works." The contest between top-down de-dollarization and bottom-up dollarization will be one of the defining monetary dynamics of the coming two decades.

The Eagle vs the DragonBear

> *Those believing there's no structure behind Trump's actions were led by their disdain. All flashpoints are connected dots in a strategy that aims to concentrate all efforts on China & the Indo-Pacific. Venezuela, Panama, Cuba, Arctic, and Iran are part of the DragonBear network.*
> Velina Tchakarova

The Trump administration's policy is not a collection of disconnected provocations but a unified, coherent campaign. Rubio's Munich speech articulated a civilizational framework. Michael Every employs the board game Risk as an analytical viewpoint: Control your own continent, deny the opponent their critical regional territory. In Asia, Taiwan remains the contested terrain; in Europe, Ukraine.

Washington is directing allies to assume primary responsibility for their own regional security while the United States concentrates on the Western Hemisphere – asserting the Monroe Doctrine from Greenland to Argentina. The Pentagon's recruitment of Goldman Sachs and JPMorgan bankers for a new Economic Defense Unit – tasked with allocating USD 200bn over three years – is further evidence of Team USA's plan, where economic statecraft now requires Wall Street firepower alongside military hardware.

The removal of Venezuela's president Nicolas Maduro. Increased pressure on Cuba, which has recently embraced its own perestroika, allowing Cuban American exiles to return and open private businesses. The announcement of a Major Defense Cooperation Partnership with Indonesia – the fourth-largest nation and gatekeeper of the Strait of Malacca, China's other critical energy chokepoint – on the same day as the Hormuz blockade. **These are best understood as coordinated moves within a larger strategic framework, clearing the board before the principal confrontation.**

Military strikes on Iran are a major move on a significant DragonBear ally.[6] Modi's meeting with Israeli leadership days before those strikes suggests a sequencing that extends alliance-building beyond the Cold War-era hub-and-spoke model. Washington is reorganizing the geopolitical map through both force and statecraft.

Hormuz was a Kobayashi Maru – the no-win scenario. Retreat meant a Suez moment for the US dollar. Escalation meant panic in energy markets.

But the Iran episode has also revealed a shift in the very nature of military power projection, with implications for monetary arrangements. As revealed to some extent during the Ukraine war, it is beyond a doubt that drones and missiles costing a few thousand US dollars can now neutralize naval vessels worth billions. Erik Prince has called this the most significant change to warfare "since Genghis Khan put stirrups on horses." For the first time since World War II, the United States Navy could not guarantee freedom of navigation through the Strait of Hormuz, a critical strategic chokepoint. The entire edifice of American power projection, built on carrier battle groups and blue-water naval supremacy – the same military umbrella that has implicitly backstopped the US dollar since 1945 – faced a concrete challenge from swarms of cheap, expendable weapons. **If the security guarantee no longer holds with absolute certainty, the monetary premium it entails is called into question.**

> *The future is here, on the battlefield, and Ukraine is creating it… For the first time in this war's history, an enemy position was taken exclusively by unmanned GRS platforms and drones. The occupiers surrendered, and this operation was completed without infantry involvement and without losses on our side.*
>
> Volodymyr Zelensky

The kinetic confrontation was preceded by financial warfare. As Izabella Kaminska has documented, Washington engineered a deliberate US dollar squeeze inside Iran, choking Iraqi banking channels that had served as the lungs of Iran's financial system, tightening sanctions to produce "immediate maximum impact," and triggering a cascading sequence from bank failure, i.e. Ayandeh Bank's USD 5bn collapse, to currency crisis to Grand Bazaar protests. Treasury Secretary Bessent confirmed to lawmakers that this chain of causation was understood and, to a considerable extent, intended. In April 2026, the US Treasury escalated further, sending Operation Economic Fury letters threatening secondary sanctions on any institution handling Iranian flows to banks in the UAE, Oman, Hong Kong, and China. **By taking this action, Team USA has extended the US dollar-squeeze playbook from the target's banking system to the entire transit architecture around it.**

The Iranian case provides a live template for how constraining access to US dollars can destabilize not only markets but political conditions – and raises the question of whether a similar, albeit more sophisticated, strategy is being applied elsewhere.

Luke Gromen outlines the most dangerous dynamic at play: Iran does not need to defeat the US military to inflict strategic damage. It needs only to defeat the US Treasury market. When oil prices spike due to supply disruption, major creditor nations must sell Treasuries to finance energy deficits. The Strategic Petroleum Reserve only has so much oil. Hedge funds hold 37% of net UST issuance through leveraged basis trades – a precarious structural situation. The mechanism is no longer theoretical: In early April 2026, Federal Reserve custody holdings fell USD 82bn in five weeks to USD 2.7trn – the lowest since 2012 – while 10-year Treasury yields rose from 3.9% to over 4.4%, the opposite of typical safe-haven behavior and a sign of forced selling by oil-importing creditors defending their currencies. This is a systemic vulnerability that any adversary capable of disrupting commodity flows can exploit.

Beijing, one suspects, has taken careful note of the mechanism and its implications. The same dynamic that Hormuz exposes applies equally to Taiwan, the South China Sea, and critical mineral supply chains.

Every frames Hormuz as a Kobayashi Maru – the no-win scenario from Star Trek. As of end-April 2026, with Brent crude up more than 50% from pre-war levels, and a ceasefire widely regarded as fragile, retreat meant what Daniel Oliver has called "an

6 *See* "BRICS and the Battle for a New Global Order – Geopolitical Shifts in 2025," *In Gold We Trust* report 2025

American Suez crisis, precipitating the final demise of the US dollar". Escalation panicked energy markets further as Iran targeted upstream oil fields – Qatar declared force majeure on LNG exports following strikes on Ras Laffan – threatening not just the flow of energy but its abundance.

Alexander Campbell offers a counterpoint grounded in classical geopolitical theory: The US is a Rimland power and does not need to control the Strait of Hormuz directly; it only needs to control the sea around it. Campbell's "separating equilibrium" reads Trump's coalition invitation not as desperation but as a mechanism to distinguish genuine allies from free riders. To Campbell, the emergence of "Friend Oil vs Enemy Oil" – the widening divergence between West Texas Intermediate and Asian-linked benchmarks – is a structural fragmentation of energy markets along geopolitical lines. Yet Campbell still arrives at the same conclusion: gold. Because gold works in both scenarios.

> *Finally, if the reserve asset is the lifeblood of the global trade and financial systems, it means that whoever controls the reserve asset and currency can exert some level of control over trade and financial transactions.*
> Stephen Miran

But the China dimension may carry the greatest consequences of all. Iran's terms for safe passage through the Strait of Hormuz are explicit: Ships must be friendly and willing to settle outside the US dollar, accepting Chinese yuan, Bitcoin, and the US dollar-pegged stablecoin USDT – every non-bank settlement rail available, including, ironically, a digital instrument backed by the very currency Iran seeks to circumvent.

By mid-April the dynamic inverted: US Central Command (CENTCOM) fully implemented a naval blockade of Iranian ports, and the strait is now transited under American direction. The episode nevertheless stands as a recorded precedent. Deutsche Bank notes that 85% of Middle East crude already flows to Asia, and Saudi Arabia exports four times more oil to China than to the US. The oil-yuan-gold settlement circuit described in our BRICS section is being stress-tested at the world's most critical chokepoint.

This places China in a complex geopolitical position. If Hormuz remains closed to Western traffic but open to Chinese-aligned shipping, Beijing gains an enormous strategic benefit: discounted energy priced in its own currency, routed through infrastructure it controls. But it likewise risks being drawn into a confrontation it has carefully avoided. Meanwhile, every move the Trump administration has made – Venezuela, Cuba, Iran, Argentina, the assertion of the Donroe Doctrine – reads as board-clearing before the main event: the anticipated summit between Trump and Xi. Each DragonBear node weakened as much as possible, each Latin American ally realigned, and each alliance restructured represents leverage on the table when the two principals finally sit down. Yet as Addis Goldman argues in *The Republic*, "commerce is no substitute for politics – in many respects, it is its antithesis." Without a binding political principle, transactional alliances remain brittle. Beijing, which conceives of commerce as a conduit for political alignment, may prove the more patient architect.

> *Everyone has a plan until they get punched in the mouth.*
> Mike Tyson

The confrontation between these two principals dominates the headlines. But the monetary future will not be shaped solely by Washington and Beijing. Between the two poles lies a constellation of middle powers, each facing its own version of the same question: Which system do I belong to? Is it possible to thread the needle? Their answers, measured not only in rhetoric but also in reserve allocation, trade alignment, and military commitment, impact the balance of global power.

The Middle Powers

> What the Greeks called hegemonia – leadership earned by bearing costs – is collapsing into arkhe: control imposed by force.

Japan

Japanese Prime Minister Sanae Takaichi's landslide election victory in early 2026 – the largest postwar victory in the country's history, so comprehensive that her party ran out of candidates to fill the seats it won – illustrates the transformation this chapter describes.

For years, Japanese prime ministers rotated through office as stewards of a system running on autopilot. As Every observes, "When you had revolving door Japanese prime ministers, that was a period in which we were still in the liberal world order. It didn't really matter who was running Japan." Now it matters a great deal.

Takaichi must govern amid challenges that would have been unimaginable a decade ago. Japan confronts inflation for the first time in a generation. JGB yields are climbing toward levels that could permeate across global bond markets. The BOJ is caught between a weakening yen and an unsustainable debt-to-GDP ratio compounded by a shrinking population. Takaichi won partly by standing up to Chinese pressure over Taiwan, projecting the security establishment's view that if war comes, Japan is in it whether it chooses to be or not.

For the US dollar system, Japan's significance is difficult to overstate. Tokyo is an early adopter of what Every calls the new integrated alliance model, directing capital into long-term productive US investment rather than simply recycling trade surpluses into Treasuries. The US, in Every's telling, "is literally directing where this investment is going to go. That is a capital control." In exchange, Japan receives deeper military integration and a seat at the table in whatever architecture Team USA builds vis-à-vis China. The new Plaza Accord, if it comes, will have a Japanese chapter.

Japan's alignment with Team USA is deep but fragile. Further south, another Asian giant is playing an altogether different game – one defined by deliberate, strategic ambiguity.

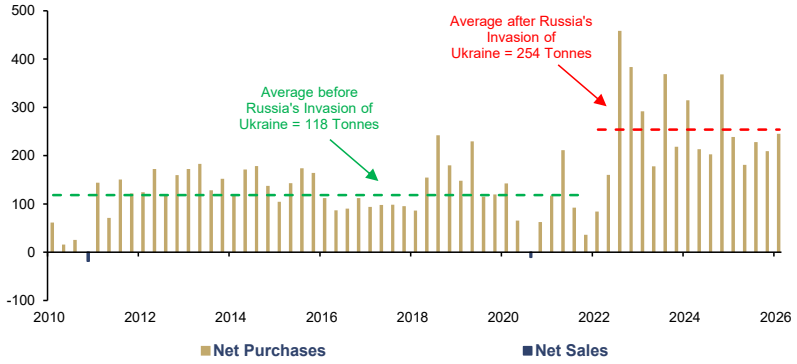
India Matters

India has imported 6,500 t of gold over the past decade, while Subrahmanyam Jaishankar, India's Minister for External Affairs, insists "India has never been for dedollarization." Actions, as ever, speak louder than words. The scale of India's gold accumulation tells a different story – one of a nation hedging against every possible future.[7]

Central banks in the global East have raised quarterly net gold purchases from a pre-Ukraine-war average of 118 t to 291 t – the strongest structural buying wave since modern central bank statistics began. **The gravitational center of the global gold market has shifted decisively eastward.**

7 *See* chapter "India – Structure, Dynamics and Future of the World's Largest Gold Ecosystem" in this *In Gold We Trust* report; as well as "BRICS and the Battle for a New Global Order – Geopolitical Shifts in 2025," *In Gold We Trust* report 2025

Global Central Bank Gold Purchases, in Tonnes, Q1/2010–Q1/2026



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

incrementum

> *When the world's dominant power that has the world's reserve currency is overextended financially, and it reveals its weakness by losing both military and financial control, watch out for allies and creditors losing confidence, the loss of its reserve currency status, the selling of its debt assets, and the weakening of its currency, especially relative to gold.*
>
> Ray Dalio

Modi met with Israeli leadership days before the Iran strikes. Washington pressured India to curtail Russian oil purchases, using tariff relief as leverage. Michael Every's framework sees India as a winner if Team USA succeeds in the emerging mercantilist reordering. Yet India is still a BRICS member, appears in that famous photograph with Xi and Putin hand in hand, and continues accumulating gold at a pace that suggests hedging against every conceivable outcome. India refuses to pick a side – not from indecision but from strategic clarity. **In a world being redrawn, that ambiguity, backed by six and a half thousand tonnes of physical gold, may prove to be the shrewdest play of all.**

India can afford ambiguity because it sits between blocs. America's traditional allies – the nations that built the postwar order alongside Washington – face a more uncomfortable reckoning. What happens when the system you helped construct begins to feel like a liability?

With allies like these: Europe and Canada

> *I firmly believe it is in the interest of both Spain and Europe to strengthen ties with China.*
>
> Pedro Sanchez, Prime Minister of Spain

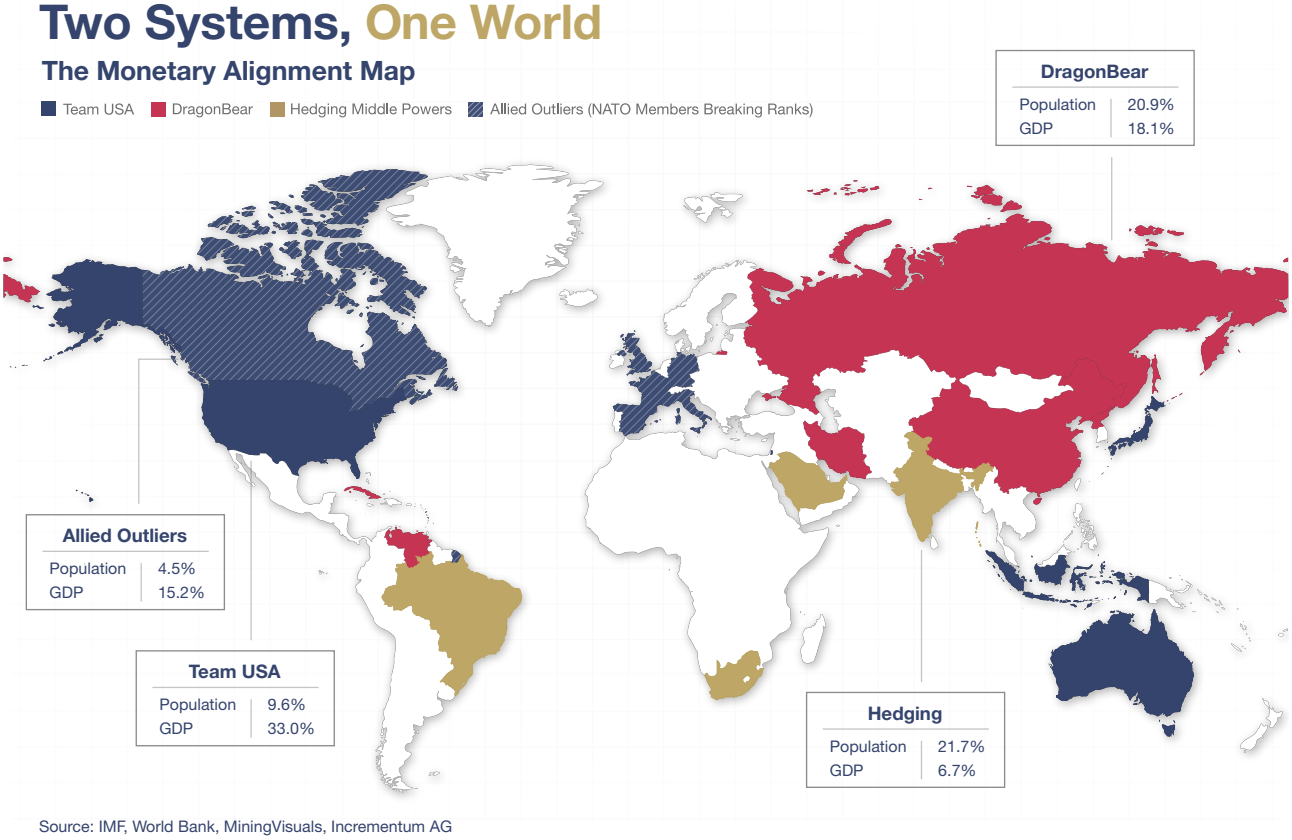
It is one thing to build a stronghold against your adversaries. It is quite another when the neighbors inside the walls begin looking for the exits. German economists have called publicly for repatriating gold from the New York Federal Reserve.[8] ECB President Christine Lagarde declares it "urgent" to build European alternatives to US infrastructure such as Visa and Mastercard. Appia, an initiative by the euro system to develop a European tokenized financial ecosystem launched in 2025, and the ongoing work on introducing a digital euro, now scheduled to go online in 2029 at the earliest, are two such initiatives. Carney, Starmer, and Merz have all made pilgrimages to Beijing.

> *Many of the institutions that are kind of put in place by one generation and last for 75 or 100 years or more – they're no longer built for the technological era that we're in anymore. They're no longer built by the same people that are alive anymore. In most cases, trust in them is generally broken down.*
>
> Lyn Alden

The Iran conflict has laid bare the extent of allied defection. France blocked the UN Security Council resolution to reopen the Strait, then negotiated a bilateral passage agreement with Iran. The UK blocked basing rights at Diego Garcia. Italy denied landing rights at Sigonella. Germany declared Hormuz "has nothing to do with NATO." What the Greeks called *hegemonia* – leadership earned by bearing costs – is collapsing into *arkhe*: control imposed by force, the very dynamic Campbell identifies as the marker of imperial decline.

Defense spending is surging across Europe at an extraordinary pace. The burden-sharing that could not be achieved over decades of polite diplomacy is now being achieved through provocation. As Every puts it with characteristic bluntness, "If you're Australia, Canada, European countries talking big about alternatives, good luck. Go make some B2 bombers and then talk about it."

8 *See* "Bringing it Home: Central Bank Gold Repatriation," *In Gold We Trust* report 2025



The allied hedge is nonetheless bullish for gold. Repatriation debates, the digital euro, Scandinavian institutions rotating out of Treasuries as a reaction to Trump's grab for Greenland – even allied nations are building alternatives to US dollar infrastructure. As Luke Gromen has observed, the Cold War era that Rubio's Munich speech invokes operated under a monetary system in which gold, not the US dollar, served as the neutral reserve asset. The post-1971 system replaced that anchor with US dollar hegemony, but the arrangements underpinning it are visibly fraying. Gold once again emerges as the asset that requires no allegiance.

Team China builds while Team USA defends, and the middle powers hedge when possible. But beneath these strategic maneuvers lies a structural reality that transcends any single bloc or alliance: the debt. Regardless of which team prevails, the arithmetic of sovereign balance sheets points in one direction – and it is a direction that history has visited before.

> *We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual.*
> Lord Palmerston, 1848

The Structural Endgame

Financial repression expected

If every door to debt reduction is closed except one, which door does a democracy walk through?

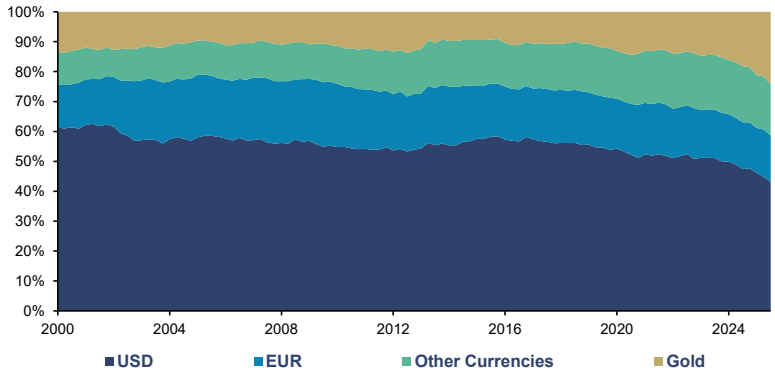
Of the options available to overleveraged sovereigns – austerity, default, high growth, hyperinflation, or financial repression – only the last is politically survivable over the long term. Holding interest rates below the rate of inflation erodes the real burden of debt while the nominal economy grows around it, disguising the transfer of wealth from savers to borrowers. **The French called the post-World War II period** les trente glorieuses; **as Russell Napier has noted, it was a dreadful 30 years for savers.**

> *Successful financial repression requires a widespread belief that conventional government bonds are safe.*
> Peter Warburton

If reverse perestroika succeeds, gold benefits as the neutral asset. If it fails, gold benefits even more as the settlement layer between competing blocs.

The conditions for a new era of financial repression are falling into place. Debt levels across the developed world stand at or near wartime highs – or even already above.[9] Incoming Federal Reserve Chair Kevin Warsh is betting that AI-driven productivity will contain inflation – a wager that historical evidence suggests is at best optimistic. As Deutsche Bank Research notes, foreign Treasury ownership is down from roughly 50% in the early 2010s to approximately 32% today, while aggregate central bank gold holdings now exceed US government bonds for the first time since 1996 – a structural reallocation that speaks louder than any policy statement.

Composition of Global Total Reserves, 2000–Q3/2025



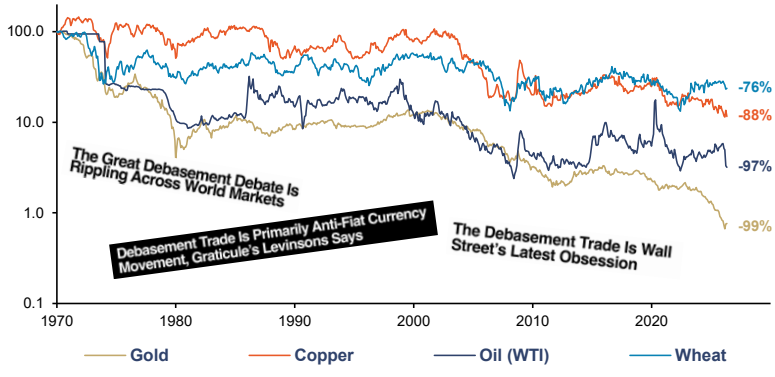
Source: Eichengreen, IMF, World Gold Council, Incrementum AG

incrementum

> *This is what gold's telling us. There's a new system. There's a new structure. It will have a restriction on the free movement of capital. Good for gold. And it will have more inflation. Good for gold. And it will have more of the state telling you where you should have your savings. Good for gold. That's what the gold price is telling us.*
>
> Russell Napier

But here lies the critical difference from the 1940s and the postwar period: Savers and sovereigns now have exit options that simply did not exist in the immediate postwar era. China is actively building a parallel system – gold settlement mechanisms, thousands of CIPS participants, and agreements that bypass US dollar rails. The more aggressively the United States represses its savers, the more attractive these Chinese alternatives become. Financial repression thus risks accelerating the very de-dollarization it was designed to quietly outlast – a perverse irony of the highest order.

Various Commodities (log), in USD, 100 = 01/1970, 01/1970–04/2026



Source: Bloomberg, LSEG, Incrementum AG

incrementum

9 *See* chapter "Status quo of Debt" in this *In Gold We Trust* report

As Izabella Kaminska observes, the restructuring is itself mirror-imaged: China produced labor-heavy industrial overcapacity while the West produced capital-heavy financial overcapacity, and both sides are now engaged in painful dezombification – Beijing through its M&A Guidance Fund, the West through the withdrawal of the cheap capital that sustained its own zombie enterprises. But only one asset sits outside both systems, is easily accessible to citizens, is immune to manipulation by any single sovereign, and is insulated from monetary policy decisions. That asset is gold.

If every major sovereign is debasing, every central bank is accumulating gold, and no single currency can command universal trust, what – if not gold – will anchor whatever comes next?

Why gold wins either way

The tug-of-war between US dollarization and de-dollarization continues, but both sides are pulling harder than ever. The post-World War II institutional order – Bretton Woods, the UN, NATO, SWIFT – the system that Secretary Rubio himself acknowledged "has no answers" to today's crises – is being simultaneously dismantled and rebuilt in real time.

> *A nation state does not normally "go gentle into that good night" during these periods, especially if they're the incumbent power. Empires don't voluntarily downsize. Instead, they tend to take the mask off, lash out, and aggressively seek other places to offload those problems.*
> Lyn Alden

As this year's *In Gold We Trust* report invites us to look "Back to the Monetary Future," consider the twenty-year arc. In 2006, the US dollar was unchallenged, BRIC(S) was merely a Goldman Sachs acronym, and gold traded at USD 600. The idea that cheap drones would close the Strait of Hormuz, that Iran would demand yuan-priced oil for passage, or that stablecoins would become the seventh-largest buyer of US Treasuries would have been dismissed as fantasy. Now project forward to 2046. If the structural forces we have described persist and deepen – the weaponization of US dollar-denominated infrastructure, the maturation of alternative payment systems, the relentless accumulation of gold by central banks on both sides – the monetary landscape will be unrecognizable.

By 2046, the likeliest outcome is neither a clean American victory nor a Chinese one, but a monetary order that resembles the pre-1914 world more than the post-1945 one: multiple competing currency blocs, each partially backed by gold, with settlement between them conducted through neutral instruments – whether the UNIT, a digital successor, or physical metal itself. China's infrastructure will be mature, but its demographic decline and limited military reach will prevent the renminbi from achieving true global reserve status. America's network effects and technological edge will preserve the dollar's plurality share, but not its monopoly. The middle powers – India, the Gulf states, Brazil – will hold the balance, and they will hold it in gold, with Bitcoin potentially playing a complementary role as a digital neutral asset. In this world, the reserve asset is not a currency issued by any single sovereign but the one asset that requires no counterparty and no trust: the same metal that has anchored monetary systems for 5,000 years.

> *It's two systems. China's got one system with a few allies in there; America will be in another system, and most of the rest of the world will have to be in that system... within that, it's highly unlikely that we can expect the free movement of capital to be taken for granted.*
> Russell Napier

If President Trump's reverse perestroika succeeds, gold benefits as the neutral asset in a world of managed currencies and directed capital flows. If it fails, gold benefits even more as the settlement layer between competing blocs that do not trust each other's central banks. In a world this unsettled, investors would do well to remember the asset that has outlasted every empire, every monetary system, and every institutional order humanity has ever constructed.

> *In theory, theory and practice are the same. In practice, they are not.*
> Benjamin Brewster

Gold does not require trust in any single team's plan. That is precisely why it wins, regardless of which team, regime, or set of institutions ultimately prevails. **Or as Alexander Campbell recently put it: "Until then, I'm long gold."** ■

> *The sinews of war are infinite money.*
> Cicero

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Performance without excuses.

Growth without limits.

These are the standards we hold ourselves to
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Shovels, Not Spreadsheets: Luke Gromen Debates Craig Tindale



Key Takeaways

- The closure of the Strait of Hormuz is accelerating the collapse of the US dollar system, which has been in place since 1971. China's infrastructure for settling petro-yuan transactions against gold is ready.
- Bottlenecks cannot be resolved at the push of a button. Idle aluminum smelters require 12 months to restart. Even if the Strait of Hormuz were reopened immediately, the consequences of the blockade would not be fully resolved for months.
- Between 50 and 98% of global refining capacity for nearly every strategic metal, gas, and chemical is in Chinese hands. This poses an immense challenge for the Western AI, defense, and electrification agendas.
- For the first time in over 30 years, gold is the most important global central bank reserve, ahead of US Treasuries. A gold price of around USD 22,000 would have fully offset China's record trade surplus of USD 990bn from 2024 through gold imports.
- With US social spending plus interest expenses exceeding 100% of government revenue, any recession inevitably triggers a debt spiral. Liquidity injections collide with physical bottlenecks. A formal gold revaluation is more likely now than at any point in the last 40 years.
- The mining sector currently accounts for just 2–3% of the global capital market. When capital rotates from AI and tech positions into physical shortages, the result will be a disruption of historic proportions."



THREE CONTINENTS, ONE VIDEOCALL discussing commodities, geopolitics, and the architecture of the next monetary order



LUKE GROMEN is the founder of FFTT, LLC ("Forest for the Trees"), a macro/thematic research firm catering to institutions and sophisticated individual investors. Luke's vision for FFTT was to create a firm that would address the opportunity he saw created by applying what customers and former colleagues consistently described as his "unique ability to put the big picture pieces together" during a time when they saw an increasing "silo-ing" of perspectives occurring on Wall Street and in corporate America.



CRAIG TINDALE is a private investor, noted keynote speaker and founder of many successful start-ups. He spent nearly four decades working in software development, technology business strategy, and infrastructure. From 2018 through 2025, he operated a private family office. Throughout his career, the throughline remained constant: proximity to real systems. Not abstractions, narratives, or models, but the physical and operational constraints that determine whether trade clears, supply arrives, and institutions function under stress.

His Substack can be found at ctindale.substack.com

The conversation was recorded on April 13, 2026. We are publishing the highlights of this debate below. The full version of the debate is available for download here. The video can be found on YouTube here.

Ronald-Peter Stöferle: *Hello, it's a great pleasure hosting two of my very, very favorite voices on commodities and global macro, Luke Gromen and Craig Tindale. Gentlemen, thanks for taking the time.*

Craig Tindale: Thank you.

Luke Gromen: Thanks for having us.

Ronald-Peter Stöferle: *Luke, we've been subscribers to your research since 2016 or 2017, and have featured you several times in the In Gold We Trust report.*[1] *Craig, you're the new kid on the block. Your white paper "Critical Materials, Strategic Analysis" has gone viral since December and reportedly reached the White House and the Pentagon.*

It sparked a conversation about something most people in finance still aren't paying attention to: the physical world. Today I want to bring together the physical side you've followed for decades, Craig, and the monetary lens Luke covers so well.

We are writing the 20th In Gold We Trust report, and the leitmotiv and title is "Back to the Monetary Future." We're looking back at the last 20 years at what actually happened, and we're also looking into the next couple of years and the next couple of decades.

Given all the developments we're seeing at the moment, around the petrodollar, the Iran crisis, how Treasury markets and the US dollar are reacting, is this the end game of the petrodollar and the beginning of what we once called petrogold?

1 *See* "From Trade Restructuring To Monetary Reset? – Luke Gromen debates Louis-Vincent Gave," *In Gold We Trust* report 2025; "Energy, War & Inflation – Exclusive Interview with Luke Gromen," *In Gold We Trust* report 2022; "Exclusive Interview with Luke Gromen: A Deep Dive into the Geopolitics of Oil, Gold, and Money," *In Gold We Trust* report 2020

Luke Gromen: It has the potential to be a major change in the global monetary system. Someone asked if the Trump administration is trying to end the US dollar's reserve status. I said, look, it's a very suboptimal way to go about it, in my opinion, but it's a highly effective way of doing it. You're going to disrupt supply chains so drastically that you force everybody to rerate their priorities.

> "You could open the strait tomorrow and still have downstream effects.
>
> Craig Tindale

For 50-plus years the system has worked like this: we send factories overseas, buy stuff from those factories, and they recycle our US dollars back into our financial markets. The US ends up with financial investment and few factories; the rest of the world with factories and US dollar assets. Once you curtail supply chains as drastically as we're about to, you force the world to sell US dollar assets to buy finite commodities.

China has the infrastructure for a petro-yuan-through-gold arrangement already set up. The pipes are there, there's been some volume through, and the means, motive, and opportunity are all there. To me it's crystal clear that we're in one of those weeks where decades happen, as Lenin famously said.

Ronald-Peter Stöferle: ***Craig, do you want to add something?***

Craig Tindale: It's no accident that China ended up refining 50 to 98% of almost every metal, chemical, and gas you can come across. That's created a bifurcation of the US dollar: if you have to buy from China, often you pay in yuan. It started with iron ore miners, FMG selling in yuan back in 2016. BHP, the last holdout, tried a buyer's strike late last year and changed their mind in three weeks.

The sulfur and helium shortages compound things: sulfur refines much of the remainder, including high-sulfide gold ore in Nevada, Finland, and New Guinea. Copper is refined in China using sulfuric acid, and 70% of silver comes from that process. China is the only shop in town, and they have a mechanism to break the dollar on commodities if they want. About 50% of the world's debt is US dollar-denominated, so a global downturn means the electrification build-out and AI data centers become castles in the sky.

The MAG-7 is 40 to 50% of the market. If Nvidia and AMD can't put inventory into data centers because they can't get copper or silver, things get hectic. This is why Trump went into Venezuela and why he's looking at Iran. The US has been told it may face cutoff from silver, gallium, or whatever China wants. That's intolerable, because gallium goes into the microwave weapons that make drones drop from the sky.

The US has to do something, or give up defending itself, or withdraw to the continental US because it can't rearm. Trump's hand has been forced: If he doesn't act, by year-end he's over a barrel with cut-off copper and nobody can build AI data centers. The theoretical AI race disappears because the Chinese will have the copper and rare earths and the US won't.

Ronald-Peter Stöferle: ***Craig, as the Strait of Hormuz is now closed again, twice, by both the Iranians and the Americans, where do you see the second- and third- order effects? In which markets do you think the damage is dramatic enough that it's going to take a long time to repair?***

Craig Tindale: It's right across a lot of things. You could open the strait tomorrow and still have downstream effects. Poorer countries like Nigeria, Bangladesh, and parts of India haven't got LNG or sulfuric acid for fertilizer. Bangladesh's fertilizer factories are at about 20% capacity. You can open the strait, but you can't change the planting seasons.

You end up with aluminum smelters shut down, one in Iran and one in Saudi Arabia. Economists say you just push a button and start it again. The reality is, if an aluminum smelter shuts down, it takes 12 months to start up, you literally have to get jackhammers to reopen it. Opening American and Australian rare earth capabilities takes years. There's a three- or four-dimensional game of chess happening outside our hierarchy of intelligence.

Ronald-Peter Stöferle: ***Luke, would you have expected this much complacency? The war's been going on a month and a half and the S&P 500 is just 200 or 300 points below all-time highs. Are markets just conditioned like Pavlovian dogs expecting another pivot, or is this another great opportunity on the short side?***

Luke Gromen: No, I've been surprised at the duration. People still don't understand what's happening on the ground. Six days after the war started I told an institutional prospect to position for Hormuz still being closed at end of June. Their face dropped. They said, that can't happen, you're saying a billion people are going to starve. I said, I understand exactly what I'm saying.

Married with everything Craig laid out, the physics and supply chains can't be brought back up quickly, but there's still this sense that Trump's going to taco and it'll all be fine. The biggest thing

people are mispricing is that this is existential: for the US for the reasons Craig laid out, for Iran, Israel, Russia, and China all for their own reasons.

Almost every analysis I see on when the strait reopens comes down to: America-plus-Israel is so much greater than Iran. That ignores that Russia and China see this as existential and have been helping with targeting and supplying. It's the graveyard-of-empires hubris: it's always been a bad idea to invade Persia, but we're different, we're America.

Lay all of that against what Craig understands arguably best in the world: the "for want of a nail" dynamics. For want of a nail the cart was lost; ultimately, for want of a nail, the kingdom was lost. Overlay the supply chain dynamics with the great power dynamics and the macro, and remember we're not doing this with record low levels of debt or record low levels of supply chain complexity. We're running toward what I've called a Tom Hanks COVID moment: in January we knew something was happening, in February we asked is this real, then Tom Hanks said I've got COVID and we locked everything down. That's what we're heading toward in weeks or days.

It could be anything. When you start seeing fuel protests in Ireland, these things will break out everywhere. At some point markets will realize things are much more broken in the physical world than they thought, and this equity claim to that world isn't worth what they thought. It mathematically cannot be.

Ronald-Peter Stöferle: *Craig, what fascinates me about your work is that everyone in finance talks about price, but you talk about whether the stuff exists at all, whether it can be delivered, who controls it, who's refining it. You once called it the end of infinite materiality.*

Do you see a big shift in understanding of shortfalls in the physical and refinery world, and who controls access to commodities? Or are politicians and companies still way behind the curve?

Craig Tindale: They're not moving fast enough. Feedback from executives across rare earths, titanium, and copper is consistent. We need to open six major mines a year and we're opening one. It takes five years to get a Siemens transformer on site, now blowing out to six or seven. Siemens's reporting showed EUR 143bn in back orders.

Inside the administration they're well aware they're caught in a trap. It takes a while to get the Queen Mary moving. They know they need time. The Iran move is a way of choking energy to slow down Chinese motivations to cut off the Americans and Japanese from rare earths and copper.

There's a mismatch. Everything's overvalued. Nvidia's Blackwell Ultra filings show copper and rare earth use extrapolating exponentially: 2028 projections put Nvidia at 250,000 t of copper, against 30,000 to 40,000 t now. There's chip inventory sitting outside data centers that can't get electrified because they can't get transformers or gas turbines. It now takes five years to get a gas turbine. We're in our Wile E. Coyote moment, out over the cliff.

Ronald-Peter Stöferle: ***We saw a tiny spike in the US dollar last year during Liberation Day, then it sold off. During the Iran crisis the US dollar hasn't spiked either, against the old playbook. Is that confirmation of the weaker- US dollar thesis? Every politician wants a weaker currency. Against what do you devalue?***

Luke Gromen: It's been remarkably steady in both directions. I'd have guessed it would strengthen more in the Iran situation than it has. Maybe that's a function of what we touched on: nobody believes it's about to get as bad as it is.

> "It's the graveyard-of-empires hubris: it's always been a bad idea to invade Persia, but we're different, we're America.
>
> Luke Gromen

The strength of gold has something to do with this. Gold has on the margin replaced US Treasuries as the primary reserve asset. Global central banks stopped reserving Treasuries 12 years ago and have been buying gold ever since, so much so that gold now exceeds Treasuries in global reserves for the first time in 30 or 35 years.

Every time the US has sat down with China and said you need to strengthen the yuan, China has been saying, look, the problem isn't the yuan. You've overvalued the US dollar versus gold so laughably that if you want the US dollar to fall, you need to let gold rise. Bessent has essentially done that, with gold running from USD 2,000 up to USD 5,500.

> The privilege of having the reserve currency obscured the reality of the economy. It made it look better than it was.
>
> Craig Tindale

People say China is overproducing, and yes, they're subsidizing their industry. So is America, we're just subsidizing stupid wars in the Middle East rather than an industrial base. Now we're going to try to subsidize an industrial base with all the challenges Craig has highlighted.

Look at China's 2024 trade surplus of USD 990bn, netted against gold imports: if gold were USD 22,000 an ounce, China would have run a balanced book of trade. On 2025's USD 1.2trn surplus the number is roughly USD 26,000 per ounce. What we're watching with US dollar action, not rising as expected in a war, not falling as expected, is the growing influence of gold in relative valuations.

The euro is the big cross-currency pair against the US dollar. As gold goes up, that's good for the euro and bad for the US dollar. That's China's point: gold is ultimately the arbiter of balance, as it has been for 5,000 years. Let gold go and trade will balance, and you'll be competitive with gold at USD 20,000. Draconian implications for the US dollar, but we need a weaker US dollar to re-industrialize.

Ronald-Peter Stöferle: ***Craig, 2022 was an important moment, the Western world sanctioning Russia and freezing USD 300bn in Russian assets, which prompted emerging market central banks to buy more than 1,000 t of gold for three years running. Could we see those financial sanctions essentially reversed, with emerging markets saying: we've got the commodities, so you better behave?***

Craig Tindale: China produces about 400 t of gold a year, most going to Hong Kong, about 30% refined from ore out of Australia, Peru, Chile. They've got a lock on gold as well as silver and everything else. Material sanction against a financial sanction: we locked up USD 300 billion in Russian assets; the Chinese could easily lock up everything we need, including gold, creating a shortage in Western markets.

Silver is a good example: we're about 5,000 t in deficit per year, 25,000 t over the last five years. 70% comes from China. If China doesn't send it, we go to 13,000 t in deficit. Look at the Chicago Mercantile Exchange and the London Metal Exchange, the latter owned by the Chinese. If you buy metal on Shanghai, you put down a high premium and make payments towards delivery. They've built an exchange to deliver metal. We built exchanges to speculate. An explosive situation across all the metals.

You're right about the 1 or 2%. There's about a USD 300trn capital market globally, and 2 to 3% of it is in mining. There has to be a rotation from hell, money leaving speculative AI data centers they can't build anyway. A luminary said to me the other day: it's like Niagara Falls going through the eye of a needle. That reorganizes the market.

Just like in COVID: the market kept going, airlines closing down but airline stocks going up, ocean liners shut down but ocean liner stocks going up. Then all hell broke loose and everyone ran for the exits. Gold at USD 25,000 isn't hard to imagine. To save the USD, at some point they have to anchor it on a commodity mix.

Rubio said less than two weeks ago: in five years, not everyone's going to be using the USD. It was almost an acknowledgment they see it coming and need plans to reconstitute it. Then you get the fabled thing we all thought might happen but never really believed: gold has to be revalued significantly higher. I've been in this market 40 years and started to believe it wouldn't. In the last 12 months I think there's a great chance it does, especially if someone else moves first.

We're at a pinch-yourself-to-be-alive moment. Something has to give. The FOMC framework selected for this: their theories priced the whole economy on consumable CPI goods and none noticed the industrial base falling apart. The privilege of having the reserve currency obscured the reality of the economy. It made it look better than it was. They've all woken up and gone, my God, we haven't really got an economy.

How that implodes is anyone's guess. We know the conditions; how it unfolds is policy-path-dependent on what Trump does next and what the Chinese do. They've got countermoves on our countermoves and we've got countermoves on theirs. But a gold revaluation, you'd have to say it's probably the most probable it's been in the last 40 years since I started investing.

How does the US dollar anchor itself? If it can't buy commodities, if it can't buy what China provides, how does it anchor itself? There's demand because people have to buy US dollar to pay bonds, but is that enough? Can they re-industrialize on that basis? I question that.

> The choice: print money or inject liquidity into a commodity spike to contain the bond market, or stand aside and let yields curtail the domestic economy.
>
> Luke Gromen

Ronald-Peter Stöferle: ***Usually the reaction function to a crisis is: the Fed takes care of it. But we're in an inflationary environment. You're positioned over 50% in cash and gold bullion. What could we see from the Fed? QE? Transitory inflation and rate cuts? Yield curve control? Or something new?***

Luke Gromen: It's over 50% cash and gold bullion combined. They're in a pickle. Stagflation is ultimately just an emerging market currency crisis in a developed market, that's all it really is. The choice: print money or inject liquidity into a commodity spike to contain the bond market, or stand aside and let yields curtail the domestic economy. We're starting this from US entitlements plus interest expense at over 100% of receipts. Any recession is mathematically certain to produce a debt spiral, and the West goes right alongside.

Ronald-Peter Stöferle: *Luke, one final question. It's always at the end of your reports: how do we make money with it?*

From an asset allocation point of view, April 2026, thinking long-term, what would be your advice for an institutional client in this environment and for what we're forecasting for the next couple of years?

Luke Gromen: You want an elevated cash position, your ballast and optionality, and you get paid to wait. You want an elevated gold position, expressed as physical bullion, because if you don't hold it, you don't own it. International law and property rights are being stretched, to be polite. Cash, gold, and well-capitalized companies set to benefit from the bottlenecks: materials, electrical infrastructure, industrials.

Where stocks are cheap and sentiment is awful, it's still China. Chinese equities look cheap and they're competing well, though in the short run you're considered a traitor for saying so. Beyond that there's nothing very interesting about most markets other than cash, gold, and well-capitalized commodity bottlenecks.

I'm reading a book about Gallipoli, how a globalized world forced Britain's hand to do things that weren't in its interest. It rhymes. Globalized supply chains are forcing the US to do things that probably aren't in its interest, more like Japan bombing Pearl Harbor: they felt they had to act now because it was only going to get worse. And of course, it didn't work out great for the Japanese.

So I'm really just trying to focus on those areas where there is a concrete five-year outlook of strong potential, and that's electrical infrastructure, well-capitalized plays on these industrial and commodity supply chains. I think gold and gold miners fit in that as well.

Ronald-Peter Stöferle: *Talking my book, actually. Similar asset allocation here. Luke, thank you for your terrific work over all these years, discussing the Forest for the Trees.*

Thank you very much, Luke and Craig. It's been a pleasure. All the best, and talk to both of you soon.

These were highlights of our debate with Luke Gromen and Craig Tindale. The full version of the debate is available for download here. The video of this debate can be found on YouTube here.



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Gold and the End of the US Dollar Standard



Key Takeaways

- The capital account and capital flows determine the trade balance – not the other way around. Large net capital exports from surplus countries force corresponding current account deficits elsewhere.
- Persistent trade surpluses are not the result of natural comparative advantages, but stem from deliberate domestic policies in countries like China, Germany, and Japan that suppress household consumption and generate massive excess savings.
- The US became the residual adjuster of the world's excess savings and had to run persistent current account deficits as a result. Washington now views the reserve currency status more as an "exorbitant burden" than a privilege.
- The US is no longer willing to act as residual adjuster of global excess savings by accepting ongoing deficits in US-dollar assets. This shift is putting the existing dollar-based system under increasing pressure.
- As US-dollar reserves face growing political risks (sanctions, taxes, fees), gold is increasingly taking on the role of a neutral reserve asset with no counterparty or confiscation risk. Central banks and surplus countries are therefore diversifying heavily into gold.
- Gold is decoupling from the old drivers of real interest rates, volatility, and liquidity and is now primarily driven by structural demand for a neutral reserve currency. As long as global excess savings persist, the long-term upward trend for gold remains intact.

The capital account rules the current account.

Eugen von Böhm-Bawerk



Michael McNair is a fund manager at a large US-based institutional asset manager. Follow him on X and on Medium.

It was August 15, 1940, and Adolf Galland had just watched the Luftwaffe lose 75 aircraft in a single day. German intelligence estimated the RAF was down to its last 300 fighters. The British should have been nearly finished. Instead, RAF squadrons kept showing up in the right place at the right time, in numbers that should not have been possible. Galland, one of Germany's finest commanders, later noted that the RAF seemed to know just where and when to send their aircraft. He could see the outcomes, but he could not explain them.

Unbeknownst to the Germans, Hugh Dowding had quietly revolutionized air defense. Radar stations along the coast fed data into filter rooms, which fed sector control stations, which scrambled fighters to exactly where they were needed. Air defense had become an integrated information system. The Luftwaffe was fighting the battle with a framework built on Spain, Poland, and France. Yet, Dowding had changed the nature of the battle entirely, and the Germans were reading it with the wrong map.

Gold has undergone a similar paradigm shift, and most investors haven't fully realized it.[1] They can see the price action, but they're still trying to explain it within the old framework. For years, gold could be understood reasonably well through a three-factor model built on real interest rates, volatility, and liquidity. That map no longer works on its own. Gold is increasingly trading not just as a hedge inside the existing monetary order, but as a reserve asset outside it.

Just when you find the key to the market, they change the locks.
Gerald Loeb

This chapter argues that gold's role is changing because the international system around it is changing. To explain the shift, we need to walk through the full logic of how we got here. We begin with a simple balance of payments identity. We then show how a set of domestic policies in surplus countries systematically suppresses consumption and generates excess savings. Those excess savings create a growing need for reserve assets and force counterpart deficits somewhere else in the system. That, in turn, explains why reserve currency status has become a burden for the US and why the US is now trying to restructure the global trading and capital flow system. From there, we can understand why gold is once again taking on a reserve function, why that changes the way gold trades, and what a future reserve architecture might eventually look like.

The four most dangerous words in investing are: this time it's different.
Sir John Templeton

Galland kept being surprised because he was still reading the battle through the old framework. The surprises were the signal that the system itself had changed. Gold investors should not make the same mistake.

1 For a detailed analysis see "The New Gold Playbook," *In Gold We Trust* report 2024.

The Balance of Payments

Most discussions of international trade focus only on goods and services. But that captures only half the picture. When money crosses borders, it does so in one of two ways. It either buys goods and services, which shows up in the current account; or it buys financial assets, which shows up in the capital account. Every net trade flow has a matching net capital flow on the other side. These two flows are inextricably linked through what economists call the balance of payments, which can be expressed in a simple but powerful equation:

$$\text{Current Account} = \text{Capital Account}^{2}$$

A country that imports more than it exports must, by definition, sell claims on itself to foreigners. A country that exports more than it imports must, by definition, accumulate claims on someone else. Put differently, a current account deficit is always matched by a capital account surplus, and a current account surplus is always matched by a capital account deficit.

This may sound abstract, but it has enormous implications. **It means that persistent trade imbalances are never just about trade. They are also about where surplus savings are going** and which countries are willing, or are forced, to absorb the corresponding net capital inflows.

> *An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.*
> Laurence J. Peter

The balance of payments accounting identity also tells us that any change in one side of the equation must be matched by an equal and opposite change in the other. For example, when a Japanese pension fund or the Bank of Japan uses its trade-earned US dollars to buy USD 1bn in US financial assets, all else equal, US net exports must decrease by USD 1bn and Japanese net exports must increase by USD 1bn, despite this transaction having no direct connection to trade in goods and services.

A century ago, this mattered less because capital flows were much smaller and most international finance was tied directly to trade. Today, capital flows are enormous and global foreign exchange transactions dwarf trade flows by orders of magnitude. When we focus solely on trade flows, we ignore the powerful role that capital flows play in driving trade outcomes. In fact, in today's global financial system, it's often capital flows that determine trade flows, rather than the other way around.

> *A price is a signal wrapped up in an incentive.*
> Alex Tabarrok

Since capital flows can drive trade outcomes, it is essential to understand what generates persistent net capital exports in the first place. Some countries systematically acquire foreign claims year after year, while others are forced to absorb the mirror deficits. This is not a consequence of comparative advantage in the traditional sense. It is the result of domestic policy choices in surplus countries that suppress consumption, subsidize production, and generate excess savings.

The Investment Growth Model and Excess Savings

In the 1960s and 1970s, Japan began running an investment growth model. China adopted a version of it in the 1990s. Germany has run its own variant since the Hartz IV labor reforms of 2003–05. South Korea, Taiwan, and much of emerging Asia have followed similar playbooks.

> *There are four kinds of countries in the world: developed countries, undeveloped countries, Japan and Argentina.*
> Simon Kuznets

The investment growth model is a set of policies that transfer income from households to producers. Those policies include currency undervaluation, financial repression, wage suppression, and direct subsidies to producers. Currency undervaluation makes imports

2 The technical balance of payments identity is: current account = capital account, but we are using "trade account" in place of the "current account" for simplicity. It should be noted that the current account differs slightly from the trade account – a fact we can ignore for our discussion.

Persistent trade imbalances are never just about trade. They are about where surplus savings are going – and which countries are willing, or forced, to absorb them.

expensive and exports cheap. Financial repression keeps interest rates well below growth rates, effectively taxing savers and subsidizing borrowers. Wage suppression holds wages low relative to productivity, reducing household purchasing power while boosting corporate profits. Direct subsidies to strategic industries lower production costs, with the cost ultimately borne by households through taxes or lower transfers.

> *Ask five economists and you'll get five different explanations; six, if one went to Harvard.*
> Edgar R. Fiedler

All of these examples are deliberate policy choices that compress the household share of the economy. High savings rates in countries like China are not primarily the result of cultural thrift or demographic structure. They are the mechanical consequence of policies that suppress the household share of income and raise the producer share.

How Excess Savings Are Created

When household income is suppressed relative to output, consumption falls relative to production. And because savings equals production minus consumption, the gap between the two is excess savings.

Savings = Production – Consumption

Importantly, high savings are not the result of household choice; they are the by-product of policies that redistribute income away from households and towards producers.

John Hobson identified this underlying dynamic over a century ago. He argued that when income distribution shifts away from consumers and toward producers, demand for consumption goods grows too slowly relative to productive capacity. As a result, the economy generates more savings than consumption can justify.

> *Economics is too important to be left to economists.*
> Abhijit V. Banerjee

Countries running investment growth models do not immediately face a savings placement problem because they channel those excess savings into domestic investment, often at extraordinary scale. For a time, that delays the external adjustment. High investment absorbs the excess savings, GDP grows rapidly, and the model appears to validate itself.

But every country that has ever employed an investment growth model runs into the same set of constraints. Investment outpaces profitable opportunities. Capital is misallocated. Bad debt accumulates. And the economy's ability to productively absorb its own excess savings begins to deteriorate.

> *Practical men who believe themselves to be quite exempt from any intellectual influence are usually the slaves of some defunct economist.*
> John Maynard Keynes

At the same time, the model shifts demand away from trading partners. Suppressed consumption and subsidized production make the surplus country's exports artificially cheap, displacing foreign producers and pulling demand in from the rest of the world. That helps sustain high investment longer than domestic fundamentals alone would allow. But it does not eliminate the underlying imbalance. It only delays the reckoning while spreading the cost.

Eventually, the domestic investment channel saturates. Once that happens, more of the excess savings must spill outward as an external surplus, and the burden of adjustment is pushed onto trading partners.

Why Externalizing the Imbalance Creates a Burden Abroad

If a country systematically suppresses household income and consumption relative to production, the resulting excess output (e.g. savings) must be absorbed somewhere. It can be absorbed domestically through elevated investment, or it can be exported through current account surpluses. When it is exported, the adjustment is shifted onto trading partners.

The US dollar's role is better understood as an exorbitant burden than an exorbitant privilege.

Not all trade/current account deficits reflect this dynamic. A deficit can reflect healthy intertemporal trade. When capital flows into a savings-constrained economy and finances productive investment, raises future tradable output, and creates a plausible path to reversal, the deficit is the temporary counterpart of development. In that case, the inflow is genuinely beneficial because it expands future productive capacity.

But there is a very different kind of deficit. When a country creates excess savings by redistributing income from households to producers, it can push part of that imbalance onto the rest of the world by exporting those savings. Some other country must then absorb the counterpart deficit and the associated demand shortfall. If those inflows go into an advanced economy where investment is not constrained by scarce domestic saving, they do not automatically generate additional productive investment. In such economies, investment is usually constrained by demand, expected profitability, and risk appetite. The adjustment therefore occurs through lower domestic saving instead – either in the form of weaker output, higher unemployment, higher private debt, larger fiscal deficits, or asset inflation.

> *Nothing so undermines your financial judgement as the sight of your neighbor getting rich.*
> J.P. Morgan

The persistent, one-way imbalances of the past four decades are not the result of healthy intertemporal trade with a path to reversal; they are structural surpluses that force the adjustment onto trading partners. In the healthy case, capital inflows finance incremental productive investment and lay the groundwork for future rebalancing. In the burden case, the inflow does not solve a funding problem, but rather creates an adjustment problem.

This was the point John Hobson first identified and Keynes and Joan Robinson extended. Hobson explained how weak consumption in the surplus country creates excess savings that must be absorbed somewhere. Keynes and Robinson added that if the surplus country does not rebalance by raising domestic consumption, the adjustment must occur in the countries forced to absorb the surplus. Robinson called these beggar-thy-neighbor policies because they allow one country to relieve its own demand imbalance by exporting it to others.

> *Good fences make good neighbors.*
> Robert Frost

The Exorbitant Burden

The US has become the primary absorber of these externalized imbalances because it occupies a unique position in the global system. It combines deep and liquid capital markets, a very large stock of safe financial assets, and an unusually open capital account. Other economies may share some of those features, but not all of them at the same scale. Europe and Japan are surplus economies themselves. China maintains extensive capital controls. Emerging markets are too small, too volatile, or too closed to absorb the world's excess savings on anything like the required scale. The result is that the US has become the residual destination for the net claims generated by persistent surpluses abroad. That is the real meaning of reserve-currency status.

> *What is not good for the beehive cannot be good for the bee.*
> Marcus Aurelius

The US does not run persistent deficits because it is chronically short of savings and needs foreign capital to finance productive investment. It runs them because the rest of the world wants to place excess savings in US dollar assets, and the US has been the country most willing and able to receive them.

> *The facts are unimportant! It's what they are perceived to be that determines the course of events.*
> R. Earl Hadady

In a capital-scarce economy, foreign inflows can finance new productive investment that would not otherwise occur. But the US is not capital scarce. Its investment is generally constrained by demand, profitability, and risk appetite, not by a shortage of domestic saving. As a result, foreign inflows do not automatically create more productive investment. They displace domestic funding and, through the balance of payments, force a corresponding trade deficit that weakens demand for domestic tradable production.

This is why the US dollar's role is better understood as an exorbitant burden than an exorbitant privilege. As Robert Triffin explained in the 1960s, the reserve currency issuer becomes the residual adjuster. When the rest of the world implements domestic policies that systematically generate excess savings and then channels those savings into US dollar assets, the US must run the counterpart external deficit. That means lost domestic demand, pressure on tradable sectors, and adjustment through some combination of higher unemployment, higher household debt, larger fiscal deficits, or asset inflation.

> *Things should be made as simple as possible, but not simpler.*
> Albert Einstein

The standard moralizing story gets the causality backwards. Persistent fiscal deficits are a symptom of the adjustment, not the cause of the trade deficit.

Kindleberger made the same argument about the fallacy of blaming the US fiscal deficit for the US current account deficit in the 1980s. In *International Capital Movements* Kindleberger stated:

> *Here as in Marshall's famous general-equilibrium balls in a bowl, the position of each determines the position of all the others, and vice versa...it is a mistake to lay all the blame for the US deficit vis-à-vis Japan on the US government budget deficit.*

His point was that the budget can be an outcome of the system's adjustment when the US accepts large capital inflows.

We can use market prices to help infer the direction of causality. Countries that need to attract foreign capital to fund external deficits experience weak currencies, poor asset returns, and high interest rates needed to entice foreign buyers. That was Latin America in the 1980s, much of Asia in the 1990s, and Türkiye today.

The US experience could not be more different. US financial assets have been among the world's best-performing and highest-valued, while the US dollar has remained exceptionally strong despite decades of trade deficits. A currency does not appreciate by 350% over forty years of persistent deficits unless the direction of causality runs from capital flows to trade flows, not the other way around.

End of the US dollar Standard

The US dollar standard could endure only so long as the US believed the benefits of reserve currency status outweighed the costs. For decades, Washington largely treated those benefits as obvious. The US dollar anchored the global financial system, gave the US unmatched geopolitical leverage, and reinforced America's central position in global finance. In that framework, the domestic burden of absorbing foreign excess savings was either seen as manageable, misunderstood, or treated as the necessary price of supplying the world with a critical public good.

> *The most dangerous thing in finance is the thing that never, ever moves…until it moves.*
> Russell Napier

But that bargain was always contingent on the US's willingness to tolerate the counterpart deficits, the pressure on domestic tradable sectors, and the recurring need to offset foreign demand weakness through some combination of private sector debt expansion or fiscal deficits. Once the burden grew large enough, or became clearly visible enough, the logic of the system changed. **What had long been described as an exorbitant privilege began to look more like an exorbitant burden.**

That shift is now well underway. It's not that the costs suddenly appeared. It's that a growing part of the US policy establishment no longer sees the US dollar system primarily as a source of privilege, but as an underpriced global public good that others have used while pushing the adjustment burden onto the US.

> *We're consistently inconsistent. It's one of the cornerstones of our success.*
> David Tepper

In Stephen Miran's first major public speech as Chair of the Council of Economic Advisers, he framed the US dollar standard and the US security umbrella as global public goods the US has been providing to the rest of the world. In his telling, the US keeps its markets open and allows other countries to externalize their domestic imbalances by accumulating US financial assets, while surplus countries free-ride on both the security umbrella and the US dollar system. According to Miran, domestic politics in surplus countries make it difficult to shift away from export-led growth toward stronger domestic demand. It is easier to keep running surpluses, accumulating US dollar claims, and letting the US absorb the demand shortfall.

Miran's conclusion was that if voluntary cooperation does not produce real burden sharing, the country providing those public goods will begin using the instruments it actually controls to enforce it. He points to tariffs, procurement terms, investment conditions, and user fees on official US dollar holdings. In this framework, surplus countries can share the burden by opening their markets wider to US exports; buying more US goods and services; shifting foreign direct investment into US industry; and, in the line most observers glossed over, by "simply writ[ing] checks to Treasury that help us finance global public goods."

> *Coming together is a beginning, staying together is progress, and working together is success.*
> Henry Ford

If you have read Miran's earlier *User's Guide to Restructuring the Global Trading System*, it is clear what he has in mind. There he sketches a specific instrument: a user fee on foreign official holders of US Treasury securities, implemented by withholding part of the interest paid on those holdings.

The logic behind a capital flow tax is that every US trade deficit is matched by a capital-account surplus. All US dollars spent abroad must return either to purchase US goods and services or to purchase US financial assets. For decades those US dollars have returned overwhelmingly through the second channel. Foreign central banks and sovereign funds have not been consuming US output; they have been accumulating claims on future US production. A withholding tax or similar capital flow tool would tilt that choice by making US financial assets somewhat less attractive relative to actual purchases of US output and investment in US capacity.

> *A strong nation, like a strong person, can afford to be gentle, firm, thoughtful, and restrained.*
> Jimmy Carter

Seen in that context, "write checks to Treasury" is best understood as the diplomatic version of the concrete capital account tool Miran previously discussed. So far the administration has moved in that direction through tariffs, burden-sharing demands, and investment pressure; but it has not yet imposed a user fee on foreign Treasury holdings or directly taxed foreign holdings of US financial assets. Those more explicit capital-flow measures remain unused. But the logic of the strategy points clearly in that

Under the gold standard, what mattered was not that everyone used gold daily. What mattered was that gold settled net positions between countries.

direction. The administration's push on stablecoins, and the passage of the GENIUS Act, tell us that the Trump administration is headed in that direction.

A great deal of confusion in these debates comes from treating the US dollar's international currency role and its reserve currency role as though they were the same thing. They are not. The international currency role is the plumbing of global trade and finance: invoicing, payments, settlement, and collateral. The reserve currency role is about the asset in which countries accumulate net claims when they run persistent surpluses and export savings on a net basis.

Good and bad coin cannot circulate together.
Thomas Gresham

That's an important distinction because the burden on the US comes from the reserve currency role. Surplus-country policies suppress domestic demand relative to production, forcing those countries to export savings. Those net savings then become net claims on the US, which means the US must run the corresponding current account deficit. The problem is not that trade is invoiced in US dollars. It's that the system uses US dollar assets to absorb and store persistent global imbalances.

The best analogy is the gold standard. What mattered was not that everyone used gold in ordinary day-to-day transactions. What mattered was that gold settled net positions between countries. Deficit countries lost gold, while surplus countries accumulated it. Gold was the reserve asset because it was the instrument through which persistent imbalances were ultimately settled.

Money is a matter of functions four: a medium, a measure, a standard, a store.
Alfred Milnes

Stablecoins should be understood as an attempt to separate the US dollar's international currency role from its reserve currency role. The GENIUS Act created a federal framework for payment stablecoins backed one-for-one by specified liquid assets, including US dollars and short-term Treasuries. On its face, that is a push to strengthen the US dollar's role in the transactional plumbing of the global system. But if Washington intends to increase the friction on foreign reserve hoarding, whether through user fees or other capital-account tools, then it needs some way to preserve the US dollar's global payments role without continuing to subsidize the unlimited accumulation of net claims on US financial assets. Stablecoins help unbundle those functions. They allow global users to keep transacting in US dollars even as the US becomes less willing to absorb the world's excess savings in Treasury form without consequence. Stablecoins are the infrastructure you build before you pull the capital-controls lever.

Why Washington Has Not Yet Moved Directly Against Capital Flows

If the administration ultimately intends to go after foreign reserve hoarding more directly, the obvious question is why it has not done so already.

Prepare, don't predict.
Anonymous

The first reason is sequencing. Before you can put a tax on foreign US dollar holdings, you need the stablecoin infrastructure to avoid blowing up the US dollar payments system. It is the plumbing that has to be in place before the reserve side of the system can be repriced more aggressively.

The second reason is the Federal Reserve. Capital flow tools are much riskier without the cooperation of the Federal Reserve. Miran says as much in his *User's Guide*, writing that this agenda "requires cooperation from the Fed"; and he notes that such cooperation is not unusual, as the Fed has long deferred to Treasury on currency policy, and "the details can be worked out through agreements between the two". What has likely been missing so far is confidence that Powell would provide that backstop

to prevent any disorderly spike in the term premium. That is why the 2026 Fed transition sits in the background of all this. Powell's chair term ended a few days ago in May 2026, and Kevin Warsh took over.

After Warsh's nomination, Stanley Druckenmiller gave an interview saying he was "really excited about the partnership between him and Bessent" and that "having an accord between the Treasury secretary and Fed chair is ideal." Given that both Warsh and Bessent previously worked for Druckenmiller, the comment is hard to dismiss as casual. It may not be a coincidence that, immediately after Warsh's nomination, Druckenmiller chose to publicly emphasize the importance of a Treasury-Fed accord.

Gold has decoupled from the old macro model that tied it to real rates, liquidity, and the next FOMC meeting.

The Supreme Court's February 2026 tariff ruling also increases the likelihood of the administration implementing capital flow tools. By holding that the International Emergency Economic Powers Act (IEEPA) did not clearly authorize tariffs, the Court narrowed one of the administration's most flexible trade levers. That makes the capital account tools even more important to reverse the US trade deficit, especially since that represents the source of the underlying imbalance.

Where Will Excess Savings Go?

> *When the facts change, I change my mind. What do you do, sir?*
> John Maynard Keynes

The US is no longer willing to absorb the world's excess savings on the old terms. But the excess savings do not disappear. Countries are still running investment growth models that suppress domestic consumption relative to production, so some country must still absorb the counterpart demand shortfall, and some asset must still store the resulting claims.

One possibility is for surplus countries to reduce the excess savings at the source by reversing the growth model itself. That would mean raising household income, increasing consumption relative to production, and giving up part of the industrial competitiveness those policies were designed to create. It is the correct long-run answer, but politically the least likely.

A second possibility is to keep absorbing the excess savings at home through domestic investment. But those economies have already pushed investment beyond what domestic demand can profitably support. More investment would only deepen the debt, overcapacity, and capital misallocation problems already visible in places like China.

> *If you get on the wrong train, get off at the nearest station; the longer it takes you to get off, the more expensive the return trip will be.*
> Japanese proverb

A third possibility is to find another country willing to run the counterpart deficits and absorb the rest of the world's excess savings. But this quickly runs into political reality. No major economy wants to become the new residual adjuster, because doing so would mean tolerating a stronger currency, a weaker tradable sector, and persistent external deficits. Europe won't do it. European politicians may occasionally speak as if reserve currency status is an opportunity, but a world in which Europe absorbs Asian excess savings would also be a world of a much stronger euro, weaker external competitiveness, and persistent trade deficits. That is the opposite of the strategy Europe, and Germany in particular, has pursued for years. Japan won't do it, either. Japan has spent decades resisting foreign capital inflows and preserving its position as a net capital exporter. China is even less plausible. China will not accept running the required trade deficits, which would undermine its domestic competitiveness and intensify its overcapacity and debt problems. Emerging markets are too small, too volatile, and too institutionally fragile. In practice, there is no obvious replacement for the US as the global absorber.

> *The art of investment is the discipline of inaction in the absence of a good opportunity, but aggressive action when one is identified.*
> Li Lu

That leaves the asset problem. Even if no country is willing to absorb the demand shortfall on the old scale, the excess savings still have to be held in some form. Until recently, the default answer was US dollar assets, above all Treasuries, but also agency debt, corporate bonds, and equities. That option is not disappearing overnight, but it is no longer

frictionless. Tariffs, capital-flow threats, withholding-tax proposals, and the broader signaling from the Trump administration all point in the same direction: US assets are no longer just a neutral parking place for surplus savings. They increasingly carry political risk, potential tax risk, and, after the freezing of Russian central bank reserves in 2022, obvious sanctions risk.

If no country wants to absorb the deficits and US assets are becoming politically encumbered, that leaves gold as the obvious reserve asset alternative. Gold does not solve the underlying global demand imbalance. And it doesn't make surplus countries consume more, nor does it create a new residual absorber, but it solves the reserve-asset problem. Gold has no counterparty risk. There is no foreign government on the other side of the claim that can freeze it, sanction it, tax it, or charge user fees for the privilege of holding it. It can't be weaponized in the way US dollar reserves were weaponized against Russia, and it doesn't depend on the policy choices of the country issuing the liabilities.

> *Central Banks buy gold, they don't buy gold stocks.*
> Rick Rule

Central banks already understand this. Since the freezing of Russian reserves, official gold purchases have accelerated sharply. But the reason is bigger than simple sanctions hedging. The world's major surplus economies are still generating enormous volumes of excess savings. The gold market is tiny relative to the Treasury market. That means even a partial redirection of structural reserve demand away from Treasuries and toward gold can have an outsized effect on the price of gold.

> *Gold is not everything, but everything needs gold.*
> Russian proverb

That is why gold has increasingly decoupled from the old macro models that tied it tightly to real rates, liquidity, or the next FOMC meeting. Those factors drove gold when the global trading system revolved around the US freely accepting its role as the residual absorber. That forty-year arrangement is now being renegotiated, and gold is absorbing what the US dollar no longer will.

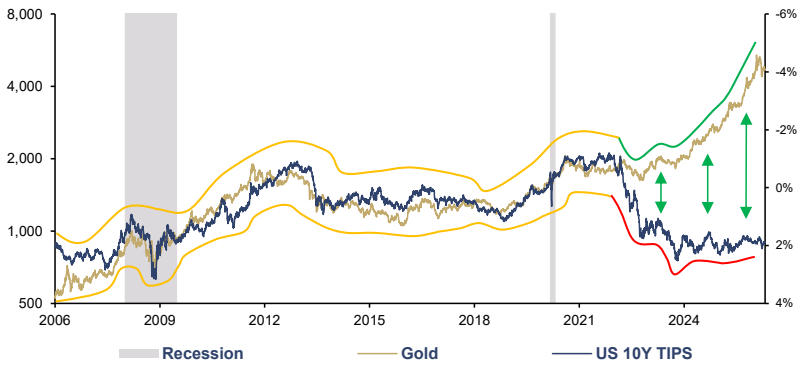
If the Trump administration moves from indirect signaling to direct capital flow measures, the message that Treasuries are no longer a neutral parking place for excess savings becomes explicit. At that point, the incentive to move into gold should intensify. The more explicitly the US threatens to reprice or restrict foreign reserve hoarding, the stronger the rush into gold will become.

Gold in the New Regime

This structural shift is enormously bullish for gold over the long run. But it also changes how gold trades.

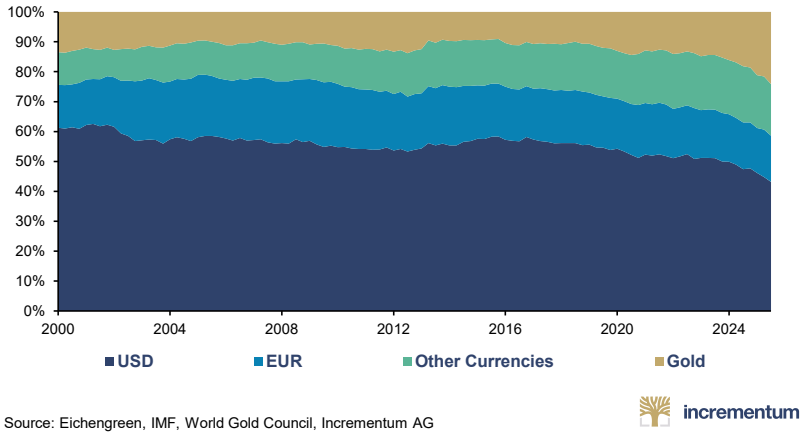
In the previous regime, the main drivers of gold were real interest rates, volatility, and liquidity. Gold would benefit when real yields fell, when macro volatility rose, or when investors began to worry about monetary instability. Those traditional factors still matter today, and they can still be supportive. But they are no longer sufficient to understand gold on their own.

After the freezing of Russian reserves in 2022, gold increasingly began to trade as the neutral reserve asset in a system where the old reserve asset had become politically conditional. Once US dollar reserves could be frozen, or otherwise made contingent on geopolitics, the market had to reprice the one major reserve asset without counterparty risk. That was the moment gold stopped being just a hedge inside the system and started becoming the neutral reserve asset outside it.

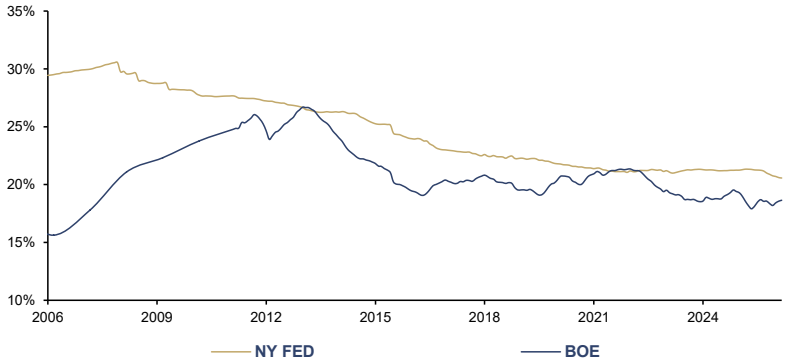


The data confirm that shift. Gold has overtaken the euro as the second most important reserve asset in the world, while the US dollar's share of allocated foreign exchange reserves has continued to decline. Arslanalp, Eichengreen, and Simpson-Bell show in "Gold as International Reserves: A Barbarous Relic No More?" that gold's share of reserves, measured at market value, rose from 17% to 25% during 2021–24 for advanced economies, and from 7% to 10% for emerging markets and developing economies. They also show that gold holdings measured in ounces have continued to rise, that the number of central banks buying at least one metric ton has exceeded the number selling in nearly every year since 2008, and that no advanced-economy central bank has sold gold in significant amounts since the Central Bank Gold Agreement ended in 2019. They further document that gold held at the New York Fed and the Bank of England has been declining as more countries repatriate reserves, in part because gold held at home is harder to sanction or freeze.

> *It is the mark of a truly intelligent person to be moved by statistics.*
> George Bernard Shaw



Gold Custody Holdings at the BoE and NY Fed, as a % of Global Gold Reserves (ex UK and US), 01/2006–02/2026



Source: BoE, Federal Reserve Board, IMF, Incrementum AG

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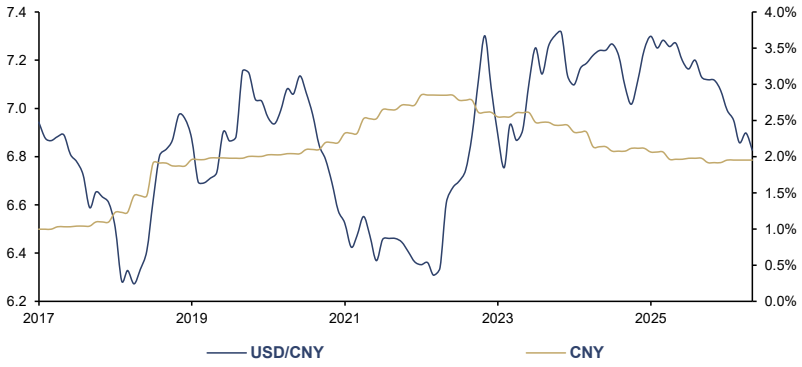
> *Capital flees from hostility to surety. That is what capital has always done, and that is what capital will always do.*
> Dennis Gartman

Even the broader gold-demand data point in the same direction. According to the World Gold Council, total gold demand hit an all-time high of 5,002 t in 2025. Investment demand reached a record 2,175 t. Central banks added another 863 t, extending what is now several years of extremely strong official-sector buying. It's not just that demand is high. It's that the composition of demand lines up with a world in which gold is being accumulated not merely as a tactical hedge but as a strategic store of value in a system where traditional reserve assets have become more politically contingent. Central banks are stepping in, exactly as you would expect if reserve managers were searching for a neutral asset.

> *Capital will always go where it's welcome and stay where it's well treated… Capital is not just money. It's also talent and ideas.*
> Walter Wriston

Meanwhile, the most commonly cited sovereign alternative to the US dollar has moved in the wrong direction. The Chinese renminbi's share of global reserves peaked at 2.84% in Q1/2022 and has since fallen to 2.1%, declining in nearly every quarter. Even after adjusting for exchange-rate effects, the trend is down. Arslanalp and Eichengreen find in the paper "Our Underappreciated International Reserve System" that geopolitical risk and lower relative returns are driving countries away from renminbi holdings. Several European central banks, including those of Belgium, the Czech Republic, Portugal, and Switzerland, actively reduced their renminbi reserves during 2022–24. China maintains extensive capital controls that limit foreign ownership of domestic assets. A reserve currency that cannot be freely acquired or repatriated is not a serious reserve currency. The data now confirm that.

USD/CNY (lhs), and CNY, as a % of Global FX Reserves (rhs), 01/2017–04/2026



Source: IMF, LSEG, Incrementum AG

incrementum

But official reserve data captures only part of what's happening. One reason many analysts understate the shift is that they focus too narrowly on central bank reserve holdings. Reserve currency status is not just about what sits in COFER (Currency Composition of Official Foreign Exchange Reserves). It is about what assets the rest of the world chooses to hold as net claims against persistent current account surpluses. Those claims can sit on the balance sheet of a central bank, a sovereign wealth fund, a state-owned bank, a pension fund, a life insurer, or a private corporation. For the US current account deficit, it makes no difference whether those claims are held as official reserves at a central bank or sit on the balance sheet of a Taiwanese life insurer. That is why focusing on official reserve accumulation actually understates the real demand for reserve assets.

Today's global imbalances are far larger than under Bretton Woods. Gold's share of reserves is far smaller. If gold is to absorb more of the load, the price must rise substantially.

Thus, when we say reserve-driven demand has become the dominant marginal driver of gold, we do not mean reserve accumulation only in the narrow central bank sense. We mean the broader pool of foreign savings looking for a store of value outside the US dollar system. Some of that demand is official. Some is quasi-official. Some is private. **The point is that more of the world's excess savings are looking for neutral assets, and gold is increasingly where those flows go when the old reserve asset becomes politically encumbered.**

That's why official reserve growth can slow even while the structural demand for reserve assets remains intact. The capital account is made up of both official and private flows. When US returns are attractive, private capital often flows out of surplus countries and into the US on its own. In those periods, foreign central banks don't need to accumulate reserves as aggressively because the private sector is already exporting the capital. When private flows weaken or reverse, central banks can step back in and replace them with official flows. We have seen that rotation repeatedly. The mix between private and official channels changes, but the underlying driver is the surplus itself. The demand for reserve assets remains structurally inelastic because the surplus still has to be matched by claims on someone else. Gold is now increasingly one of the assets absorbing those claims.

> *The moral is that in trading it's important to examine the situation from as many angles as possible because your initial impulses are probably going to be wrong.*
> Jeff Yass

How Gold Trades in the New Regime

One important consequence of the new regime is that gold is likely to behave more procyclically. When gold demand is increasingly driven by the need to store excess savings outside traditional reserve assets, it becomes more tightly linked to the generation of those savings, which is a function of economic growth, export revenues, and trade surpluses. When the global economy is expanding and surplus countries are running large surpluses, their excess savings grow and gold accumulation accelerates. When that surplus generation is disrupted, the bid can weaken or reverse.

> *The most ironic outcome is the most likely.*
> Elon Musk

The price action in gold after the Strait of Hormuz closure is a good example. Rising geopolitical risk, rising inflation, and rising volatility would have been close to ideal for gold in the old regime. Yet gold sold off instead. That is exactly the sort of move that confuses investors still reading the market with the old map but makes perfect sense in the new reserve regime.

Gulf Cooperation Council (GCC) countries are among the world's largest reserve accumulators and gold buyers. When export revenues are severely disrupted, they may need to liquidate reserves to cover fiscal obligations, and gold is one of their most liquid assets. It doesn't even require wholesale liquidation to weaken gold. All it takes is the removal of the bid. Once the market sees that a major source of reserve accumulation has stalled or reversed, it reprices.

There are also obvious second-order effects. China is the world's largest oil importer. A large energy shock slows Chinese growth and compresses Chinese surpluses, which in turn slows Chinese reserve accumulation. The same shock ripples through Korea, Taiwan, Japan, Türkiye, and the rest of surplus Asia.

When countries are forced to defend their currencies or cover fiscal needs, they draw down reserves. Türkiye's gold reserves fell 69.1 t in one week to 702.5 t, bringing the two-week decline to more than 118 t. Reuters ties the move directly to efforts to support the lira and manage the fallout from the Iran war.

At the same time, Fed data shows that Treasuries held in custody at the New York Fed by official institutions dropped by USD 82bn between February and March 2026. Brad Setser at the Council on Foreign Relations documented that this reflected real selling by oil-importing countries, drawing down reserves to prevent their currencies from amplifying the energy shock. If these countries are selling Treasuries to defend their currencies, they are either selling gold outright or at minimum removing the persistent bid they have been putting into gold over the past several years.

In other words, the regime shift makes gold more sensitive to the global surplus cycle than many investors appreciate.

Think big. If you're going to be thinking anyway, you might as well think big.
Donald Trump

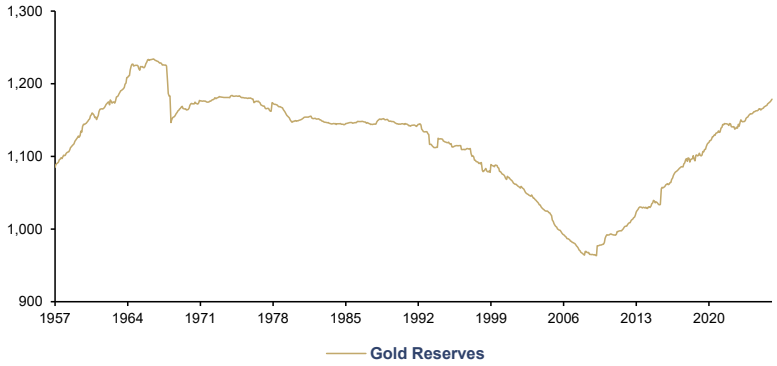
But that does not weaken the long-run structural case. **Gold is returning to the role it once played under the gold standard and Bretton Woods, as the reserve asset that helps balance persistent international imbalances.** The difference is that in those earlier systems the gold price was fixed. The adjustment happened through money supply, domestic credit conditions, inflation in surplus countries, and deflation in deficit countries. Today gold floats. That means the adjustment happens in the gold price itself. This makes gold more volatile and, at times, more procyclical than it was under a fixed-price reserve regime.

I swing big, with everything I've got. I hit big or I miss big.
Babe Ruth

And yet that is also what makes the regime shift so bullish for gold. If gold is increasingly being pushed back into a reserve role, but now under a floating price, the balancing of global savings flows has to happen through valuation. Today's global imbalances are much larger than they were under Bretton Woods or the classical gold standard, while gold still represents a much smaller share of reserves than it did in earlier eras. At current prices, gold is too small an asset class to fill the role that US Treasuries and agency debt have played. If gold is going to absorb a larger share of global reserve demand, the price has to rise substantially.

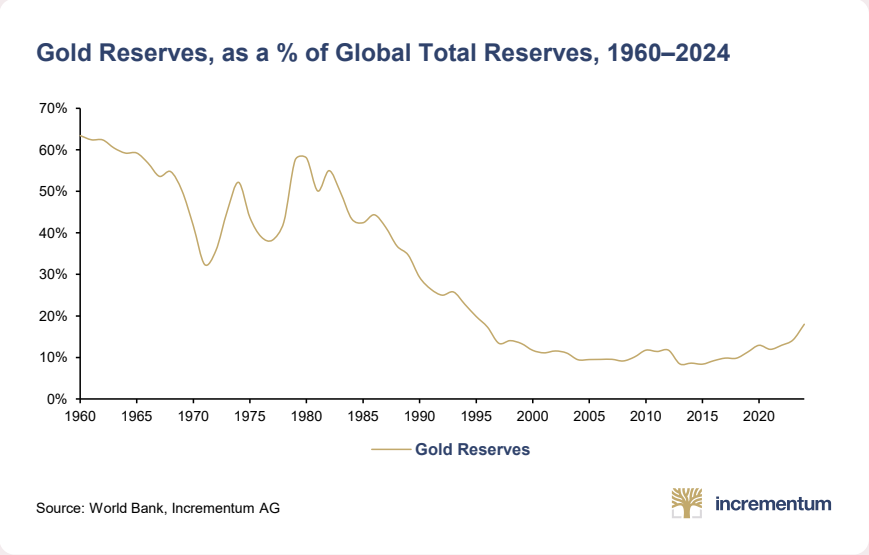
Data from the IMF and from Arslanalp, Eichengreen, and Simpson-Bell show that official gold holdings have climbed back toward prior highs, but gold as a share of total official reserves remains far below the levels common in earlier decades. In other words, there is still substantial room for reallocation.

Global Gold Reserves, in Moz, 01/1957–02/2026



Source: IMF, Incrementum AG

incrementum



And even that understates the shift, because gold's role isn't limited to official reserves. **Gold is increasingly being used to balance both public and private savings looking for a neutral store of value outside the US dollar system.**

The long-run bullish case for gold is much stronger than the older arguments people often used to justify owning it. The old case was mostly cyclical. Buy gold if real yields fall, inflation rises, volatility spikes, or as a hedge to central bank money printing. Those arguments still matter and can be additive. But the reserve thesis is structural. The price of gold in this regime is tied to continued surplus generation and reserve diversification away from the US dollar. That is a much more powerful tailwind. But over shorter periods, gold will move with the global growth cycle in ways that will confuse investors still using the old map.

> *Patience is the companion of wisdom.*
> Saint Augustine

Toward a New Reserve Architecture

The selloff in gold after the Strait of Hormuz closure highlights the limitation of using commodities as reserve assets. Their prices can fall at exactly the point reserves are most needed. That is obviously true for energy and industrial commodities. But it is now increasingly true for gold as well. Gold used to be thought of as countercyclical, but in the new reserve regime it becomes procyclical too.

> *Financial history does not necessarily give us the right answers, but it gives us the right questions.*
> Russell Napier

Government bonds are structurally better reserve assets in one important sense. Their price is anchored by the expected path of future policy rates, not just by reserve flows. In a growth slowdown, when reserves may actually need to be liquidated, expected policy rates usually fall and bond prices usually rise. That makes sovereign bonds far more stable liquidation assets than commodities. Gold does not have that anchor. Its price is far more exposed to flows and the reserve demand regime itself.

The problem with government bonds as a reserve asset is that they have to be issued by someone. As we have explained, when one country's sovereign debt becomes the world's primary reserve asset, that country must run the counterpart current account deficits needed to supply those claims. That is the fundamental flaw of the US dollar standard. It gives the world a highly liquid and relatively stable reserve asset, but only by forcing the issuer to absorb foreign excess savings and sustain chronic external deficits. Government bonds work well for the holder, but they create problems for the reserve issuer.

History is unambiguous: Transitions between global monetary regimes are inherently disorderly.

Gold has the opposite problem. It doesn't require a deficit country to issue it, which is exactly why it becomes so attractive in periods of geopolitical fragmentation. But unlike sovereign bonds, it lacks a policy rate anchor and is a much less stable liquidation asset when reserves are actually needed.

Gold is not the ideal final architecture. But in the absence of a better neutral reserve asset, it is being pushed into that role anyway.

Gold may be the best available reserve asset for a period of disorder, but it is unlikely to be the permanent foundation of a stable global system. A reserve asset that becomes more volatile and more procyclical precisely when reserves are most needed is unlikely to be the final answer. But neither can a system built on one country's sovereign debt, because that simply recreates the issuer burden at the center of the US dollar standard. If the world can't settle on gold and can't return to a one-country bond standard, then over time the pressure will build for a negotiated multilateral architecture.

> *Difference is of the essence of humanity. Difference is an accident of birth and it should therefore never be the source of hatred or conflict. The answer to difference is to respect it.*
> John Hume

Eventually the world is likely to move toward something that resembles Keynes's Bancor proposal, which he proposed at Bretton Woods but that failed to gain acceptance. Keynes's idea was an International Clearing Union in which countries would settle net imbalances in a supranational unit, the bancor. Deficit countries would have access to overdraft facilities, but the burden of adjustment wouldn't fall on them alone. Countries running persistent surpluses would also face charges on excessive credit balances, giving them an incentive to import more, recycle demand, or otherwise reduce their surpluses. Keynes understood that a stable reserve system can't work if only deficit countries are forced to adjust while surplus countries are free to accumulate claims without limit. The Bancor plan wasn't just about creating a new reserve asset; it was about creating a system that reduced global imbalances and therefore reduced the need for reserve-asset accumulation in the first place.

> *How wonderful that we have met with a paradox. Now we have some hope of making progress.*
> Niels Bohr

But that kind of solution is likely a long way off. **History is unambiguous that transitions between global monetary regimes are inherently disorderly.** During the interwar period there were repeated efforts to restore international stability, from Brussels and Genoa to Geneva and London, but countries could not even agree on what had gone wrong. Some blamed rigid exchange rates. Others blamed insufficient gold reserves, war debts, or trade barriers. Even the 1936 Tripartite Agreement, often treated as the interwar period's biggest cooperative success, was really just a limited effort to stop competitive devaluations. When merely agreeing not to actively damage one another counts as a breakthrough, it tells you how low cooperation had fallen.

> *When all think alike, then no one is thinking.*
> Walter Lippmann

The same pattern is likely to repeat as the US dollar standard unwinds. Countries don't agree on the diagnosis of the problem. Some still treat large trade imbalances as the natural outcome of comparative advantage or as a problem for deficit countries to solve on their own. Others see them, correctly, as the product of domestic distortions in surplus countries that the old US dollar system was willing to absorb. As long as countries disagree fundamentally about the source of the problem, coordinated solutions will remain difficult.

The next phase is likely to be messy. Countries built their economic models around exporting to the US while the US dollar standard allowed the US to run persistent deficits. If the US is no longer willing to play that role on the old terms, those countries will increasingly be competing with one another for limited external demand. Cooperation may eventually emerge, and some new architecture may eventually be built. But history suggests that both come only after a painful period of disorder, failed negotiation, and intensifying national responses.

Conclusion

The US dollar standard is ending because the US is no longer willing to play the role of residual adjuster and run persistent deficits so the rest of the world can place its excess savings in US assets.

Yet countries are still implementing policies that tax consumption, subsidize production, and generate excess savings that have to be placed somewhere. As US assets become more politically conditional and less reliable as the default destination, gold is increasingly filling the gap. Not because the world has chosen a new monetary system, and not because gold is a perfect reserve asset, but because there is no better alternative.

Gold is increasingly filling the gap. Not because the world has chosen a new monetary system. Not because gold is a perfect reserve asset. But because there is no better alternative.

As a result, the price of gold will increasingly be driven by reserve demand rather than just by the old mix of real rates, volatility, and liquidity. Gold is no longer trading only as a hedge inside the US dollar standard. It is increasingly trading as the asset that absorbs savings the US dollar system is becoming less willing to absorb.

> *When the ship has sunk, everyone knows how she could have been saved.*
> Italian proverb

At some point a new architecture will emerge. But that is likely a long way off. There were twenty years and two world wars between the collapse of the gold standard and Bretton Woods. Until a new system is built, gold is the only major asset that can fill the role.

> *Politicians, like generals, have a tendency to fight the last war.*
> John Bolton

Regime shifts are only confusing to those still using the old map. Dowding had fundamentally changed the nature of air defense, but the Luftwaffe commanders failed to recognize that change and kept sending pilots into a battle they no longer understood. The price action in gold is sending the same signal now. Investors who keep reading it with the old framework will keep finding the market confusing. It is up to investors to update their model and avoid the mistake of fighting the last war.[3] ■

> *Markets can remain irrational longer than you can remain solvent.*
> John Maynard Keynes

3 *See* "The New Gold Playbook," *In Gold We Trust* report 2024, in particular the chapter "Mastering the New Gold Playbook;" *see* also the chapter "The Collapse of Commodity Beta" in this *In Gold We Trust* report



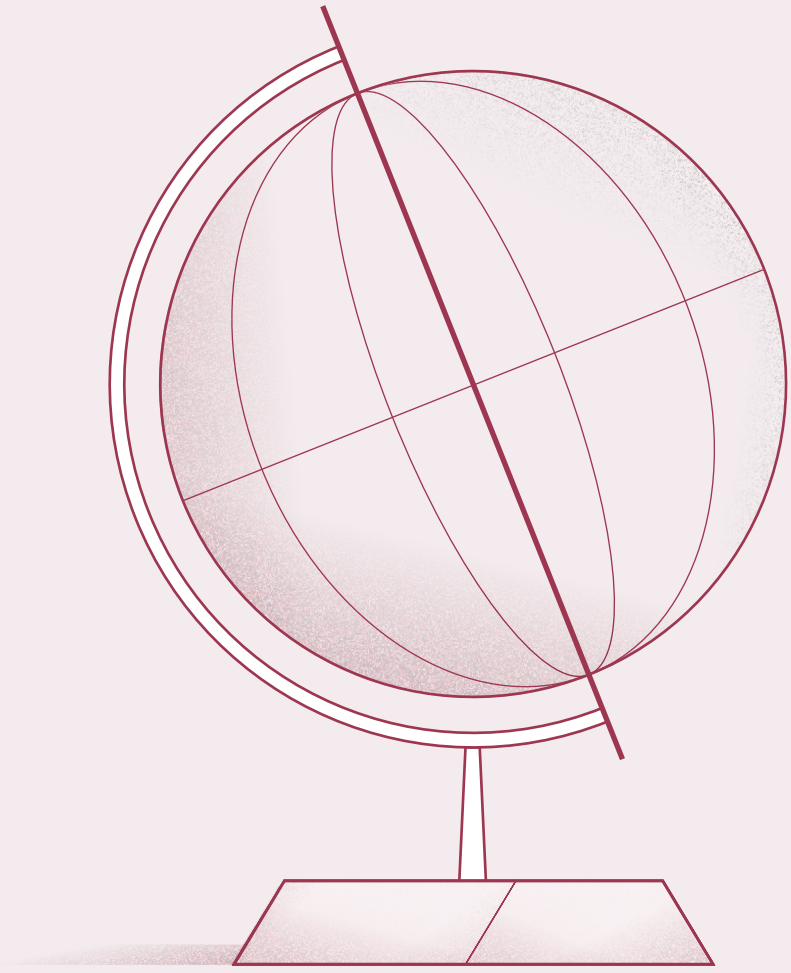
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Gold and the Monetary Analogue of Mackinder's Foundational "Heartland Theory"



Key Takeaways

- The foundation of modern geopolitics is Mackinder's Heartland Theory and the strategic imperative of controlling the Eurasian landmass.
- The conflict plays out between the major land powers of Eurasia, like Russia and China, and the external maritime powers, such as the US and formerly Britain.
- In the monetary analogue of Mackinder's theory, the strategic imperative is control of the world's reserve currency and its monetary architecture.
- The US dollar system has represented the projection of "maritime power" that has contained Eurasia for decades. Gold is the impregnable monetary Heartland – the ultimate expression of "land power" – and the gold price is a real-time indicator of the balance in this conflict.

> *Man and not nature initiates, but nature in large measure controls.*
>
> Halford John Mackinder

A geopolitical struggle is unfolding in which gold is inexorably returning to a central role in the global monetary system.[1] This struggle can be viewed through the lens of classical geopolitics – namely Sir Halford J. Mackinder's seminal paper, "The Geographical Pivot of History", which advanced his "Heartland" theory.

The underlying principle of Mackinder's theory and its adaptations has endured. The distribution of foundational resources and strategic assets determines the architecture of global order. This chapter argues that this principle now applies as much to the international monetary system as it once did to the geopolitical map. In our analysis, we outline Mackinder's geopolitical theory and how it applies to the current situation involving the US, China, OPEC, NATO, BRICS, the Middle East, Ukraine, the South China Sea, etc.

> *What we are in the early stages of watching is a messy attempt to basically restructure the system in a way that gold runs the deficits, so to speak, instead of the United States.*
>
> Luke Gromen

Translating the theory to the monetary sphere, we show how gold is akin to Mackinder's "Heartland" as the anchor to the financial system as the dollar's role declines. The result is a global struggle for monetary hegemony that mirrors the geographic dynamics Mackinder explored over a century ago. The monetary architecture is in the early stages of a transformation that is greater in magnitude than we saw with the breakdown of Bretton Woods in 1971.

Mackinder's Heartland Theory – the Geopolitical Perspective

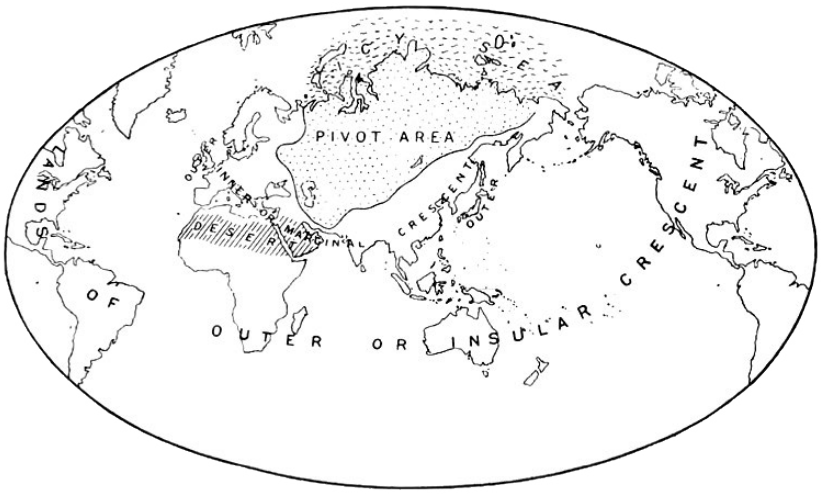
The "Great Game" of modern geopolitics dates back to the rivalry between Great Britain and Russia for supremacy in the Central Asian region during the 19th and early 20th centuries. According to Wikipedia, the paper Mackinder presented to the Royal Geographical Society in 1904 is "...often considered as a, if not the, founding moment of geopolitics as a field of study".

1 This article was written under the lead of Paul Mylchreest. Paul has over 30 years analytical experience, having started his career in the Chemicals sector and worked at S.G. Warburg, Schroders and Citibank. After a brief foray into Oil & Gas, he worked for several years as a Global Macro & Cross Asset strategist, firstly setting up on his own, and later working at US commodity trader, Archer Daniels Midland (ADM Inc.). He began his mining coverage at Crédit Agricole Chevreux in 2005 and also covered mining at Redburn Partners and Hardman & Co.

Mackinder argued that global power is ultimately anchored in geography and the major geopolitical prize for the world's great powers is control of the Eurasian landmass – the connected continents of Europe and Asia – which he called the "World Island". The rationale was straightforward: **Eurasia contains the bulk of the world's population, economic activity, and natural resources. Control of Eurasia, and where and how to exert control, are key to Mackinder's theory.**

> *A power that dominates Eurasia would exercise decisive influence over two of the world's three most economically productive regions.*
> Zbigniew Brzezinski

Breakdown of World Geography According to Mackinder



Source: Wikimedia Commons

Having identified Eurasia as the geopolitical prize, Mackinder divided the world into three regions:

The Heartland or Pivot area, which Mackinder identified as Eurasia's vast interior. Initially, he identified it as the area east of the Volga, south of the Arctic, west of the Yangtze, and north of the Himalayas – although he subsequently extended it;

The Inner or Marginal Crescent (Rimland), which included the coastal fringe regions of Eurasia: Western Europe, Türkiye, the Middle East, India, East and Southeast Asia, Taiwan and Korea, etc. We prefer to use Nicholas Spykman's term "Rimland" for this area; and

- **The Outer or Insular Crescent (Offshore Islands)**, which included the maritime nations largely separated from the Eurasian continent, such as Britain, Japan, North America, South America and Australia. We prefer Spykman's term "Offshore Islands" for this area.

The following quote is from the Reagan Administration's "National Security Strategy of the United States", published in January 1988. It is "pure Mackinder":

> *The first historical dimension of our strategy is relatively simple, clear-cut, and immensely sensible. It is the conviction that the United States' most basic national security interests would be endangered if a hostile state or group of states were to dominate the Eurasian land mass – that area of the globe often referred to as the world's heartland.*

Writing almost a decade later, the influential globalist and former US National Security Advisor, Zbigniew Brzezinski, argued in his famous 1997 book *The Grand Chessboard*:

Ever since the continents started interacting politically some 500 years ago, Eurasia has been the centre of world power... For America, the chief geopolitical prize is Eurasia – and America's global primacy is directly dependent on how long and how effectively its preponderance on the Eurasian continent is sustained.

> *Mountains and the men who grow out of them are the first order of reality; ideas, however uplifting, only the second. Geography is the preface to the very track of human events.*
> Robert Kaplan

Another key element in Mackinder's theory was the competition between the major land powers and major sea powers. Through the lens of Mackinder's theory, large landmasses bestow strategic depth, raw materials and efficiencies in transportation. Consequently, the control of large, contiguous interior territory creates strategic options which sea powers lack and cannot penetrate. The Heartland's size, central location and invulnerability to sea power made it key to controlling the World Island – hence the "Geographical Pivot" – according to Mackinder.

> *Control of the sea is a precondition for any far-reaching policy. But politics occur on land, where people live, and commanding the seas does not guarantee political outcomes on land.*
> Jakub Grygiel

Mackinder's theory contradicted the idea that maritime supremacy was sufficient for Britain, the greatest sea power at the time, to safeguard its hegemony. Since Mackinder's era, the US has obviously surpassed Britain as the leading sea power, with its 11 carrier strike groups and extensive network of ports and military bases in and around the periphery of Eurasia. Mackinder theorized that with new transportation routes, e.g. the Trans-Siberian railway, and technology, a land power controlling the center and resources of Eurasia could eventually repel the sea power's colonies everywhere across the continent.

Mackinder argued in 1919 that World War I extended his original definition of the Heartland as far as the Baltic Sea to the northwest and the Black Sea in the southwest. This brought additional nations into the Heartland, including Poland, later to be the catalyst for World War II, and Ukraine. He argued the case for preventing a convergence of interests between Russia and what he saw as the new "pivot" states of Eastern Europe, i.e. Austria, Hungary, Czechoslovakia and Poland. He summarized this in his famous dictum:

Who rules East Europe commands the Heartland;
who rules the Heartland commands the World Island;
who rules the World Island commands the world.

Gold as the Monetary "Heartland"

A gap exists in classical geopolitical literature, since money and finance were never integrated as strategic elements of geography. Mackinder acknowledged resources, industrial bases, and transport networks, but not:

- the dominant currency in pricing international trade;
- cross-border payment systems;
- reserve currencies;
- neutral collateral assets;
- the geography of gold production and storage; and
- systemic consequences of weaponized finance.

> *The most important prize is an enormous concentration of natural gas and oil reserves in addition to important minerals including gold.*
> Zbigniew Brzezinski

This absence was less problematic in Mackinder's era, when gold anchored the monetary system and financial globalization was limited. But in the contemporary age, where financial flows exceed physical trade by orders of magnitude, geopolitics cannot be disentangled from the architecture of international money.

Mackinder viewed his geopolitical Heartland as land power possessing natural barriers and immunity from sea power, which made it a unique "fortress".

If we asked the question, what asset is the monetary equivalent of the Heartland and has acted as the monetary pivot of history, we would argue that there is only one answer and that is gold – even if it has temporarily been confined to a lesser role since Nixon took the world off the gold exchange standard in 1971.

Why is gold the monetary Heartland?

The Heartland's power derived from its centrality and difficulty of encroachment. Gold has been used as money in coin form for at least 2,500 years and is believed to have been used in trade and as a store of value in Ancient Egypt as long ago as 3,000 BC. It possesses unique attributes with which to function as money and a store of wealth:

In a Mackinder monetary analogue, we see gold as metaphorically representing land power.

- It is geopolitically unaligned and therefore neutral;
- Its supply is geologically constrained and it cannot be printed, created by fiat, or devalued;
- Its value is universally recognized;
- It is the only financial asset with no counterparty risk, i.e. it is nobody's liability; and
- It has a high stock-to-flow ratio which gives stability – all the gold ever mined exists as above-ground supply, so annual changes in gold production are almost immaterial.[2]

In a Mackinder monetary analogue, we see gold as metaphorically representing land power:

- Once gold is mined it tends to be stationary and remains stored in vaults;
- The movement of physical gold tends to be relatively small in the context of the total amount of gold stored in vaults and traded on the world's exchanges; and
- Gold is the ultimate reserve asset and avoids the need to settle every trade in gold – net positions can be settled periodically between countries or banks.

We should remind ourselves that historically, currency in the form of coins that are not "specie", i.e. not made out of gold or silver, and until recently also banknotes, were viewed as nothing more than derivative instruments corresponding to gold or silver in vaults. British banknotes still say, "I promise to pay the bearer on demand the sum of…" which historically was understood to mean that they could be converted into the equivalent amount of gold at the Bank of England.

> *Gold is the only asset that somebody can hold and you don't have to depend on somebody else to pay your money for.*
> Ray Dalio

The Geopolitical Importance of the Rimland

Mackinder believed that a land power like Russia could use its base in the Heartland to control the World Island by taking over the coasts and warm water ports that made global commerce possible, i.e. the Inner or Marginal Crescent on the periphery of Eurasia. In 1919, Mackinder's focus was on Eastern Europe as a gateway to the major coastal nations of Western Europe.

We believe that Mackinder's theory benefits from integration with another geopolitical theory, namely Spykman's "Rimland theory". Nicholas J. Spykman was Professor of International Relations at Yale University, and the book establishing his theory, *The Geography of the Peace*, was published in 1944. Spykman also focused on controlling Eurasia as the geopolitical prize and adopted Mackinder's divisions of the world, although he renamed two of them:

> *Europe is a landscape; East Asia is a seascape.*
> Robert Kaplan

- Heartland – the same as Mackinder;
- Rimland – equivalent to Mackinder's "Inner or Marginal Crescent"; and
- Offshore Islands & Continents – equivalent to Mackinder's "Outer or Insular Crescent".

2 *See* "Stock-to-Flow Ratio as the Most Important Reason for Gold's Monetary Importance," *In Gold We Trust* report 2013

> *Geography is the most fundamental factor in foreign policy... because it is the most permanent. For geography does not argue. It simply is.*
> Nicholas Spykman

Spykman agreed with Mackinder that the Heartland offers a uniquely defensive position – something which was self-evident at the time from Germany's unsuccessful invasion of Russia in 1941. **However, Spykman argued that exerting control on the maritime edges of Eurasia to the west, south and east, i.e. what he called the Rimland, was more important than the Heartland. This was due to the Rimland being:**

- more densely populated;
- more industrialised; and
- containing more resources.

The key regions and countries in Spykman's Rimland were:

- Western European coastal nations, from Scandinavia to Southern Europe;
- Middle East/Near East, including Saudi Arabia, Türkiye, Iran, Iraq and Afghanistan;
- Southern Asia – India and the Indian Ocean littoral; and
- East Asia and South Asia – China and the coastal nations along the Pacific Rim.

> *The Rimland of the Eurasian landmass must be viewed as an intermediate region, a buffer zone of conflict between sea power and land power.*
> Nicholas Spykman

The countries in the Rimland are in a kind of "amphibian belt", or "buffer zone", between the Heartland and the oceans. They can be influenced by both the major land powers and the major sea powers. The Heartland has the potential to act as an impregnable base for a land power to take control of the Rimland. From the standpoint of a major sea power, like the US, the Rimland was the area where sea power could pressure the land-locked Heartland and where it was crucial for land power to be contained. In contrast to Mackinder, Spykman's dictum was: "Who controls the Rimland rules Eurasia; who rules Eurasia controls the destinies of the world."

This idea of containing the land powers of Eurasia has been a long-term strategy of Britain, the US and NATO. While most people remain unfamiliar with Mackinder's and Spykman's theories, they explain much of the geopolitical tension during the 20th century:

- Britain's containment of Russia in the early part of the century;
- the Cold War from 1945–89; and
- NATO's eastward expansion following the fall of the Iron Curtain in 1989.

> *Eurasia is the chessboard on which the struggle for global primacy continues.*
> Zbigniew Brzezinski

The strategy was highlighted by the US Naval War College in 2023 in the context of Ukraine. The paper "Confining the Enemy – Halford Mackinder's Theory of Containment and the Conflict in Ukraine" stated:

> *Mackinderite analysis rests on an imperative of checking the territorial power — either alone or in alliance — occupying the heartland. The elements of Mackinderite maritime geostrategic perspective endure, and they are as follows: onshore bridgeheads, offshore (island) aerodromes and military bases, maritime denial of threatened seas, and the United States reestablished as a thalassocracy (i.e. deriving power and wealth from maritime supremacy).*

While the validity of much of Mackinder's theory has stood the test of time – including the central tenet about controlling Eurasia and the balance between land power and sea power – some aspects have evolved since his era.

While Mackinder identified nations in East Europe as being the "pivot" states in the struggle for geopolitical dominance of Eurasia, as we discussed, we believe that the pivot areas evolve over time. This is due to multiple factors including:

- economic growth;
- military strength;
- industrial development and technology;
- access to key resources;
- monetary architecture; and
- geopolitical alignments.

In our opinion, three pivot areas have come to the fore in recent decades:

- Middle East;
- Central Asia and the Trans-Caucasus; and
- South China Sea.

In our opinion, the East China Sea and the South China Sea in particular are becoming important "pivot areas".

The oil-producing nations of the Middle East, notably Saudi Arabia, Iran, Iraq and Kuwait, took on greater importance as the world became increasingly dependent on crude oil and, latterly, natural gas.

More recently, several nations in Central Asia and the Trans-Caucasus, including Ukraine, Azerbaijan, Turkmenistan, Uzbekistan, have risen in geopolitical significance. In part, this is due to their substantial energy resources and/or pipelines.

> *The South China Sea is the demographic cockpit of the globe, the crossroads of the Pacific and Indian Oceans.*
> Robert Kaplan

The next quote is another from Brzezinski's book *The Grand Chessboard* regarding the Central Asian Republics, or "Eurasian Balkans", as he describes them. Interestingly, he also mentions gold:

> *They are of importance from the standpoint of security and historical ambitions to at least three of their most important and more powerful neighbours, namely Russia, Türkiye and Iran, with China also signalling an increasing political interest in the region. But the Eurasian Balkans are infinitely more important as a potential economic prize; an enormous concentration of natural gas and oil reserves is located in the region, in addition to important minerals including gold.*

Arguably, Brzezinski's thinking provides insight into the US-supported "color revolutions" in the region, including Ukraine (Orange, 2004), Georgia (Rose, 2003) and Kyrgyzstan (Tulip, 2005), and its support in overthrowing the pro-Russian government in Ukraine in 2014's Maidan Revolution. Ukraine is clearly a critical bridge between Western Europe and the Heartland – losing Ukraine constrains Russia's Heartland power while gaining Ukraine expands it.

> *In 2026, Uzbekistan could be the front-runner, driven by very high gold prices – gold accounts for 40% of its exports.*
> Credendo Group

In our opinion, the East China Sea and the South China Sea in particular are becoming important "pivot areas". The South China Sea stretches from Singapore and the Strait of Malacca at its southern end to the Strait of Taiwan in the northeast. It is the world's second busiest sea lane.

> *China is a prisoner of its geography. It is dependent on the sea but doesn't control it.*
> George Friedman

The South China Sea



Source: World Bank and US Energy Information Administration

The Atlas Institute for International Affairs commented on its importance in July 2025:

> *The South China Sea has become a critical pressure point for global commerce. With 24% of global maritime trade passing through these contested waters in 2023… the South China Sea's strategic importance extends beyond simple transit volumes. The region handles 4% of global crude oil shipments, 42% of propane (and LNG), and 26% of automotive trade.*

In an October 2011 article, "America's Pacific Century", then Secretary of State Hillary Clinton signaled a re-engagement with the Asia Pacific region:

> *As the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point… One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment – diplomatic, economic, strategic, and otherwise – in the Asia-Pacific region.*

> *No matter which perspective you adopt, it's critically important for security and stability. Any interruption there would create a real problem.*
> Admiral Patrick Walsh

This marked the beginning of the US "pivot to Asia" or "rebalance to Asia" in foreign policy since the Obama administration. Clinton highlighted US interest in the freedom of navigation of the South China Sea, human rights issues in China, the need for the US to strengthen alliances in the region, and the desire for peaceful settlement of territorial disputes. Clinton argued, diplomatically, that it wasn't about containing the rising influence of China. Nevertheless, she is believed to have angered the Chinese leadership.

Comments from the retiring commander of the US Pacific Fleet, Admiral Patrick Walsh, in January 2012 directly identified the geopolitical threat from Chinese dominance of the South China Sea. Walsh, a proponent of Mackinder's theory, recommended that it should be the regional focus for the US:

In the Pacific Century, sea power resumes its traditional role in the sea-lines of communication... You can identify where [the South China Sea] the critical node is... It forces an assessment of whether we are prepared for where this economic juggernaut [China] is going.

The US dollar has acted as a containment tool in a Mackinder sense.

The US "pivot to Asia" was clearly rooted in classical Mackinder geopolitics, even in its adoption of the word pivot. It represented the leading sea power striving to contain a potentially dominant Eurasia-based power that could exert control on the Heartland and the Rimland. We should note that we see China as having both land power and sea power characteristics, based on Mackinder and Spykman's theories.

Fast forwarding to today, geopolitical rivalry sees the US, on one side, looking increasingly isolated as Trump threatens sanctions on NATO allies, launches military operations in Venezuela and Iran, and signals his intention to take Greenland. The continuation of the longstanding alliance of Western nations via NATO is no longer certain.

> *Small patrol boats are needed to deal with piracy mainly, but big warships may cause incidents, and that will lead to tension.*
> Manathir Mohamad

On the other side of the geopolitical divide are China and Russia, which are the primary nations in two broader alliances:

- **Shanghai Cooperation Organization (SCO)** – which includes India, Iran, five of the "Stans" including Pakistan, and Belarus. The SCO accounts for about 65% of the Eurasian land mass, 42% of the world population and nearly 25% of global GDP; and
- **BRIC** – which was formed in 2009 with Brazil, Russia, India and China; South Africa joined in 2010, making it BRICS. A further five countries have since joined: Iran, Indonesia, Egypt, Ethiopia, and the UAE. A further 10 nations are designated partner countries and participate in summits. The BRICS nations account for nearly 50% of the world population and 25% of global GDP.

Mackinder feared a single power, like Russia, or an alliance of powers, such as Germany and Russia in his day, controlling Eurasia, which would enable them to challenge the British Empire and, by extension, the US.

> *The use of vast continental resources... and the empire of the world would then be in sight.*
> Halford John Mackinder

China and Russia are the two great powers of the Eurasian landmass along with Germany. From Mackinder's framework, it's clear that the rise of China in economic and military strength, its closer cooperation with Russia, and their closer cooperation with other Eurasian nations, is a potential existential threat to the global hegemony of the US. This situation is almost perfectly mirrored in the monetary sphere.

The Monetary "Rimland" – US Dollar System and "Paper Gold"

In the same way that Mackinder and others identified control of Eurasia (the World Island) as the major prize in the struggle for geopolitical hegemony, there is a monetary parallel. There is a developing struggle for monetary hegemony that mirrors the spatial dynamics Mackinder explored over a century ago.

> *Seventy-five percent of the world's people live in Eurasia, and most of the world's physical wealth is there as well, both in its enterprises and underneath its soil.*
> Zbigniew Brzezinski

The analogue in the monetary sphere is control over the monetary and financial infrastructure that underpins global commerce and reserve currencies and assets. The US dollar system has effectively occupied that position since the end of World War II, but is increasingly under threat.

The Eurodollar is a stateless, global, offshore ledger system.
Jeff Snider

In the Mackinder and Spykman models, the US is classed as a maritime nation included in the Offshore Islands, along with UK, Japan, South America and Australia. The Offshore Islands encircle Eurasia and can project power against it. While the US is an Offshore Island in a geopolitical sense, a large portion of dollar liquidity exists outside of the US in what are known as eurodollars and the eurodollar market.[3]

Eurodollars are US dollar liabilities against US banks that are held overseas but operate outside the direct control of the Eurasian land powers. The "oceans" of US dollar liquidity act as an external offshore system, flowing in and out of the Eurasian economy and encircling it at the same time.

The US dollar system is similar in concept to a maritime power projecting its power far from its home shores. It has taken a range of forms:

- The flows of US dollar liquidity underpinning world trade;
- Control of the international banking system and payment systems such as SWIFT;
- US Treasury bonds acting as the premier "risk-free" financial asset;
- The recycling of US deficits into US financial assets by overseas nations; and
- Fed swap lines adding dollar liquidity during times of crisis – effectively the lender of last resort.

By the US requiring critical commodities to be traded in US dollars, the Eurasian powers have been forced to engage with the US dollar-based monetary system. **The US dollar has acted as a containment tool in a Mackinder sense:**

- The US dominates these monetary flows, which allows it to bridge or block trade, just as a navy controls the seas, and shape the economic landscape of Eurasia;
- It has provided the US with the "exorbitant privilege" of exporting its inflation in the form of trade/budget deficits and lowering its interest rates; and
- It has also restricted the ability of the Eurasian powers to build an autonomous, self-sufficient continental economic zone.

The relief valve in that case would be a run out of fiat currency into more finite assets; you'd expect to see gold prices rise.
Luke Gromen

If we think of the Rimland as the meeting point of land power and maritime power, there is another monetary analogue besides the external dollar (eurodollar) system. These are the "paper gold" markets. Most readers of *In Gold We Trust* reports will be familiar with this, and we won't go into a detailed description. Nevertheless, for decades, gold price discovery has been determined by two locations:

- London Bullion Market Association (LBMA), based in London and trading unallocated and allocated gold. It is a trade association dominated by the world's major bullion banks; and
- COMEX – trades gold futures and is based in New York. It is part of the CME Group, the world's largest derivatives market.

You have 100 times paper as you have physical – this is why you've got problems in the market.
Alasdair Macleod

While it's acknowledged that only a tiny fraction of COMEX futures trades are settled in physical bullion transfers, it's widely believed that gold trading on the LBMA is settled in bullion transfers. In reality, that is rarely the case, either. In fact, it is estimated that more than 95% of LBMA trades are settled in unallocated gold accounts, which are paper claims to an undisclosed volume of gold bars in a vault – they are effectively gold derivatives. This is a highly leveraged fractional reserve system. Less than 5% of trades are settled in allocated gold accounts, where the ownership of metal is transferred from seller to buyer.

The combination of gold futures and unallocated gold accounts has led to an imbalance in paper gold supply versus physical bullion. The imbalance has counteracted the relative scarcity of physical bullion, leading to the gold price in US dollars and other currencies being suppressed.

3 *See* "How Bankers Turned Money into '∑ 0 ∞ € ¥'," *In Gold We Trust* report 2021

Rimland Monetary Conflict – Gold versus the US Dollar

The gold price in US dollars is a real-time expression of Mackinder's geopolitical conflict in the monetary sphere. Every currency regime, from the classical gold standard to modern, fiat-based systems, is ultimately judged against gold.

> *Gold still represents the ultimate form of payment in the world. Fiat money in extremis is accepted by nobody.*
> Alan Greenspan

A rising gold price represents:

- Debasement of the US dollar via excessive deficits and credit creation;
- A structural challenge – currently led by the BRICS nations – to the US dollar system and the erosion of its dominance; and
- The breakdown in the ability of paper gold settlement systems to contain a rising gold price, as they are overwhelmed by physical accumulation.

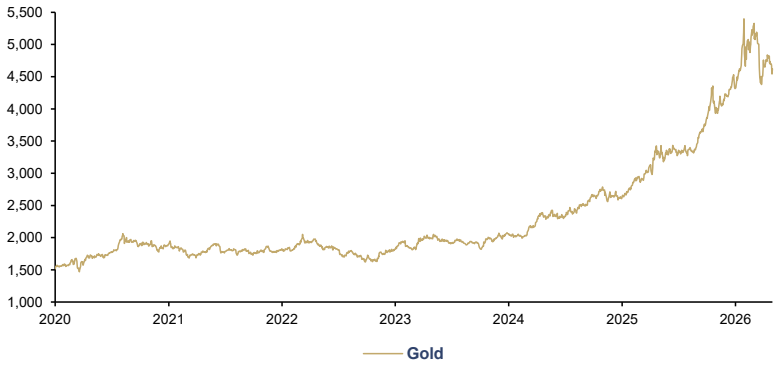
From the perspective of the BRICS and other nations, the US dollar system has been weaponized by:

- sanctioning international payment systems and a growing narrative that it is a tool of US power; and
- structural and rising budget and trade deficits.

The US, along with the EU, United Kingdom and Canada, agreed to remove seven Russian banks from the SWIFT international payments system in March 2022, following the Russian invasion of Ukraine. This was expanded to 50 Russian banks and remains in place. The US and other nations also froze approximately USD 300bn in Russian central bank assets held overseas. The treatment of Russia in terms of access to SWIFT and the freezing of its reserves had a profound knock-on effect on the gold market.

> *From the Bretton Woods era backed by gold bullion, to Bretton Woods II backed by inside money, to Bretton Woods III backed by outside money.*
> Zoltan Pozsar

Gold, in USD, 01/2020–04/2026



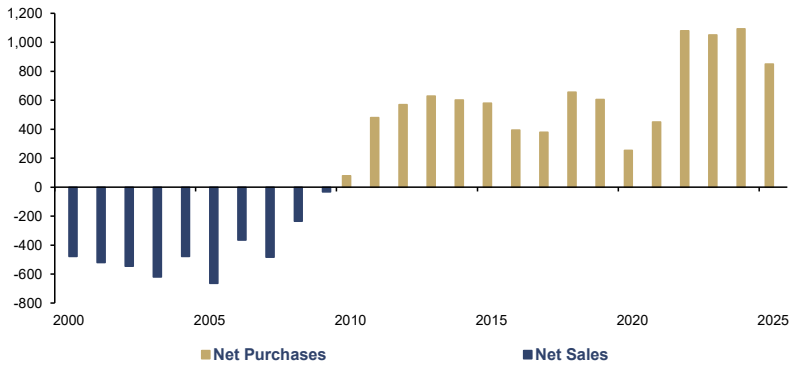
Source: LSEG, Incrementum AG

incrementum

When trust in fiat currencies fades, central banks return to gold as the ultimate and neutral form of money and reserve asset.

Xi Jinping stated that the RMB could attain reserve currency status.

Global Central Bank Gold Purchases, in Tonnes, 2000–2025



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

incrementum

> *Gold is a highly liquid asset, which is no one's liability, carries no credit risk, and is scarce.*
> World Gold Council

In 2024, the value of gold exceeded the value of US Treasuries as a proportion of international reserves for the first time since the mid-1990s. Several BRICS nations and those linked to the BRICS group have been increasing gold reserves in recent years. Russia and China have done this most aggressively, but also India, Türkiye, and Middle Eastern states. This accumulation can be interpreted as:

- A hedge against fiat currencies;
- A hedge against financial sanctions;
- Preparation for non-dollar commodity settlement and collateral; and
- A foundation for credibility in new monetary arrangements.

In 2024, China and Russia led global gold production with 380.2 t and 330.0 t respectively, while the United States produced approximately 160 t. Initial estimates indicate that 2025 set a new annual record of 3,672 t. **Combined production from BRICS+ and aligned nations, including Kazakhstan and Uzbekistan, accounts for approximately 50% of global gold output** – a concentration that gives the bloc unprecedented influence over the physical gold market.

> *The dollar is being used as a weapon.*
> Vladimir Putin

The US ability to cut off Russia's access to the SWIFT dollar payment system acted as a blockade and, effectively, as an attempt to confine its economic activities within the Heartland. **Gold and the dollar are in an intensifying conflict that marks the first serious systemic challenge to the US dollar-centric global order since the collapse of the Bretton Woods system in 1971.**

In parallel to the accumulation of gold reserves, the BRICS nations have been cooperating with regard to a new monetary architecture. This includes commitments to:

- endorse alternatives to dollar-centric and SWIFT settlement in principle;
- undertake further intergovernmental and central bank work on shared infrastructure; and
- developing a common unit of account partly backed by gold.

From a gold perspective, the most interesting aspects of the discussions relate to the possibility of a gold-linked "unit":

- It would be used in the settlement of cross-border trade;
- It would not be a "BRICS currency" in the same way as, for example, the euro; and
- The unit would be partly backed by gold, with media reports suggesting roughly 40% gold and 60% based on a basket of BRICS currencies.

If a gold-linked unit is developed, it is expected to be based on multilateral gold netting between nations rather than bilateral settlement, which would significantly reduce the amount of gold required.

At the 17th summit in Rio in July 2025, BRICS leaders did not formally endorse a gold-linked settlement mechanism in the official communiqué. In October 2025, however, a pilot project by the Institute of Economic Strategy of the Russian Academy of Sciences (IRIAS) launched a prototype with 100 units, each initially pegged to 1 gram of gold. Some Russian-linked sources have suggested the creation of a gold settlement network with vaults in several BRICS jurisdictions, e.g. in Shanghai. **It's been rumoured that some BRICS officials are targeting 2030 for the rollout of this system.**

In the meantime, China announced two further moves in early 2026 which put it in direct conflict with the US dollar system, and that impact the gold price indirectly: In the Communist Party's journal Qiushi, China's leader, Xi Jinping, stated that the RMB could attain reserve currency status; and Reports in early February 2026 suggested that Chinese regulators were urging the country's banks to reduce holdings of US Treasury bonds due to concentration risk and volatility in US debt markets.

> *What constitutes a strong financial nation? First, it should have a powerful currency.*
> Xi Jinping

The accumulation of gold reserves and efforts by the BRICS nations to construct a separate monetary architecture with a link to gold are akin to a strengthening of the Heartland's position in a Mackinder sense. As they build a monetary Heartland, they also benefit from Russia having massive quantities of natural resources and China's manufacturing base and large trade surplus.

In the monetary sphere, we are seeing the Heartland pushing back against the maritime supremacy of the dollar system and its stronghold in the Rimland and beyond. The last time the baton was passed in terms of the world's reserve currency, it was done in an ostensibly benign fashion from Britain to the US, i.e. from one ally to another. It wasn't an issue in Mackinder's day. **This is not the case this time and, going forward, we see the gold price as the ultimate expression of Mackinder's theory in the battle between land power and maritime power in the monetary sphere – between gold and the dollar system.** ■

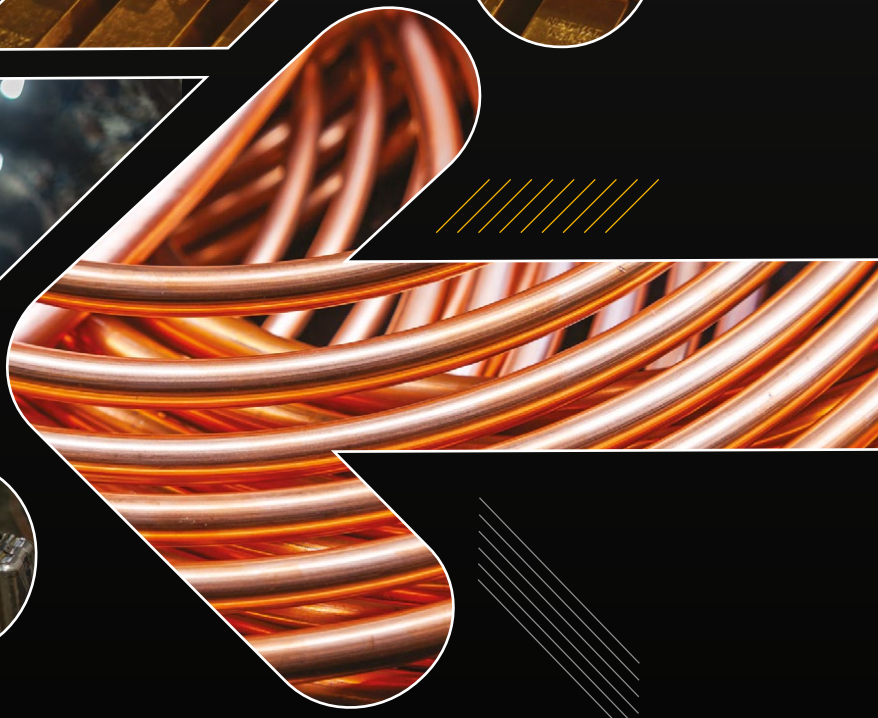
> *The great wars of history – those which have resulted in the change of the world's mastership – have been between the masters of the Sea and the masters of the Land.*
> Halford Mackinder









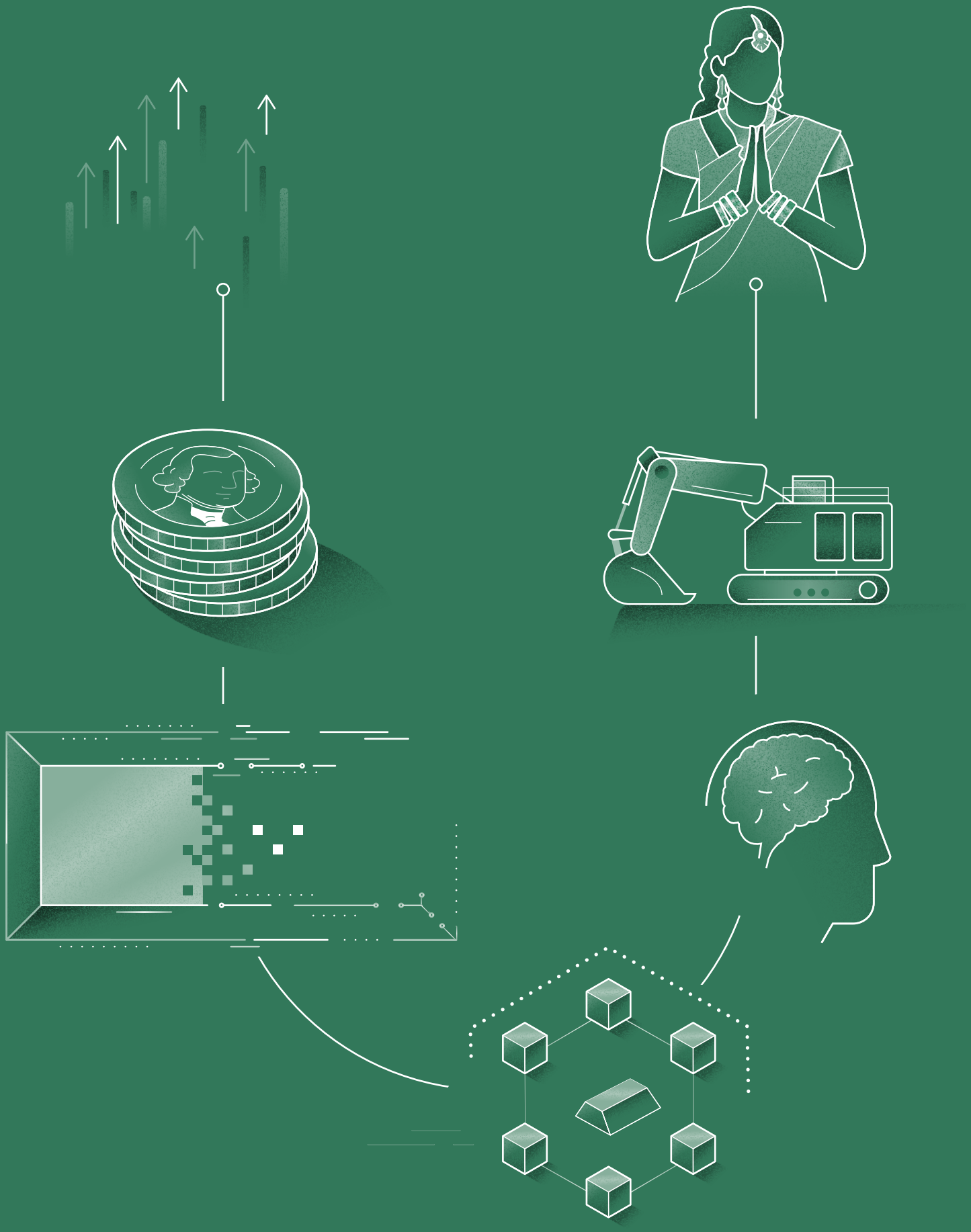


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The Six Vectors of Gold Remonetization 208

The current remonetization of gold is taking place not by decree, not through revolution, but through evolution. Each of the six vectors identified herein reinforces a key monetary function of gold.

Back to the Founders: Dr. Shelton on the Constitution, Gold, and the Future of the US Dollar 224

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Gold Goes Digital: Tokenization, Financial Infrastructure & Trust 234

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The Psychology Behind Gold's Underallocation 270

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India – Structure, Dynamics and Future of the World's Largest Gold Ecosystem 286

The Indian gold market is evolving from a cultural, jewelry-focused market into a hybrid market comprising consumer, investment, and financial products, and is increasingly influencing global price dynamics.

The Collapse of Commodity Beta 306

Bottleneck markets instead of *throughput markets*: Broad commodity exposure is becoming less and less suitable as a scarcity indicator, as benchmark-relative outperformance is increasingly concentrated in a shrinking number of commodities.

The Six Vectors of Gold Remonetization



Key Takeaways

- No return to the gold standard – but gold is returning. Not by decree, but by function. Not by revolution, but by evolution. Six vectors are driving this process – each observable on its own, yet collectively self-reinforcing.
- Vector I – Reserves: Since the freezing of Russian FX reserves in 2022, the rule has been: Reserves that are not physically controlled are not reserves in an emergency. The wave of repatriation is proof of this.
- Vector II – Private: The largest institutional demand gap in monetary history. Pension funds hold less than 2% gold.
- Vector III – Balance Sheet: Silent recapitalization is already underway. Bundesbank: EUR 387bn; Eurosystem: EUR 1,274bn. In February 2025, Treasury Secretary Scott Bessent publicly signaled the monetization of the asset side – the market interpreted this as a harbinger of a gold revaluation.
- Vector IV – Anchoring: The Trump-Bessent-Shelton trio. Judy Shelton's *Treasury Trust Bonds* – 50-year, gold-convertible, planned launch on July 4, 2026 – are the concrete instrument for a politically viable re-anchoring.
- Vector V – Accumulation: The West is still asleep. Since 2010, central banks have accumulated 9,700 t of gold – almost exclusively in the East. A moderate rebalancing by the Western "gold-light" group would release 2,000–3,000 t.
- Vector VI – Digitalization: Tokenized gold beats CBDCs. While CBDCs are programmable and monitorable, tokenized gold remains currency – neutral and censorship-resistant.

Topics such as de–dollarization, the remonetization of gold, and the use of digital central bank currencies to build a new financial system are on the agenda.

Zoltan Pozsar

A look at monetary history reveals that the question of "sound money" was never purely academic in nature but has always been of central importance for economic stability and social order. The past five decades of the pure fiat experiment are, measured against 5,000 years of monetary history, a brief anomaly. And anomalies tend to be corrected.

Our thesis of a remonetization of gold may seem bold at first glance, which makes a clear conceptual framework all the more important. Those waiting for the reintroduction of a classical gold standard will be disappointed: Governments have no incentive to voluntarily relinquish the fiscal and monetary flexibility that the fiat regime offers them. Rather, what is meant is a process in which gold regains monetary relevance. Not necessarily as money in the strict sense, but certainly as the ultimate reference asset for value, trust, and settlement.

Don't try to be better. Be different.
Byron Wien

This remonetization does not occur by decree, but through function; not through revolution, but through evolution; not a sudden fanfare, but a steadily rising crescendo. Paradigm shifts often creep in through customs, certainties, and economic necessities. Gold is not moving to the center of the system. Rather, driven by fiscal exhaustion, geopolitical fragmentation, and dwindling institutional trust, the system is moving toward gold.

What connects the following six vectors is a shared underlying structure: At each of these junctures, gold regains a key role as a store of value and a safe haven. Not all vectors will become reality simultaneously or in their entirety, but several parallel channels should suffice to sustainably strengthen gold's monetary relevance.

Vector I: Reserve Function and Store of Value: Gold as a Sanction – Resistant Reserve Asset

In the transition from a hegemonic to a multipolar world, the question of the resilience of government reserves is taking on new significance. Since the freezing of Russian central bank reserves in February 2022, it has become clear that **in the event of a crisis, fiat currency reserves carry not only a market risk but also a political risk of default.** Reserves are thus no longer merely liquidity buffers; they are part of the political power architecture.

For countries outside the Western sphere of influence, this raises a fundamental question: How can trade surpluses be stored in such a way that they do not fall under foreign control in the event of a conflict? In this context, gold possesses a characteristic that no fiat reserve asset can offer: **It is a reserve asset without issuer risk or counterparty risk.** These characteristics are not new. What is new is that gold has once again become politically relevant.

Gold is regaining importance as a reserve asset that cannot be frozen, devalued, or denied access to at the push of a button in extreme situations.

From a game-theoretical perspective, the argument is stronger than it initially appears. This is not just about Russia. The mere possibility of freezing assets has redefined the concept of "risk-free reserves" for all nations. Even with a low probability of occurrence, the expected loss in a binary, all-or-nothing risk event is so high that diversification becomes rational. The logic of insurance applies: **One does not insure against the probable, but against the intolerable.**

> *The first lesson of game theory is that you should think about what the other guy is thinking about you.*
> Robert Aumann

We view the ongoing trend toward **the repatriation of gold reserves** as empirical evidence of this thesis:[1]

- Between 2013 and 2017, **Germany** repatriated a total of 674 t from New York and Paris.
- The **Netherlands** brought back 122 t in 2014.
- **Poland** is systematically transferring gold to Warsaw.
- Between July 2025 and January 2026, **France** moved its last 129 t from New York – through sales and repurchases in Europe – realizing a book profit of around 13bn euros in the process.

In this regard, gold should primarily be understood as a store of value. It is not yet a dominant international means of payment. But it is regaining importance as a reserve asset that cannot be frozen, devalued, or denied access to at the push of a button in extreme situations. In a world of increasing bloc formation, that is precisely the decisive advantage.

> *Gold bullion doesn't pay interest or dividends, nor does it grow or expand by itself. That's the price you pay for tranquility.*
> Pierre Lassonde

At the same time, alternative settlement architectures are emerging: Russia and China are conducting parts of their trade in yuan and rubles; the Shanghai Gold Exchange is gaining importance. At the 2024 BRICS summit in Kazan, a joint settlement platform was discussed in which gold could serve as neutral collateral. For years, we have viewed the ongoing de-dollarization and its implications for gold as one of the defining trends of this decade.

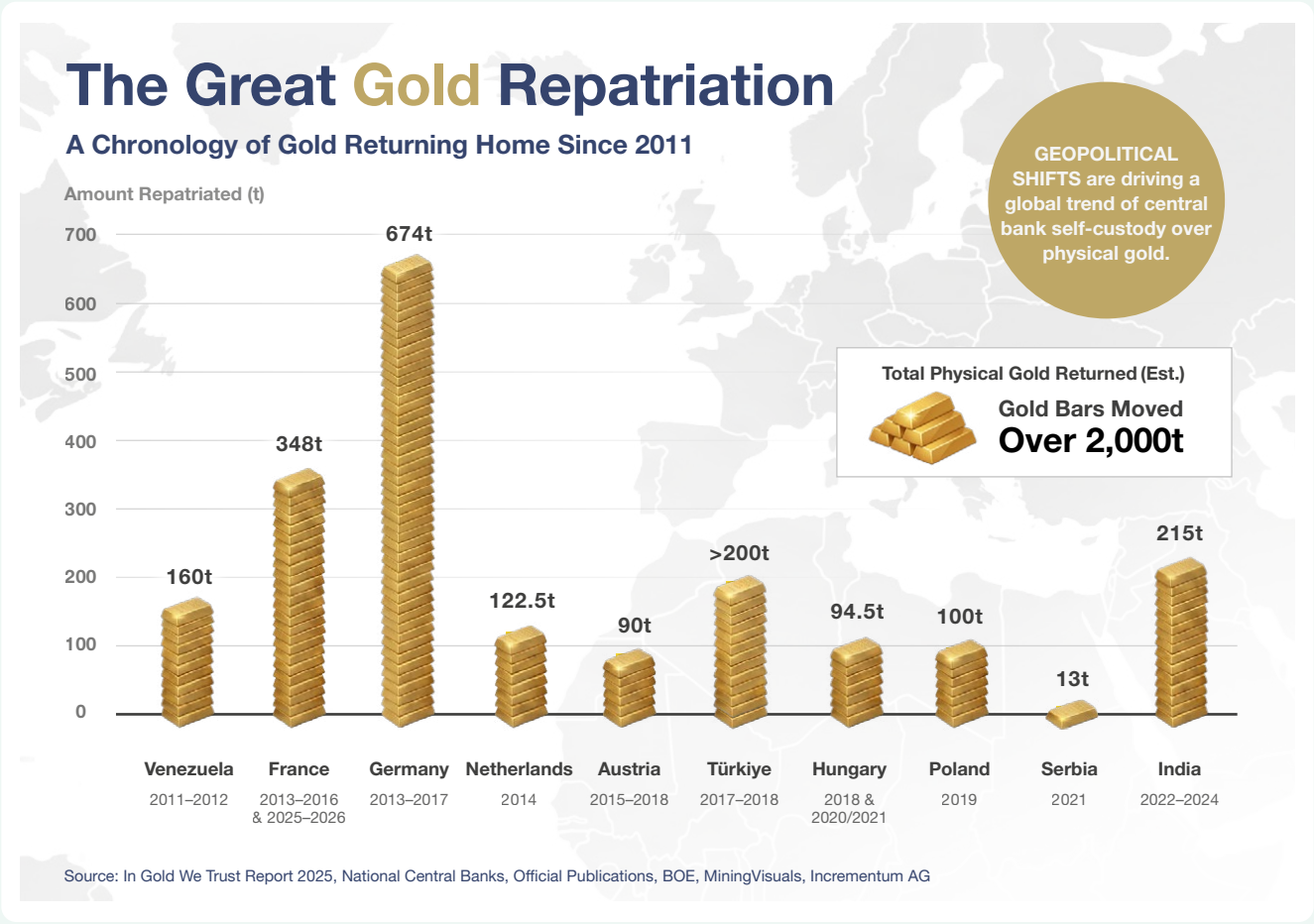
From the petrodollar to petrogold

In a multipolar world, a historical connection is taking on new significance: that between commodity trade and gold. The petrodollar system – the tacit agreement in place since 1974 to invoice oil in US dollars and recycle the surpluses into US Treasuries – is losing its binding power. Jeff Currie, longtime head of commodities research at Goldman Sachs, sums up the shift: *US dollar recycling* is increasingly becoming *gold recycling.* Oil surpluses no longer flow into US Treasuries, but into gold.

> *Pricing oil in gold is inevitable.*
> Luke Gromen

Saudi Arabia is increasingly accepting yuan for oil deliveries to China; the Shanghai Gold Exchange offers a direct conversion mechanism for this: Yuan proceeds can be converted directly into physical gold via SGE contracts, without the detour through the US dollar. Luke Gromen views the pricing of oil in gold equivalents as "inevitable" and points to the gold-to-oil ratio as a barometer for the health of the petrodollar system.

1 *See* "Bringing it Home: Central Bank Gold Repatriation," *In Gold We Trust* report 2025



I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I would like to come back as the bond market. You can intimidate everybody.
James Carville

Should this pattern solidify – oil for yuan for gold – a de facto petrogold cycle would emerge. While in the classic petrodollar system energy revenues flow back into the US financial system as demand for US Treasuries and finance the US current account deficit, this backflow does not exist in the petrogold system. The revenues go into vaults instead of bonds. This undermines both global demand for the US dollar and the US's ability to refinance its deficits on favorable terms.

The petrogold cycle does not replace the petrodollar, but creates a parallel framework. The implication for remonetization: **Gold would not only gain importance as a reserve asset and balance sheet instrument, but would also function as a settlement medium in commodity trading for the first time since the end of Bretton Woods.** This would directly link the reserve function, settlement, and digitization.

Vector II: Private Remonetization – When Institutions Rediscover Gold

The future belongs to those who see possibilities before they become obvious.
John Sculley

The debate to date on the remonetization of gold has focused almost exclusively on central banks and governments. In doing so, it overlooks a crucial feedback loop: private remonetization. When institutional investors such as pension funds, sovereign wealth funds, family offices, or insurance companies once again treat gold as a primary liquidity reserve, this fundamentally changes the market structure and increases pressure on policymakers to follow suit.

The starting point is remarkable: **Despite the historic gold price rally of recent years, institutional allocation remains marginal.** According to a WGC/OMFIF survey , over 70% of the pension funds and insurance companies surveyed hold less than 2% in gold. For most large asset managers, gold remains a tactical, not a strategic, allocation; the average gold allocation in a traditional 60/40 portfolio is estimated at 0.5–1%.

At the same time, several developments point to a turning of the tide. Net inflows into physically backed gold ETFs reached record levels in 2024 and 2025. The holdings of the world's largest gold ETFs stood at over 3,200 metric tonnes at the end of 2025, exceeding the gold reserves of individual G7 countries. In Europe, the assets under management of the largest physically backed gold security, Xetra–Gold, climbed to a record EUR 20.8bn with 172.8 t of gold holdings. This is a remarkable signal for demand in German-speaking countries.

Capital rules treat gold with a 0% risk weighting, yet gold is denied HQLA status.

What these figures obscure: There is a massive discrepancy between verbal endorsement and actual allocation. Over 80% of institutional investors surveyed describe gold as a sensible portfolio component. In practice, this is hardly reflected in the allocation data. The reasons are structural: regulatory hurdles, benchmark-driven thinking – most asset managers are measured against bond or stock indices that do not include gold – and that peer-risk logic that John Maynard Keynes recognized as early as 1936: "It is better for reputation to fail conventionally than to succeed unconventionally."[2] Those who hold gold and underperform in the short term lose their mandate, whereas those who hold the benchmark do not.

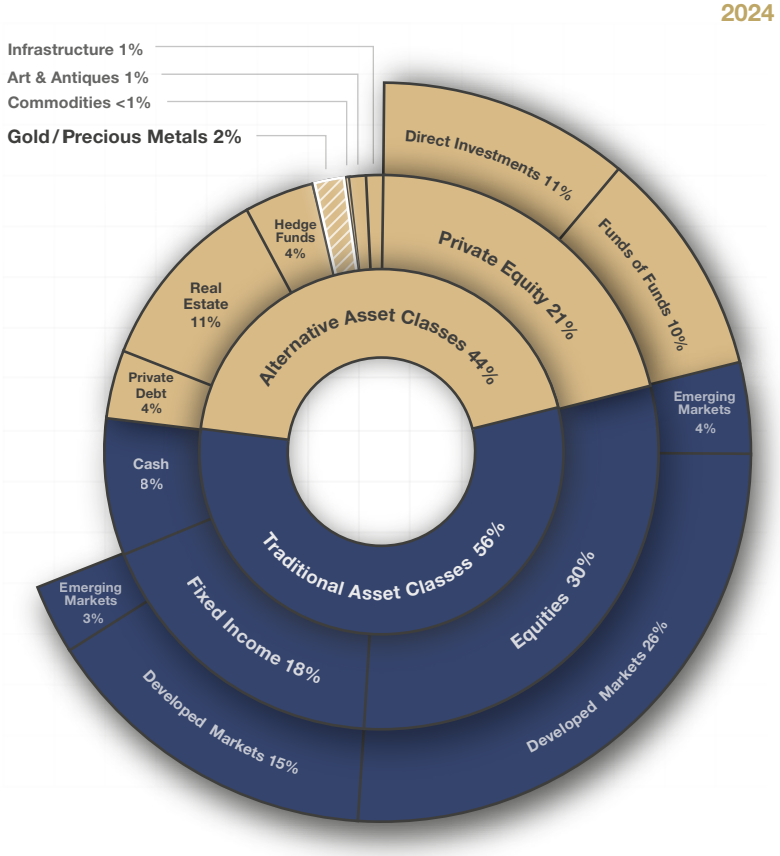
> *Everything that is done in the world is done by hope.*
> Martin Luther

The fiscal and geopolitical stress factors of the other vectors also affect the private sector. In a world of rising government debt, negative real returns, and geopolitical fragmentation, when pension funds seek a hedge without issuer risk, they inevitably turn to gold. The first signs are visible: In the Netherlands, a pension fund was mentioned in public debates in 2024 due to its strategic 5% gold allocation; in Switzerland, a major pension fund has integrated gold into its overlay strategy.

> *It is debt which kills off empires. The bigger the empire, the longer it takes, and the more money is thereby lost by the faithful…*
> Jonathan Ruffer

The relevance of this vector lies in its feedback effect: Private remonetization increases demand, drives up the price, and thereby improves central banks' balance sheets (see Vector III). It increases political pressure on regulators to treat gold as recognized collateral, and it creates a market infrastructure that in turn facilitates digitization (see Vector VI). **Private remonetization is thus not a byproduct of government remonetization; it is its catalyst.**

2 *See* the chapter "The Psychology Behind Gold's Underallocation" in this *In Gold We Trust* report



Source: UBS, MiningVisuals, Incrementum AG

Vector III: Valuation, Accounting & Recapitalization – Gold as a Balance Sheet Lever

Central to gold's role as a store of value are key issues of valuation, accounting, and ultimately recapitalization. These have two dimensions: an accounting one and a functional one.

1. The accounting dimension

> *All a company report and balance sheet can tell you is the past and the present. They cannot tell the future.*
> Nicolas Darvas

The most spectacular case of accounting undervaluation is found in the US. US gold reserves are recorded in the books at a price of USD 42.22 per ounce, which has been fixed by law and unchanged since 1973. At current market prices of around USD 4,600, this amounts to less than one hundredth of the actual value; **the revaluation gap for the 261.5moz thus totals approximately USD 1.2trn.** The gold is not owned by the Federal Reserve but by the Treasury; the Federal Reserve merely holds *gold certificates* at the statutory price.

The **Eurosystem has gone a step further. Since the ECB's founding in 1999, the central banks of the euro area have valued their gold reserves quarterly at market prices.** The resulting unrealized gains are recorded in the revaluation account and effectively function as equity without the need to sell physical gold.

Deutsche Bundesbank: The revaluation reserve for gold reached a historic high of EUR 387bn at the end of 2025. The Bundesbank's gold is thus valued at roughly 45 times the 2025 net loss of EUR 8.6bn and more than 14 times the cumulative balance sheet loss

of EUR 27.8bn. The gold position itself climbed to EUR 395bn, with acquisition costs of just EUR 8bn. As early as 2023, Executive Board member Joachim Wuermeling explicitly referred to the balancing item as part of "own funds", a remarkable departure from the traditional view.

ECB/Eurosystem: The value of gold reserves rose to EUR 1,274bn in 2025, a sharp increase compared to EUR 872bn in 2024.

The difference between a gold-backed bond and a conventional government bond is the difference between a promise and a pledge.

Swiss National Bank: The SNB holds approximately 1,040 t of gold at market prices. With the gold price rising by 45.9% to CHF 110,919 per kilogram in 2025, the unchanged holdings resulted in a valuation gain of CHF 36.3bn, following CHF 21.2bn the previous year. In the case of the SNB, it is particularly revealing that the massive SNB equity portfolio incurred the largest loss in the SNB's history in 2022, amounting to CHF 132bn. But it was the gold reserves that stabilized the balance sheet.

The sun never sets on the British Empire. But it rises every morning. The sky must get awfully crowded.
Steven Wright

2. The functional dimension

Gold no longer functions merely as a reserve but as an instrument of silent recapitalization. In a system with global debt exceeding 350% of GDP, this creates room for maneuvering on the asset side of government balance sheets without incurring new debt.

There is a time to go long, time to go short, and time to go fishing.
Jesse Livermore

Historical experience, as systematically documented in the study "Official Reserve Revaluations: The International Experience," shows that the fiscal use of such revaluation gains is not merely a theoretical construct. Three precedents are particularly relevant:

- **Germany in 1997:** Chancellor Helmut Kohl and Finance Minister Theo Waigel attempted to use DM 20bn from the revaluation of the Deutsche Bundesbank's gold reserves to meet the Maastricht criteria. Bundesbank President Hans Tietmeyer blocked this move, viewing it as an attack on the Bundesbank's independence. What was politically untenable at the time is increasingly seen as an option today in the context of rising government debt.
- **Italy 2002:** The Banca d'Italia transferred EUR 13bn from its adjustment account to cover losses from the conversion of nonmarketable government bonds. This set a precedent for practical applicability within the Eurosystem.
- **South Africa 2024:** The central bank and the Ministry of Finance agreed to transfer 150bn ZAR (approx. 2% of GDP) from revaluation gains between 2024 and 2027 to reduce debt.

I have not failed. I've just found 10,000 ways that won't work.
Thomas Edison

In the US, too, the boundaries of what is said and thought are shifting. Treasury Secretary Scott Bessent stated in February 2025: "We're going to monetize the asset side of the US balance sheet for the American people." At the same time, the Federal Reserve published its aforementioned study on international gold revaluations, and Senator Lummis's bill called for a revaluation of gold certificates at market price.

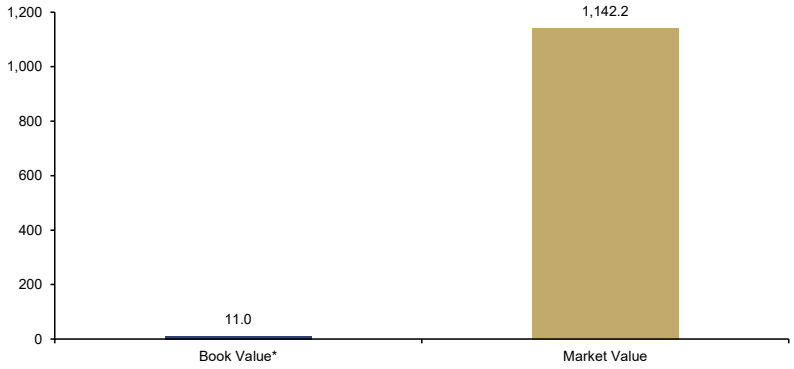
The central question is thus less whether a revaluation will take place but rather how the gold will be functionally utilized: as collateral, as a balance sheet stabilizer, or as fiscal leeway. This reveals a regulatory inconsistency: Capital rules treat gold with a 0% risk weighting, yet gold is denied HQLA status. The system implicitly recognizes the monetary quality of gold – the offsetting entries are the balance sheet evidence – but denies explicit institutional recognition.

To understand gold, one must start with oil.
ANOTHER

In this context, the "Freegold" thesis gains relevance. It's a concept attributed to the pseudonymous analyst FOFOA ("Friend of a Friend of Another"):[3] Gold exerts its monetary effect most strongly when it is not tied to a fixed exchange rate but is freely valued on the market, as the Eurosystem has effectively anticipated with its quarterly mark-to-market valuation since 1999.

In addition, Bitcoin is establishing itself as a parallel, nonsovereign reserve asset – not as a substitute for gold but as a complementary option: Gold stabilizes government balance sheets through physical substance; Bitcoin expands strategic flexibility in the digital realm. Together, they could serve as outlets for the recapitalization of an overindebted system.[4]

US Gold Reserves, in USD bn, 12/2025



Source: Federal Reserve St. Louis, World Gold Council, Incrementum AG
*USD 42.22 per troy ounce

incrementum

Vector IV: Gold-Backed Bonds as an Anchor of Credibility

Gold-backed bonds would signal a surrogate for currency integrity.
Judy Shelton

Dr. Judy Shelton – described by the *Financial Times* as "Trump's favorite economist," nominated twice by Trump to the Federal Reserve Board of Governors in 2019 and 2020, and narrowly defeated in the US Senate (47–50) – proposed a mechanism for repegging the US dollar to gold in her 2024 book *Good as Gold: How to Unleash the Power of Sound Money*. **She proposes the issuance of 50-year, gold-convertible, zero-coupon bonds, which she calls *Treasury Trust Bonds* (TTBs).** Symbolically, she hopes for a launch on July 4, 2026, the 250th anniversary of the Declaration of Independence.

Shelton's political credibility is remarkable: She was a member of Trump's 2016 Treasury Landing Team and co-author of the Federal Reserve chapter of *Project 2025*. She has publicly praised Treasury Secretary Scott Bessent as "a proud economic historian". (He refers to himself tongue-in-cheek as a "gold bug".) The Trump-Bessent-Shelton constellation thus forms the most ideologically cohesive pro-gold trio at the helm of a US administration in at least a generation. In our exclusive interview in this *In Gold We Trust* report, Shelton argues that TTBs would strengthen confidence in fiscal discipline without restricting monetary flexibility.[5]

The fiscal incentive for policymakers is considerable: With a gold-backed bond, the coupon rate decreases because the gold backing partially offsets the default risk for the investor. For policymakers seeking ways to lower the interest burden without austerity programs, this is a compelling argument.

3 *See* "20 Years later – a Freegold Project: Interview with FOFOA," *In Gold We Trust* report 2019
4 *See* "The New Playbook for Bitcoin," *In Gold We Trust* report 2024
5 *See* the chapter "Back to the Founders: Dr. Shelton on the Constitution, Gold, and the Future of the US Dollar" in this *In Gold We Trust* report

The difference between a gold-backed bond and a conventional government bond is akin to the difference between a promise and a pledge.

The urgency grows with every budget cycle. The creeping loss of confidence ultimately forces issuers to regain trust through real collateral. **Not a gold standard, but a credibility standard.**

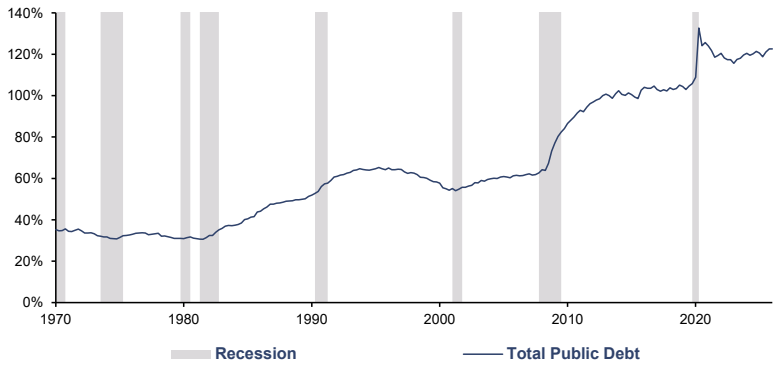
> *Gold is a constant. It's like a North Star.*
> Steve Forbes

The precedents exist: **The US issued *gold-clause bonds* until 1933**; the Joint Resolution of 1933 invalidated these and was only amended by the Act of October 28, 1977, so that gold clauses are enforceable again for contracts entered into on or after that date. France issued gold-indexed bonds in 1936; Italy discussed using its gold reserves as collateral in 2011-12.

We see a promising testing ground in emerging markets with their own gold production. Uzbekistan, Kazakhstan, and Ghana would have a dual incentive: lower borrowing costs and the monetization of their own gold production. Zimbabwe took the lead in April 2024 with Zimbabwe Gold (ZiG) and launched a gold-backed currency, albeit with questionable success so far.

> *History repeats itself, but in such cunning disguise that we never detect the resemblance until the damage is done.*
> Sydney J. Harris

US Total Public Debt, as a % of US GDP, Q1/1970–Q1/2026



Source: LSEG, Incrementum AG

incrementum

Vector V: Western Central Banks Are Becoming Gold Buyers

Since 2010, central banks worldwide have accumulated a net total of approximately 9,700 t of gold, with almost 4,000 t of that coming in the years 2022–2025 alone. However, these purchases were made almost exclusively by emerging economies. Western central banks have stood by and watched, and in some cases even sold off their reserves. **The next phase will begin when the West follows suit.**

> *There are no traffic jams along the extra mile.*
> Roger Staubach

Why have Western central banks bought so little gold to date? The psychological hurdle is high: An open increase in gold reserves would be an implicit admission that the fiat system is reaching its limits. Poland deserves special attention: NBP President Adam Glapinski is the pioneer in this regard within the EU. His argument: "Gold symbolizes the strength of the country." This is a statement that is likely to increasingly resonate with European conservatives as well.

The symmetry of sanctions

Possession is nine points of the law.
English proverb

The freezing of Russian currency reserves in 2022 has brought an uncomfortable truth to light: Reserves that one does not physically control are not reserves in a crisis. This lesson is often cited as an impetus for the East to diversify away from the US dollar. Yet the lever works both ways.

China's rare earth export controls starting in 2025, and the export bans on germanium, gallium, and antimony since December 2024 are, in effect, the mirror image of the freezing of currency reserves on the real-economy side. With nearly 90% of the world's rare earth refining capacity, Beijing controls materials that are indispensable for defense, semiconductors, and the energy transition.

The logic is symmetrical: One side controls the financial infrastructure, the other the physical. Both sides are learning the same lesson: Dependence is vulnerability. And the only form of reserve that is subject to neither financial nor physical vulnerability is gold in one's own vaults.

The blind spot in Western reserve portfolios

The legacy holders such as the US, Germany, Italy, and France hold between 65% and 75% of their currency reserves in gold. A second group of Western economies, however, falls well below that.

Gold Reserves, Q3/2025

Country	Tonnes	Share of Total Reserves
Japan	846	7.8%
UK	310	18.3%
South Korea	104	3.0%
Australia	80	14.5%
Ireland	12	11.0%
Canada	0	0.0%
New Zealand	0	0.0%

Source: World Gold Council, Incrementum AG

A Canadian is someone who knows how to make love in a canoe.
Pierre Berton

Canada is perhaps the most striking case of monetary self-neglect: a G7 nation, one of the world's five largest gold producers – and zero tonnes in the vaults of the Bank of Canada. The last holdings were sold in 2016 at average prices of around USD 1,200/oz. Converted to today's terms that is monetary collateral damage of historic proportions.

The movement in the opposite direction, however, has already begun. Singapore significantly increased its gold holdings in 2023/24. The Czech Republic has increased its gold reserves ninefold since 2022, from eight to nearly 72 t by the end of 2025, with the stated goal of further increasing them to 100 t by 2028.

The paradox of producer nations

The situation becomes particularly noteworthy when considering the gold reserves of the major gold-producing countries. Canada, Australia, and the US, accounting for about one-fifth of global mine production, are among the world's most significant gold producers. However, the mined gold generally leaves the country and flows through the global market into private vaults, ETFs, and increasingly the balance sheets of Asian central banks.

Inside myself is a place where I live all alone and that is where I renew my springs that never dry up.
Pearl S. Buck

Here, one could venture a hypothesis that would have been considered exotic ten years ago but now falls on fertile geopolitical ground: **Why shouldn't Western gold producers sell their mine output primarily to their own central banks?** The model would by no means be new. Kazakhstan and Uzbekistan have been practicing this for years with

considerable success. The Central Bank of Uzbekistan even has a statutory right of first refusal on domestic gold production and has used this to build up its reserves to 390 t. This represents 85% of its total foreign exchange reserves.

Physical scarcity meets digital settlement speed – the oldest money learns the newest rails.

From the perspective of Western gold-producing countries, such a *"domestic-first" model* would have several advantages: It would diversify currency reserves without having to participate in the global market, and it would hedge against strategic vulnerabilities, mirroring on the precious metals side what China has imposed with rare earths.

Four drivers of Western gold purchases

- **QE losses as a balance sheet crisis.** Numerous central banks are sitting on unrealized losses from their bond purchases during the QE era. The longer interest rates remain high, the more attractive gold becomes as a balance sheet stabilizer. The Bundesbank's revaluation reserve reached a historic high of EUR 387bn at the end of 2025. The gold buffer has become a functional substitute for equity capital (see Vector III).
- **Erosion of confidence in US Treasury bonds.** The US fiscal position is unsustainable in the long run. If US Treasury bonds lose their status as a risk-free investment, they also lose their reserve currency status. The USD's share of global foreign exchange reserves has fallen to its lowest level since 1994; the share of gold rose to its highest since 1991.
- **Portfolio logic.** While continental legacy holders hold 60–75% of their reserves in gold, the UK, Canada, Japan, and Australia are well below that level. The portfolio-theoretical appeal of increasing gold holdings grows in proportion to every new crisis of confidence.
- **Fiscal dominance.** When central banks lose their monetary independence under pressure from their governments, gold becomes the institution's insurance against its own government.

The leverage of numbers

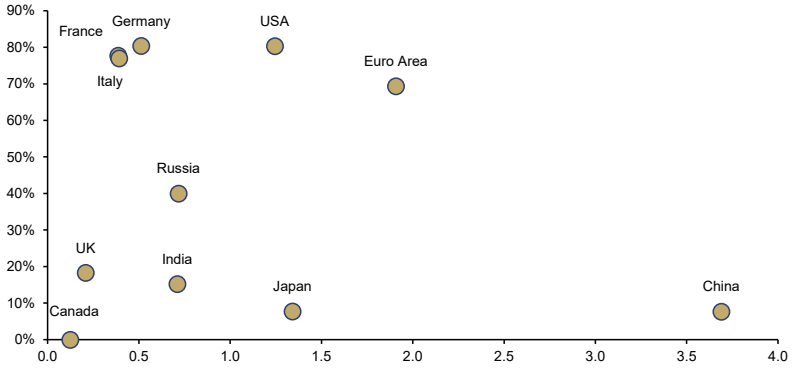
> *A billion dollars isn't what it used to be.*
> Bunker Hunt

What happens if Western central banks with low gold allocations increase their holdings? **Doubling Japan's gold reserve ratio to just 15% would require the purchase of more than 800 t. That amounts to more than one-fifth of annual global gold production.** If Canada and Australia were to reallocate just 10% of their currency reserves into gold, they would need to acquire 400 t, which could easily be covered by domestic production over several years.

> *A small leak will sink a great ship.*
> Benjamin Franklin

For the Western "gold-light" group alone, and assuming moderate target ratios, this results in a potential cumulative demand of 2,000 to 3,000 t. This would correspond to slightly less than a full year's mine production – as a one-time rebalancing impulse, not as an ongoing flow.

Total Reserves of Top 10 Economies + Euro Area, USD trn (x-axis), and Share of Gold Reserves (y-axis), 09/2025



Source: World Bank, World Gold Council, Incrementum AG

incrementum

Vector VI: Digitalization – Gold-Backed Tokens Mobilize Gold

The final vector is technological in nature. **Historically, gold has been an excellent store of value but cumbersome to transact. Tokenization promises to address precisely this weakness.**[6] Fully backed, transparently auditable gold tokens – with Tether Gold (XAUT) and Pax Gold (PAXG) as market leaders and the HSBC Gold Token representing the established banking sector – have put the concept into practice: Physical scarcity meets digital settlement speed.

I do not fear computers. I fear the lack of them.
Isaac Asimov

What began as a niche is growing explosively. The market capitalization of gold tokens has quintupled within 24 months, surpassing the USD 6bn mark in February 2026. XAUT and PAXG account for approximately 97% of the segment; more than 1.2 Moz of physical gold serve as backing for the tokens in circulation. Trading volume in 2025 reached USD 178bn, surpassing all major US gold ETFs with the exception of GLD. The HSBC Gold Token, on the market since March 2024, exceeded USD 1bn in trading volume in November 2025 and is now the third-largest gold token worldwide.

Tokenization begins to resolve an age-old dilemma: **If gold becomes as easily transferable as a US dollar, its disadvantage relative to fiat currency diminishes.**

Regulatory developments paint a mixed picture. In the EU, MiCA has explicitly regulated gold–backed tokens as "asset-referenced tokens" (ARTs) since June 30, 2024. This is a harmonized framework that enables institutional adoption but could crowd out smaller issuers and favor market concentration due to compliance costs such as reserve requirements and audit obligations. In the US, the division of jurisdiction between the SEC and the CFTC remains unclear. This creates a regulatory vacuum that is both a risk and an opportunity.

Crypto is everything you don't understand about computers, combined with everything you don't understand about money.
John Oliver

Tokenized gold is in direct competition with CBDCs. The fundamental difference is political in nature. CBDCs are programmable, monitorable, and can be assigned negative interest rates or expiration dates. Gold tokens offer currency neutrality, no central authority, and no issuer access to transaction data. For users who value monetary sovereignty, this is a decisive advantage. The further the CBDC agenda advances, the more attractive the gold–backed alternative becomes.

6 *See* the chapters "A Golden "Stabilization" Op in Plain Sight" and "Gold Goes Digital: Tokenization, Financial Infrastructure & Trust" in this *In Gold We Trust* report

Digitalization does not replace gold, but it does change how gold is used. **The real test is not whether gold can be tokenized, but how:** whether ownership rights, backing, verifiability, and insolvency resilience can be structured robustly enough so that, in a crisis, digital forms of gold are more than just elegant user interfaces built on top of an old counterparty risk.

The burden of proof has shifted: it no longer lies with those who expect remonetization, but with those who claim a historically unique fiat regime can function permanently without a monetary anchor.

What Connects the Six Vectors: Feedback Loops

As different as these six vectors may seem, they share a common underlying structure. In every case, gold regains monetary significance precisely where the existing system relies on trust, the quality of collateral, or political neutrality. **Gold is not becoming more relevant because it has been modernized. It is becoming more relevant because the weaknesses of the alternatives are becoming apparent.**

Adapt or perish, now as ever, is Nature's inexorable imperative.
H.G. Wells

Feedback instead of addition

The key point is that the vectors do not act in isolation but reinforce one another. The cycle reads like a self-reinforcing engine:

- Accumulation (Vector V) and private demand (Vector II) drive the gold price.
- A rising gold price improves central banks' balance sheets (Vector III).
- Improved balance sheets reduce political resistance to gold-backed bonds (Vector IV).
- Gold-backed bonds legitimize gold as a reserve asset (Vector I).
- A higher, legitimized gold price makes tokenized gold products more attractive (Vector VI).
- Tokenization, in turn, increases demand – and closes the loop.

This positive feedback loop is the actual catalyst. Once a critical mass is reached, the process accelerates on its own. Remonetization is thus not a binary event but a gradual phase transition. It can begin with reserves, gain traction through private portfolios, become politically relevant through balance sheet logic, and open up new areas of application through technological innovations. Those waiting for one big bang will overlook the crucial point: Systemic turning points are not heralded by decrees but by changing practices.

Chaos: When the present determines the future, but the approximate present does not approximately determine the future.
Edward Lorenz

An Overview of the Vectors

Vector	What is being remonetized?	Function	Early warning	Maturity	Portfolio relevance
I – Reserve	Sovereign gold reserves	Sanction–resistant store of value	Repatriation wave; BRICS settlement; Petro – gold	Advanced	Geopolitical gold premium
II – Private	Institutional & private portfolios	Bottom – up liquidity reserve	Morgan Stanley's 60/20/20; WGC/OMFIF studies	Accelerating	Structural sustained demand
III – Balance Sheet	Central bank balance sheets, revaluation reserves	Silent recapitalization	Bessent quote; Fed study; SNB distribution	Reality (euro area), early (US)	Signal effect for repricing
IV – Anchoring	Government credit instruments	Credibility anchor instead of gold standard	Shelton/ Trump/Bessent; TTBs as of July 4, 2026	Conceptually	New asset segment
V – Accumulation West	Reserve portfolios (Gold–Light)	Reserve diversification	Poland +100 t; Czech Republic +72 t, target: 100 t	Advanced (East), emerging (West)	Structural price floor
VI – Digitalization	Gold mobility, transferability	Settlement without fractional reserve	XAUt/PAXG USD 6bn; HSBC Gold Token	Institutionalization	New Collateral Class

Source: *In Gold We Trust*

Arguments against the concept – and why we remain convinced

> *It takes extraordinary intelligence to contemplate the obvious.*
> Alfred North Whitehead

However, there are also factors that argue against the remonetization of gold. The following structural objections deserve serious consideration:

- **The cash flow argument:** Gold generates no current income. As long as government bonds are considered risk-free, the institutional incentive remains limited. *Counterargument:* It is precisely this status that is eroding – see Vector III.
- **The systemic risk argument:** An erratic rise in the price of gold would destabilize the debt-based monetary system. Political resistance to this stems not from a conspiracy but from rational politics of interest. *Counterargument:* An orderly process like the Eurosystem model is in any case more attractive to policymakers than market chaos – the question is not whether a transition occurs, but whether it occurs in an orderly or chaotic manner.
- **The substitution argument:** Gold could lose its collateral function to other assets, such as Bitcoin or tokenized commodities. *Counterargument:* Complementarity is more likely than substitution (*see* the Bitcoin discussion in Vector III).

What would have to happen for the remonetization thesis to fail? Three scenarios are conceivable:

- Significant debt reduction through real economic growth or fiscal consolidation
- Substantial geopolitical détente with the lifting of all sanctions and a return to multilateral cooperation
- A technological breakthrough in CBDCs that renders gold obsolete as an anchor of trust

Each of these scenarios is possible on its own. However, it is extremely unlikely that they would occur in combination. Remonetization would fail only if several secular trends were to reverse simultaneously.

The burden of proof has shifted

The real flaw in the current debate lies in what is considered normal. Over half a century of fiat regimes has clouded historical memory: The unbacked paper money system is now regarded as the norm, while gold is seen as a relic. Historically speaking, it is exactly the opposite. The past 54 years are the anomaly, and 5,000 years of monetary history are the proper frame of reference.

The burden of proof therefore does not lie with those who consider a gradual remonetization plausible. It lies with those who claim that a historically unique fiat regime will be able to function permanently without resorting to monetary anchors.

Back to the Monetary Future– this is not a nostalgic throwback. It is the sober realization that the history of money is longer and more cyclical than a single political cycle. Gold is not returning because it romanticizes the present. **It is returning because the present can no longer keep its promises.** ■



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Back to the Founders: Dr. Shelton on the Constitution, Gold, and the Future of the US Dollar



Key Takeaways

- Dr. Judy Shelton, citing her friend Jacques de Larosière, describes today's US dollar system not as a non-system but as an anti-system. Gold has displaced the euro as the world's second most valuable reserve asset held by central banks, according to the ECB's June 2025 report on the international role of the euro.
- Drawing on Robert Mundell, she argues: great powers have great currencies. If a gold anchor is coming, the United States should lead rather than let China get there first.
- Dr. Shelton proposes a 50-year gold-convertible US Treasury bond — her "Treasury Trust Bond" — timed to the 250th anniversary of the Declaration of Independence, using gold rather than CPI as the reference for preserving purchasing power.
- Pledging physical gold as collateral would prevent future administrations from selling off reserves, as Gordon Brown did for the UK. Treasury currently carries its 261 million ounces at USD 42.22 per ounce.
- Dr. Shelton favors ending interest on excess reserves and actively selling the MBS portfolio. This aligns with Kevin Warsh's disposition to shrink the Federal Reserve's balance sheet.
- She grounds her case in the Founders. Jefferson defined the US dollar by the weight and purity of gold and silver. Madison argued that paper money is unjust and unconstitutional, "for it affects the rights of property as much as taking away equal value in land."
- Looking twenty years out, Dr. Shelton envisions sovereign debt issued with gold-convertibility features, gold-linked stablecoins, and gold and silver settlement at the state level — as Florida is set to recognize as legal tender from July 2026, and as Texas has begun building through its state bullion depository. A classical gold standard, take two.

We have the most gold reserves of any country. I've always thought it would be a power move for the United States to reassert some kind of link between our currency and gold.

Judy Shelton



Dr. Judy L. Shelton is a Senior Fellow at the Independent Institute and the author of *Good as Gold: How to Unleash the Power of Sound Money*. She was Chairman of the National Endowment for Democracy and former US Director of the European Bank for Reconstruction and Development.
She has testified before the US Senate Banking, Senate Foreign Relations, House Banking, House Foreign Affairs, and Joint Economic Committees.

Shelton has been consulted on international economic/financial issues by national security officials at the White House, US Congress, and the Pentagon. She received a postdoctoral fellowship from the Hoover Institution at Stanford University as a National Fellow, and she was named as a Hoover Senior Research Fellow (1985–1995). She is the author of *The Coming Soviet Crash: Gorbachev's Desperate Pursuit of Credit in Western Financial Markets* (1989) and *Money Meltdown: Restoring Order to the Global Currency System* (1994). Her popular articles have appeared in The Wall Street Journal, Financial Times, The Hill, and The Weekly Standard.

The video of this interview you find on our YouTube channel here.

Ronald-Peter Stöferle: *Dr. Shelton, it's a great pleasure having you here for this conversation. It is March 19th, 2026. Gold is now trading at USD 4,600.*

I remember very well our last conversation, in 2017, when gold was trading at around USD 1,200.[1] *Back then, talking about gold-linked bonds was something of an interesting initiative. But now gold has become much more mainstream.*

We know that Scott Bessent was talking about the Bretton Woods moment. And you wrote in the Wall Street Journal that it would be a power move to introduce a gold-linked bond, especially with the 250th anniversary of the Declaration of Independence just a few months away.

As we navigate through so many different crises – a global energy crisis, a security crisis, and a crisis of central bank independence – your vision of a monetary reset is more interesting than ever. Dr. Shelton, welcome back and thanks for taking the time.

Judy Shelton: I'm delighted to be with you. And I recall that earlier conversation and agree with everything you said about the amazing things that have happened since then.

Stöferle: *So let's start right away with the big question. We are obviously at a unique moment. Secretary Bessent recently said that he wanted to engineer a US dollar shortage in Iran. We've seen that in the light of the Strait of Hormuz closure and the shift to yuan-denominated oil, this whole de-dollarization tendency, the big fight between dollarizing and de-dollarizing countries, is escalating.*

Dr. Shelton, do you believe that this Iran crisis is kind of a black swan event that could force a global economic reordering, a Bretton Woods moment, as Scott Bessent described?

Shelton: Well, I think we have seen that the fact that the US dollar is the dominant global reserve currency has provided a very strong form of soft power for our country. And that we can almost engineer difficulties for countries, especially if they produce

1 *See* "The De-Dollarization: Good-bye Dollar, Hello Gold?," *In Gold We Trust* report 2017

commodities that are denominated in the US dollar and through the SWIFT system and other global banking networks that are pretty powerful. Now, that's not historically unusual.

Robert Mundell, the Nobel Prize winner, whose views most closely align with my own, always said great countries have great currencies. And he's also said there's a correlation between military power and having a dominant currency. So it's not a new thing.

Certainly, we saw in 2022, after Russia went into Ukraine, that the freezing of Russian assets became a big issue, even considered going nuclear in the financial world. I was concerned, because President Putin, having gone through the collapse of the Russian ruble and their financial system in the early years under Yeltsin, witnessed Russia fall into an abyss that was very painful.

We can understand why some countries, particularly Russia, when they feel very threatened financially, seek to establish an alternative monetary union such as the BRICS approach. Brazil, Russia, India, China, maybe South Africa, these countries intermittently discuss proposing some kind of alternative to the US dollar. China is probably the most thoughtful about it.

In fact, I was invited by Secretary Bessent to talk over some of these issues earlier this year. We spent an hour in his office at Treasury. He's interested in dollarization, and we did talk about gold. I ended up emailing him an article written by Kwasi Kwarteng, who was Chancellor of the Exchequer for Britain. He wrote an article in *The New York Times* saying that China might be the first country to relink to gold, and what a coup that would be. I sent it because I'm adamant: It shouldn't be China. It had better be the United States.

We're certainly in a better position. We have the most gold reserves of any country. I've always thought it would be a power move for the United States to reassert some kind of link between our currency and gold.

> „ Dr. Shelton, you've proposed one of the most interesting ideas, a 50-year gold-backed bond to launch this July.
>
> Ronald-Peter Stöferle

My friend Jacques de Larosière, who was Managing Director of the International Monetary Fund, thinks that what we have today is not just a non-system; he calls it an anti-system. And he pointed out to me in recent weeks that gold has displaced the euro as the second most valuable reserve asset held by central banks around the world.

Stöferle: *That is obviously true, and we always stated that before de-dollarization, there has been de-euroization happening, and gold has now taken over from the euro.*

Now, being from Europe, my grandparents lived through four currency reforms. If you're from the US or the UK, a reorganization of the monetary system probably sounds much more uncommon than if you're based in Europe.

Now, Dr. Shelton, you've proposed one of the most interesting ideas I've heard, a 50-year gold-backed bond to launch this July. Given your recent meeting with Secretary Bessent; his largest private position according to his filings is gold, and back in the day Stanley Druckenmiller called Scott Bessent a gold bug. He obviously understands gold and our monetary system and its flaws.

How realistic is this proposal of a 50-year gold-backed bond? And what would the consequences be for the US dollar, and perhaps for China?

Shelton: Well, first I want to say: In no way am I insinuating that he agrees with me or that Treasury is prepared to do anything. We just merely discussed these things.

Some time ago, President Trump said maybe he needed to tour Fort Knox and make sure the gold was there. Elon Musk has said the same thing. I reiterated those points and said I think it would be a public relations coup for the president to do that. Not that I doubt the gold is physically there, but I'm surprised at the number of queries I get from American citizens saying they don't believe it. I take that as an indication they don't trust our government. I do think it's important to verify there are no encumbrances against that gold.

In the broad scheme of things, for a nation of our size, the physical gold is worth maybe USD 1.2trn, a big number; but with outstanding debt of 35x that, we have to keep perspective. Treasury Secretary Scott Bessent has *called himself* a gold bug in an interview, and he taught a course at Yale on the last century's monetary and financial history.

So he's quite familiar, not only with the end of the gold standard, because it ran through the late 1800s through about 1913, World War I. And he would have been extremely familiar with the Bretton Woods system, which ran from 1944 to 1971.

So he does appreciate all that. But I don't want to suggest… I still would love to see it happen in July. I think it can happen quickly.

When we introduced TIPS bonds, Treasury inflation-protected securities, it was just an initiative by the Treasury Secretary. That was Robert Rubin, in 1997 under President Clinton. And he just said, well, there's investor demand for some kind of a debt instrument where they'd be lending money to the government, but they're concerned about losing purchasing power over the duration of the bond.

> "It's like having American music playing on radio stations around the world. It gives you influence and soft power that's very important for us to be effective in a geopolitical sense.
>
> Dr. Judy L. Shelton

And so they want to be compensated for inflation as measured by the change in the Consumer Price Index. This would be the same idea, for people willing to make a loan to the Treasury, to the US government, but who don't want to lose purchasing power over the life of the bond.

I'm suggesting that for some people, they see the price of gold as a more reliable surrogate for the general increase in the cost of goods and services. They think gold keeps up more than the dollar, especially a US dollar that is inflating away its value as a store of value. And I would want to give them that option. It would just be one instrument in an array of Treasury offerings, not the largest issuance, and there is already a floating-rate bond offering that is smaller.

This bond offering from Treasury would be smaller. It wouldn't be the smallest category of US Treasuries that we could make available if we were to commit our holdings. The other benefit, in my view, of pledging the gold to support the issuance of long-term gold-backed US Treasury bonds is that you would be legally setting boundaries, providing that specific collateral for those bonds and effectively warehousing it, so that maybe the next administration or the one after that, if they're spendthrift, wouldn't suddenly get the bright idea of selling off the gold to make a quick profit.

We're currently carrying gold at a value of USD 42.22 an ounce, so there's a huge difference between its statutory rate and its market value. We saw what happened when Gordon Brown did something similar for the UK. He may have seemed bright at the time, but until you get your budget future in better condition, to me, that's throwing money away. And I would want to bind the hands of an administration that would be inclined to do that.

Stöferle: *So you've kind of led me to the next question – thank you for that. We are seeing incoming Fed Chair Kevin Warsh – though his nomination still has some hurdles, and he's pretty vocal about wanting to shrink the Fed's footprint.*

Now, if the Fed were to revalue the US's gold to market prices, as you alluded to, that would give the Treasury basically a windfall profit of USD 1.2trn. And if the Fed sterilizes that liquidity by selling off its mortgage-backed securities, would that be a backdoor way to return to a gold-anchored system without needing a formal international conference like Bretton Woods?

Shelton: I'm not sure; I would have to think through those mechanics as you've laid them out. I haven't anticipated exactly that process. To me, the Fed's role in this is somewhat nebulous. The Fed had to give up its gold to Treasury at one point and take in exchange gold certificates, which the Fed carries on its own books at the same USD 42.22 statutory price; so that the Fed shows its holdings as being worth USD 11bn, even as Treasury holds the gold; but the Fed's own website says those certificates do not entitle it to anything.

So, in my view, if those certificates don't entitle the Fed to repurchase or reobtain the gold, why are they carrying them at any value at all? And let alone at the huge discrepancy between market and book value. I think that needs to be straightened out; it's kind of an odd arrangement.

> "In G7 gatherings, the language we both favored was not 'strong US dollar' or 'weak US dollar' but a dependable US dollar.
>
> Dr. Judy L. Shelton

But what I like about Kevin Warsh goes back to something he said last April, addressing the IMF annual meeting in Washington, D.C. He said empowering government agencies for the purpose of solving world problems was not something that aligned with his own disposition. And specifically: To be trusted, financial institutions need to be trustworthy; to be trustworthy, they need to be competent. I believe those words were aimed at the Federal Reserve.

He believes, as I do, that the Fed needs to shrink its presence, shrink its footprint, and its profile in financial markets. One way to do that would be to quit paying interest on reserves. That would cause banks to no longer get generous returns to park cash at the Fed, which I do not think is a healthy practice. I would get rid of that mechanism. But that would probably cause the banks to invest in US Treasuries. That's what I see happening. And as they did so, with the price increase, that would bring interest rates down.

Which then the Fed might be concerned about that. But that is the point at which I would sell – start selling, not just run off. We already know they want to reduce the mortgage-backed securities, but most of those won't mature for another 10 or 20 years, and they've never even met their monthly runoff quota.

They don't sell the mortgage-backed securities; they just let them expire, and it happens very slowly. I would say actively sell those. The Fed has over USD 900bn in losses which, under Fed accounting rules, it doesn't have to recognize until it sells the assets, which is why it prefers runoff. But at this point it doesn't matter. Normally, if the Fed had to take a loss on its portfolio, that money would come out of what would otherwise be remitted to the Treasury.

> "If you unleash the private sector and give it access to capital at a reasonable rate, that's the best of all worlds. That's how you fight inflationary pressures, by increasing supply.
>
> Dr. Judy L. Shelton

The Fed isn't making enough on its own portfolio to pay that interest rate. So my feeling is we're already committed to having a Fed that offers no remittances to Treasury for the next few years. So just bite the bullet and do that. But meanwhile, you are reducing that USD 6.7trn portfolio, and that would be healthy, particularly in tandem with ending the practice of paying banks to keep close to USD 3trn in cash sitting at the Fed.

Stöferle: *Thank you very much. Dr. Shelton, I would like to briefly talk about the stagflationary pressure the Federal Reserve is now facing. We are seeing a huge spike in energy prices, the PPI coming in much stronger, and on the other hand the labor market is deteriorating quickly.*

If you were the successor of J. Powell, what would you do in that situation?

Shelton: Well, it's kind of you to suggest that. I see my name somewhere on Kalshi, but I'm more like 3% and Kevin is like 93%. I think it will be Kevin Warsh. I just heard Secretary Bessent this morning push back a little bit, as did Chair Powell yesterday. It's too bad he has to have a press conference after every single Federal Reserve meeting. That was his idea.

But stagflation would normally mean higher inflation and much lower growth, so higher unemployment as well. Our employment picture is really not bad. We're sitting at about 4.4%, and it's arguable whether the labor market is truly weak. At the prior Fed meeting, we kept hearing that the labor market had stabilized and was in pretty good shape.

The impact of the war with Iran could go either way from the Fed's point of view, which is very Phillips curve-oriented. The higher cost of energy is potentially inflationary, but a weakening economy with higher unemployment is an offsetting factor. My own view is: steady as she goes. I think we're still overly restrictive. I would much prefer not just a neutral rate but something closer to a market-determined cost of capital; let people in the real economy determine what it should cost to borrow money, based on their own judgment of how frothy things are or how positive growth prospects are.

My own view is: steady as she goes. I think we're still overly restrictive. A lot of us believe the Iran conflict will be resolved quickly, that energy prices will come back down, and that the United States, which I believe was poised for growth at the end of last year, remains poised for growth. We have adopted supply-side approaches: lower taxes, less regulation, dramatically reduced energy costs, and a more savvy trade policy. All of those supply-side pillars were working in our favor. Demand would have been enhanced by the lower taxes, whose benefits people will start to feel in coming weeks.

If you unleash the private sector and give it access to capital at a reasonable rate, that's the best of all worlds. That's how you fight inflationary pressures, by increasing supply. You can increase output of goods and services when the entrepreneurs who produce those goods and services have access to capital. That's why I think the Fed model, dictating that you fight inflation by curtailing economic growth and suppressing demand, is the wrong approach.

I think Kevin Warsh will be closer to this supply-side mode of thinking. At the Fed, I would phase out paying interest on reserves, go back to the Paul Volcker mechanism of open market operations, which, as I said, would mean selling off with deliberation as much of the portfolio as we can tolerate to bring rates steadily down to something closer to what I would consider a market rate.

Stöferle: *Let's briefly talk about the US dollar. Donald Trump has been quite openly saying he would appreciate a weaker US dollar for the renaissance of US manufacturing. And we've seen the US dollar being pretty weak before this liquidity crunch, with the DXY spiking above 100 again. I think that's super interesting, because previous administrations never mentioned the reserve status of the US dollar.*

So on the one hand, he wants a weaker US dollar. On the other hand, he clearly wants to defend the US dollar's status as the world's reserve currency.

Is there any way those two different targets can be achieved?

Shelton: That's a great question. When I was working with the Treasury as US Executive Director to the European Bank for Reconstruction and Development under the first Trump administration, the Under Secretary of the Treasury for Monetary Affairs was David Malpass, who went on to become head of the World Bank. In G7 gatherings, the language we both favored was not "strong US dollar" or "weak US dollar" but a dependable US dollar. We worked closely with our Treasury Secretary, Steven Mnuchin, at the time, to try to bring that language into it.

A dependable US dollar means being consistent, coming closer to what our founders had in mind when they gave Congress the right to regulate the money, to have the US dollar function as a reliable measure of value. What we have now is hard to describe. I would not call it a floating-rate system, certainly nothing like what Milton Friedman had in mind when he introduced that concept. He and I were senior research fellows at the Hoover Institution at the same time. And he – that's a nightmare for Milton Friedman.

Central banks have become so empowered by the current system that as soon as there's an emergency, the Federal Reserve initiates currency swaps with G7 allies and other major central banks around the world, which absolutely defeats the whole idea [i.e. of a genuinely free-floating exchange rate system]. If you have a genuine floating-rate system, it doesn't even make sense for governments to hold foreign exchange reserves, because the rate should be determined by demand and supply through people trading goods across borders. We have nothing like a free market in currencies.

What I appreciate about President Trump's embrace is that he's not calling for a weak US dollar. What he's acknowledging is that there's always been this tradition – when China was deliberately manipulating its currency against the dollar, or earlier in the 1980s when Japan was producing autos and our own auto workers, with bipartisan support from both Democrats and Republicans in Washington, were saying we should not allow currency manipulation. Our auto workers would say, we can compete with the best automobile makers in the world, but we can't compete with the Bank of Japan or the People's Republic of China. Trump came out early against currency manipulation, which was music to my ears. I'm for free trade.

> „ Our auto workers would say, we can compete with the best automobile makers in the world, but we can't compete with the Bank of Japan or the People's Republic of China.
>
> Dr. Judy L. Shelton

If you have a level international monetary playing field, but your trade partners can move their currencies 20 or even 30 % against yours in the space of a year, as happened with Mexico in recent years, that's highly unfair and distortionary. Paul Volcker famously said, you can work for years on a trade agreement to bring tariffs down to 5%, and then in 10 minutes of currency trading completely neutralize whatever you were trying to achieve.

So I appreciate that Trump senses this. When he says "weak", he catches himself and says everyone prefers the word "strong", but he's acknowledging that an unduly expensive US dollar is a distortion to manufacturers and to free-trade principles.

Now, when the president, who cares equally strongly about the role of the US dollar as the global dominant currency, talks about the strength of the dollar, he means sort of that original definition that I was laying out: a strong country, with the deepest markets for treasuries and sovereign appeal. The currency is dominant throughout the world, almost like English as a dominant language.

It's like having American music playing on radio stations around the world. It gives you influence and soft power that's very important for us to be effective in a geopolitical sense. And I think he properly values a dominant currency to the point that, in 2025, when Brazil hosted the BRICS meeting and countries talked about moving away from the dollar, he said, fine, if you don't use the US dollar for your international transactions, we will tariff you. He sees that as a genuine threat to the US dollar's standing.

So he recognizes both aspects. Maybe they seem hard to reconcile, "So what value do you want the US dollar to have?" But it's acknowledging that there's a huge gap in people who say they want free trade but won't discuss how an artificial exchange rate changes the terms of trade in an unfair way. The president does recognize that.

> "What I appreciate about President Trump's embrace is that he's not calling for a weak US dollar.
>
> Dr. Judy L. Shelton

Stöferle: *I think having a weak currency is a very short-term view. A strong currency acts like a fitness program for your industry. Countries like Switzerland, arguably the gold standard of fiat currencies, have maintained an extremely strong export sector. In Austria, the pivotal decision at the end of the 1970s was whether to peg the schilling to the Italian lira or the Deutschmark. Choosing the Deutschmark was one of the most important decisions for our industry.*

But Dr. Shelton, let's come back to gold, because we are publishing the In Gold We Trust report. Between the Mar-a-Lago Accord and the move toward a Hamiltonian economic system, the era of global fiat statism is being challenged. If the US leads with gold-backed bonds and other nations follow, just as a thought experiment,

What would the international monetary architecture look like by 2030? The US issues gold-backed bonds on the 4th of July, there's enormous interest, and other countries copy the idea. What do you say?

Shelton: Well, I think so. As you and I have discussed, for moral reasons I think that trade is a wonderful way for people to get along. Voluntary transactions, commerce, are a great way for people to live on Earth together. And an ideal, in a way, would be to have a common currency. And I mean, you could call it Earth money. Now, when I pose these thoughts, especially with students, their first response is, they like that, or they like Bitcoin. They love that idea of a common currency. They think that's very futuristic.

But in fact, others might say it's retro, because when we had the classical international gold standard, that's exactly what we had: a common currency. Every country denominated its own currency according to its own sovereign aspirations, but they were all using the same global asset to measure value, not just across borders but through time, because they tended not to change those exchange rates. They were a physical weight of gold.

I really enjoy reading Thomas Jefferson's notes on the establishment of a monetary unit for the United States. We're going back to Hamilton, as you said, but it was Jefferson's idea, right after the Revolution, for the United States to have a common currency among these 13 former colonies, now fully independent states. Since they were meshing into a single country, the United States of America, he thought a common currency would encourage voluntary transactions across the country and empower it.

And his aspiration was not only to make the money work for people, for the common man, which was in keeping with this American idea that common people were capable of self-government, that we did not have to have a king; we did not have to be ruled by an elite.

It was also that we could elect among ourselves competent people. They would serve, and then go back to their real lives. That whole experiment was really about giving not just political liberty but economic liberty to individuals.

So he felt it was so important that the dollar be carefully established. He said, if we make the US dollar our unit of account, we must define with precision what a US dollar is. He invoked the highest standards of measuring the purity and weight of gold and silver to establish the American unit of account as a monetary standard of the highest integrity.

Jefferson convinced President Washington that the US monetary unit should aspire to be the universal standard, because ours would be so good. These global monetary aspirations are part of

our DNA, going back to our founders. And so the founders were granted the right to regulate the money in Article I, Section 8 of the US Constitution.

It's in the very same sentence that the founders were granted the power to establish official weights and measures, because the monetary unit of account was meant to be an unvarying measure.

> Alan Greenspan, often said that gold is a truly global currency, the only one truly accepted without question around the world.
>
> Dr. Judy L. Shelton

And so that is the ideal that I wish we could go back to. And I think it's one worthy of defending far more than, say, the discretionary power of central bankers. I would much rather see money working in the interests of the citizens who use it and who generate value through productive effort.

Stöferle: *I couldn't agree more.*

In a sound money world, would there be a need for a Federal Reserve or central bank in anything like its current form?

And we're celebrating the 20th anniversary of the In Gold We Trust report. I started this little project in 2007, and little did I know that it would really become one of the most widely followed publications about gold. And we both know it's not just about gold. It's about interest rates. It's about geopolitics. It's about de-dollarization. It's about inflation. It's about monetary policy. It's about everything. So actually, gold is just sitting there like it has done for thousands of years, but the world around seems to be spinning more and more dynamically now. Another question that really interests me: What would you say about 20 years from now? If we talk in 20 years, I'll probably be completely bald by then, but hopefully I will still be writing the In Gold We Trust report.

So, looking 20 years out, will we be living in a sound money world where your proposed monetary revolution has happened, or in a monetary dystopia?

Shelton: Well, first, I congratulate you on your enormous success in identifying what clearly is important to people. I mean, the price rise for gold is astonishing, in a way. Maybe, in another way, it is inevitable.

It was Alan Greenspan, legendary central banker of the world's most powerful central bank, who, in many private conversations with me, and publicly, often said that gold is a truly global currency, the only one truly accepted without question around the world. It's a benefit for the US that the US dollar is also widely received, but he thought gold was the ultimate.

The European Central Bank holds gold. Why do they? In a Hamiltonian way, would they ever issue a gold-link bond on behalf of the members of the Eurozone, the countries that make it up – including Bulgaria, which I think just became a member?

I think that's trickier for Europe. In the United States, all 50 states are the beneficiaries of the fact that our Treasury can issue debt that serves the needs of all states. Some are greater contributors to and some are bigger takers from the federal budget. But I don't think Europe really has that. They have to wrestle with that. But the European Central Bank does hold large reserves of gold; and when questioned, their answer is essentially that it's a traditional bulwark.

During my own nomination process, when I was being criticized for speaking favorably about gold in the world of monetary credibility, I had an e-mail from Alan Greenspan, who was watching. He said: If gold is such a worthless metal, why does the United States and so many other major countries hold so much of it? That question is never really resolved. I would like to see other countries emulate the United States, and that could become some kind of a trading union.

If the United States issued a gold-backed bond, maybe that could become a reserve for stablecoins, a one-to-one stablecoin where the collateral backing is a gold-backed Treasury certificate. Right now, most stablecoins have a one-to-one correlation with Treasuries or other readily marketable securities. So that would be tremendous. Or you could have stablecoins with varying percentages of gold and Treasury bonds as backing.

And you could likewise see other countries do the exact same thing. Then you already have the beginning. And looking 20 or 30 years into the future, you have the beginning of a new international monetary system where the members are all linked to the same common denominator, some kind of gold-link or convertibility feature embedded in sovereign debt. And if every country issued a gold-backed bond at the same time, all maturing in, say, 25 years, by that point you would know exactly what the exchange rate was among all those currencies, because though denominated in each country's own currency, the bonds would be ultimately convertible into a prespecified amount of gold.

So the exchange rate is going to be a fixed one, depending on their effectively equivalent obligations. And people will price them accordingly if they can all be converted into gold on the same day.

> I had an e-mail from Alan Greenspan, who was watching. He said: If gold is such a worthless metal, why does the United States and so many other major countries hold so much of it?
>
> Dr. Judy L. Shelton

I don't anticipate that happening precisely, but that's the direction I'd like to see us moving, harnessing the power of the market to make judgments about the reliability of each government to honor its commitments, with demand for that currency always dependent on whether it can be converted into gold.

This could ultimately become a classical gold standard, take two. And with the digital platform opportunities available, stablecoins or other digital mechanisms linked to gold, and with gold convertibility already happening at the state level in Texas and Florida, where daily transactions with gold and silver holdings on digital platforms are permitted, I think that's all very encouraging.

I think that's all very interesting. And I hope it brings about this revolution of thinking that the money you earned is your private property. Now I'm going back to one last founder, James Madison. He said, if the government can debase the currency, a depreciating currency is the same as stealing your land and therefore unconstitutional. That is the attitude I would like American citizens to adopt and to reassert, along with the value of those original founding principles.

Stöferle: *That was a very strong closing statement. Thank you very much, Dr. Shelton. I love that you bring these creative ideas backed by an enormous amount of knowledge about monetary history, that you're talking about this moral contract between government and its people. I truly hope we will see some sort of a July 4th reset and your ideas actually being introduced. So thank you, thank you very much for your work. Thank you for your time. And I look forward to staying in touch with you and wish you all the best.*

Judy Shelton: Thank you for your interest, and I appreciate your audience very much. Thank you.

Ronald-Peter Stöferle: *Thank you very much.*

The video of this interview is available on our YouTube channel here.



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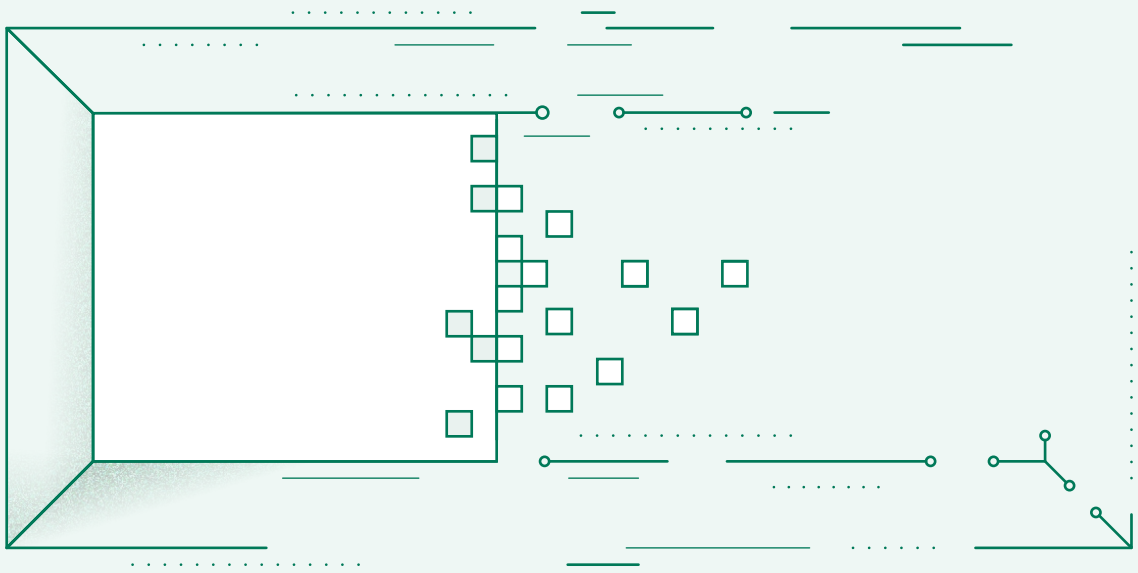
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Gold Goes Digital: Tokenization, Financial Infrastructure & Trust



Key Takeaways

- Tokenization changes how claims on gold move, not what gold is. Settlement accelerates from T_{+2} to T_{+0}, the entry barrier drops from a USD 2mn Good Delivery bar to a single gram, cross-border transfer becomes frictionless. The infrastructure evolves; the metal endures.
- The tokenized gold market is in fact three markets: retail (PAXG, XAUT) solving for access, institutional (PGIs, Wholesale Digital Gold) solving for collateral efficiency, and a speculative frontier monetizing geological uncertainty. Only the first two rest on gold that actually exists.
- Tokenizing vaulted gold digitizes certainty. Tokenizing in-ground gold financializes uncertainty. The speculative frontier repackages the oldest risk in mining – the gap between what's estimated and what's extractable – in a new digital wrapper.
- The growth of digital gold is real; the revolution is gradual. Physical bars in vaults remain the ultimate settlement layer – no token has changed that.

History repeats itself, but in such cunning disguise that we never detect the resemblance until the damage is done.

Syndey J. Harris

The Digitization of Gold

Gold is the oldest financial asset still in active use – and the most paradoxical. For over 4,000 years, it has served as money, medium of exchange, collateral, and store of value. Yet the infrastructure around gold remains strikingly archaic. A 400-ounce London Good Delivery bar traded today still moves through the same system of vaults and armored transport used in the mid-20th century. Settlement takes days. Fractional ownership is impractical. Cross-border transfer remains a logistical exercise rather than a financial one.

The question is not whether gold needs better infrastructure. The question is whether better infrastructure can be built without destroying what makes gold unique: the absence of counterparty risk.

All previous attempts to base money solely on intangibles such as credit or government edict or fiat have ended in inflationary panic and disaster.
Donald Hoppe

Gold has been progressively abstracted – and each layer of abstraction has introduced new dependencies. The move from physical coins to gold-backed banknotes was an early step; the goldsmith who issued more receipts than he held metal invented fractional reserve banking centuries before the term existed. Unallocated gold accounts added another layer, allowing multiple clients to hold fractional claims on pooled metal. The creation of gold exchange-traded funds (ETFs) in the early 2000s extended this further, enabling investors to gain exposure without taking delivery. Each development improved accessibility and efficiency but also increased reliance on intermediaries. ETF holders own claims on a fund, not specific gold bars. Unallocated account holders have exposure to a bank rather than proprietary ownership of metal. **The pattern is as old as monetary history itself: Every attempt to make gold more convenient has simultaneously made it less gold-like.**

There is significant discussion about "digital gold,"[1] but gold has already been digitized in multiple forms. ETFs, unallocated accounts, and online gold platforms allow investors to hold gold through digital records rather than physical possession. These systems are typically account-based, with ownership recorded on centralized ledgers and transfers occurring within platform infrastructure. The innovation was access. But digital gold remained fragmented across separate systems that do not interoperate.

1 We have already discussed the digitization and tokenization of gold on several occasions; see "Gold-Backed Tokens in 2020 – A Glimpse into The Future?," *In Gold We Trust* report 2020; "Gold vs. Bitcoin vs. Stablecoins," *In Gold We Trust* report 2019; "Crypto: Friend or Foe?," *In Gold We Trust* report 2018

The World Gold Council's recent paper "Digital Gold: The Case for a Shared Infrastructure" makes this distinction explicit. The issue is not that gold is insufficiently digitized, but that digital gold does not yet operate as a unified asset. The WGC's concept of "Gold as a Service" reflects attempts to connect these systems, but largely within account-based models. Tokenization goes further, enabling gold exposure to be transferred, split, and used as collateral through programmable tokens rather than bilateral contractual claims. It does not eliminate intermediaries, but rearranges them. Nor does it change the metal itself. A gold bar in a vault remains a gold bar in a vault. What changes is how claims on that gold move: settlement speed, transferability, and collateral mobility.

Technology lets you do more and more with less and less until eventually you can do everything with nothing.
Buckminster Fuller

This progressive abstraction reflects a recurring historical pattern: Gold remains the monetary anchor, while the infrastructure around it evolves. In that sense, tokenization represents a movement "back to the monetary future" – a traditional asset re-embedded into next-generation financial rails. Over a 20-year horizon, the key question is not whether gold becomes digital, as it already is, but whether fragmented digital representations converge into interoperable infrastructure – and whether that infrastructure preserves or undermines gold's fundamental properties.

Three Layers of Tokenization

The tokenized gold market is not one market; it is three – each with different risk profiles, regulatory treatment, and institutional dynamics.

The retail layer is dominated by products such as PAX Gold (PAXG) and Tether Gold (XAUT): digital wrappers around vaulted gold, designed to bring gold into crypto-native environments – 24/7 trading, fractional ownership, and integration with decentralized finance protocols. They solve a distribution problem. The trade-off is that they add a new intermediary (the issuer) between the token holder and the vault.

The gold market is a physical market. The physical side of it is something that you can't do without. Even in the world of financial products and financial instruments like exchange-traded funds, they are heavily reliant on the physical market to actually function properly.
Joseph Cavatoni, WGC

The institutional layer addresses something different: efficiency. Initiatives such as the World Gold Council's Pooled Gold Interests (PGIs) and Wholesale Digital Gold aim at collateral efficiency and T_{+0} settlement within the existing LBMA infrastructure. Here, tokenization is not a consumer product but a process. The participants are banks, custodians, and institutional investors.

The speculative frontier is where tokenization stretches furthest from physical reality: tokens linked to in-ground resources, undeveloped deposits, mining royalties, or future production. Here, the underlying asset is not gold but a projection of gold. Unlike vaulted gold, where the asset already exists, in-ground tokens are bets on future extraction. This layer tests the limits of what tokenization can do – and it is where the gap between promise and reality is widest.

The retail layer: PAXG, XAUT, and the counterparty paradox

PAX Gold (PAXG) and Tether Gold (XAUT) are the dominant retail-facing gold tokens, with combined market capitalizations that have risen sharply alongside gold's extraordinary price performance.[2] Each token represents one fine troy ounce of physical gold held in professional vaults. Both are ERC-20 tokens, compatible with Ethereum wallets and DeFi protocols.

Talent is distributed evenly around the world, but opportunities are not.
Thuan Pham, CTO Uber

The tokens trade continuously, can be held in self-custodied digital wallets, and are increasingly used as collateral within crypto lending platforms. Fractional ownership lowers the entry barrier from nearly USD 2mn for a 400 oz London Good Delivery bar to the price of a single gram. Over time, this accessibility could broaden gold's monetary reach, particularly in emerging markets where digital wallets are becoming a primary access point to financial assets.

2 *See* also chapter "A Golden "Stabilization" Op in Plain Sight" in this *In Gold We Trust* report

Tokenized gold does not create a new form of trust. It redistributes existing trust across a different set of intermediaries.

Gold's defining monetary property is the absence of counterparty risk. Tokenization, by its very architecture, reintroduces it – through the issuer, the custodian, the smart contract, and the legal framework. While PAXG and XAUT offer liquidity, auditability, and distribution, the token holder sits one step removed from the vault. What is being traded is not gold itself but a structured claim on gold: a digital form whose price tracks the metal but whose value remains dependent on traditional custody and enforceability.

Does tokenized gold work? The empirical evidence

Despite 24/7 trading capability, liquidity patterns remain anchored to traditional gold market hours. The entire system remains dependent on off-chain structures – custody, legal enforceability, and issuer credibility.
Harvey et al. (2026)

A 2026 study by Harvey, Lin, Rabetti, and Zhang titled "Tokenized Gold" provides the most rigorous academic analysis of tokenized gold markets to date. The researchers examined PAXG and XAUT across market conditions and found that tokenized gold tracks spot gold very closely, with correlations above 0.98 and minimal short-lived deviations. **Even under stress conditions, the peg holds. Arbitrage mechanisms function as intended. In that narrow sense, tokenized gold works extremely well.**

But the same study highlights something equally important: Despite 24/7 trading capability, liquidity patterns remain anchored to traditional gold market hours. The entire system remains dependent on off-chain structures – custody, legal enforceability, and issuer credibility. **The technology may be novel, but the trust architecture remains traditional.** The implication is clear: Tokenized gold does not create a new form of trust. It redistributes existing trust across a different set of intermediaries.

The Institutional Layer: Plumbing for the 21st Century

If the retail layer is about access, the institutional layer is about plumbing – and in institutional markets, plumbing is everything.

The World Gold Council's Pooled Gold Interests (PGIs) represent the most significant institutional initiative in gold tokenization. Unlike retail-facing tokens, PGIs are designed for wholesale market participants – banks, brokers, and clearing houses operating within the LBMA system. The goal is not to create a new market but to modernize an existing one.

Gold is one of the largest collateral assets in global markets, yet moving it is remarkably inefficient. Account transfers, settlement delays, and operational friction contrast sharply with modern financial assets. PGIs aim to change this by tokenizing pooled gold holdings: Multiple participants contribute gold to a pool; and tokenized interests can be transferred instantly, used as collateral, and settled on a T_{+0} basis. The technical infrastructure is permissioned – bank-grade blockchains – and the legal structure is designed to be compatible with existing commodities and securities regulation.

The next generation for markets, the next generation for securities, will be tokenization of securities.
Larry Fink, BlackRock

Alongside PGIs, the WGC's paper "Digital Gold: The Case for a Shared Infrastructure" broadens the focus to the structure of the market itself. Rather than promoting a single product, the emphasis is on building a shared infrastructure layer that standardizes how gold is issued, recorded, transferred, and reconciled across participants. In this model, digital gold is defined not by whether it takes the form of an account balance or a token, but by the ability of different representations to function seamlessly within a common framework.

Institutional tokenization is itself fragmented: Multiple bank-grade blockchains, proprietary platforms, and competing technical standards are emerging simultaneously. This fragmentation may slow interoperability, even as it encourages innovation. And while institutional tokenization may improve efficiency, it also introduces new risks – including the possibility that faster collateral movement could amplify stress during market disruptions. **Speed is a feature in calm markets and a vulnerability in crises.**

Tokenizing gold in vaults is digitizing certainty. Tokenizing gold in the ground is financializing uncertainty.

The Speculative Frontier: In-Ground Gold and the Monetization of Uncertainty

The tokenization model becomes far less stable when applied to in-ground gold. Here, the underlying asset is no longer physical metal but geological estimates of gold still in the ground – undeveloped reserves, future production, or mining royalties. These estimates are based on sampling, modelling, and assumptions. And assumptions, by definition, are uncertain.

> *Bullion is to gold miners as hamburgers are to abattoirs.*
> John Hathaway

In-ground tokenization is the fractional reserve banking of the crypto era: an elegant packaging for an old problem – the monetization of promises that nobody can guarantee.

The entire premise rests on geological surveys that assert the existence, quantity, grade, and extractability of a deposit. If the survey is wrong, the token has no underlying value. But geological surveys are estimates, not facts. They rely on limited drilling data extrapolated across wide areas. Reporting standards vary – NI 43-101 in Canada, JORC in Australia – with different levels of rigor. Crucially, NI 43-101 is a disclosure standard for public companies, not a certification of gold. Using NI 43-101 disclosure to market a token creates regulatory exposure because it invokes securities law without complying with its requirements.

> *Booms hide a multitude of sins — creating the ideal conditions for scam artists and get-rich-quick schemes.*
> Kevin Duffy

Failed in-ground projects follow a depressingly familiar pattern: An optimistic survey markets the token; capital is raised; the company fails to disclose downgrading data; permits are not secured; token holders discover the resource was never developable. The collapse of Bre-X in the 1990s, where reported reserves were later found to be entirely fraudulent, wiped out billions in market value and remains the cautionary archetype. The experience of Gabriel Resources at Rosia Montana illustrates a different risk: Although a large gold resource was identified, environmental and political opposition halted development, demonstrating how permitting constraints can destroy the assumed value of in-ground assets.

> *When you buy gold, you're buying insurance. When you buy a gold miner, you're buying leveraged speculation on that insurance.*
> Rick Rule

Tokenization does not resolve any of these uncertainties; it repackages them. A tradable token is created on top of an illiquid, long-duration, high-risk project. The result is a mismatch between liquidity and reality. In many cases, these structures resemble traditional mining finance – equity, royalties, streaming arrangements – presented in digital form.

Tokenizing gold in vaults is digitizing certainty. Tokenizing gold in the ground is financializing uncertainty – liquidity layered onto geological probability.

Most gold tokens fall into the indirect category: The holder has a claim on the issuer, not on the metal itself.

What Tokenization Changes – and What It Cannot

Tokenization delivers real gains in three areas: faster settlement, i.e. T_{+0} versus T+2; divisible ownership, i.e. grams instead of 400-ounce bars; and frictionless cross-border transfer. The shift to 24/7 settlement on programmable rails strengthens gold's potential role as collateral. These features are not merely theoretical: Streamex's GLDY, a yield-bearing gold-backed tokenized security launched in February 2026, provides 1:1 exposure to physical gold while generating an annualized yield of up to 4% through gold leasing with Monetary Metals. Listed on NASDAQ and integrated with Chainlink Proof of Reserves, GLDY demonstrates how tokenization can transform gold from a passive store of value into an asset that earns a return.

> *Tokenization does not change what gold is; it changes what can be done with gold. Gold becomes not only a store of value but a liquid reserve asset that can move across banking systems, custodial networks and national borders without operational friction.*
> Amina Group

But let us be precise about what tokenization cannot do. It does not remove intermediaries; it repositions them. The full chain from token holder to platform to issuer to custodian to vault remains intact. The token adds a layer rather than removing underlying dependencies. **Tokenization does not eliminate trust; it redistributes it – across issuers, custodians, smart contracts, and legal frameworks – with backing verified through off-chain audits rather than on-chain mechanisms.**

Obstacles to convertibility remain. While tokenized gold is marketed as redeemable, minimum sizes, onboarding requirements, and logistics mean that for most holders it functions as exposure to the gold price rather than a path to physical ownership. As the OMFIF's April 2026 report "Tokenisation frameworks: Design for a new era" notes, the legal structure of a token – whether it represents direct ownership, a beneficial interest, or an unsecured claim – determines investor protection and insolvency treatment. Most gold tokens fall into the indirect category: The holder has a claim on the issuer, not on the metal itself.

The UAE Case Study: Tokenization as Market Infrastructure

Dubai has positioned itself as the most integrated jurisdiction for commodity tokenization. The Dubai Multi Commodities Centre (DMCC), home to the region's largest gold corridor, has made tokenization a strategic priority.[3] Dubai's Virtual Assets Regulatory Authority (VARA) has developed one of the world's first dedicated frameworks for asset-referenced virtual assets (ARVAs) – a regulatory category that encompasses gold-backed tokens.

What distinguishes Dubai is the integration of a regulatory framework with a physical commodities hub. DMCC has licensed a growing number of entities authorized to tokenize commodities under VARA supervision. Tokinvest, a DMCC-based platform, holds VARA's first multi-asset issuance and broker-dealer license. Ctrl Alt, another DMCC-based infrastructure provider, recently tokenized USD 280mn in certified polished diamonds on the XRP Ledger with Ripple custody – one of the largest commodity tokenization projects to date.

The market remains at an early stage. Liquidity is limited, participation is selective, and the real test will be whether these licensed platforms translate into sustained institutional use and active secondary markets. But the architecture is significant: What is

3 *See* "Dubai, the Golden Oasis driving the UAE Gold Market's Growth," *In Gold We Trust* report 2024

being built is not a new asset class but a new way of moving existing assets. Over the next 20 years, jurisdictions that combine physical commodity hubs with digital regulatory frameworks may shape the global infrastructure layer for tokenized gold.

The RWA Market: Scale, Securitize, and the BlackRock Signal

In early 2026, the tokenized real-world asset (RWA) market had surged to approximately USD 25bn, more than quadrupling from a year earlier. US Treasuries and commodities account for 58% of this growth, with BlackRock's BUIDL fund exceeding USD 2.2bn. Ethereum hosts over 65% of all tokenized RWAs, with more than 663,000 unique token holders across major chains.

Projections for the end of the decade range from USD 11trn (ARK Invest) to USD 16trn (BCG/ADDX). But even at these levels, tokenized assets would account for less than 2% of global financial assets. **The growth is real; the revolution is gradual.**

The most closely watched company in this space is Securitize – the tokenization partner for BlackRock's BUIDL fund and the platform behind over USD 4bn in tokenized assets for KKR, Hamilton Lane, and Apollo. Securitize holds a unique regulatory position: the only vertically integrated tokenization provider with SEC-registered transfer agent, broker-dealer, ATS, investment advisor, and fund administrator. In October 2025, Securitize announced a planned public listing via SPAC merger, valued at USD 1.25bn, with investors including BlackRock, Morgan Stanley, and Coinbase. **When BlackRock invests in tokenization infrastructure, the signal is institutional, not speculative.**

Regulation, Jurisdiction, and the Competition for Infrastructure

Tokenization is functionally global but legally local. Sovereign competition is accelerating as jurisdictions race to host the infrastructure layer:

Global Regulatory Landscape Regarding Tokenization

Jurisdiction	Status & Approach
UAE / Dubai (VARA, DMCC)	Most integrated framework. VARA's ARVAs regime offers a clear path for commodity-backed tokens, supported by DMCC's physical gold corridor.
United States (SEC/CFTC, GENIUS Act)	Jurisdictional tension persists. SEC treats most tokenized assets as securities; CFTC claims commodities jurisdiction. GENIUS Act (2025) provides stablecoin clarity but leaves in-ground resources unresolved.
European Union (MiCA)	Most comprehensive framework for asset-referenced tokens. Gold-backed tokens require issuer authorization, reserve management, and disclosure – with high compliance costs.
Switzerland (FINMA DLT Act)	Crypto-friendly; asset tokens treated as securities. Regulatory clarity is a strength; small market size is a limitation.
Singapore (MAS, Project Guardian)	Focused on wholesale experimentation; retail tokenization remains restricted.
United Kingdom (FCA digital sandbox)	Controlled experimentation; scaled retail adoption remains limited.

Source: *In Gold We Trust* report

Over a 20-year horizon, regulatory clarity may prove as important as technology in determining where tokenized gold markets scale. The pattern across jurisdictions is clear: Frameworks are emerging, but operational markets remain immature. **The winners will be those jurisdictions that convert pilots into credible, scalable markets – not those that issue the most licenses.**

Conclusion: Back to the Monetary Future

The jurisdictions, institutions, and platforms that succeed will not be those with the best technology – but those that manage trust most effectively.

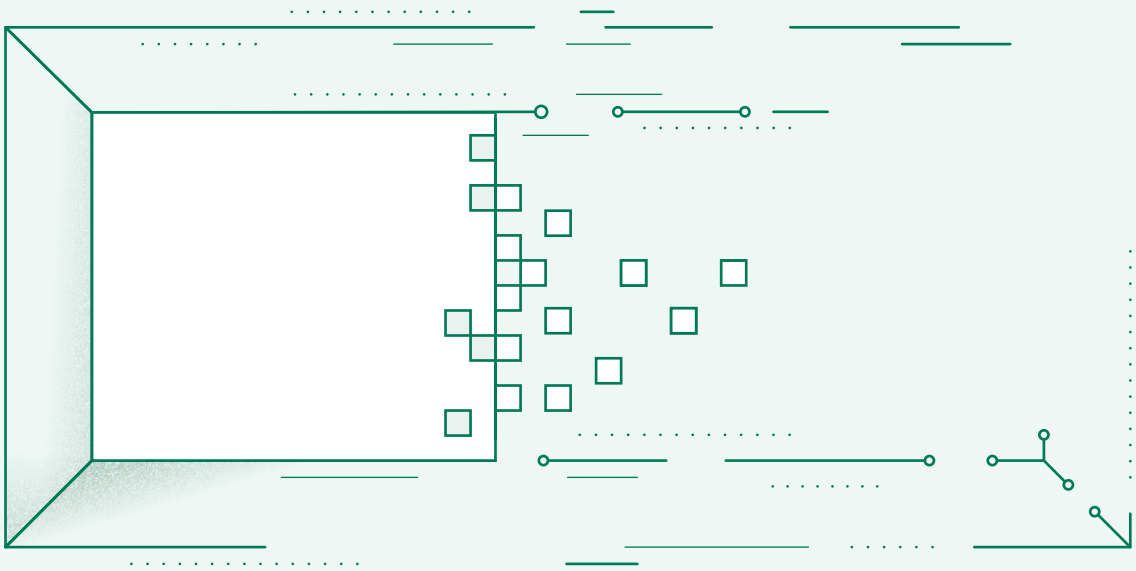
Tokenization represents the latest chapter in a story as old as gold itself: the recurring tension between the metal's physical properties and humanity's desire to make it more convenient. From coins to banknotes, from banknotes to unallocated accounts, from unallocated accounts to ETFs, from ETFs to tokens – the abstraction deepens, the infrastructure evolves, but the fundamental question remains unchanged: **At what point does the claim on gold become so removed from the metal that it is no longer gold?**

> *The increasing digitization of value is not an invitation to erode trust, but to rebuild it through better-designed institutions and more transparent infrastructure.*
>
> Roland Berger: "Tokenization of Real-World Assets: Unlocking a New Era of Ownership, Trading, and Investment"

Over the next two decades, tokenization is likely to develop as an additional infrastructure layer rather than a replacement. Retail adoption may expand access – particularly in emerging markets, where digital wallets are increasingly the primary interface with financial assets. Institutional adoption may improve efficiency – T_{+0} settlement, collateral mobility, and interoperability across the LBMA system. Speculative models will remain constrained by valuation risk, regulatory scrutiny, and the irreducible geological uncertainties of in-ground assets.

Physical bars in vaults will continue to serve as the ultimate settlement asset. What changes is not the metal but how it moves. The jurisdictions, institutions, and platforms that succeed will be those that manage trust effectively: combining transparent technology with regulated custody, verifiable reserves, and clear legal frameworks.

Perhaps on the road back to the monetary future, we don't need roads, either. But we do need gold – and we need to ensure that the digital infrastructure built around it honors the properties that made it valuable in the first place. **Tokenization changes the plumbing, not the metal. The plumbing matters – but only because the metal endures.** ■



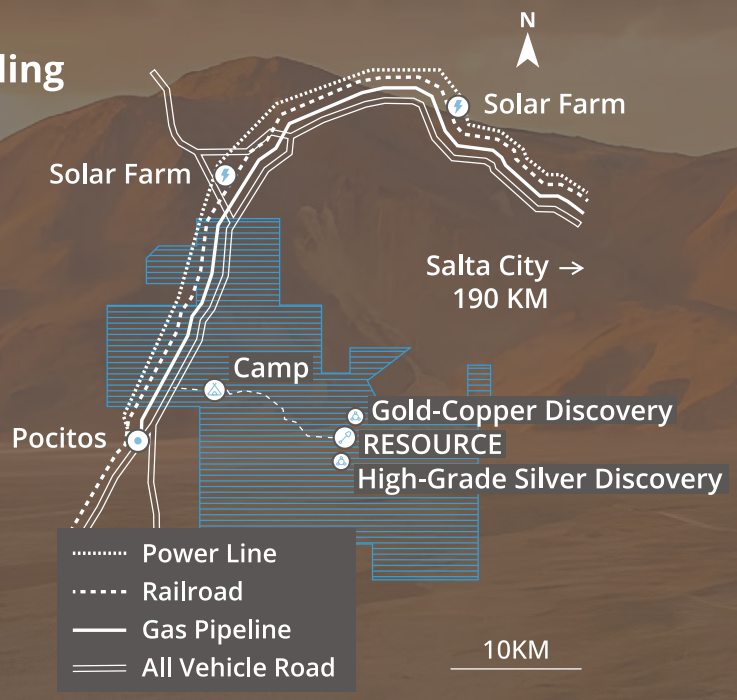
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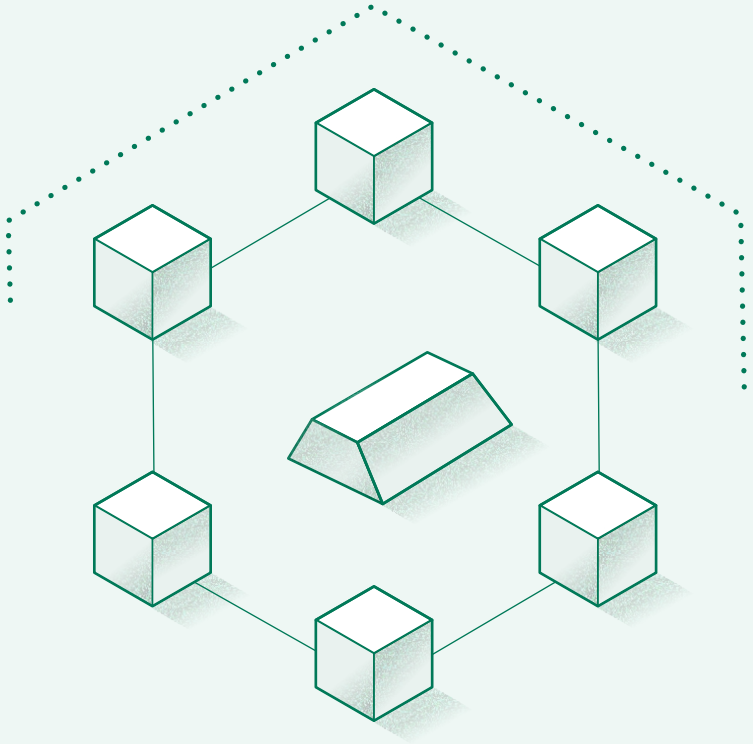
Mineral Resource Estimate (2024)(1)

Category	Tonnage (Mt)	Silver Grade (g/t)	Metal Cont. (Moz Ag)
Indicated	2.93	482	45.3
Inferred	0.31	417	4.1

(1) Source: Refer to NI43-101 technical report with effective date of September 30, 2024, titled "El Quevar Project, Salta Province, Argentina, NI 43-101 Technical Report on Updated Mineral Resource Estimate", posted on www.SEDAR.com under Golden Minerals Company



A Golden "Stabilization" Op in Plain Sight



Key Takeaways

- The world's newest central bank isn't a central bank. Tether is buying gold at a pace outstripping most sovereign nations. Tether is also building vaults, acquiring mining royalties, and lending against its own token, thereby constructing a shadow bullion bank outside the traditional monetary system.
- The oldest question in money is back: How do you prove the metal is really there? Blockchain changes how you ask it, not whether it needs asking.
- Two visions of the monetary future are in open competition. The BIS wants tokenization with central banks at the core; Tether wants tokenization with gold at the core.
- Gold remonetization won't require a new Bretton Woods – it's already underway. When tokenized gold becomes an "opt-in digital gold standard" and a stablecoin issuer is buying up to 2 t of physical gold per week — worth more than USD 1bn per month — the theoretical has become operational.
- Exclusive interview with Juan Sartori, Tether's head of special projects

We are very, very, very positive on gold, and equally negative on traditional currencies; this is just the beginning.

Juan Sartori



Izabella Kaminska is the journalistic force behind The Peg, a new stablecoin-focused publication, as well as The Blind Spot. She was previously senior finance editor at Politico and before that the editor of the FT's award-winning Alphaville finance blog.

For much of 2025, gold's unstoppable climb to one record high after another consumed traders and market pundits alike. Everyone had a theory as to why gold was rising: deepening distrust in the US dollar and the return of the debasement trade; the shockwaves of Trumpian tariffs and resurgent Chinese demand; or perhaps a major hedge fund caught brutally short. The speculation was endless.

Then, in November, a far more provocative theory began to circulate. The marginal buyer tipping the market into its newly ascended equilibrium wasn't a central bank, a sovereign wealth fund, or even China. It wasn't an institutional heavyweight at all. The unlikely force behind the surge, according to the whispers, was in relative terms a total newcomer to the gold market – Tether, the world's biggest stablecoin issuer.

The idea first surfaced a few months earlier in a research note by Jefferies equity analyst Fahad Tariq and his team. But it was FT Alphaville's pick-up on November 24, 2025, in *Tether, the gold whale*, that catapulted the claim into the spotlight. "Maybe everyone was overthinking it," wrote Bryce Elder, citing Tariq's analysis. "Maybe gold went up because Tether has been buying?"

The idea wasn't as far-fetched as it first sounded. Jefferies analysts had already spotted Tether executives working the floor at the Denver Gold Forum in September 2025. Sources at the conference said the team was holding meetings with gold mining companies – particularly royalty and streaming specialists – signaling ambitions far larger than simple portfolio diversification.

"In recent months, we suspected that there was a new buyer of physical gold, specifically a diversified blockchain-native company called Tether Limited," the analysts wrote once again on November 20, 2025.

But there had been other clues, too.

- Jefferies had been told by investors that Tether intended to buy ~100t of physical gold in 2025, in addition to investing across gold royalty/streaming companies and the gold supply chain.
- Tether's CEO, Paolo Ardoino, was making very public comments that the company was looking to add gold to diversify its reserves.

And, most importantly, while correlation doesn't always imply causation:

- Gold prices had moved ~USD 1,000/oz higher in less than two months over September/October 2025 as if responding to the entrance of a new buyer.

Looking deeper, the analysts noted that Tether's attestation reports, as well as on-chain data, confirmed that the stablecoin company had indeed been a significant buyer during this time frame and could no longer be ignored. "Given continued growth in USDT supply, strong profitability exceeding USD 10bn annually, and a clear strategic interest in hard assets, Tether appears likely to remain a significant and ongoing buyer of gold going forward," they predicted.

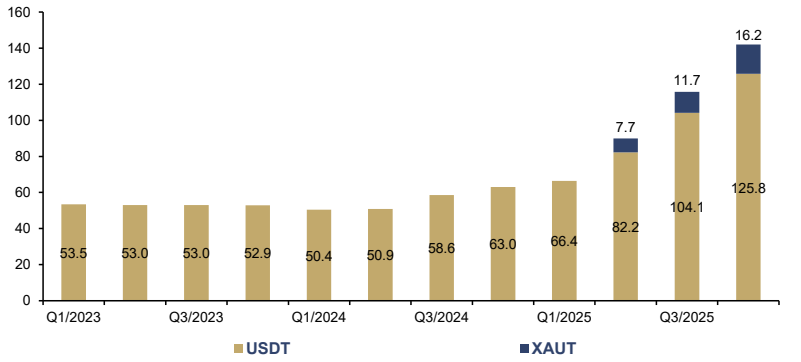
Life is infinitely stranger than anything which the mind of man could invent.
Sir Arthur Conan Doyle

In the months following, Tether would go on to amass even more gold – 26 t in Q4/2025 alone according to Jefferies, with another 6 t added in January 2026, bringing Tether's total holdings to 148 t worth approximately USD 23bn by the end of January. In a February 2026 update, Jefferies would emphasize that the pace of Tether's quarterly gold purchases had, in fact, outstripped "most individual central banks, ranking third only behind Poland and Brazil and continuing a trend where Tether's buying ranks at or above mid-tier sovereign demand."

Great things are done by a series of small things brought together.
Vincent van Gogh

Based on comments from CEO Paolo Ardoino to Bloomberg, the firm was purchasing up to 2 t of gold per week – a pace equivalent to more than USD 1bn per month at prevailing prices – and intended to maintain that rate through the coming months, with purchases sourced through OTC markets and Swiss refiners and delivered to a high-security vault in Switzerland. Assuming this pace held through February and March, Jefferies' conservative estimate for Q1/2026 purchases was a range of approximately USD 2.6–4.3bn at average quarterly gold prices between USD 4,500 and USD 5,500 per ounce.

Tether's Gold Reserves, in Tonnes, Q1/2023–Q4/2025



Source: Jefferies, Tether, Incrementum AG

Still, certain mysteries remained. For one, there was a mismatch between the amount of gold Tether said it held to back its two flagship tokens – USDT and XAUT – and the scale of bullion it appeared to be accumulating outright. The company's corporate gold holdings, in other words, were swelling much more rapidly than the growth of their stablecoins. Tether CEO Paolo Ardoino was also simultaneously signaling – as if taking on the role of a shadow central banker – that the company intended to allocate 10–15% of Tether's investment portfolio to physical gold.

It is not the answer that enlightens, but the question.
Eugène Ionesco

But why? What exactly was Tether up to in the gold market? And why were they suddenly so interested in gold royalty firms and outright gold purchases for their own account?

The gold market, for the most part, was flummoxed. Many had not even heard of stablecoins until that year, let alone have a familiarity with the modus operandi of such operators.

One of the world's most aggressive gold buyers of 2025 wasn't a central bank. It was a stablecoin company – and the scale of its accumulation has quietly rewritten the demand picture.

In an exclusive interview with the *In Gold We Trust* report, Juan Sartori, Tether's head of special projects, was candid about the company's agenda in the market.[1] He stated:

> *To understand why we launched Tether gold as a company and why we're making a stronger push into it today — it is important to understand the philosophy and ideology of this company. Its main objective is really to provide a financial solution for most people in collapsing financial systems. … We see ourselves as a company that needs to provide a stable alternative system for these people.*

> *The future is here, it's just not widely distributed.*
> William Gibson

As Sartori went on to explain, the El Salvador-based group suspected from the outset that demand for its gold stablecoin could get significant very quickly. "We didn't want to push the product until we had created a system that can cope with the demand," he said.

This, he added, was reflected in the fact that the company didn't push for wider listings or positioning on more blockchains until very recently.

That caution eventually drove the company's aggressive behind-the-scenes build-out: securing off-take agreements with the world's largest refiners and producers and acquiring royalty streams from mines to guarantee decades of physical supply. The goal, in other words, was simple: to have the entire physical and logistical system fully in place before demand for the token potentially exploded.

"We built the product for the world before it was a business, actually," Sartori said.

In total, based on Tether's attestation report, Tether – USDT + XAUT – held nearly 150 metric tons of gold as of the end of December 2025.

> *Luck is what happens when preparation meets opportunity.*
> American proverb

Tether's interest in royalty companies, meanwhile, went far beyond locking in supply. Sartori said the company had identified a structural inefficiency in the traditional model where such firms collect gold from mines but pay investors in cash and spotted an opportunity to convert those cash payouts directly into tokenized gold.

Acting on that conviction, over the course of 2025 Tether acquired an approximately one-third stake in Elemental Altus Royalty – its largest and most strategic royalty investment – and promptly influenced the company to become the first publicly listed gold royalty firm to pay dividends in XAUT. According to Sartori, the move is intended to "goldify" the entire royalty chain and solve a long-standing industry inefficiency through tokenization.

2025: Year of the stablecoin

> *People come for the rates and stay for the experience.*
> Eytan Messika, LinkedIn post, 2024

Stablecoins, as they are known, take their name from a core shortcoming of the early cryptocurrency boom. In a market defined by extreme price swings, traders needed a safe place to park profits between trades without constantly cashing out of crypto. That was easier said than done. Banks, wary of crypto's unregulated status and its association – fairly or not – with ransomware and illicit activity, were often reluctant to service accounts linked to the space. As a result, moving money in and out of crypto was slow, costly, and operationally fragile.

1 The full interview you can find below.

The resulting friction, however, created a perfect arbitrage opportunity for anyone prepared to bridge the two systems.

Tether's business model is the simplest in finance: take deposits, buy Treasuries, keep the yield.

Tether was the earliest – and ultimately most consequential – attempt to build that bridge. Launched in 2014 in close affiliation with the Bitfinex exchange, Tether was designed as a synthetic crypto dollar (USDT) representing a claim on US dollars held in reserve. The concept was straightforward: large-scale users deposited US dollars, and in return, Tether issued them crypto-compatible Tether tokens. Unlike conventional shares, units, or securities, these could move and be settled instantly across exchanges and wallets via newfangled public blockchains. In theory, each one of these tokens was backed one-for-one with US dollars, pegging its value to the US dollar.

In practice, the model resembled a stripped-down money market fund. The US dollars Tether received were recycled into cash equivalents – over time, increasingly into short-dated US Treasuries. But unlike a traditional fund, there was no yield passed back to holders. That income accrued entirely to Tether. At first, the zero-rate environment of the mid-2010s made the structure a challenging model. But as interest rates rose in the early 2020s, the spread became enormously profitable, helping transform the company into the financial force it is today.

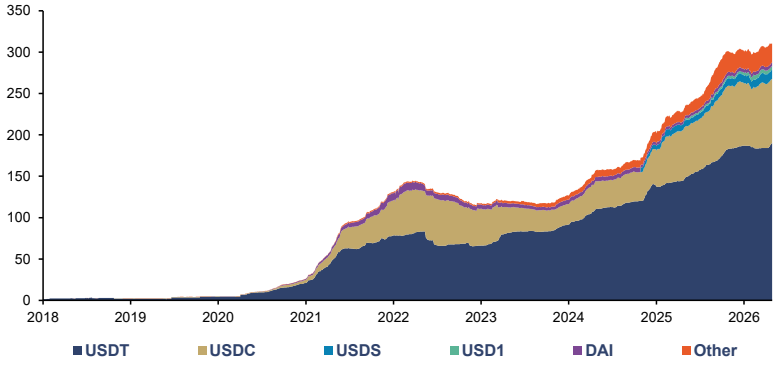
Phil Potter, then a senior figure at Bitfinex, put it to this author in 2017, that Tether's goal from the outset was to create a "dollar surrogate to bypass traditional channels," since the main pain point for crypto institutions was "on and off-ramping to traditional banking channels." He described the concept as "effectively a PayPal model."

For years, however, Tether remained controversial. Its ownership structure was opaque, and questions persisted about the nature – and even the existence – of its reserves. At various points, critics speculated that reserves included riskier assets such as commercial paper, or that flows were being recycled into crypto markets themselves.

> *To be, or not to be – that is the question.*
> William Shakespeare, Hamlet

When growth eventually hit, it hit quickly. From 2020 onwards, stablecoins scaled dramatically alongside the broader crypto boom, driven in part by the chaos of the Covid era and a new wave of demand hailing from non-crypto users in emerging markets. Competitors such as Circle (issuer of USDC) and Paxos had by then also entered the market. They hoped to compete with Tether by pitching more transparent, regulated alternatives. But Tether would maintain its dominant position, particularly in offshore and exchange-based trading, something it continues to hold on to today.

Market Capitalization of Top 25 Stablecoins, in USD bn, 01/2018–04/2026



Source: CoinGecko, DeFiLlama, Incrementum AG

incrementum

From Eurodollar to Eurogold

What's past is prologue.
William Shakespeare, The Tempest

Over time, as the system expanded, it began to look uncannily familiar to monetary historians. The ability to issue US dollar-linked liabilities outside the US banking system – and to settle them independently via blockchains — invited comparisons with the eurodollar market.[2] For regulators, that was not necessarily a reassuring analogy. Offshore US dollar creation had been central to the global financial crisis, generating layers of opacity and hidden fragility that only became visible once the system came under strain.

Stablecoins, many argued, were simply a blockchain-native extension of offshore US dollar creation. Most notably, in November 2023, a BIS paper from Aldasoro, Mehrling and Neilson titled "On par: A Money View of stablecoins" argued that:

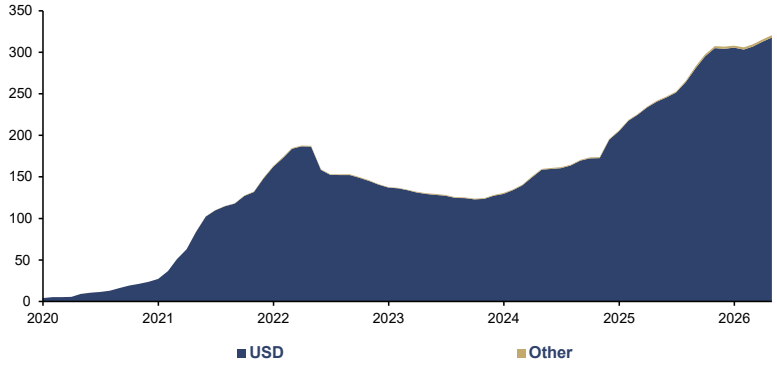
> *The whole idea, for both Eurodollars and stablecoins, is to enable offshore and on-chain settlement without having to make use of onshore and off-chain dollars. Both Eurodollars and stablecoins are intended to function as a means of settlement in their own respective worlds, while economizing on the difficult transaction of crossing back onshore or off-chain.*

This is exactly what happened during the great financial crisis, from mid-2007 about the beginning of 2009. In the years prior, the offshore dollar system had expanded dramatically, from some USD 5trn in 2000 to over USD 12trn on the eve of the crisis. As anxiety grew, holders of Eurodollars increasingly sought to redeem their claims for onshore dollars, and demanded higher offshore interest rates as compensation for not doing so.
Aldasoro, Mehrling and Neilson, 2023

By the mid-2020s, policymakers could no longer ignore the US dollar-friendly technology that purported to enable offshore US dollar reach without any of the related settlement risk due to the magic of blockchain settlement.

There would be many different regulatory responses, but the most noteworthy would come from the US in 2025. Backed in part by crypto-aligned interests, the Trump administration would lean heavily into the sector as a way of reinforcing US dollar dominance globally. With roughly 99% of stablecoins denominated in US dollars, the logic seemed to be that if crypto needed a base currency, it might as well be the US dollar.

Stablecoin Market Capitalization by Currency, in USD bn, 01/2020–04/2026



Source: DeFiLlama, Dune Analytics, Incrementum AG

incrementum

The shifting political climate in Washington eventually culminated in the passage of the Guiding and Establishing National Innovation for US Stablecoins Act, or GENIUS Act, in July 2025. While the US was not the first jurisdiction to move on this front – the European Union's Markets in Crypto-Assets Regulation (MiCA) had already been finalized in 2023 and began phased implementation in 2024–2025 – it was among the first to step decisively towards a stablecoin-specific legal architecture.

2 See "How Bankers Turned Money into 'Σ 0 ∞ € ¥'," *In Gold We Trust* report 2021

Crucially, the legislation has formalized how stablecoin reserves should be defined, managed and disclosed, largely falling in line with pre-existing industry best practices. This includes the rule that systemically important stablecoins should be 100% backed by high-quality liquid assets, primarily short-dated US Treasuries, alongside cash and closely related instruments.

In contrast, MiCA requires issuers to hold a significant share of reserves within the regulated banking system – typically at least 30% in deposits for smaller issuers, rising towards 60% for those deemed more systemic. It also has much stricter limits on exposure to non-cash instruments than the US framework, which allows for a larger share of reserves to be held in government securities and repo markets, provided they meet liquidity and credit quality thresholds. In practice, this reflects an American policy choice to align stablecoin reserves more directly with Treasury market funding, rather than forcing them deeper into the traditional banking system.

Nonetheless, just as in Europe, the US framework draws a clear line on one critical issue. Both GENIUS and MiCA prohibit the direct payment of interest or yield to holders of stablecoins.

But in the US GENIUS stopped short of closing the loop entirely. While issuers themselves are barred from passing through yield, the legislation leaves room for intermediaries – such as exchanges or wallet providers – to share that income with users. That distinction has quickly become the central fault line in ongoing regulatory debates. The still-evolving Clarity Act is expected to determine whether such practices are ultimately permitted or curtailed, with the banking sector in particular pushing for tighter restrictions to prevent stablecoins from functioning as de facto interest-bearing deposits outside the regulated system.

> *Whoever wishes to foresee the future must consult the past; for human events ever resemble those of preceding times.*
> Niccolò Machiavelli

The broader debate around stablecoin proliferation has also revived an older monetary controversy. In a widely discussed op-ed in the NY Times, Berkeley economist Barry Eichengreen warned that the GENIUS Act risked recreating the conditions of America's pre-Civil War Free Banking Era, when hundreds of private issuers destroyed the "singleness of money" – the principle that a US dollar is a US dollar however it is obtained. Former OCC head Brian Brooks countered that the Act's standardized reserve requirements made it more analogous to the National Bank Act of 1863, which tamed that very chaos by requiring all banks to hold Treasury securities. For gold-backed stablecoins, the question cuts differently still: backed by physical metal rather than government debt, and paying no yield, they may sidestep the run-risk dynamics that concern Eichengreen altogether – reviving, in effect, the logic of commodity-backed money that predated both the Free Banking Era and the modern fiat system.

> *What the aircraft carrier represented to twentieth-century geopolitics, the dollar-backed stablecoin may represent to the twenty-first.*
> Brent Johnson

According to Brent Johnson – a prominent advocate of the view that stablecoins are becoming an extension of US monetary power – the debate has forced policymakers to reconsider questions long thought settled about the architecture of money itself, not least who captures the seigniorage generated by it. Among the contenders, he points out, are the issuers who manage reserves, the users who hold tokens, and, of course, the governments who enable the system. There is also the share of value extracted through network fees paid to validators and mining infrastructure that facilitate settlement.

Even under GENIUS, "the question of who deserves the yield remains unresolved and politically explosive," Johnson noted in his *Stablecoin Wars* report in February.

The stakes in any case are profound. Johnson says at risk is the allocation of trillions of US dollars in potential seigniorage – who gets to intermediate transactions, monitor them, and ultimately permit or deny access to them.

"We are witnessing the re-architecture of money itself, and with it, the re-architecture of power. The opportunity is so immense that the battles will be fought to the death," Johnson wrote, adding that the outcome amounts to "strategic leverage over nations, corporations, and individuals."

> *The US can certainly make it illegal or difficult to use non-US regulated stablecoins, but that might create something similar to the Eurodollar market whereby institutions and users outside the US use dollar synthetics or dollar equivalents that are outside the regulatory control of the US government. The US government could strong-arm the EU and other countries to restrict usage of non-US compliant stablecoins, but there are many countries and trading blocs where that may not work.*
> Brent Johnson

A „euro gold" standard. Gold without a passport. Whatever you call it, the plumbing is already being built – and Tether is laying the pipes.

The pace of growth offers a sense of how quickly that contest is unfolding. Since the shift in US policy direction in 2025, the stablecoin market has expanded from roughly USD 200–250bn to more than USD 300bn by early 2026 – an increase of roughly a quarter to a third in little over a year. Of that, Tether alone accounted for the majority – typically around two-thirds of total supply – cementing its position as the dominant issuer of synthetic US dollars in circulation, and relatedly as a crucial price-insensitive buyer of US Treasury bills.

According to Rabobank analysis, since "stablecoins must be backed 100%, increased demand for the former will create forced buyers of the latter. In short, the US is incentivized to encourage the usage of stablecoins to soak up increased T-Bill supply."

Policymakers across the world – from Japan to the EU – are belatedly catching up to what the model really implies for fiscal policy and statecraft. The consequence is a belated embrace of stablecoins in their own currencies, as well as shifting regulatory attitudes to reserve composition.

Growth of US dollar stablecoins, in any case, is predicted to continue accelerating. Standard Chartered estimates that the entire market could be worth as much as USD 2tn by 2028, driven in large part by regulatory clarity and deeper integration with traditional financial infrastructure. The implication is that what began as a niche workaround for crypto traders is fast becoming something far more consequential: a structurally significant source of demand for US dollar assets.

> *Integrity is doing the right thing, even when no one is watching.*
> C.S. Lewis

Against that, it's no surprise that Tether has worked hard to upgrade its public image to gain institutional trust. Since its 2021 settlement with the New York Attorney General over allegations of reserve misrepresentation, the company has actively published independent attestation reports and progressively improved transparency around its holdings. The most significant milestone undoubtedly came in March 2026, when the group announced it had engaged a Big Four accounting firm to conduct its first full statutory audit — widely seen as the clearest confirmation yet that its reserves are real and fully verifiable.

But it has also forged much closer relationships with law enforcement and regulatory agencies worldwide to combat illicit finance and sanctions evasion. Among its most high-profile actions, Tether has frozen accounts linked to the Maduro regime in Venezuela, as well as Russian and Iranian entities.

Tether's recent foray into gold markets in that context is not trivial.

> *Commodities such as gold and silver have a world market that transcends national borders, politics, religions, and race. A person may not like someone else's religion, but he'll accept his gold.*
> Robert Kiyosaki

Stablecoins no longer represent a kooky corner of what many traditional financiers have long considered a glorified internet gambling market. They are fast-growing, yield-sensitive pools of demand for the very instruments — short-dated Treasuries, and now also gold — with the potential to anchor global liquidity conditions. In that sense, they are part of the evolving plumbing of the US dollar system itself, and a reincarnation of the old eurodollar system, albeit on new cryptographically enforced blockchain rails.

Crucially, what stablecoins have done for US dollars, they now stand poised to do for gold markets. If the gambit succeeds, it won't just allow for a more convenient way to trade gold, it will pave the way for the emergence of a kind of "euro gold" standard — one capable of loosening the metal's historic ties to centralized market hubs. Whether through XAUT, PAXG, or other contenders, the trajectory points toward a borderless system: a market for "gold without a passport." It was against this US dollar-centric regulatory backdrop that gold tokenization found its opening.

The Long March to Gold Tokenization

Tether may have been the first corporate entity to issue a stablecoin, but it certainly wasn't the first to arrive at the idea of issuing a gold-backed stablecoin.

That honor goes to Paxos, which issued the white paper for its gold stablecoin offering in September 2019. Tether's gold product followed a few months after in January 2020. But even before either of these crypto-native institutions was considering such things, the gold market had a long track record engaging with the same fundamental model that underpins today's gold stablecoins. It's a history that stretches back centuries, at least to the era of goldsmith banks, and most clearly to the 17th century Bank of Amsterdam.

As Adam Smith recounts in The Wealth of Nations, Amsterdam's bank money derived its credibility from a tightly governed process wherein reserves were physically inspected, ledgers were reconciled, and custody was transferred under oath between successive burgomasters. The system worked not because trust was assumed, but because it was regularly performed and verified.

In November 2020, Frost, Hyun Song Shin and Wierts captured the parallel in a BIS working paper titled "An early stablecoin? The Bank of Amsterdam and the governance of money," highlighting that the Bank of Amsterdam "resembled what we now know as a 'stablecoin' — i.e. a system where account-based money was backed by assets of stable value."

> *At Amsterdam, however, no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank. The city is guarantee that it should be so. The bank is under the direction of the four reigning burgomasters who are changed every year. Each new set of burgomasters visits the treasure, compares it with the books, receives it upon oath, and delivers it over, with the same awful solemnity, to the set which succeeds; and in that sober and religious country oaths are not yet disregarded.*
>
> Adam Smith, Wealth of Nations, 1776

What distinguishes the present is mainly how that verification is executed. The periodic, human-centered rituals of inspection have given way to cryptographically formulated Proof of Reserves, independent attestations, and – at least in aspiration – continuous on-chain visibility. The purpose of the mechanisms remains the same: to convince holders that each claim corresponds to underlying bullion. **Gold stablecoins, therefore, are less a novelty than a step back into the past where the acceptance of asset-backed money hinges on how convincingly its backing can be demonstrated.**

This intuition now has rigorous academic support. In a December 2025 SSRN paper "Tokenized Gold", Duke University finance professor Campbell R. Harvey and co-authors Lin, Rabetti, and Zhang examined the mechanics of tokenized gold and concluded that it enables what they term an "***opt-in digital gold standard***" – one that requires no central bank mandate and in which consumers and investors choose to adopt it voluntarily. Their research shows that tokenized gold closely tracks traditional gold benchmarks even under extreme market stress, including the ten-standard-deviation drawdown in gold prices on January 30, 2026. Crucially, unlike gold ETFs, tokenized gold can be deployed as a medium of exchange for everyday payments and as a staking or lending asset capable of generating yield – properties that begin to reconstitute gold's historical monetary functions in ways not seen since Bretton Woods.

The structural implications extend further still. In a companion paper, "Understanding Gold" (2025), Erb and Harvey argue that a second demand shock comparable in scale to the original ETF introduction may be on the horizon – driven by the potential Basel III reclassification of gold as a high-quality liquid asset for commercial banks.

This is important because its current regulatory status makes it operationally costly for banks to hold and impedes its ability to be used as a form of collateral.

Should that reclassification materialize, it would unlock an entirely new class of institutional demand, one that would dwarf the retail-driven flows that tokenized gold has attracted so far.

But there have been plenty of more recent analogs, too. Among the most famous predecessors, and certainly the model that came closest to being deemed a systemic threat, was e-gold – widely considered a key Bitcoin precursor. Launched in November 1996 by Douglas Jackson, the system allowed users to hold and transfer digital units on a central ledger, each fully backed by physical bullion held in reserve. E-gold itself earned revenue through transaction fees and exchange services. In effect, it was

Gold stablecoins are not a novelty. They are a return to a model the Bank of Amsterdam pioneered in the 17th century – minus the burgomasters' oath.

an early attempt to turn gold into a native currency of the internet – and the idea proved remarkably successful. By the late 1990s it had achieved what the Financial Times described as critical mass on the web, becoming the first privately issued online currency to gain widespread use in peer-to-peer payments.

But the very qualities that made the system appealing – instant transfers, global accessibility and a metal-backed unit of account — also attracted fraudsters and cybercriminals. Jackson spent much of the early 2000s trying to keep the system honest, cooperating with law enforcement and freezing suspect accounts. It was not enough. In 2007, federal prosecutors indicted e-gold and several executives, including Jackson himself. At the time, the system was backed by roughly 3.6 t of physical gold, had amassed several million user accounts, and was settling roughly USD 3bn in annual transactions. The charges included conspiracy to launder monetary instruments and operating an unlicensed money transmitting business, leading to government orders freezing the precious metals reserves.

Sooner or later, everything old is new again.
Stephen King

Jackson refutes the notion, popular among crypto enthusiasts, that e-gold was shut down because it threatened the US dollar. On the contrary, the presiding judge concluded that the concept behind e-gold was not itself illegal — meaning it was brought down before it ever had a chance to properly threaten the US dollar system. Jackson would later argue that Bitcoin's origin myth was "spun from misrepresentation of what actually happened to e-gold," and that the crypto community's misconstrual of the case led to "a lost decade of unprecedented malinvestment and rampant criminality" – and, worse, set the stage for CBDCs.

By the mid-2000s, a far more institutionally palatable innovation was preparing to enter the market: the gold exchange-traded fund. The timing is difficult to ignore. In late 2004, London's bullion market was already abuzz with anticipation over a new wave of exchange-traded gold products, most prominently State Street's SPDR Gold Shares (GLD), which debuted in New York that November.

Reality is that which, when you stop believing in it, doesn't go away.
Philip K. Dick

GLD would eventually become one of the most successful commodity ETFs ever launched. Yet despite — or perhaps because of — that success, ETFs soon ran into a familiar problem. The larger they grew, the more scrutiny they attracted around a single underlying question: was the metal really there?

Despite efforts to engender trust through attestations and transparency, doubts persisted. Investors, particularly those with a preference for physical bullion, worried about the opacity of custodial chains, the use of sub-custodians, and the extent to which holdings were truly allocated.

In the end, GLD and its custodial partners undertook a series of measures to reassure the market. The question facing gold stablecoins today is whether blockchain solutions meaningfully change the calculus of trust, or do they simply rearrange it.

A reputation for integrity is more valuable than all the gold in the world.
Jeffrey Archer

For Gold Token SA, a gold stablecoin offering from Switzerland's MKS PAMP group – one of the world's largest precious metals businesses –the answer is, implicitly, no. Unlike Tether, this is not a crypto-native firm attempting to graft credibility onto gold. It is a gold-native institution arguing that credibility in gold cannot be engineered from the outside in. In a market defined by trust in physical collateral, MKS PAMP believes the hierarchy inevitably runs the other way: sourcing, refining, storage and legal title come first, with blockchain as a secondary layer.

According to chief executive Kurt Hemecker, the structure addresses the uncomfortable truth that blockchain may change how claims are recorded and transferred, but it does not eliminate the underlying centralization at the heart of the vaulting system.

"Tokenization doesn't remove centralization, it changes how assets move," Hemecker told the *In Gold We Trust* report. "Even with digital or financial assets, there is always an underlying legal structure, a place where rights are defined, and an entity responsible for them."

> Blockchain doesn't guarantee the gold is there. It just guarantees you'll know quickly when it isn't.

He added: "What matters is the strength of the underlying infrastructure, how the gold is sourced, refined, allocated, and ultimately delivered."

That is why, from his point of view, it matters that established gold institutions with proven track records are the ones integrating blockchain, rather than crypto-native firms attempting to build credibility after the fact. It is also a reminder that this vulnerability is not new. The Bank of Amsterdam – for all its burgomasters, inspections and sworn assurances – ultimately failed in the late 18th century after it emerged that reserves had been quietly lent out and were no longer fully there.

Nor is the problem confined to history. In 2023, a gold token issued via the Perth Mint became embroiled in controversy, including allegations of diluted bullion and persistent deviations from the gold price. The episode underscored a familiar point: however modern the wrapper, confidence can still fracture when the integrity of the underlying asset is called into question.

> *Reality is easy. It's deception that's the hard work.*
> Lauryn Hill

Such episodes help explain why blockchain is not a guarantor of anything in and of itself, since it can neither assure the gold was ever there to begin with, nor that it wasn't tapped or stolen by third parties.

From Pounds to Libras

Even if central banks largely treated cryptocurrencies as a sideshow for much of the 2010s, by 2019 that stance became harder to maintain. Facebook's Libra — a proposed privately issued, globally circulating digital currency backed by a basket of assets – immediately raised alarm among policymakers who feared a Silicon Valley assault on monetary sovereignty. The choice of name was telling: *Libra*, Latin for "scale" or "balance," is also the root of the British pound (originally a pound weight of silver) and of the broader system of weight-based monetary units that once underpinned precious metals markets, including the troy system still used for gold today. Intentionally or not, the project echoed a much older monetary tradition — one in which value was anchored not in fiat credibility but in measurable units of scarce metal.

> *In times of change learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.*
> Eric Hoffer

China's accelerating development of the e-CNY at the same time also reinforced the sense that digital money was no longer a fringe experiment. Within a few years, dozens of central banks would respond by exploring or piloting their own digital currencies in a bid to fend off such challengers. It was into this increasingly politically charged climate that New York-based Paxos introduced its gold token, PAX Gold (PAXG), in September 2019.

Unlike Tether, which primarily issues its own branded tokens, Paxos — led by former hedge fund manager Charles Cascarilla – had positioned itself more as an infrastructure provider than a product company. Structured as a regulated trust company under US supervision, it offered a "stablecoin-as-a-service" model, enabling other institutions, such as PayPal, to launch tokenized assets on compliant rails. The aim, therefore, was not simply to launch a gold-backed token, but to extend that infrastructure-led model into bullion.

According to Walter Hessert, head of strategy at Paxos, the decision reflected a broader view that financial markets are undergoing a structural replatforming onto tokenized systems.

Gold, in that framework, was a natural place to begin. As Hessert told the *In Gold We Trust* report, its defining characteristic as a "high stock-to-flow asset"[3] – one that already resides in centralized vaults and trades on top of that infrastructure – made it particularly well suited to what he describes as a technological "database upgrade."

In character, in manners, in style, in all things, the supreme excellence is simplicity.
Henry Wadsworth Longfellow

Tokenization, in this view, turns gold from a relatively static store of value into a more fluid, programmable asset – one that can "move on the blockchain… 24/7 globally, and virtually for free," as Hessert puts it. And while PAXG isn't explicitly targeted at retail investors, neither is access restricted: the same infrastructure that enables institutional use also lowers the barriers for broader participation.

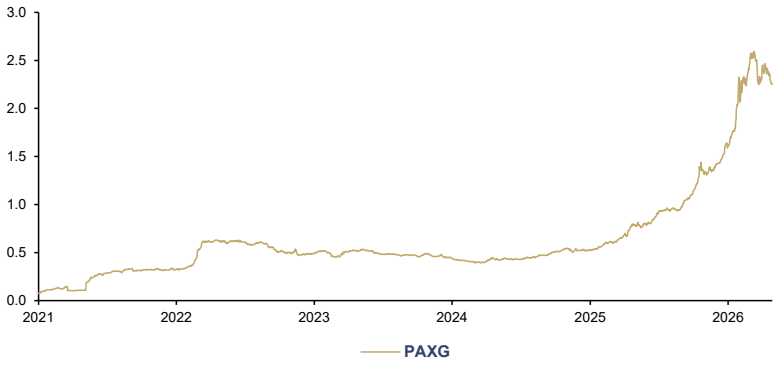
At the core of the Paxos model ultimately lies the extension of its regulated, compliance-first infrastructure to third parties — a framework that, by design, errs on the side of caution. In the context of gold, that translates into a strict preference for fully allocated holdings over any form of pooled exposure. Each of its tokens is linked to specific bullion held in LBMA-approved London vaults, with ownership traceable "all the way down to a serial number on the bar."

You ain't seen nothin' yet.
Bachman-Turner Overdrive

As of early 2026, that model has translated into steady growth, especially over the past couple of years. Internal Paxos figures shared with the *In Gold We Trust* report show that the number of unique wallet addresses holding PAXG has risen to more than 83,000, up sharply from just a few thousand in its early years.

Overall, PAX Gold today represents a market size of roughly USD 2–2.5bn, with over 500,000 tokens in circulation and daily trading volumes routinely approaching USD 300mn.

PAX Gold (PAXG) Market Capitalization, in USD bn, 01/2021–04/2026



Source: CoinGecko, Incrementum AG

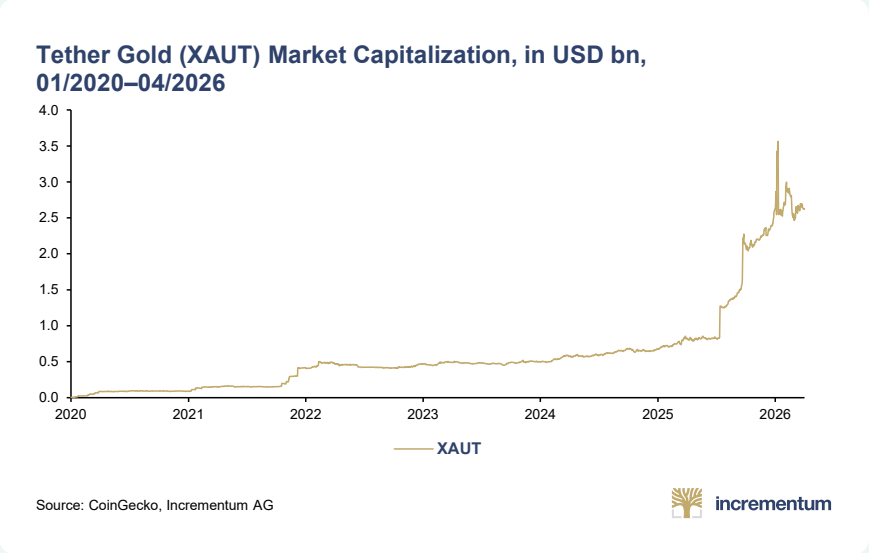
incrementum

"The past couple of years have been high-growth years for gold in general," Hessert said, adding that the combination of rising gold demand and increasing interest in tokenization has created "unprecedented demand in both of those dimensions." Most notably, "large players in the gold ecosystem" – including, in some cases, central banks, according to Hessert, have begun asking how they might "leverage this token" or even use Paxos's infrastructure to issue tokenized gold themselves.

In Hessert's opinion, the beauty of Paxos is that unlike other providers, it can cater both to institutions that want to participate within its system, or those who would prefer to issue under their own brand.

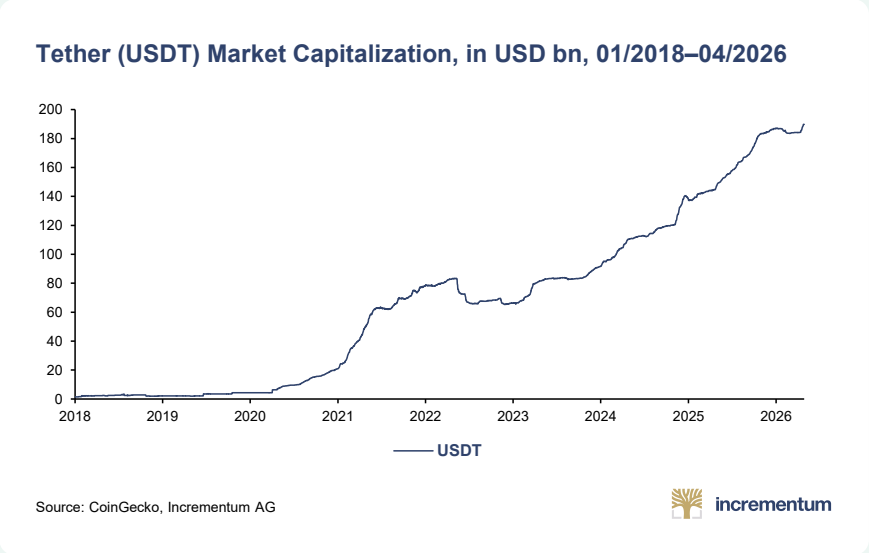
3 *See* "The Stock-to-Flow Ratio as the Most Significant Reason for Gold's Monetary Importance," *In Gold We Trust* report 2014

A similar dynamic in terms of adoption and performance has played out at Tether. Despite launching its XAUT gold stablecoin in January 2020, it wasn't until 2025 that the token's market capitalization began to accelerate meaningfully.



As Jefferies analysts observed, that pattern differs from the more linear expansion of Tether's flagship US dollar token, USDT, which has grown steadily alongside broader crypto market activity. By contrast, XAUT's more abrupt phase of adoption coincides with the company's own deepening involvement in physical bullion markets over the past year.

To see things in the seed, that is genius.
Lao Tzu



Taken together, the numbers reveal a market that has moved well beyond niche status. According to data from CEX.io, tokenized gold trading volume reached USD 178bn in 2025 – surpassing every gold ETF except the SPDR Gold Shares (GLD) in global trading activity. CoinGecko data showed the combined market capitalization of tokenized gold surging roughly 177% to over USD 4.4bn by year-end, with Tether's XAUT alone accounting for approximately 75% of Q4/2025 trading volume.

Much of the mystery behind the uptake divergence between XAUT and USDT, as well as the proportionately larger accumulation of gold reserves for Tether's own account relative to its stablecoin, lies, as alluded earlier, in the fact that Tether did not want to openly market the product to users until the wider infrastructure was fully operational.

"It was not speculation. It was not a trade," Sartori said. "It is really a strategic reserve construction in order to support a successful global stablecoin."

Royalty stakes. Refiner contracts. Off-take agreements. What looks like opportunistic gold buying may be something else entirely – pre-positioning.

But it is also linked, at least in part, to the peculiar economics of gold stablecoins, which benefit from the presence of large buffer reserves for operational reasons.

Unlike US dollar-backed stablecoins, which can generate income from interest-bearing reserves, gold is a zero-yield asset. That means neither Tether nor Paxos make money from the usual interest-rate arbitrage model that applies to their fiat equivalents. Instead, they capture revenue by charging customers for the creation and redemption of tokens. The plus side of the model is that once issued, transactions occur on public blockchains, meaning users only pay the underlying network costs, known as gas, rather than additional fees to the issuer. The downside is that the revenues are modest. Not that this poses an issue for Sartori.

> *Nothing is so painful to the human mind as a great and sudden change.*
> Mary Wollstonecraft Shelley, Frankenstein

"In reality, we don't intend to make a lot of money out of this product… We want to create a solution for 500mn people in the future," Sartori told the *In Gold We Trust* report. "And in the future, when we are servicing a community like that, there will be other services we can propose in order to make money."

But it's one thing not to make money from the product, and another not to be able to deliver on your core customer promise. Yet, Tether soon discovered it was encountering the very same problems as it had hoped to solve for everyone else. "The problem with gold, we realized, is that physical gold is not so easy to buy. We suffered from the same limits that we thought we were solving," Sartori explained.

To overcome those constraints – and to ensure it can operate at the speed its model required –Tether moved to vertically integrate across the supply chain. The goal, as Sartori puts it, was to maintain a sufficient "cushion" to meet subscriptions at spot price without fees or logistical bottlenecks. That meant forging agreements with major refiners, securing off-take contracts with producers, and acquiring both physical gold and royalty interests in mines – effectively building a pipeline of supply designed to support issuance over the coming decades.

This distinction matters. What appeared as opportunistic buying may instead reflect pre-positioning – the gradual accumulation of inventory and infrastructure ahead of a potential shift in demand for tokenized gold.

Without such reserves, Sartori says a gold-backed token cannot credibly scale. "Even if you delay by 24 hours, your stablecoin is not backed by real, physical gold… and it will fail our main ideological test."

> *Trees that are slow to grow bear the best fruit.*
> Molière

What follows from that logic is a very different model from Paxos, identifiable in its investments. **Tether has taken positions in royalty and streaming companies, most famously Elemental Altus, but also Gold Royalty, Versamet Royalties and Metalla Royalty, effectively embedding itself within the upstream gold supply chain.**

Beyond that it has also struck a strategic equity investment plus commercial partnership aimed at distribution with Gold.com, a major vertically integrated operator.

Powering this acquisition-led approach – spanning not just gold, but also technology, bitcoin and land – has been the more than USD 30bn in cumulative profits Tether has generated since interest rates began rising in 2022.

A Shadow Bullion Bank?

For those wondering what Tether is ultimately building, the answer lies less in any single product than in the direction of travel. The pattern of investment points to a conviction that demand for gold-backed liquidity has been structurally constrained – by market plumbing, access, and the frictions of physical settlement – and is now poised to break free.

The Switzerland of assets. That's the model Tether is building – ownership decoupled from jurisdiction, access decoupled from geopolitics.

Tether's bet appears most concretely to be that the next phase of gold demand will not be driven solely by traditional investors, but by actors operating outside the core US dollar system – those with existing gold holdings, or with reason to seek alternatives to it. **In that context, tokenization is less a novelty than a way to mobilize gold demand that was previously suppressed for technical reasons.**

> *Isn't there likely to be far more pent-up demand for precious metals than for bonds?*
> Louis-Vincent Gave

As CEO Paolo Ardoino has suggested, official demand figures may understate the true scale of demand, particularly in emerging markets. "What China and other countries are declaring … is extremely incorrect," he told *The Peg*. "They are buying much more than what they claim they are."

This is where Tether's ambitions begin to diverge most clearly from those of Paxos. Where Paxos has built its model around regulatory integration, transparency and institutional adoption, Tether appears to be pursuing scale, distribution and system-level influence. **It is not merely issuing a token. It is attempting to reshape how gold functions within the financial system.**

That divergence extends to custody. While Paxos relies on LBMA-approved London vaults, with each token linked to specific bars, Tether stores its gold primarily in Switzerland, in facilities it controls directly. "We believe Switzerland has the best jurisdiction for gold, but also in terms of its legal framework," Sartori said. "We own our own vaults, and we hold the gold there, and it's independently certified by external sources, both on chain and both by independent certificators on a periodic basis."

> *Fine gold is recognized when it is tested.*
> Leonardo da Vinci

When asked whether Tether would be willing to give a large customer a personal tour of the vault, Sartori said they had facilitated such access but stressed that the stronger proof lies in the ability to redeem on demand.

"Allocated or unallocated only matters if it is in somebody else's vault," Sartori argued, casting third-party custody – even within established systems – as an avoidable source of risk.

> *Gold will be around, gold will be money when the dollar and the euro and the yuan and the ringgit are mere memories.*
> Richard Russell

Seen through that lens, tokenized gold begins to take on a more fundamental role: a neutral financial layer for value that sits outside sovereign control.

"Gold –while it is not perfect – is probably the [asset] that history has proven to be the most trustworthy," Sartori said, invoking its historical role as the ultimate neutral monetary asset.

"We believe it would allow the world to go back to a gold standard without the problems that gold standards had in the past," he added — namely "government intervention, government regulation, or the physical limits of gold."

In that respect, Tether's commitment to holding its gold in Switzerland, while simultaneously mobilizing it globally through tokenization, begins to resemble a kind of "Switzerland of assets" — a return to monetary neutrality, where ownership is decoupled from jurisdiction and access from geopolitics.

The times ahead will be radically different from the times we have experienced in our lifetimes, though similar to many times in the past.
Ray Dalio

The philosophy extends into financing, too. Tether is already positioning XAUT as a collateral asset within a broader financial ecosystem. "We lend against Tether gold… we believe that's going to be a very big business," Sartori said, highlighting the potential for tokenized gold to underpin lending, leverage and yield generation.

The picture that emerges is therefore less one of a return to fractional-reserve bullion banking, and more of a shift in where that risk resides. As traditional bullion banks retreat under the weight of regulatory capital and liquidity requirements, a gap has opened up in the provision of gold financing, collateralization and market-making. Tether appears to be moving to occupy that space – not through balance sheet intermediation in the traditional sense, but through tokenized infrastructure.

Tether's gold strategy therefore is less a product line than a system redesign – one that, if successful, could move gold closer to functioning once again as a widely circulating monetary asset, rather than a passive store of value.

Looking to the Future

An army of a million men can be stopped, but nothing can stop an idea whose time has come.
Victor Hugo

It would be a mistake, however, to assume the market will remain a duopoly between Paxos and Tether. A plethora of gold-themed tokenized offerings are already lining up to take advantage of the evolving climate – and it should not be surprising that the industry's own coordinating body is aiming to get in the game.

Nor is it just crypto-native firms staking claims. HSBC, the world's largest commercial gold custodian, launched its own tokenized gold product via the proprietary Orion platform — first for institutional clients in November 2023, then for retail investors in Hong Kong in March 2024 — and by late 2025 had surpassed USD 1bn in retail trading volume across more than 100,000 transactions, making it the largest retail gold token in Asia. Unlike Tether's self-custodied Swiss model or Paxos's regulated trust structure, HSBC represents the incumbent bullion bank overlay: private distributed ledger technology layered on top of the world's deepest institutional vault infrastructure, with fractional ownership down to 0.001 of a troy ounce – a model that completes the spectrum from crypto-native disruptor to traditional bank.

Some people want it to happen, some wish it would happen, and others make it happen.
Michael Jordan

In March, the World Gold Council announced what it described as "a pioneering initiative to build new market infrastructure designed to unlock the next era of digital gold's development." **At the center of this effort is a concept it calls "Gold as a Service" — effectively an open platform designed to connect the physical realities of gold custody with the digital systems used to issue and manage gold-backed products.** The ambition is to build shared underlying rails encompassing a single standard for custody, reconciliation, compliance, issuance and redemption.

Trust is the glue of life. It is the foundational principle that holds all relationships.
Stephen Covey

Stripped back, what this amounts to is an attempt to upgrade the clearing mechanisms that sit behind the LBMA system and make them fit for a tokenized age. If Tether is building a vertically integrated shadow bullion bank and Paxos is offering regulated infrastructure-as-a-service, the WGC is proposing something more akin to a public utility — a common layer on which multiple issuers can operate under consistent standards. The fact that all three models are advancing simultaneously suggests the market sees not just commercial opportunity, but a structural gap that needs filling.

That gap is not merely technological. It is monetary. For much of the past century, gold has been progressively stripped of its transactional qualities — demonetized, vaulted and reduced to a passive store of value. What tokenization now makes possible, perhaps for the first time since the collapse of Bretton Woods, is the partial reversal of that trajectory: gold that can circulate, settle and collateralize value across borders with minimal reliance on traditional financial intermediaries.

Not everyone, however, agrees on what should fill it. In its 2025 Annual Economic Report, the BIS laid out an ambitious competing vision: a "next-generation monetary and financial system" built on a unified ledger combining tokenized central bank reserves,

tokenized commercial bank money, and tokenized government bonds. The BIS explicitly tested stablecoins against its three criteria for sound money – singleness, elasticity, and integrity – and found them wanting as a "mainstay of the monetary system." The implication was clear: tokenization, yes, but with central banks firmly at the core. Yet this vision carries its own contradictions. A system anchored to sovereign money inherits the very fragilities – political capture, fiscal profligacy, debasement risk – that are driving demand for gold in the first place. The BIS wants to digitize the present monetary order; Tether and its competitors are attempting to digitize a pre-Bretton Woods one. Which architecture prevails may ultimately depend less on technological elegance than on the question that has haunted monetary history since the Bank of Amsterdam: who do you trust to hold the reserves?

No new Bretton Woods. No grand decree. Just gradual adoption – the way gold became money the first time around.

The emerging reality is that "back to the monetary future" is not merely a playful allusion. It captures a genuine structural paradox at work. The most advanced financial technology of the 2020s is being deployed not to invent a new form of money, but to restore the oldest one. Blockchain rails, cryptographic proof of reserves, and programmable settlement are solving problems that goldsmiths, burgomasters and bullion banks wrestled with for centuries: how to make a claim on physical metal credible, transferable and liquid without ever moving the bar.

> *Put not your trust in money, but put your money in trust.*
> Oliver Wendell Holmes

Whether it is Tether building a global supply chain from Swiss vaults and mining royalties, Paxos linking each token to a serialized London bar, or the WGC laying shared infrastructure for the next generation of issuers – the direction of travel points the same way. Gold is not being digitized in order to leave the monetary system behind. It is being digitized in order to re-enter it.

It may not take a new Bretton Woods moment to usher in the gold remonetization long anticipated by sound money advocates. Instead, it may emerge as it did in its earliest history — not by decree, but through gradual adoption, as societies converge on a trusted store of value by choice rather than design. T**he future of gold, it turns out, looks a great deal like its past.** ■

> *To know the road ahead, ask those coming back.*
> Chinese proverb

> “We see ourselves as a company that needs to provide a stable alternative system for these people so that they can operate within this new way of thinking or necessity.
>
> Juan Sartori



Juan Sartori is a global business leader and investor focused on digital finance, strategic investments, and emerging markets. He currently serves as Head of Special Projects at Tether. In parallel, he is the Chairman and founder of Union Group International Holdings, a privately owned investment and private equity firm established in 2007 with a diversified portfolio across Latin America. Mr. Sartori served as Non-Executive Chairman of Union Acquisition Corp. II (2018–2021) and Chairman of Union Acquisition Corp. (2017–2019). He also serves as Executive Chairman of Adecoagro S.A. and Elemental Royalties Corp. Beyond business, he is active in international sports governance as co-owner of Sunderland A.F.C., Vice-President of AS Monaco Football Club, and a board member of both the European Club Association and France’s Professional Football League (LFP). He began his entrepreneurial career in 2002 by founding Union Capital Group, later selling control of the firm in 2008. In public service, he served as Senator of the Uruguayan Parliament from 2020–2025. Mr. Sartori holds a Bachelor’s degree in Business and Economics from École des Hautes Études Commerciales de Lausanne.

Interview with Juan Sartori

Tether is building a gold-backed public good, says head of special projects Juan Sartori

Izabella Kaminska: ***Thank you for joining me. Well, I have to start with the obvious question: what was Tether’s logic for launching both a gold stablecoin and a gold strategy? I know the gold stablecoin launched in 2019, which predates your time at the company. When did you arrive?***

Juan Sartori: It was around two years ago. To understand why we launched Tether gold as a company and why we’re making a stronger push into it today –it is important to understand the philosophy and ideology of this company. Its main objective is really to provide a financial solution for most people in collapsing financial systems.

Today, we have 530mn people using USDT, our stablecoin, around the world. It is mainly geared towards emerging markets where their local financial systems have collapsed. We provide a solution for millions of people to continue operating [in that context], whether it’s protecting their money, making payments, or using their money in a collapsing financial environment.

What we see, and maybe it’s a little bit pessimistic, is that this contagion of failing financial systems is getting more and more global, with less and less trust in the fiat system, in the government systems, and almost a whole generation growing and wanting to be independent from any system whatsoever, whether peer-to-peer, directly storing their own currency, being able to make transactions, being able to pay, without banking fees, or any banking involvement into their private lives. All of that went into what is today the big reality: that stablecoins are widely used around the world as one of the most trusted ways for people to operate financial payments.

We see ourselves as a company that needs to provide a stable alternative system for these people so that they can operate within this new way of thinking or necessity.

Now, the only fiat currency that really is global is the US dollar. That’s why we have a stablecoin based on the US dollar: because people want to use stable US dollars. As such, we have become a distributor of US dollars into emerging markets, and places where distribution just doesn’t work.

> It was not speculation. It was not a trade. It is strategic reserve construction.
>
> Juan Sartori

Normal US dollars flow through banking. But banks fail, etc. Tether is a technological solution that offers people a way to access US dollars regardless.

If we look a little bit further and ask, could there be a system that allows people to do all of these same things without depending on any single currency or single government or single legacy fiat system? Well, we believe there are several assets that fit that bill. Gold – while it is not perfect – is probably the one that history has proven to be the most trustworthy. It's been 1000s of years that people have trusted gold in order to keep their money safe and make their payments operational.

Gold is the only one that is globally and culturally accepted in terms of its value, but it's also the one that's had many limitations as a global payment system or currency, whether it's for institutions, central banks or individuals.

First, it is difficult to carry – it's difficult to go around with gold coins. Second, it's also difficult to break apart.

We analyzed all of the characteristics that made stablecoins successful, and applied them to gold – and realized they replace the limits that gold historically had. This is why we decided to launch a stablecoin based on gold.

It's the second only stablecoin that the company operates, so it's really important and strategic, not least because it allows people to hold gold without counterparty risk. They can also use it to pay in their daily life, to store money in the same way they use USDT, but also in something that, in a different world, can even become "the standard".

We believe it would allow the world to go back to a gold standard without the problems that gold standards had in the past, which were mainly government intervention, government regulation, or the physical limits of gold.

This is why we thought it was a great idea and a great product to launch into the world: it would allow our approach to contribute to what a future financial system looks like.

Kaminska: ***And what about the gold you are buying beyond the stablecoin?***

Sartori: The problem with gold, we realized, is that physical gold is not so easy to buy. We suffered from the same limits that we thought we were solving. We ended up thinking that we want this gold to be owned physically. Second, we want it to be owned without counterparty risk: not in a bank, not in an insurance company, not in any place that can fail as a counterparty and then lock up access to your gold. So we basically decided we would have to build our own storage facility where all of this physical gold can go.

We also decided to build our own sourcing supply chain structures that don't depend on historical limits. This is because in the digital world, it's possible to suddenly have billions of US dollars of subscriptions into the gold token in one day. But if you turn around and you need to buy billions of US dollars of physical gold overnight, it's almost impossible. There are limits in logistics in the system, or you are forced to buy it very expensively, which then translates to people and makes the system inefficient.

So we decided that we needed to build a whole gold system that is our own, so that it can successfully support a gold stablecoin. The aim is to have a cushion to meet subscriptions at spot price, without fees, in a way that doesn't encounter storage problems.

Kaminska***: So when lots of people were speculating: "Why are they buying all this gold? What's the reason?" It turns out that the key reason was to avoid slippage?***

Sartori: Yes, it was not speculation. It was not a trade. It is really a strategic reserve construction in order to support a successful global stablecoin; without that, it would be very difficult to cope, because even if you delay by 24 hours, your stablecoin is not backed by real, physical gold for 24 hours. This means it will fail our main ideological test. For us, it's essential to have an absolute claim to the gold every single time and for it to be fully backed. And the credibility of that backing is what makes a successful stablecoin. As a result, we decided – in advance – that it would make sense to hold gold on the company's balance sheet in order to be able to provide it to the world without execution risk.

Also, we decided that this product would have zero fees. Today, you can access gold through ETFs. They also offer a claim over physical [gold] but they come with counterparty risks, and it probably costs 30–40 basis points a year. We decided that, because both the storage in our own vaults and the technology that makes it global is actually relatively cheap, we can create a stablecoin without any fees whatsoever. This way, people – for the first time – will be able to buy gold at spot price, without commissions, store it without any commissions, and use it to pay or transfer without any commissions or fees.

Kaminska: ***The logical next question, then, is how do you make money? Through creations and redemptions?***

Sartori: Yes, subscriptions and redemptions have a small fee. Exactly. It's minimal. In reality, we don't intend to make a lot of money out of this product. We want to create an ecosystem. We want to create a solution for 500mn people in the future. And in the future, when we are servicing a community like that, there will be other services we can propose in order to make money.

But the objective is not to design a product to make money. It is to design a product for success that provides a solution around the world, and that is going to grow, and that's going to create opportunities. We can lend against that gold and make money with the interest. We can provide services to people who hold that gold. USDT is a good example. Today, interest rates are high, and we make money on the differential. But for many years, interest rates were zero or negative, and it would have been the same question.

We built the product for the world before it was a business, actually. The business is circumstantial. Right now, interest rates are on the right side of that trade. So in gold, we think the same. We think that by holding a physical dependent reserve of gold, we're going to be a very valuable part of the future financial system, and that this gold token is going to start replacing other instruments. Whether it's for investment purposes or for other purposes. Today, if you own an ETF, you would much rather own Tether gold: same exposure, more direct, and fewer fees. And, very importantly, it trades 24 hours, seven days a week.

If you want to trade gold today, it closes on a Friday, opens on a Monday. We saw it now when gold broke USD 5,000 for the first time, it was during the weekend in Tether gold, and then on a Monday, it opened above USD 5,000 in traditional financial markets. So we already see that we are filling a gap by making gold a 24-hour real-time trading system, the same way that bitcoin has traded forever, but not equities or bonds, etc.

So that also has a use for a lot of people who need to operate with gold during the weekend.

But – because we suspected that demand could get significant very quickly – we didn't want to push the product until we had created a system that can cope with the demand. That's why, despite launching several years ago, we've not really been promoting it until now. This was to be 100% sure that we can cope with the growth. And building a physical system that can cope is not easy.

That's why we had to make agreements with the biggest refiners in the world. We needed to make off-take agreements with the biggest producers. We needed to even buy royalties in mines so that for the next 20–30 years, we are receiving gold into our reserves. We had to build all of that to reduce the risk to almost zero.

Kaminska: ***The gold stablecoin currently represents a fraction of your US dollar business, so what are you aiming for? Do you think it will eventually outgrow the US dollar business? What's your projection in terms of growth?***

Sartori: It depends on your view of it and what happens to the world. Obviously, the more the world breaks down, the bigger the shift into this kind of alternative solution will be. We've seen this very clearly with USDT in emerging markets. In financial systems in places like Europe, where things work well, people don't really need stablecoins. Emerging markets, where banks fail and inflation eats all your local currency, money: stablecoins are very widespread. Gold investment products represent around USD 300bn out there right now, and Tether gold is a better solution for these kind of people, purely as a replacement of an investment product. When it comes to stablecoin use or transactions around the world, just stablecoins on the US dollar represent around USD 250bn. What if tomorrow a portion of that starts shifting into gold-backed payments, stablecoins, international flows? The liquidity of gold is roughly USD 300bn per day.

So if a big portion of those flows start being done through a gold-backed stable coin, rather than physical, which is cheaper, faster, easier, from our point of view, it could be another area of growth.

> "Gold breaks USD 5,000 first in Tether Gold, then on Monday in traditional financial markets. We are filling a gap by making gold a 24-hour real-time trading system.
>
> Juan Sartori

You know, we were very surprised that USDT didn't grow in its first few years, and it was very difficult for us. But then we were just as surprised when suddenly the world found a use for it, and the growth became exponential and beyond anything we had imagined. We built the best possible product. It is out there, and I think people, institutions, the world, will see how fast it can be used and for what purposes. Definitely, there's a lot of education needed on why gold is a better asset.

Kaminska: ***You're not the only player. Paxos has its own gold offering. How do you differentiate from them? They would say they are better regulated, offer allocated gold and that their gold is in LBMA vaults.***

Sartori: We don't mind competition. We think it is good. The more financial solutions that are out there for people, the better. The more they can compare it. We are just very good at what we do. That's why we are the biggest stablecoin company out there in a competitive market. There are now hundreds of stablecoins out there, and we have succeeded in making the most successful one because of the best technology, the best distribution, but also the best system behind it. I think gold is going to be the same. I don't think today many companies have the capacity to match the system that we have built.

We own today, USD 25bn of gold, which is ready to be shifted into our product. If suddenly an exponential demand comes to a lot of this industry, I don't think they will have the balance sheet, the capacity, or the structure that we have built. We think that's an advantage. The characteristics of the product: being absolutely transparent, zero fees, connecting into a network of 500mn pre-existing users of our own stablecoin — all that is going to be an advantage. There are also other products that are very high quality and will do very well: a rising tide lifts all boats. But rather than focusing on the differences with the other ones, we are building it in the way that we believe is the best for our clients.

Kaminska: ***So my understanding is that you hold the gold in Switzerland, right? Can you tell me more about how it is stored, as there are always concerns in the gold community about transparency? Even GLD has had to address concerns about whether the gold is really there.***

Sartori: Crypto people and gold people are very similar on that point. They are paranoid, and they are right to be so. That's why they're looking for these assets in the first place. We believe Switzerland has the best jurisdiction for gold, not only historically, but also in terms of its legal framework. That's why all of the gold, some 70% of the gold on the planet, goes into Switzerland to be refined, and from there it goes back all over the world. Everything protects gold there. Ownership, it simplifies gold storage, it simplifies gold transfers, and we believe it's the right place. After having analyzed every single jurisdiction around the world, we decided it was the best one.

> "Allocated or unallocated only matters if it is in somebody else's vault.
>
> Juan Sartori

Imagine that our product is fully redeemable in gold every single day, with no restrictions. People can go into our location, click a button, and receive the gold. And some people have done it to try to test the system precisely because they are paranoid, and want to make sure of that. So we store it there in Switzerland, in our own location. It is available and redeemable every single day, without restrictions.

Kaminska: ***Is that in allocated or unallocated form?***

Sartori: Well, it makes no difference, because we don't have that counterparty risk. Allocated or unallocated only matters if it is in somebody else's vault. That's the problem of many products. If I have it "allocated" in Lloyds or in local London, I still have a counterparty risk of whichever bank holds that gold. In our opinion, that's a problem. Most of the other products have "allocated or unallocated". For us, that is still at a counterparty risk that is unacceptable to take.

Kaminska: ***And this is because the vaults are yours, that's the real differentiation?***

Sartori: We own our own vaults, and we hold the gold there, and it's independently certified by external sources, both on chain and both by independent certificators on a periodic basis. So we publish today, monthly attestations, quarterly attestations by international auditors, and that's the way we give transparency to the reserves. Because we are also paranoid, we believe that whether it's "allocated" or "unallocated" – that is just what it says on a piece of paper. You never see the gold, and it's in third-party locations. That means it's something that probably doesn't have the backing. If you look today at the quantity of exposure of financial gold, and how much gold is supposed to be in reserves, allocated and unallocated, how much is really there, nobody knows. The reality is, nobody really knows. So we feel more comfortable knowing we have it.

Kaminska: ***Would you be willing, if a big customer came along, to give them a personal tour of the vault?***

Juan Sartori: [Nods]

Kaminska: ***So yes.***

Juan Sartori: But even better than a tour, they can redeem it any day. They will see their own gold and get their own gold before they even get to the door. So that guarantee of absolute liquidity and redeemability *in physical*, because if it's not in physical, you never really know if you're going to get it, is the biggest guarantee. But at the same time, we're fully transparent. Obviously, we cannot get a million visitors there for security reasons, although some people have come, that's why independent certification is usually the best, most widely accepted way of guaranteeing and making the reserves transparent.

Kaminska: ***The gold is also backing to a certain degree your US dollar stablecoin. How come? Why is gold good for backing the US dollar?***

Sartori: Well, I can give you an economic answer, or a numerical one. We believe in creating a stable currency that can really cope with hiccups in the financial system. And basically, we believe that the best ultimate reserve assets are a mix of Treasury bills and US dollars, and also some real asset that can also reflect better the inflation risk. Treasury bills have a big hidden risk: that is inflation. You may think you have more money, but actually you have less. So gold is an asset that compensates for that risk, and hedges and diversifies a bit the US dollar risk. Actually, it makes it stronger. And also we have a large amount of excess reserves. At some point, we had up to USD 20–30bn of excess reserves, basically the quantity of assets that back the quantity of liabilities. Today that's about USD 185bn, which puts us in a very different situation to banks. When you put your US dollar in a bank, usually they have less than 5% reserves. They lend it out, and most of your money goes out, and they only keep 5%.

Well, compared to that, you put your money in a stablecoin, you get 120–130% of assets backing that US dollar.

Kaminska: ***And who is your target customer? What demographic are you targeting? Retail users, or also institutional investors and central banks?***

Sartori: First, we provide the product to whoever wants to use it. We just make sure that it's a good currency, a good product. The usage is really a mix of institutional people who want to hold gold, and they buy it in order to hold gold, and industrial customers. There's traders using it for hedging, there's producers using it for working capital or transfers, and then there is the retail component, who are people who just want to use it for payments, transferring money in the same way they use the US dollar stablecoin. So it's really a mix of everything. Today, we have reached USD 3.6bn in assets, but we are still growing. The product grew by almost USD 1bn in the last 45 days. So it's really just now going through the exponential phase, reaching the masses around the world and targeting every single niche where this product disrupts the way things are usually happening a bit.

Kaminska*: Do you think that growth is linked to geopolitical uncertainty?*

Sartori: Yes, but not only. First of all, the product was only really been listed on most exchanges for the last three months. Before that, we were afraid if we listed everywhere, there would be too much growth, and the system needed to be solid. But definitely, the demand for gold in the context of geopolitical risk has always historically been a factor. There are more people wanting to hold gold right now that the environment is more uncertain than one year ago. Not only for geopolitical reasons, but also economic. The more people are afraid of inflation, the more people are afraid of US dollar risk, the more they want to hold gold. It just happens that today, if you look at it, and that's why education is important, buying Tether gold is probably the most efficient way of doing it.

Kaminska: ***And what is the total amount of gold that you now have?***

Sartori: We publish our reserves every three months. So it's going to come out in one week. But we own approximately USD 25bn of gold. In size that's around 150 t of gold.

Kaminska: ***How has the market responded to the sudden arrival of Tether in their patch? Jefferies put out a note last year implying you may have been responsible for triggering the bull run? Do you think that's fair?***

Sartori: I think in one year we probably became one of the biggest players in the gold market in all its aspects. Probably today, Tether is the biggest private reserve of physical gold in the world; one of the biggest buyers; one of the biggest investors in the gold production chain, because we do off-takes, we do financing, we do prepayments, we do royalties. We acquired a royalty company that is becoming one of the biggest in the sector. So, definitely, in a gold sector that is pretty traditional, we have become a very significant player. I think a player who will also expand the market beyond its traditional perimeter. This is because if we are able to allow every single person around the world to buy USD 100 of gold as easily as going into a wallet and pressing a button — the same way they buy any other digital assets – then there's a demand that, for sure, is not there today.

> "Today, Tether is probably the biggest private reserve of physical gold in the world.
>
> Juan Sartori

Looking ahead, I think, for those who want widespread adoption of gold, who are facing quite a lot of traditional limits, we are really making a service to make gold as global as it should have been in the past, but couldn't be until this technological solution arrived. The idea is to have an integrated gold system that goes from origination, storage, lending, and digitalization, in order to be distributed around the world. And that, I think, has been a shock for the gold market because we've been able to do things that they always dreamed of doing, but never did, in a very short period of time.

Kaminska*: And is that down to your influence? Are you the brainchild of Tether's gold strategy?*

Sartori: The brainchild of this company is, well, we have a founder and chairman of this company who has a very clear, ideological and economical view of the world, who is the driving force of all of these strategic initiatives. And that is Giancarlo [Devasini]. And at the same time, we have Paolo [Ardoino], who is our CEO, who is a technological genius, who has created the biggest technological distribution system in financial markets in the world in the last 10 years. So really, we have two founder individuals in this company, who continue disrupting the way financial markets work, and who have a very clear vision of what they want to create: a stable company that is a stable system that provides all of these products for hundreds of millions of people. They think about it, they validate it, they decide to go for it, and they provide all of the resources for this to happen. Tether is a very small company in terms of the quantity of people it employs. So it's very, very concentrated in the brains of the company, who have had so far an incredible vision of where it should go and what they have created.

Kaminska: ***What appealed to you in terms of coming on board?***

Sartori: The capacity of this company to really disrupt and generate the products that solve the financial needs of hundreds of millions of people, especially in emerging markets. I'm from Uruguay. It may be difficult to understand from a United States or from the European perspective, how this company is really providing a way for people to have livelihoods all over the world when they need to operate in a certain environment where people are facing bad governments or banks are confiscating their money, through inflation, through regulation, through incapacity to provide a good backbone for their financial needs. So it's really a company changing the world and all the industry. And that's what's the most appealing, even in gold, and maybe that's what is most surprising for most people. That with our mix of resources, and vision of what's going to happen in technology, we can generate real stability, on a big scale, in a lot of pockets around the world.

Kaminska: ***One of the big questions in the industry last year was why did you decide to buy royalty companies since they pay out in cash. What was the logic? Why royalty companies?***

Sartori: What you say is precisely the opportunity. It doesn't make any sense that a gold royalty company sends cash to a mine for them to pay in cash to get gold out of the ground, to then transform it into cash, to pay royalties in cash.

We would like to get physical gold out of the royalties. We believe that royalty companies should pay dividends, not in cash, but in gold. Investors want gold, not cash, and all of that was administratively and physically challenging before. But now with Tether gold it is possible to achieve this seamlessly. The intent is for companies to pay royalties in Tether gold. We already announced that our royalty company will pay dividends in Tether gold, so we'll be able to finally "goldify" or go to a gold standard through technology in Tether gold in a way that solves this inefficiency. The gold industry should not operate in anything other than gold. We also never liked that gold companies hold cash on their balance sheet. They should hold gold, especially if it is to pay distributions to shareholders: it should be in gold, not in cash. So that's also precisely part of our vision: to change the way things are being done.

Kaminska: ***It was reported that you hired a professional team of traders. That implies you won't be running a passive strategy. What will they be doing? And are you also looking at trading or tokenizing other precious metals, or other commodities?***

Sartori: First, we like gold because of its global monetary characteristics. Anything else is not gold, whether it's lead or iron or platinum or silver. It is just not gold. Gold is the most liquid asset out there. It is the only one that really has been used and can be used as large scale central bank reserves and a payment system. So we believe in gold really as a superior asset with those characteristics. Sure, you may make money with some other metals, but most of them also have big industrial markets and industrial demand. They are less of a pure financial asset, in our opinion. They are less liquid. They are small. Silver takes 50 times more volume than gold, so even that characteristic doesn't make it a high-quality payment for storing of wealth in the system. We focus on gold because, just as we think there's almost no challenger as a global currency to the US dollar, there is no challenger metal that can be global like gold.

> "The gold industry should not operate in anything other than gold. Companies should not hold cash on their balance sheets – they should hold gold.
>
> Juan Sartori

In terms of the know-how, obviously, we are trying to acquire the best know-how in the world for managing all aspects of our gold exposure, whether it's the buying, storing, the technological aspect of it, the royalties, the validating of geological models. Gold remains a physical commodity that needs very strong know-how in all aspects of the chain. So although we are very good in technology, we must also incorporate the best know-how in trading, in financing, in lending, in mines, in everything.

Kaminska: ***Many bullion banks have been withdrawing from the LBMA system because of the regulatory expense. Does that create an opportunity for a company like Tether? Are you gearing up to be a shadow bullion bank in that sense?***

Sartori: We lend against Tether gold, and we believe that's going to be a very big business, because it also solves a need. Today, if you want to hold gold, you hold it physical, but nobody will lend against gold that is in your garden or under your mattress. And now, if you hold Tether gold, you'll actually be able to lever it, loan against it in a very simple way, and we're going to provide for that. Also, there's a huge amount of staking protocols that are being created, not by us, but by the eco-system that will allow people to get some yield on that gold. So definitely there will be a bigger financial system created around gold, because Tether gold is a superior way of lending, getting it as a guarantee, putting it out as collateral. So we expect that to happen, and we want to generate the conditions for it to be a business. Today, you can probably borrow funds against Tether gold at cheaper rates than you would be able to borrow from a bank or against an ETF simply because there are fewer fees, there is less friction, and it's easier to trade. We think that will put us also in the middle of a very important financial system in gold.

Kaminska: ***Is there anything else that you think is important to communicate to the readers of the In Gold We Trust report?***

Sartori: Gold lovers understand all the reasons why we want to buy gold. We believe that the geopolitical and economical environment is at a tipping point. Things are happening now. Many people have been waiting for a long time for this to happen. But also, the technological evolution of being able to give gold a digital direct link, distribution and transparency is why now it's possible that gold really goes global in a way that was not possible before. And central banks may have ways to diversify into gold, and they are doing it. They're already shifting into gold versus Treasury bills, but people around the world didn't really have a good solution, and now they have it. So with Tether gold, we think we can take global what was until today a niche of very informed people and very financially sophisticated people who are holding gold. Now we can extend that to the masses, and to the whole world. And by doing so, I think, we will recreate the gold standard, which was lost 10s of years ago, something that many people regret.

Kaminska: ***So this is really a private-sector-led initiative to recreate the gold standard?***

Sartori: It's not so much a private sector initiative. I think it's really a movement because this technology is not restricted. People will be able to use gold in an open source way, without any restriction.

It's almost a peer-to-peer, generational or community revolution to put gold into everybody's pockets and make it global. We don't see us as leading it. We see it as providing the technology to the system for it to grow organically around the world.

Kaminska: ***So the demand was always there, in your opinion. It's just that there were access constraints before. Your policy is to break those constraints?***

Sartori: Yeah, and provide a global gold-backed currency to the world in a way that it fits with what a currency is, so it can be used without restrictions.

I think, and I say it in a humble way … I think that a gold product with these characteristics has never had a company like Tether behind it, which is in a unique position to make it happen, because of the company that it is. It's already global. It's already a standard in a global currency. It has one of the biggest balance sheets, it is one of the most profitable, it can put maximum resources behind a token, it has the highest level of technology, and the willingness to do it. It also takes a company like Tether in order to be able to take a product like this, and make it a success.

> With Tether Gold, we will recreate the gold standard that was lost decades ago.
>
> Juan Sartori

Kaminska: ***The last company that got traction in the monetary gold space was e-gold, but it was shut down because of regulatory and compliance failures tied to money laundering controls. Paolo is usually keen to stress that Tether is fully compliant these days and works with scores of enforcement authorities. Does that make a difference?***

Sartori: One of the biggest advantages is that this is not a startup product. It's already a company that is regulated at the highest level, which complies with every single enforcement regulatory agency around the world on, when it comes to USDT, about USD 60bn of volume per day, and which complies with all. Right now, we've been commended by most of the regulatory agencies as one of the most helpful companies to combat money laundering and illegal activities, with the possibility of controlling that system from that perspective.

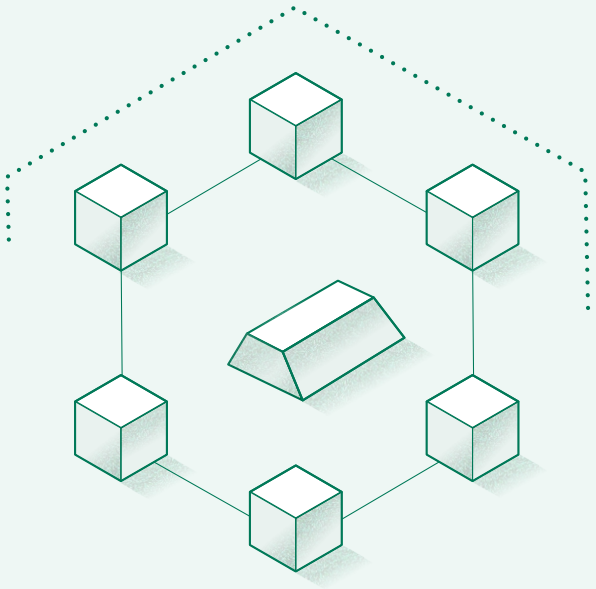
So this is a product that is born with all of the same regulatory advantages and regulatory connections that USDT and Tether already have. That point is an advantage.

Kaminska: ***Do you think central banks will ever look to gold tokenization?***

Sartori: 100%, they will. They're already looking at it. There are many jurisdictions around the world that are changing the central bank reserve regulations in order to be able to hold gold in a digital form. In the end, they just own gold because they own the physical gold. It's just that instead of having a contract with UBS, they hold it in a blockchain based, digital contract, directly in a reserve, right? So it's actually superior, from a legal claim point of view, in our opinion. That needs a lot of adaptation, but that is happening.

In a lot of emerging markets, people say, "We don't have a currency, so let's dollarize," like Ecuador. But people now are also thinking we can launch a local currency, but it will be backed by gold reserves, and in that way be a bit more independent.

Kaminska: ***With that, I'm afraid we've run out of time. Thank you very much.***





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The Psychology Behind Gold's Underallocation



Key Takeaways

- Gold remains structurally underallocated in Western portfolios despite strong long-term performance and well-documented diversification properties, while bonds continue to dominate portfolio construction.
- Bond-centric portfolios were a rational response to decades of disinflation and central-bank credibility, during which the traditional 60/40 framework delivered satisfactory outcomes.
- Portfolio behavior adapts more slowly than macroeconomic regimes, allowing outdated bond-based heuristics to persist even after the end of the Great Moderation.
- Although gold still faces behavioral and institutional resistance, emerging shifts in portfolio narratives suggest gold may have lost its purely contrarian status.

What is wanted is not the will to believe, but the will to find out, which is the exact opposite.

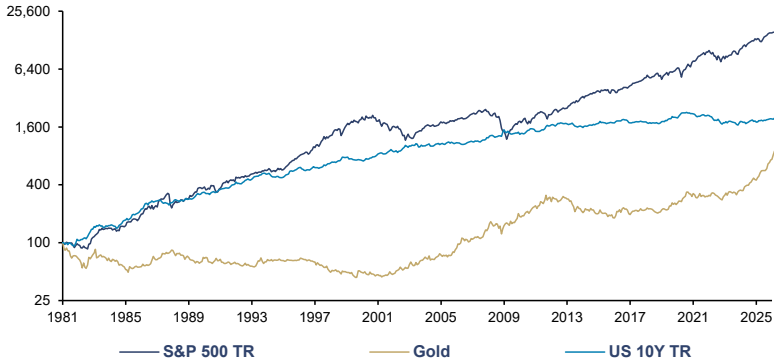
Bertrand Russell

The Gold Paradox

We are blessed with great defenders. It would be nice if we had that luxury in the attack as well.
Ronald Koeman

Gold has repeatedly proved to be an excellent asset for both creating and preserving wealth. The yellow metal has generated substantial returns since the collapse of the Bretton Woods system in 1971, compounding at 9.4% per annum (CAGR) in USD terms through 2025. Gold tends to be weakly correlated with other major asset classes, which makes it an effective portfolio diversifier. It carries no counterparty risk, no currency risk, and is geopolitically neutral. It is also a store of wealth recognized across countries and civilizations over millennia. **With an analogy that any football (i.e., soccer) enthusiast would appreciate, especially the ones with a bit of gray hair such as the author, the *In Gold We Trust* report 2025 labeled gold as the Ronald Koeman of financial assets: excellent in defense and formidable in attack.**

S&P 500 TR, Gold and US 10Y TR (log), in USD, 100 = 12/31/1980, 01/1981–12/2025



Source: LSEG, Incrementum AG

incrementum

In truth, the gold standard is already a barbarous relic.
John Maynard Keynes

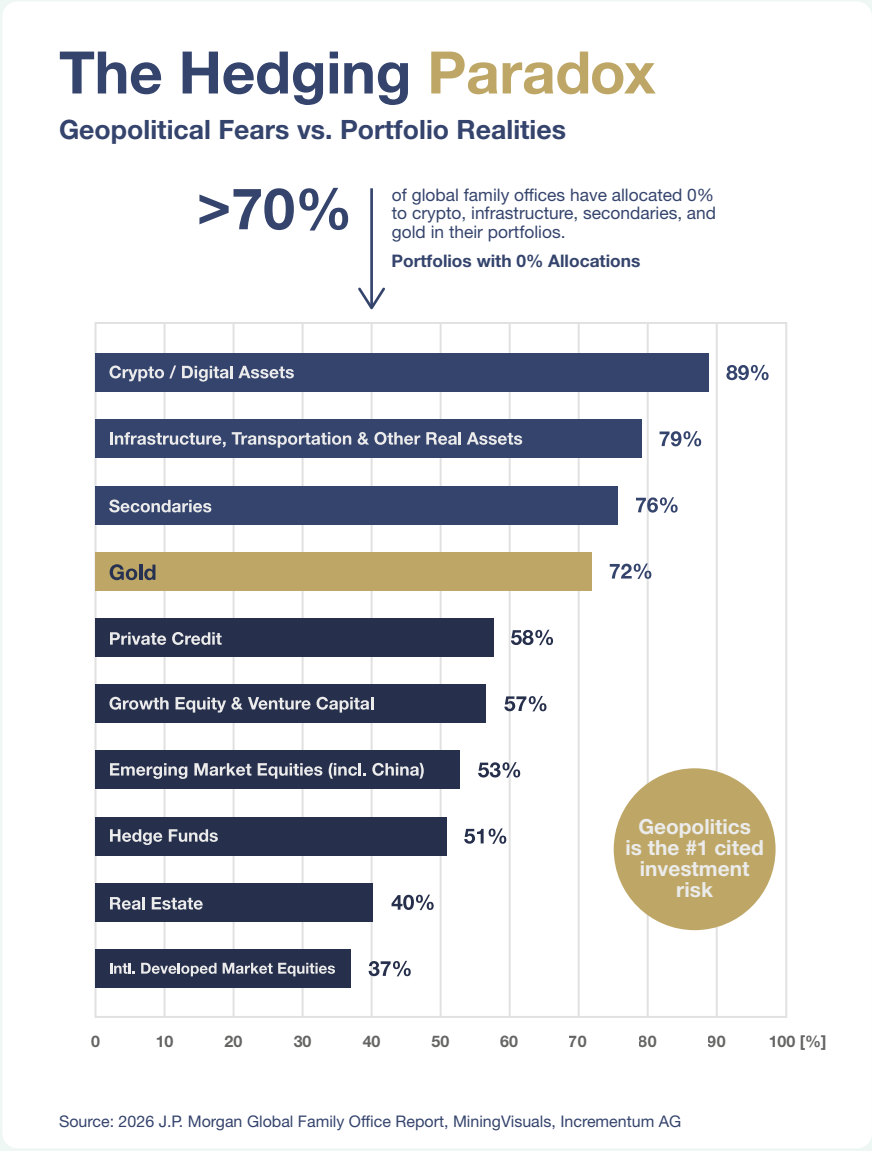
Despite these well-documented properties, gold continues to be burdened by a remarkably stubborn set of objections. One of the most common is that gold is unproductive because it does not pay interest or generate cash flows, an argument that implicitly treats income generation as the only defining criterion of investment quality. Gold has often been portrayed as excessively volatile or speculative, despite its historically moderate volatility and its tendency to perform well during periods of stress. A third objection

depicts gold as relevant only in times of crisis, implying that it has little role to play in normal economic conditions and therefore does not deserve a structural allocation. Finally, gold is often described as irrelevant in modern financial systems, a so-called "barbarous relic" in a world of fiat currencies and sophisticated monetary policy.

The persistence of these arguments to date is somewhat baffling. The chapter "The most common arguments, myths, and points of criticism about gold" of the *In Gold We Trust* report 2009 systematically addressed what it identified as the most common myths and points of criticism about gold. Drawing on empirical evidence and historical analysis, this third edition of the *In Gold We Trust* report showed that gold's lack of yield does not preclude it from preserving purchasing power, that its volatility is often overstated, that its relevance extends well beyond crisis periods, and that it continues to play a unique role as an asset without counterparty risk. The fact that these same objections continue to shape portfolio decisions more than a decade later suggests that gold's marginalization cannot be explained simply by a lack of data or analytical misinterpretation.

Given the substantial empirical support, it appears puzzling that gold has been systematically overlooked by portfolio managers. In its 2022 report "The Use of Gold in Institutional Portfolios", the World Gold Council documented that gold allocations among institutional investors typically remained modest, if any at all. Four years later, there is little evidence of a structural shift. The "UBS Global Family Office Report 2025" found that gold, and precious metals in general, remain a negligible portfolio allocation (2% on average). Likewise, according to J.P. Morgan's "2026 Global Family Office Report", 72% of global family offices report no gold exposure at all.

> *Despite the pervasive sense of geopolitical risks, appetite for traditional and emerging hedges remains limited. 72% of global family offices have no gold exposure*
> **J.P. Morgan**



Source: 2026 J.P. Morgan Global Family Office Report, MiningVisuals, Incrementum AG

Biases do not stem from poor reasoning – they stem from the backward-looking nature of heuristics that once worked.

This *gold paradox* appears even more striking when viewed against the current geopolitical and monetary backdrop. Heightened tensions between the United States and Russia and between the United States and China, as well as the armed conflicts in Ukraine and the Middle East, rising fiscal dominance, and vehement political demands for interest rate cuts should, in principle, support stronger capital inflows into gold and other precious metals. To paraphrase Grant Williams, despite gold's qualities and a seemingly ideal macroeconomic, fiscal, and geopolitical environment, hardly anybody cares.

What is rational is actual; and what is actual is rational.
Georg Wilhelm Friedrich Hegel

We do not aim to add new empirical evidence to strengthen the case for gold. The current empirical evidence is already sufficient to make a compelling case for the yellow metal. Rather, **we want to explore those psychological mechanisms that may contribute to explaining why most investors have not paid much attention to gold (yet).** In particular, it examines the cognitive shortcuts and biases that may contribute to explaining why investors have favored bonds over gold as the defensive component of their portfolios over the last four or five decades.

Human Decision-Making and Bounded Rationality

Before delving into the gold vs. bonds fight for a place in investors' portfolios, a brief academic detour is necessary. Understanding how real-world decisions are made under uncertainty requires stepping back from financial markets and considering more general features of human cognition. Insights from the broader study of human decision-making will later prove essential for interpreting the persistence of bond-centric portfolios and the marginalization of gold.

The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behavior.
Herbert Simon

Human decision-making is one of the broadest and most studied topics in the social sciences, spanning economics, psychology, neuroscience, and organizational theory. Over the past decades, insights from these disciplines have profoundly reshaped our understanding of how individuals and institutions make choices under uncertainty. Both expert decision-makers, such as portfolio managers, and nonexpert decision-makers, such as retail investors, operate under *bounded rationality*, a concept introduced by Herbert Simon, for which he was awarded the Nobel Prize in Economics in 1978.

All humans face fundamental limitations when making decisions, including limited information, time, and computational resources. Under bounded rationality, individuals rely on *heuristics*, that is, simplified rules of thumb, to navigate complex choices. Choosing a familiar brand at the supermarket rather than analyzing every available alternative is a typical example. Such behavior is not irrational per se. On the contrary, it often represents an efficient response to real-world constraints, trading off theoretical optimality for speed and reduced cognitive effort.

Take the best and ignore the rest.
Gerd Gigerenzer

In Simon's terminology, decision-makers tend to *satisfice* rather than *optimize*, meaning that they settle for solutions that are *good enough* to meet their objectives, rather than striving for theoretically optimal outcomes. Satisficing does not imply indifference to results. Rather, it reflects a pragmatic recognition that, in complex decision environments, the search for optimality may not be feasible or worth pursuing. Put bluntly, rather than recalculating optimal choices from scratch in every situation, individuals reuse patterns of behavior that have proven effective in similar contexts in the past. Crucially, in relatively stable environments, these heuristics often perform remarkably well and can even outperform complex optimization strategies that rely on questionable assumptions and precise parameter estimates, as the paper "Homo Heuristicus: Why Biased Minds Make Better Inferences" by Gerd Gigerenzer and Henry Brighton (2009) shows.

The cost of relying on heuristics, however, is that they can generate systematic biases. When the environment in which these rules were formed and employed changes substantially, heuristics that were once adaptive may persist beyond their useful life. Crucially, heuristics that consistently performed well tend to be ingrained in the decision-maker's mind. **After all, why worry? This latest bad outcome is just a blip, soon things will return to normal, right?**

Thus, biases do not necessarily occur because individuals reason poorly or lack sophistication. Instead, they stem from the inherently backward-looking nature of heuristics (and of the human mind), both shaped by past experience. As a result, decision-makers may exhibit systematic and persistent misjudgments precisely because they continue to rely on strategies that were successful in the past.

> *The Most Dangerous Phrase Is: "We've Always Done It That Way."*
> Grace Murray Hopper

Portfolio allocation decisions represent a classic domain for the study of bounded rationality, the implementation of heuristics, and the occurrence of biases. Investment choices are made under high uncertainty, and consequences of portfolio choices often materialize only with significant delays. In such settings, continuous optimization is impractical, and investors tend to rely on standardized allocation frameworks and widely accepted rules of thumb.

The Traditional 60/40 Portfolio: A Successful Heuristic

Through the lens of behavioral economics, the traditional 60/40 portfolio can be seen as one of the most influential heuristics in finance. By definition, heuristics are relatively simple, good-enough solutions to complex decision problems**. From the early 1980s to around 2020, the 60/40 portfolio was not merely good enough; it was extraordinarily successful in delivering stable and attractive risk-adjusted returns**. The negative correlation between stocks and bonds formed the foundation on which this heuristic rested. Even during adverse episodes such as equity bear markets, the bond component helped dampen portfolio volatility. In addition, regular portfolio rebalancing enforced a disciplined "buy low, sell high" mechanism.

> *Mind you, I've been here during the bad times, too – one year we came second.*
> Bob Paisley

This success was rooted in a historically specific macroeconomic and geopolitical regime. Following the high and volatile inflation of the 1970s, advanced economies entered a prolonged phase characterized by disinflation and declining nominal and real interest rates. At the same time, the global geopolitical environment became unusually supportive of macroeconomic stability and confidence in the US-centric monetary and political order. The emergence of a largely unipolar world order following the collapse of the Soviet Union and the expansion of global trade reduced perceived geopolitical risk and reinforced confidence in the existing monetary regime. This historically unique set of circumstances, often summarized under the label of the *Great Moderation*, provided an unusually stable backdrop for financial decision-making.

> *My view is that improvements in monetary policy... have probably been an important source of the Great Moderation.*
> Ben Bernanke

These macroeconomic and geopolitical developments were accompanied by profound changes in official reserve management. As confidence in the post-Cold War monetary order increased, many Western central banks reduced their gold holdings, increasingly viewing bullion as a legacy asset ill-suited to a world of low inflation and stable fiat currencies. At the same time, foreign-exchange reserves were progressively reallocated toward US Treasury securities, which came to be regarded as the de facto global safe haven. Liquid and backed by the world's dominant economic and military power, US Treasuries appeared to offer superior safety and convenience relative to gold. Against this backdrop, allocating roughly 40% of a portfolio to bonds and little or no gold was a reasonable response to prevailing conditions.

> *In the 1990s, gold was an unloved asset among central banks. Reserve managers lent or sold their gold... Today, however, sentiment has been transformed.*
> Isabelle Strauss-Kahn

Empirical evidence is broadly consistent with this interpretation. Our analyses presented in the chapter "Mastering the New Gold Playbook" in the *In Gold We Trust* report 2024, *The New Gold Playbook*, suggest that an allocation of approximately 14–18% to gold would have reduced portfolio volatility over the 1970–2024 period. Nevertheless,

> *Over the past 25 years, gold has delivered cumulative returns exceeding 1,300%, outpacing global bonds and rivaling major equity indices.*
> VanEck

In 2022, bonds and stocks fell together – and the heuristic that had defined four decades of portfolio construction was exposed as state-contingent.

portfolios with negligible gold exposure still delivered acceptable, and in many cases strong, risk-adjusted performance during much of the bond bull market. The opportunity cost of excluding gold was therefore often modest, while the perceived benefits of holding bonds were tangible and immediate, e.g., diversification and yearly dividends.

Optimal Gold Allocation in a Stock/Bond Portfolio*, 1970–2024

Gold Allocation	Performance p.a.	Annualized Volatility	Max. Drawdown	Sharpe Ratio
0%	9.37%	8.28%	-27.00%	0.54
2%	9.41%	8.16%	-26.38%	0.55
4%	9.44%	8.05%	-25.76%	0.56
6%	9.48%	7.96%	-25.13%	0.57
8%	9.51%	7.89%	-24.50%	0.58
10%	9.53%	7.84%	-23.87%	0.59
12%	9.56%	7.82%	-23.46%	0.59
14%	9.59%	7.81%	-23.07%	0.60
16%	9.61%	7.83%	-22.67%	0.60
18%	9.63%	7.87%	-22.28%	0.60
20%	9.65%	7.92%	-21.97%	0.59
22%	9.67%	8.00%	-22.10%	0.59
24%	9.69%	8.10%	-22.24%	0.59
26%	9.70%	8.22%	-22.37%	0.58
28%	9.71%	8.35%	-22.51%	0.57
30%	9.72%	8.51%	-22.65%	0.56
40%	9.75%	9.49%	-25.99%	0.51
50%	9.73%	10.77%	-31.55%	0.44
60%	9.66%	12.25%	-36.76%	0.39

Source: Robert J. Shiller, LSEG, Incrementum AG
*S&P 500 TR and US 10Y TR

Thus, investors did not "make a mistake" by preferring bonds over gold; they adopted a heuristic well suited to a specific and unusually persistent macroeconomic environment. The 60/40 portfolio represented a satisficing solution to the complex problem of long-term asset allocation under uncertainty. Its widespread adoption was reinforced by decades of favorable outcomes, which entrenched it as a default framework for investors.

> *Stability is destabilizing.*
> Hyman Minsky

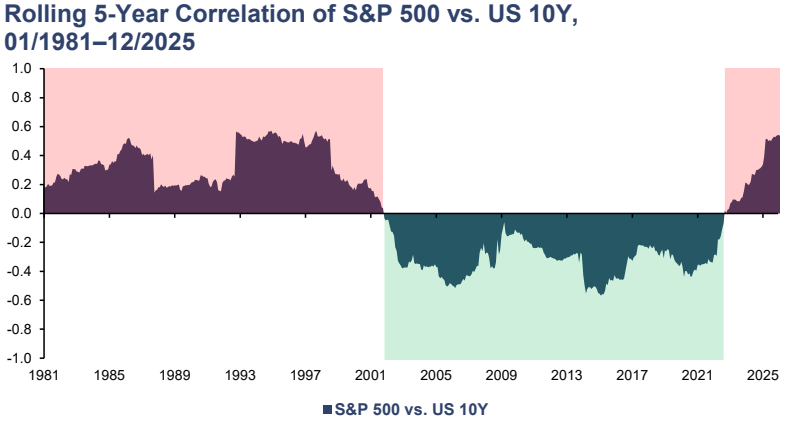
The very durability of this success, however, also sowed the seeds of potential fragility. **A heuristic that performs well for several decades naturally comes to be treated not as a context-dependent rule, but as a quasi-universal principle of portfolio construction**. As long as the underlying environment remained stable, this distinction mattered little. It would become increasingly consequential only once the conditions that supported bond-centric portfolios began to change.

The end of the old regime

The macroeconomic and geopolitical environment that underpinned the success of bond-centric portfolio heuristics did not unravel abruptly. The long period of stability associated with the Great Moderation began to show cracks during the 2008 Global Financial Crisis. What initially appeared to be an extreme but containable shock would, in retrospect, mark the beginning of a less stable monetary and financial order.

In the aftermath of the Global Financial Crisis, central banks responded with aggressive monetary easing and unconventional measures such as quantitative easing and negative real interest rates. These interventions restored confidence and prevented systemic collapse. **For investors, crucially, the crisis largely validated the role of bonds as the primary defensive asset**: bonds performed strongly, equity-bond correlations remained low, and the 60/40 portfolio again demonstrated resilience. Rather than prompting a reassessment, the episode reinforced confidence in the prevailing heuristic.

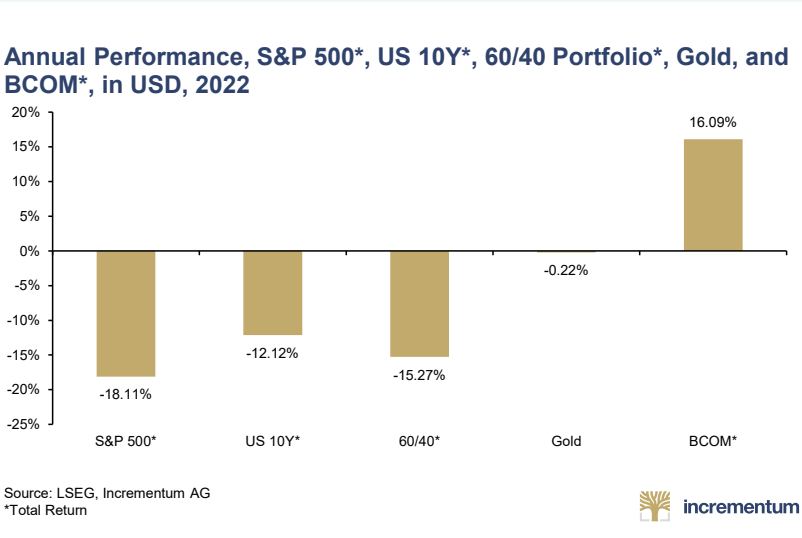
> *It's not a lie if you believe it.*
> George Costanza



At the same time, the policy response gradually altered the system. Persistently low interest rates, expanding central-bank balance sheets, and rising public debt reduced expected bond returns and increased vulnerability to future inflation or rate increases. Allocating heavily to government bonds at historically low yields implied limited upside and growing asymmetric risk, even if this was not yet fully appreciated.

The decisive break occurred after the Covid shock. Massive fiscal interventions, the return of inflation as a central macroeconomic concern, and the most rapid interest-rate increases in decades culminated in 2022, when bonds and stocks fell together, exposing the fragility of the traditional diversification assumption.

> *We are deploying these lending powers to an unprecedented extent... forcefully, proactively, and aggressively.*
> Jerome Powell, April 2020



The geopolitical environment deteriorated in parallel. The Russian invasion of Ukraine in 2022 and the freezing of foreign-exchange reserves underscored the political dimension of sovereign assets. In this context, gold's lack of counterparty risk and independence

In practice, rather than consistently overriding intuitive beliefs, System 2 often serves to rationalize conclusions already reached, particularly in complex environments such as financial markets.

from any single issuer regained strategic relevance. After decades of net sales, central banks have become net buyers of gold, particularly among countries seeking to reduce USD exposure.

Emerging markets' attitude towards gold

This shift in official reserve management reveals a deeper divergence in how gold is cognitively framed across different monetary cultures.

The renewed accumulation of gold by central banks in recent years highlights a structural divergence. While Western portfolio construction has progressively marginalized gold over the past four decades, in many emerging markets gold has retained a more central monetary role. In contrast to developed markets, episodes of currency instability, e.g., hyperinflation, and financial repression have been more frequent and more recent in emerging markets. In such environments, the assumption that sovereign debt instruments or foreign-currency reserves are immune from political risk has never been as deeply embedded in investor expectations. Gold has therefore retained its role as a strategic asset.

> *In this cycle, sovereign accumulation preceded price discovery by years... It is the direct footprint of sovereign activity stepping in where private miners hesitated.*
> **Dave Weisberger**

This divergence is visible in official sector data. As discussed in the chapter "The Status Quo of Gold Demand" in the *In Gold We Trust* report 2024, *The New Gold Playbook*, the increase in central-bank gold holdings has been driven almost entirely by emerging markets. Concerns about systemic financial risk and sanctions are cited as key motivations for holding gold, as we discussed in the chapter "Status Quo of Gold Demand and Gold Supply" in the *In Gold We Trust* report 2025, *The Big Long*. These motivations are largely absent among developed-market peers. From West to East, gold is thus embedded in different narratives.

The *In Gold We Trust* report 2024 described this shift as the emergence of a *New Gold Playbook*, arguing that structural changes in the monetary order require rethinking traditional allocation frameworks. In that framework, official-sector demand and reserve reallocation play a central role in gold's price dynamics. To date, these forces are disproportionately concentrated in emerging markets, reinforcing their growing influence on marginal price formation.

At the household level, the contrast is similarly pronounced. Physical gold demand is heavily concentrated in Asia and the Middle East, where jewelry and bullion function not only as consumption goods but as savings vehicles and intergenerational stores of value. In Western markets, by contrast, gold exposure is predominantly financialized through ETFs and typically remains tactical rather than strategic.1

> *Most professional investors had joined the industry in the 80s or 90s and didn't know a market decline could exceed 5%.*
> **Howard Marks**

These differences do not reflect superior or inferior rationality. They illustrate how individual and collective behavior is shaped by historical and geographical experience. Heuristics emerge from repeated interaction with a particular environment. **In the West, decades of disinflation, institutional stability, and strong bond performance trained investors to equate safety with sovereign debt. In many emerging markets, repeated exposure to currency volatility and geopolitical risk reinforced the intuition that tangible, non-debt assets deserve a structural role in wealth preservation**.

The West-East contrast is therefore instructive. If gold remains embedded in the monetary imagination of many emerging markets, the persistence of its marginalization in Western portfolios cannot be explained solely by objective asset characteristics. It must

1 *See* chapter "The Status Quo of Gold Demand and Gold Supply" in this *In Gold We Trust* report

also be understood as a consequence of historically reinforced investment heuristics. This brings us back to the central behavioral question: Why do such heuristics persist even after the regime that gave rise to them has changed?

Why Outdated Portfolio Heuristics Persist

Despite mounting evidence of macroeconomic, fiscal, and geopolitical change, Western portfolios have been slow to adapt. The persistence of traditional portfolio allocation frameworks in a markedly different environment raises a central question for this chapter: Why do portfolio choices continue to reflect the assumptions of a bygone regime?

> *The problem with experts is that they do not know what they do not know.*
> Nassim Nicholas Taleb

Investors' psychological aversion to gold was analyzed in the *In Gold We Trust* Report 2012, in the chapter "Why is gold such a highly emotional topic?". *Cognitive dissonance* and *normalcy bias* play a central role in shaping investor attitudes toward gold. Cognitive dissonance arises when new information conflicts with established beliefs or past decisions. It is an unpleasant psychological state, and the mind naturally seeks to resolve such conflicts. Crucially, the "mandate" of the mind is not to model reality objectively, but to build and maintain a coherent narrative that protects the self. As a result, **the least painful way to resolve cognitive dissonance is often to ignore new information or to force it into existing mental maps.**

Normalcy bias, the tendency to underestimate the probability and impact of risks that have not materialized for extended periods, offers a clear illustration of this mechanism. After several decades characterized by low inflation, declining interest rates, stable geopolitics, and reliable stock-bond diversification, many investors came to treat these conditions not as historically contingent outcomes but as the most likely future state of the world. Risks such as a resurgence of inflation, a breakdown in stock-bond correlations, fiscal dominance, or the geopolitical use of financial sanctions were therefore implicitly assigned very low probabilities. Rather than being priced as structural possibilities, they were, and in many cases still are, dismissed as remote or implausible scenarios. **Interpreting deviations from familiar conditions as temporary disturbances rather than structural changes is often the path of least psychological resistance**.

System 1 and System 2

> *I see the light. It burns!*
> Homer Simpson

Building on Simon's notion of bounded rationality, another Nobel Prize winner in Economics, Daniel Kahneman, argues that human decision-making is governed by the interaction between two cognitive systems. *System 1* is fast, intuitive, and associative; it relies on heuristics, narratives, and familiar labels to navigate complexity. By contrast, *System 2* is slower, effortful, deliberate, and analytical, and is capable, at least in principle, of questioning intuitive judgments through careful reasoning and evidence. In practice, however, rather than consistently overriding intuitive beliefs, System 2 often serves to rationalize conclusions already reached through System 1, particularly in complex and uncertain environments such as financial markets.

This framework provides a powerful explanation for the persistence of established investment heuristics. Cognitive limitations, i.e. Simon's bounded rationality, shape the tendency to resolve dissonance by defending existing beliefs, while the dominance of System 1 over System 2 reinforces familiar narratives and decision rules. The key point is that, contrary to common expectations, **not only intuitive but also analytic forms of thinking can be biased against information that contradicts familiar and reassuring beliefs**. Investment behavior is no exception to this general pattern.

> *A reliable way to make people believe in falsehoods is frequent repetition, because familiarity is not easily distinguished from truth.*
> Daniel Kahneman

For investors who relied for decades on the 60/40 portfolio and neglected gold, acknowledging gold's renewed relevance would imply admitting that prior convictions may no longer hold. Such admissions are psychologically costly, particularly when they threaten an investor's self-image as rational and competent. Gold has more than doubled in price over the past couple of years, a move that many portfolio managers largely missed. At the same time, bonds have suffered a bear market from which they have

During the Great Moderation, the 60/40 portfolio was powered not only by income but by a persistent decline in long-term yields and a reliably negative stock-bond correlation. Today's environment is qualitatively different.

never fully recovered. This experience may foster regret and discomfort, which System 1 seeks to neutralize by defending familiar and reassuring narratives.

Recent narratives upholding bonds

One such narrative is the idea that bonds returned to being a reliable portfolio diversifier in 2024–2025. After the historic drawdown of 2022, fixed income began delivering positive returns again as nominal yields reset higher. For many investors, this was sufficient evidence that the traditional 60/40 portfolio was still working properly.

> *Like a gold ring or an ornament of gold is a wise reprover to a listening ear.*
> **Proverbs 25:12**

It is precisely here that the psychological mechanisms described above become visible. By its very nature, System 1 seeks evidence that corroborates long-standing and reassuring visions of the world. After a painful 2022, bonds finally delivered positive returns in 2023 and 2025. The intuitive conclusion follows: The anomaly has passed; the old heuristic still works.

This is a textbook example of how normalcy bias resolves cognitive dissonance by selectively overweighting the evidence upholding a narrative that provides psychological closure. At the same time, the available evidence that may poke some holes in the beloved narrative is systematically downplayed. In this context, **normalcy bias reduces, or even nullifies, the need to revisit uncomfortable structural questions**.

> *The fiscal path is unsustainable and the sooner we work on it, the better.*
> **Jerome Powell**

From a purely arithmetic perspective, the "bonds are back" argument is not without merit. After more than a decade of a near-zero-yield environment, higher yields once again contribute meaningfully to total return. Yet, the improvement has been driven primarily by carry rather than by the structural forces that sustained bond performance for four decades. During the Great Moderation, the 60/40 portfolio was powered not only by income but by a persistent decline in long-term yields and a reliably negative stock-bond correlation.

Today's environment is qualitatively different. Capital appreciation in long-duration bonds remains limited, and the long end of the curve has stayed elevated and somewhat volatile. System 1 may focus on the opportunity to lock in bigger coupons for a decade or more. But at the same time, it may downplay, or utterly forget, that this state of affairs signals market concerns about stubbornly above-target inflation, fiscal dominance, and the durability of the USD's safe-haven status.

A parallel narrative unfolded in the gold market. Gold's advance through 2024 and 2025 was extraordinary. The yellow metal's price increased by 65% in 2025 and, at its peak in January 2026, surged beyond USD 5,500 per ounce. The magnitude of the move challenged the long-standing marginalization of gold within many Western portfolios. Yet, the rally was followed by some volatility. In early 2026, the nomination of Kevin Warsh as Federal Reserve chair and a subsequent increase in margin requirements by the CME triggered a rapid correction. The move was abrupt, widely reported in the media, and psychologically salient.

> *Gold is not a hedge against inflation. It is an investment in monetary disorder.*
> **Jim Grant**

Here again, System 1 framed this episode around previous long-standing convictions. The correction was seen not as normal volatility within a broader bull market but as confirmation that gold is inherently speculative and unsuitable as a core allocation. The prior gains were reclassified as excess, and the drawdown was treated as proof that the bull market might be over. For portfolio managers who had underweighted gold during its ascent, the episode offered convenient reassurance. The asymmetry in perception is striking, yet consistent with the insights provided by behavioral economics. Volatility

in bonds is typically interpreted as temporary noise within a fundamentally stable asset class. Conversely, volatility in gold is often treated as evidence of intrinsic instability. Short-term price movements are thus granted very different interpretative weights depending on the asset.

From a structural standpoint, however, the forces underpinning gold's rise did not disappear with a margin-induced correction. Elevated fiscal deficits, inflation uncertainty, geopolitical fragmentation, and concerns about currency weaponization remained intact. Yet System 1, seeking to resolve cognitive dissonance in the least painful way possible, seized on short-term gold volatility as validation of preexisting heuristics.

Institutional forces upholding bonds

The psychological mechanisms discussed above do not remain confined to the private decision-making process of retail investors. Cognitive dissonance, normalcy bias, and the reliance on familiar heuristics affect professional decision-makers just as much as individual savers. The crucial difference lies not in the presence of bias but in how it interacts with institutional structures.

> *Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally.*
> John Maynard Keynes

For retail investors, these mechanisms operate most visibly through recency bias and attention-driven allocation. A substantial body of empirical research shows that retail flows tend to follow recent performance, e.g. the paper "All That Glitters: The Effect of Attention and News on the Buying Behavior of Individual and Institutional Investors", by Brad M. Barber and Terrance Odean. Assets that have delivered strong returns in the recent past attract disproportionate inflows, while laggards are neglected. This dynamic is amplified by media coverage and social reinforcement. What dominates headlines and social feeds often dominates marginal capital allocation. Over the past decade, this pattern has repeatedly favored technology equities, thematic ETFs, and cryptocurrencies, which are assets that combine strong momentum with compelling narratives.

> *Individual investors simply buy those stocks that catch their attention.*
> Brad M. Barber and Terrance Odean

Gold, by contrast, rarely benefits from such "shiny object" dynamics. It lacks technological novelty or transformative innovation narratives. Its strongest relative performance typically occurs during episodes of macroeconomic stress or systemic anxiety, precisely when investors hope that instability is temporary rather than structural. As a result, gold often fails to capture retail enthusiasm during long equity bull markets; and when it rallies sharply, it is frequently dismissed as a temporary hedge rather than embraced as a structural allocation.

In professional investment environments, the same cognitive tendencies are present but operate differently. Institutional investors are not immune to recency bias or narrative reinforcement. They too formed their allocation frameworks during decades in which bonds reliably cushioned equity drawdowns and delivered steady returns. However, in institutional settings, **cognitive biases are translated into collective behavior through benchmarking, peer comparison, and formal performance evaluation**.

> *Asset allocation advice should not be offered unless you are willing, on rare occasions, to make major bets and accept a big dose of career and business risk.*
> Jeremy Grantham

Within this framework, the efficient-market hypothesis (EMH) plays an important legitimizing role. By emphasizing the difficulty of systematically outperforming the market, EMH reduces the perceived benefit of deviating materially from prevailing consensus allocations. When performance is assessed relative to benchmarks and peers, this logic naturally fosters behavioral inertia and a degree of herd behavior. Under such conditions, remaining close to conventional bond-heavy portfolio structures can represent a rational strategy for portfolio managers, even when those allocations are no longer well aligned with underlying macroeconomic fundamentals.

Career and reputational risk further entrench this inertia. A portfolio manager who maintains a high allocation to bonds and delivers disappointing returns in line with the benchmark can plausibly attribute the outcome to broadly adverse market conditions. Alongside protecting one's self-esteem, conformity offers a form of professional insurance: "I failed alongside most of my peers, so I didn't do anything wrong". Conversely, taking a contrarian albeit evidence-based stance, such as reallocating meaningfully

toward gold or other commodities at the expense of bonds, exposes portfolio managers to disproportionate risk in the event of failure. Deviations from orthodoxy tend to be punished asymmetrically. If institutional incentives reward conformism, accepting a broadly shared real or relative loss is often preferable, as the risk of being wrong alone outweighs the potential reward of being right.

> *In investing, what is comfortable is rarely profitable.*
> **Rob Arnott**

Retail and institutional investors therefore arrive at similar outcomes through distinct but related mechanisms. Retail investors are pulled by recency bias and attracted to assets that shine brightest in prevailing narratives. Institutional investors are constrained by benchmarking, model frameworks, and career risk that reward adherence to established structures. **In both cases, gold remains structurally underrepresented, not necessarily because it lacks merit, but because it does not align naturally with the psychological and institutional forces that govern capital allocation.**

How Heuristics Change

> *Heuristics are not good or bad, rational or irrational per se, but only relative to an environment.*
> **Gerd Gigerenzer**

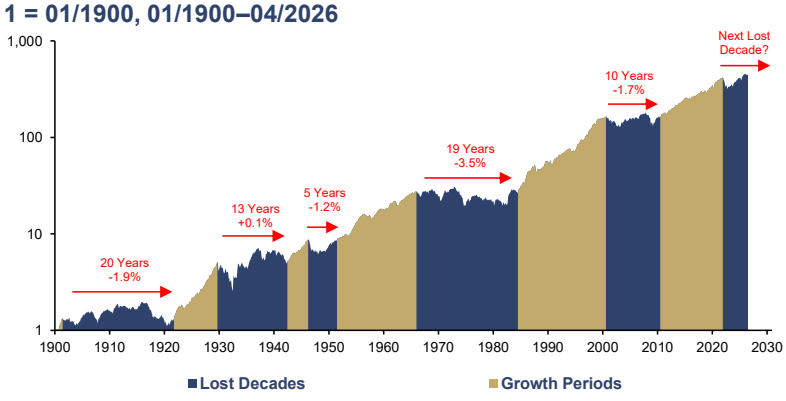
As seen, the vast majority of investors have negligible, if any, amounts of gold in their portfolios. It is therefore reasonable to conclude that, despite gold's qualities, old investment heuristics that relegate gold to irrelevance are still in place. How can new, more adaptive heuristics replace the old ones? By now, the reader should be clear that empirical evidence alone does not win arguments. So, how can those individual and collective psychological forces that defend old beliefs be overcome? Gerd Gigerenzer's ecological rationality framework provides a possible answer.

In his research paper "Why Heuristics Work", Gigerenzer has documented how simple heuristics can match or even outperform complex predictive models due to their ability to exploit the regularities of the environment. However, the exceptionally long regularities that characterized the Great Moderation and that made the 60/40 portfolio arguably the most successful heuristic in the history of behavioral finance have been compromised. Bonds appear to have lost part of their ability to cushion equity drawdowns and, more broadly, some of their former safe-haven status. This raises the question of whether investors will abandon, or at least amend, the 60/40 portfolio heuristic.

> *Change happens when the pain of staying the same is greater than the pain of changing.*
> **Tony Robbins**

First of all, investors must experience that the 60/40 portfolio is no longer delivering acceptable outcomes. Heuristics are kept or dropped based on feedback. For the 60/40 investor, this feedback arrives when the portfolio repeatedly disappoints on the outcomes they care about: preserving real wealth, limiting deep drawdowns, providing stable retirement income, and similar objectives. This feedback needs to be consistent and repeated through time. Otherwise, it may be dismissed as temporary.

Inflation-adjusted Performance of a 60/40 Portfolio* (log), in USD, 1 = 01/1900, 01/1900–04/2026



Source: Robert J. Shiller, Incrementum AG, *60% S&P 500 TR and 40% US 10Y TR

incrementum

Second, for a heuristic to be revised, people must also be able to attribute bad outcomes to the heuristic rather than to fate. The recognition of a causal link is paramount, and narratives are likely to play a major role. This means that investors, advisers, and commentators must articulate a story that links the disappointment of traditional 60/40 portfolio returns to their structural dependence on nominal debt instruments in a world of financial repression, inflation risk, and geopolitical shocks. By contrast, if the dominant narrative frames poor results as random turbulence, the old heuristic remains protected. Once the environment is widely described as penalizing debt-based assets and favoring scarce real assets, the conceptual ground for reallocating toward gold and commodities is established.

What is now unfolding is not a speculative surge, but a gradual, top-down re-legitimization of gold as a strategic component within portfolios.

Third, a heuristic becomes established and persists not only because it works but also because it is socially and professionally safe to use. Investors will feel able to dismantle the 60/40 portfolio only once large asset owners, consultants, regulators, and model-portfolio providers begin to legitimize portfolios with explicit hard-asset allocations as standard practice. This shift would be reflected in benchmark construction, strategic asset allocation frameworks, and the language of regulatory and consulting guidance. Once career risk shifts from "you deviated from the classic 60/40 mix" to "you ignored obvious real-asset hedges in an environment hostile to debt assets," the selection pressure reverses. In that situation, a meaningful rotation of capital from bonds to gold and other hard assets no longer appears as a speculative deviation, but rather as a more ecologically rational heuristic for a changed world.

> *The stories we tell ourselves about how the world works dictate how we invest.*
> **Robert Shiller**

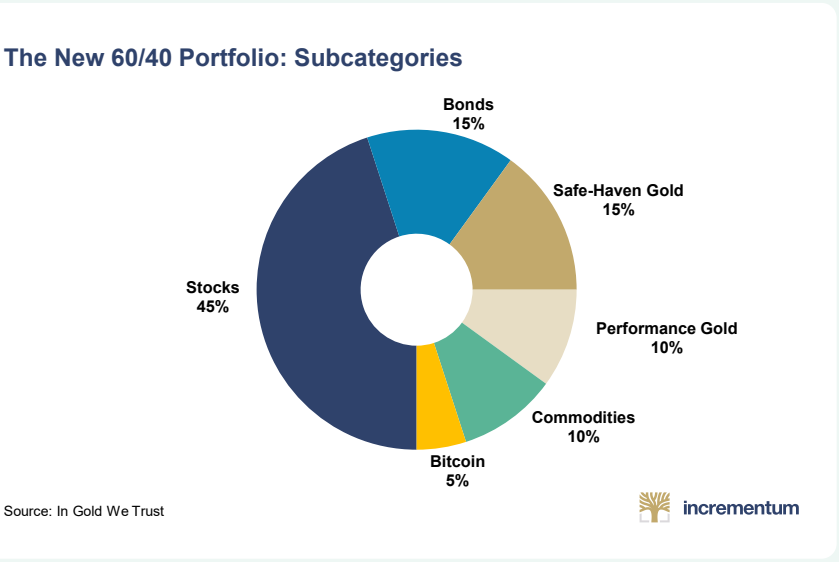
Finally, **the prompt availability of alternative, more adaptive heuristics is also necessary.** Decision-makers do not abandon one tool in isolation. Rather, they switch to another simple rule that fits the environment better, what Gigerenzer calls the "adaptive toolbox". For investors, this implies that new heuristics must be simple enough to be communicated, understood, and adopted. The availability of alternative heuristics is also necessary to highlight performance differences between old and new investment rules. If portfolios that include a meaningful allocation to hard assets, such as gold and commodities, show visibly smaller drawdowns and better inflation protection, the performance gap begins to signal that the traditional 60/40 portfolio is no longer fit for purpose. Absent that contrast, the old heuristic can survive for a surprisingly long time, because investors can always attribute pain to unpredictably volatile markets or bad luck rather than to the allocation itself.

> *I suppose doing things you hate is just the price you pay to avoid loneliness.*
> **Mark Corrigan**

The new 60/40 portfolio

An example of such an adaptive heuristic is the new 60/40 portfolio introduced in the *In Gold We Trust* report 2024, *The New Gold Playbook.* Rather than abandoning the traditional framework, this approach explicitly seeks to adapt it to a changed macroeconomic and geopolitical environment. The growth and traditional asset allocation remains at 60%, composed of 45% equities and 15% bonds, while the remaining 40% is allocated to a diversified set of hard assets. This defensive sleeve includes 15% physical gold (= safe-haven gold), 10% performance gold (such as silver and mining equities), 10% commodities, and 5% Bitcoin.

> *The 60/40 portfolio is a great baseline, but it is not a law of nature.*
> **Jack Bogle**



A paradigm shift takes place when a question is asked that cannot be answered within the current paradigm.
Joel Barker

By embedding gold and other non-debt assets structurally within the defensive allocation, the revised 60/40 framework illustrates how portfolio heuristics can evolve once their underlying environment changes. The allocation represents a pragmatic response to a world in which effective diversification requires assets that respond differently to inflation, interest-rate dynamics, fiscal policy, and geopolitical shocks, rather than assets whose performance tends to deteriorate simultaneously under regime stress. In Gigerenzer's terms, it constitutes a candidate heuristic within the adaptive toolbox: a simple, communicable rule designed to better fit the emerging environment.

Will New Heuristics Replace Old Ones?

Experience is the name everyone gives to their mistakes.
Oscar Wilde

While traditional portfolio heuristics such as the 60/40 portfolio have proven remarkably persistent, there are growing signs that the conditions required for their gradual replacement are beginning to emerge. No mass reallocation of capital toward gold or other hard assets has occurred so far. Yet, consistent with the behavioral and institutional mechanisms discussed above, early signals of heuristic adaptation are becoming increasingly visible.

With the price touching 5,000 USD, it's getting increasingly more difficult to ignore gold.
Michael Widmer

Importantly, these signals are not confined to retail enthusiasm or isolated commentary. They are driven by institutional actors beginning to articulate alternative rules of thumb and to legitimize new portfolio narratives. Proposals that would once have been considered unconventional, if not implausible, such as meaningful allocations to real assets alongside equities and bonds, are now discussed more openly within mainstream investment discourse.

The return of Western investors to gold-backed ETFs marks the end of a long period of apathy and the beginning of a new cycle of trust.
The World Gold Council

A prominent example is the 60/20/20 portfolio proposed by Morgan Stanley's CIO Mike Wilson, which allocates 60% to equities, 20% to bonds, and 20% to gold. What only a few years ago would have been considered contrarian, or even outrageous, now reflects a broader reassessment of portfolio diversification. This is not an isolated case. Ray Dalio has repeatedly argued that investors should hold a significant amount of non-debt money in late-stage debt cycles, explicitly pointing to gold as a strategic hedge against monetary debasement. Similarly, Jeff Gundlach of DoubleLine Capital has advocated meaningful gold exposure as protection against fiscal instability, currency debasement, and rising sovereign risk. The relevance of such proposals lies in their narrative function: They represent an authoritative acknowledgment that relying predominantly on bonds for diversification has become insufficient in the current macroeconomic and geopolitical environment.

Consistent with this evolution in institutional positioning, investor behavior has also begun to adjust at the margin. After years of muted or negative flows, gold ETF inflows have turned positive since Q2/2024, indicating renewed engagement with gold as

an asset class. Analysis by VanEck characterizes this development as part of a "new era of structural strength and enduring appeal" for gold, noting that Western investor participation has strengthened after a prolonged period of outflows. While still modest in absolute terms, these developments matter because they increase the visibility and legitimacy of alternative portfolio heuristics.

Despite these early signals, hesitation remains widespread. Although interest in gold has increased, average Western investor portfolios remain far from a structural allocation to the metal. Gold weights in the range of 15–20%, which, according to our historical analysis in the chapter "Mastering the New Gold Playbook" in the *In Gold We Trust* report 2024 "The New Gold Playbook", could significantly improve portfolio robustness, remain the exception rather than the rule. In most cases, gold allocations are negligible.

> *History is a gallery of pictures in which there are few originals and many copies.*
> **Alexis de Tocqueville**

A historical comparison is instructive. During the 1970s bull market, global investment demand for gold rose sharply. Although reliable data on average investor portfolio allocations are not available for the period, gold flow data provide a clear indication of investor appetite. Investment demand increased from roughly 372 metric tons in 1970 to approximately 911 metric tons by 1977, more than doubling over the decade. From 1973 onward, annual investment demand consistently remained in the 700–900-ton range, reflecting sustained and elevated investor participation. One must also not forget that in the US private gold ownership was only legalized on December 31, 1974. On that day the International Development Association Appropriations Act went into effect, repealing all restrictions on private gold ownership, which had been introduced by Executive Order 6102 on April 5, 1933. Today, despite record prices, there is little evidence of a comparable broad-based reallocation in Western portfolios. Investors may be rethinking gold at the margin, but most have not meaningfully increased their allocations.

> *Life is a series of natural and spontaneous changes. Don't resist them; that only creates sorrow. Let reality be reality.*
> **Lao Tzu**

From a behavioral perspective, this gradualism is neither surprising nor irrational. Portfolio heuristics that have delivered acceptable outcomes for decades are not abandoned lightly. As discussed earlier, adaptation typically does not occur in response to abstract arguments or isolated episodes of underperformance, but rather through sustained experience that repeatedly contradicts existing mental models. If an environment characterized by higher inflation volatility, fiscal dominance, declining trust in institutions and debt assets, and geopolitical fragmentation persists, bond-centric heuristics will start to crumble.

To date, the "gold paradox" remains a story of delayed adaptation. Investors, like decision-makers in other domains, have relied on mental maps that were well suited to a past regime and have been slow to revise them as conditions have changed. Yet structural, large-scale reallocations rarely begin with widespread consensus. Rather, they begin with institutional reframing. **What is now unfolding is not a speculative surge, but a gradual, top-down re-legitimization of gold as a strategic component within portfolios**, as illustrated by Morgan Stanley's 60/20/20 portfolio. Gold is not a purely contrarian investment anymore, and the institutional rotation towards the yellow metal has just begun. ■

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India – Structure, Dynamics and Future of the World's Largest Gold Ecosystem



Key Takeaways

- India's gold market is evolving from a cultural, jewelry-driven system into a hybrid ecosystem of consumption, investment, and financial products, gaining growing influence on global price dynamics.
- Household gold holdings stand at approximately 29,000–35,000 t, valued at over USD 4trn – exceeding 100% of GDP – yet remain largely illiquid and held for generational purposes.
- Long-term demand stays structurally robust (600–1,000 t/year), driven by income growth, demographics, and culture; high prices shift purchases toward investment formats such as bars, coins, ETFs.
- Regulatory reforms such as mandatory HUID hallmarking, IIBX exchange, and EGRs are formalizing the market, narrowing spreads, reducing informality, and aligning India with global standards.
- Interview "Gold Is the New Gold" with Sachin Jain, Regional CEO India, World Gold Council

Indian women didn't hoard gold. They quietly built the country's most consistent investment portfolio.

Harsh Goenka

India's gold market is undergoing a profound transformation. Once driven almost entirely by culture, i.e. weddings and informal retail networks, it is now shaped by a complex interplay of macroeconomic forces, demographic momentum, financialization, regulatory reform, and growing integration with global bullion flows. It therefore makes sense to take a closer look at the economic, cultural, and structural foundations of India's demand for gold.

Long-Run Demand, Wealth Accumulation, and Structural Drivers

Gold is money. The poorest Indian knows this and that knowledge is power.
Sridhar Vembu

India's importance to the global gold market has intensified over recent years as rising incomes, rapid economic expansion, and sustained population growth have collectively expanded the country's base of potential gold buyers. Looking ahead, India's growing share of global GDP, combined with one of the world's youngest and fastest-expanding populations, is set to further elevate total gold demand – reinforcing its role not only as the world's largest consumer market but as a structural driver of global bullion dynamics.

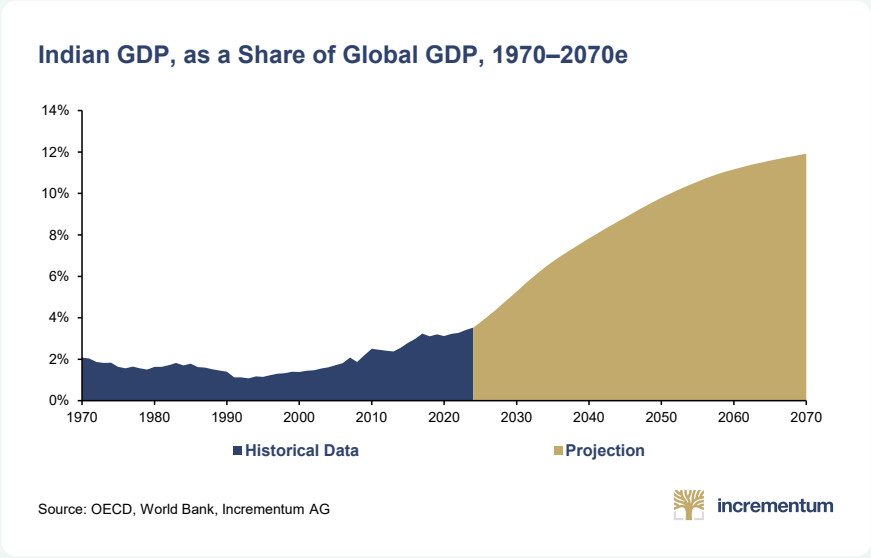
Two decades of demand cycles and structural resilience

Gold will remain relevant as a portfolio diversification mechanism.
Anantha Nageswaran

Over the past two decades, India's consumer gold demand has cycled with macro and policy regimes but has remained structurally high, oscillating roughly between 600–1,000 t per year, with a pandemic trough of 446 t in 2020 and a recovery to 711 t in 2025 as value terms hit a record on soaring prices. Parallel to this, aggregate domestic gold wealth has compounded dramatically: Recent sell-side and industry tallies place Indian household holdings near 35,000 t. Official reserves have also been reshaped: The Reserve Bank of India's (RBI) gold stock rose to 880.2 t at end-2025 and the share stored domestically to more than 65.5%, reflecting a strategic repatriation and diversification that lifted gold's share of FX reserves to about 17.2%.

Since the launch of the "Make in India" initiative in 2014, industrial policy has increasingly focused on expanding domestic manufacturing capacity through production-linked incentives, tax reforms, and infrastructure investment designed to attract foreign investment and deepen India's industrial base. This transformation is visible in

the rapid expansion of electronics manufacturing. India's electronics and IT hardware production rose from roughly INR 221bn in the late 1990s to roughly INR 9.5trn (about USD 115bn) in 2024.

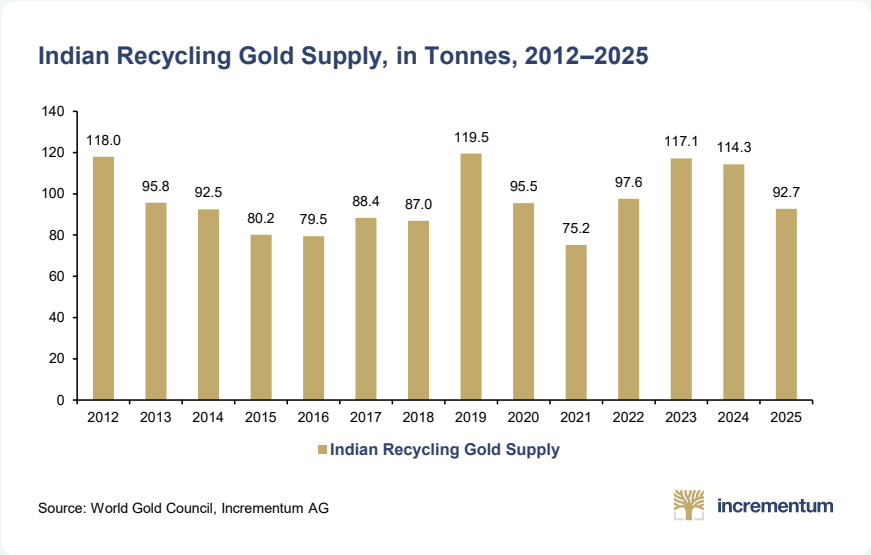


Household gold wealth

Rising gold prices have substantially increased household balance-sheet wealth. Updated estimates indicate that India's household gold holdings expanded from roughly 23,000–24,000 t in 2015 to around 35,000 t by the end of 2025. At the end of March, this amount totaled more than USD 4.0trn, which is slightly more than India's GDP.

Children should be taught that you should have all kinds of asset classes in your portfolio.
Arundhati Bhattacharya

Only a small fraction of household gold enters the secondary market during price spikes, and even then, flows are driven mainly by necessity rather than portfolio rebalancing. Recycling behavior remains very subdued. As the World Gold Council (WGC) highlighted, Indian consumers display a strong preference for retaining gold even during sharp price runups, treating it as intergenerational savings rather than a monetizable asset.



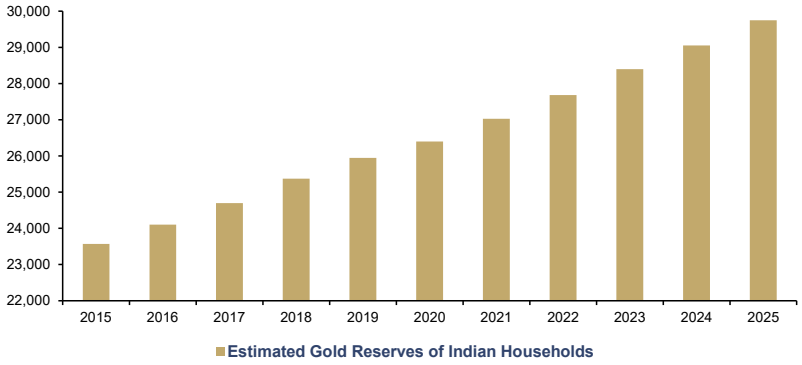
Gold loans – the most formal mechanism for mobilizing this wealth – have grown rapidly but still represent a very small share of total household assets. As of June 2025, India's gold loan market is valued at around USD 60bn, equal to just 1.7% of the total gold stock, 1.5% of GDP, and 3.5% of total household debt.

Money is better than poverty, if only for financial reasons.
Woody Allen

India's household gold holdings totaled more than USD 4.0trn by the end of March, which is slightly less than India's GDP.

A rising gold price strengthens household balance sheets but has only a modest stimulating effect on consumption or credit channels.

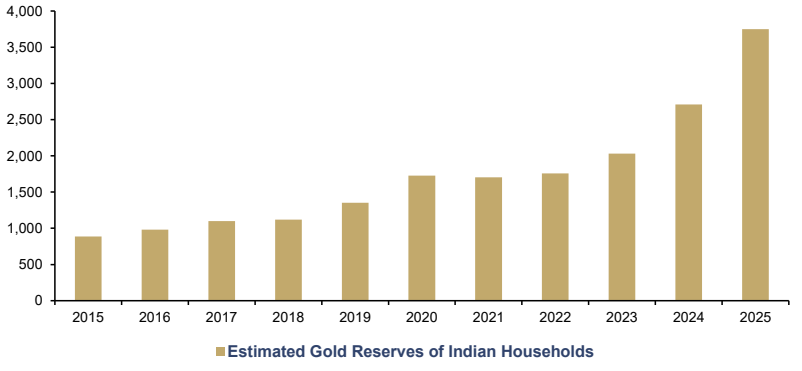
Estimated Gold Reserves of Indian Households, in Tonnes, 2015–2025



Source: CLSA, World Gold Council, Incrementum AG

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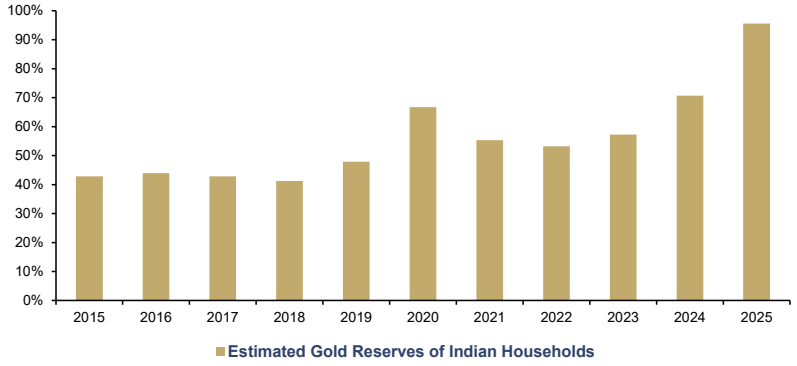
Estimated Gold Reserves of Indian Households, in USD bn, 2015–2025



Source: Bloomberg, CLSA, World Gold Council, Incrementum AG

incrementum

Estimated Gold Reserves of Indian Households, as a % of GDP, 2015–2025



Source: CLSA, World Gold Council, Incrementum AG

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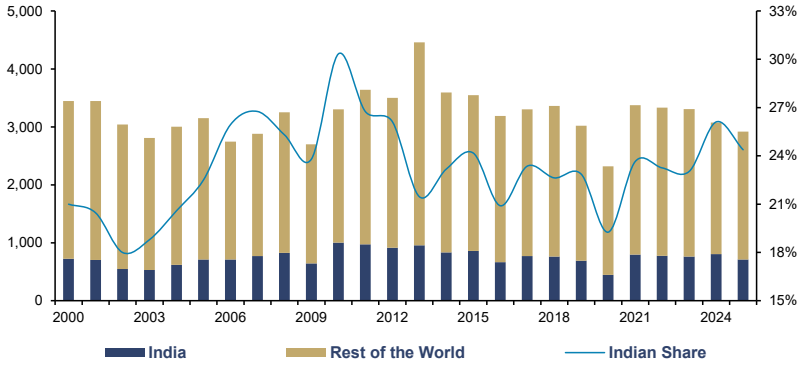
The next twenty years: income, inflation and format elasticity

WGC's econometric work finds that a 1% rise in per-capita income lifts demand 0.9%, while a 1 percentage point increase in inflation raises demand by 2.6%. On structure, the mix will continue to migrate from exclusively jewelry toward financial channels (ETFs/SGBs/EGRs) as formal access deepens – a trend already visible through late-2025 and in Q1/2026, when Indian ETFs posted historic inflows and Electronic Gold Receipts (EGRs) market-building advanced within a regulated perimeter.

Gold loans allows households to unlock the economic value of gold while retaining emotional ownership.
Shaji Varghese

Within India, that financialization – alongside duty rationalization and hallmarking enforcement – should stabilize premiums/discounts and narrow informal channels, while demographics, urbanization and rising female financial participation buttress the consumption base. Current macroeconomic projections suggest that India's GDP growth is likely to remain above 6 percent in the coming fiscal years, supported primarily by domestic demand and policy measures aimed at boosting consumption and investment.

Consumer Gold Demand, in Tonnes (lhs), and Indian Share (rhs), 2000–2025



Source: World Gold Council Incrementum AG

incrementum

Market Architecture, Formalization and Regulatory Evolution

Import, refining, and distribution reforms since 2000

A single blow of a blacksmith is equal to a hundred blows of a goldsmith.
Bihar proverb

Over the past two decades, the infrastructure underpinning India's wholesale and retail gold market has undergone a progressive formalization, moving from a fragmented, opaque system reliant on nominated bank import channels and nonstandardized retail practices toward a more-regulated, exchange-linked, quality-assured architecture. India's bullion supply chain in the early 2000s rested primarily on a small set of authorized banks and agencies operating under the post-1997 import liberalization regime, with limited transparency in refining, assaying, and wholesale distribution.

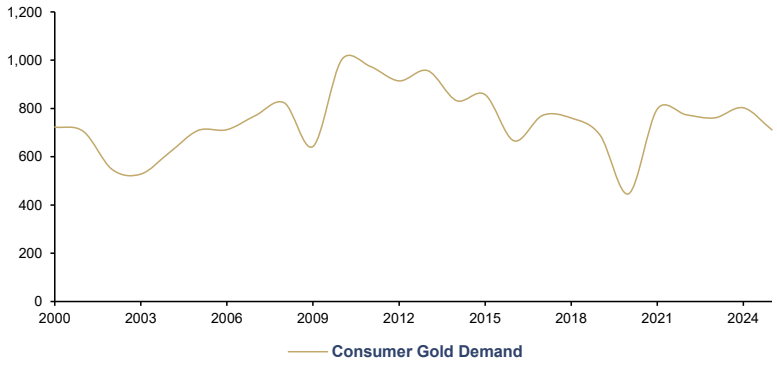
Regulatory interventions since the early 2010s – especially during the "intervention phase" of 2012–2013 – introduced tighter controls. Higher tariffs and the 80:20 import rule – introduced in August 2013 and repealed as early as November 2014 – which required that 20% of gold imported into India be re-exported, typically as gold jewelry or other processed products, stabilized the current account in the short term but simultaneously encouraged informal trade. The subsequent "transparency phase" (2014–2018) catalyzed structural upgrading through expanded refining capacity, the standardization of nominated-bank import protocols, and the introduction of more robust risk-management tools such as gold forwards and extended gold-loan tenors – laying the groundwork for deeper market formalization.

Hallmarking, HUID and quality-assurance transformation

India must have the world's best standards in jewellery. Customers must get Hallmark certified gold at earliest.
Piyush Goyal

The most consequential transformation, however, emerged through quality-assurance reforms. India's hallmarking ecosystem, initiated in 2000 under the Bureau of Indian Standards (BIS) and later strengthened through the mandatory rollout of HUID[1]-based hallmarking from June 2021 onward, lifted purity traceability to unprecedented levels: Hallmarked jewelry grew from 3.5 crore (1 crore = 10mn) pieces in 2020 to 12 crore in 2024, supported by the expansion of registered jewelers from 35,000 to 195,000. This quality infrastructure increasingly anchors both wholesale and retail transactions, narrowing purity differentials, curbing adulteration, and strengthening consumer trust.

Indian Consumer Gold Demand, in Tonnes, 2000–2025



Source: Metals Focus, Refinitiv GFMS, World Gold Council Incrementum AG

incrementum

1 Hallmark Unique Identification

Exchange-driven modernization: IIBX, EGRs, and vaulting networks

India entered 2026 as one of the most consequential physical gold markets globally, navigating historic domestic prices and elevated macro uncertainty with the adaptive behavior that characterizes its uniquely diversified ecosystem.

Parallel developments on the wholesale side have been equally transformative. The launch of the India International Bullion Exchange (IIBX) in GIFT International Financial Services Centre (GIFT IFSC) in Gujarat in 2022 created India's first unified, regulated bullion-trading venue with direct bullion-depository-receipt settlement, 30-minute clearing cycles, multi-vault logistics, and participation by over 600 qualified jewelers across 20 states.[2] The 2025–2026 IFSCA circulars further expanded eligibility, reduced entry barriers, and integrated bullion imports into a single regulatory framework – democratizing access to imported bullion while enhancing compliance and transparency.

> *India is a place where color is doubly bright. Pinks that scald your eyes, blues you could drown in.*
> Kiran Millwood Hargrave

Complementing these exchange-based integrations, amendments in the Finance Act 2025 aligned India's import policy with the updated ITC (HS) 2022 framework under Chapter 71. Subsequent notifications by the Directorate General of Foreign Trade (DGFT) in May and June 2025 reclassified certain precious metal alloys with high gold content as "restricted" (requiring licensing) and imposed granular restrictions on select unstudded platinum jewelry categories, thereby reducing regulatory discretion at ports, enhancing compliance consistency and strengthening overall trade predictability.

Together with the emergence of Electronic Gold Receipts (EGRs), which address India's long-standing absence of a regulated spot exchange and improve national price discovery, these reforms signal a decisive shift toward an exchange-centric, custodian-verified, and interoperable market structure. Additionally, gold tariff-rate quotas (TRQs) under the UAE-India Comprehensive Economic Partnership Agreement (CEPA) which was concluded in 2022, were transitioned to a competitive online bidding mechanism in 2025, replacing earlier administrative allocations and further promoting transparent, market-based access to preferential-duty imports.

India as an emerging regional price influencer

> *India should be a price influencer and a price setter of gold.*
> Prime Minister Narendra Modi

Looking ahead, these institutional foundations – traceable hallmarking, integrated bullion exchange infrastructure, digitized ownership records through electronic gold receipts (EGRs), and a more rationalized duty regime following the major 2024–25 reduction of the tax rate from 15% to 6% – position India to evolve from a price-taker with dispersed supply chains into a regional price-influencing hub.

Over the next two decades, the convergence of high-fidelity purity certification, exchange-based wholesale procurement, logistics-linked vaulting networks, and expanded cross-border bullion pathways through IIBX is likely to deepen market efficiency, reduce informal flows, and elevate India's role in the global bullion architecture. Just as the previous twenty years transformed India from a bank-dominated, semi-informal ecosystem into a partially standardized one, the coming twenty years will consolidate this trajectory, embedding India more fully in international best-practice frameworks while leveraging its domestic demand scale to shape regional liquidity, transparency, and price formation.

2 *See* "The Rise of Eastern Gold Markets: An Impending Showdown with the West," *In Gold We Trust* report 2023

Timeline of key reforms (2000–2026)

- January 1, 2000: BIS hallmarking scheme (launch) – BIS designated as the sole hallmarking agency; voluntary purity-assurance scheme introduced.
- January 1, 2005: Market microstructure tweaks – introduction of gold forwards and extended gold-loan tenors to support manufacturing and risk management.
- August 2012: Duty hikes begin – progressive customs-duty increases to curb imports in light of the sharp deterioration in the current account balance.
- August 14, 2013: 80:20 import rule – imports linked to re-exports (20%); squeezed official inflows, widened local premiums, and incentivized informal routes.
- January 1, 2014: Transparency phase (2014–2018)
- June 16, 2021: Mandatory hallmarking & HUID – phased mandatory hallmarking; six-digit HUID on every new piece; rapid jeweller registration & A&H coverage.
- July 29, 2022: IIBX launch (GIFT-IFSC) – India's first bullion exchange; BDR settlement, vaulting network, qualified-jeweler access.
- July 1, 2024: Tariff reduction – from 15% to 6% to narrow spreads and encourage formal imports; hallmarking footprint expands (maintained through 2025).
- April 29, 2025: IFSCA bullion market regulations – extended IIBX trading hours, broader participation; setup for additional products.
- January 2, 2026: Modified IFSCA circular – comprehensive framework for gold/silver imports via IIBX; clear eligibility routes for qualified jewelers; ongoing compliance reviews.

India's gold rush suffered a political setback in the first half of May to protect the balance of payment and the rupee. Import duties on gold were more than doubled to 15%. Moreover, Prime Minister Narendra Modi called on the Indian people to refrain from buying gold for a year, describing such a sacrifice as "patriotic."

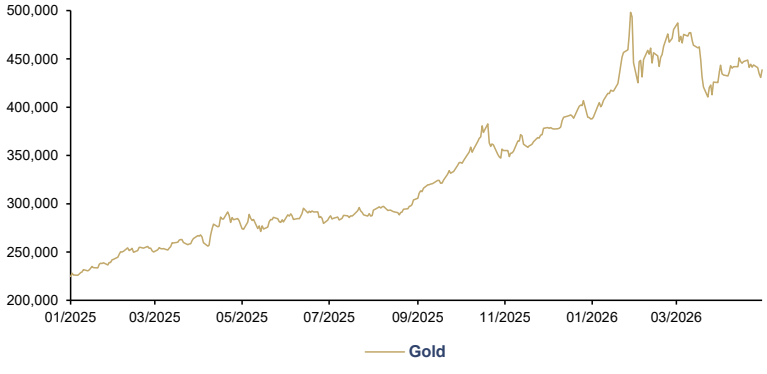
Current Market Dynamics: Prices, Behavior and Imports

The 2025–26 price surge and demand response

> *So much armor, on elephants, horses, men!*
> *The flashing gold and bronze rivalled the sun.*
> Mahabharata: A Modern Retelling

Gold prices in India rose by nearly 75% in 2025 to INR 390,000. An all-time high of just under INR 500,000 was reached at the end of January. By the end of March, the gold price had fallen to just over INR 435,000. This sharp acceleration reflects heightened geopolitical uncertainty, persistent safe-haven demand and strong global ETF inflows, but also the ongoing depreciation of the Indian rupee against the US dollar.

Gold, in INR, 01/2025–04/2026



Source: LSEG, Incrementum AG

incrementum

Volatility, discounts, and rapid normalization of premiums

Short-term volumes may shift between jewelry, investment, and recycled supply, but the long-run trajectory is governed by rising incomes, demographic momentum, and the financial infrastructure that supports gold ownership across India.

Indian demand responded in line with established elasticities. **Gold purchasing is highly sensitive to both price level and short-term volatility:** a 1% rise in price reduces demand by 0.4%, while a 1% fall increases demand by 1.2%. As Uday Kotak famously observed, "The Indian housewife is the smartest fund manager." In a year of 70%+ price surges and wild volatility, many proved him right – quietly rotating from wedding bangles to bars and coins. As prices spiked in Q4/2025, domestic discounts widened to around USD 30, and jewelry purchases softened sharply. Yet the market adapted rather than contracted. Bar and coin demand expanded to nearly 40% of total flows in November–December 2025. This behavior is structurally embedded: over the long run, gold demand is dominated by income effects rather than price effects.

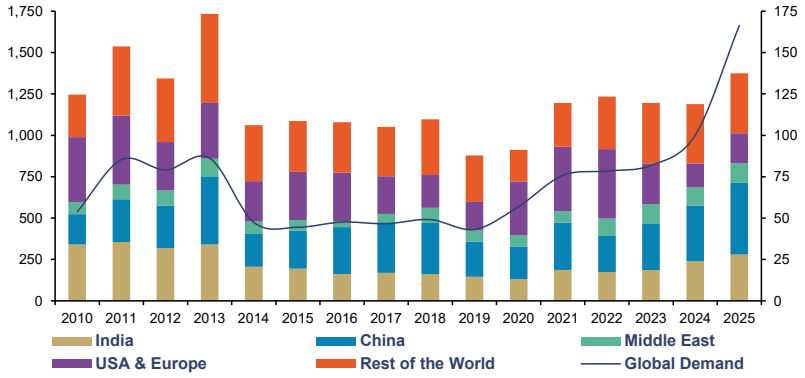
> *The Indian housewife is the smartest fund manager.*
> Uday Kotak

Investment behavior: bars, coins, and ETF leadership

India's investment segment recorded one of its strongest runs in over a decade, with two back-to-back quarters surpassing 90 t. This lifted annual investment to its highest level in more than ten years and translated into an unprecedented USD 32bn in value. The depth and persistence of these flows point to sustained investor conviction rather than short-term opportunism. These products offer higher purity, lower margins, and better liquidity, making them appealing during periods of rapid price appreciation. This behavioral shift reinforced the robust bar and coin demand seen in late 2024 and 2025.

> *Worthy, you carry arrows and a bow; worthy, your necklace of gold coins, many-hued and brilliant.*
> Rig Veda

Gold Bar & Coin Demand by Region, in Tonnes (lhs), and Global Demand, in USD bn (rhs), 2010–2025



Source: World Gold Council, Incrementum AG

incrementum

The most striking feature of early 2026 was the speed of demand recovery once volatility subsided. As global prices stabilized in January, India shifted from USD 61/oz discounts to USD 15/oz premiums within days, a pattern mirrored in China, where retail premiums ahead of Lunar New Year normalized into positive territory. Such rapid normalization underscores that Indian consumers respond far more strongly to price stability than absolute price levels. The timing also intersected with India's peak wedding season (October–February), when 3–4mn weddings typically occur, intensifying the rebound in jewelry fabrication.

> *Hanuman recognized with great sorrow Seetha without her jewelry – like a sentence which got a different meaning, being devoid of culture.*
> Valmiki Ramayana

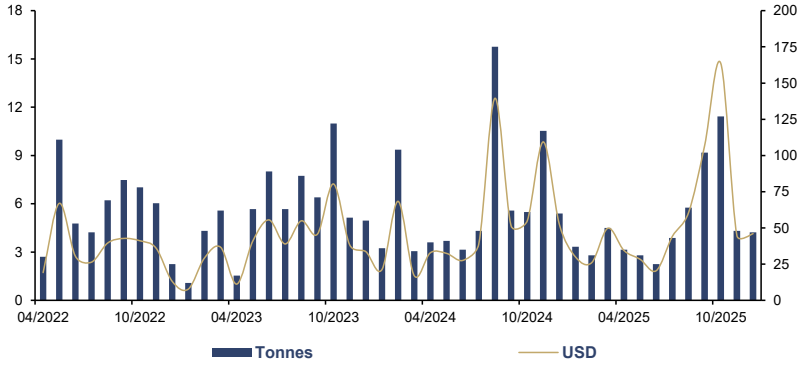
Investment activity served as the central stabilizer in 2025. ETFs recorded their highest-ever monthly inflow in December, adding 37 t and taking AUM to INR 1,279bn, while digital-gold purchases surged from INR 8bn to INR 21bn yoy. Gold's inflation-hedge behavior was especially relevant in a year marked by elevated food and services inflation. Investment gold also provided a stabilizing channel for savings when jewelry budgets were constrained.

Import patterns and arbitrage dynamics

Central banks who support high deficit funding may need to take a leaf from India, a net importer of store of value forever.
Uday Kotak

Imports adjusted sharply to market conditions. Official inflows fell to just 35–40 t in December 2025, easing pressure on the current account. This reconfiguration of demand channels, combined with subdued jewelry fabrication and limited recycling, contributed to a marked contraction in total gold supply to 771.2 t in 2025 from 933.8 t in 2024, according to World Gold Council data, with standard bullion inflows dropping to 451.10 t from 572.3, doré to 212.60 t from 229.40, and scrap to 92.74 t from 114.31. On the official side, the Reserve Bank of India added only 4 t during the whole of 2025 – its smallest annual purchase in eight years –, yet continued its multi-year strategy of repatriating and reallocating reserves, raising the proportion of gold stored domestically to around 65% and increasing gold's share of total reserves to 13.9%. This aligns with the global trend of emerging-market central banks diversifying away from assets with counterparty risk. Private flows, typically sensitive to price spreads and rupee movements, contracted unusually in late 2025 as high volatility temporarily eliminated viable arbitrage windows.[3]

Indian Gold Imports, in Tonnes (lhs), and USD bn (rhs), 04/2022–12/2025



Source: Ministry of Commerce and Industry, Incrementum AG

incrementum

The institutionalization of the bullion trade through exchanges is a transformative step that moves India from being a passive price-taker to an active global price-setter.
Ashok Gautam, IIBX CEO

India entered 2026 with gold up 67% yoy, domestic premiums restored, investment flows signaling deep conviction, and household behavior reaffirming the structural foundations of demand. These near-term dynamics illustrate the broader truth underpinning India's gold economy: Short-term volumes may shift between jewelry, investment, and recycled supply, but the long-run trajectory is governed by rising incomes, demographic momentum, cultural attachment, and the increasingly sophisticated financial infrastructure that supports gold ownership across the country. At the same time, geopolitical shifts and supply-chain diversification are increasing India's role in global trade networks, as multinational firms seek to diversify manufacturing away from concentrated production hubs.

3 Reuters: Market Notes, Q4/2025

Financialization and the Rise of Investment Gold

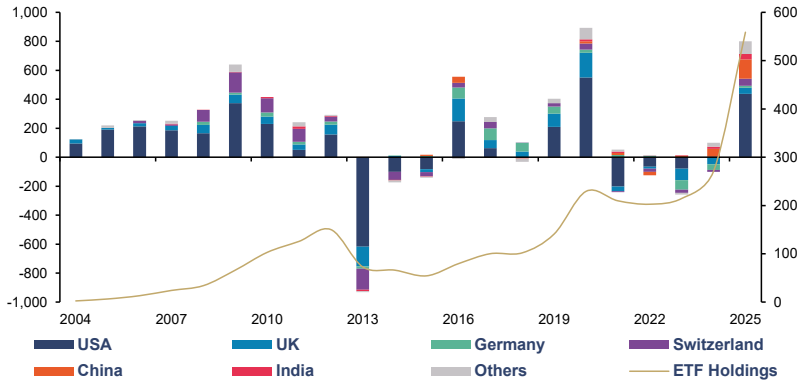
ETF expansion and three structural drivers

India's investment gold market has evolved into a sophisticated, countercyclical pillar of the broader gold ecosystem, complementing and stabilizing jewelry demand during periods of volatility. What was once a largely ornamental or physical-investment market has become a multi-channel financial system, with ETFs, sovereign gold bonds (SGBs), and electronic gold receipts (EGRs) enabling households to hedge risk, manage liquidity and accumulate assets with far greater flexibility than a decade ago. The rapid expansion of financial gold reflects not only shifts in consumer preference but also large-scale improvements in financial inclusion, regulatory infrastructure, and digital penetration in India.

Gold has become a "mainstream asset" from a traditionally influenced store of value.
Sachin Jain

The surge in ETF participation during 2025 illustrates the maturity of this transformation. December 2025 alone saw INR 116bn in net ETF inflows, the highest monthly figure ever recorded in India, leading to an increase in holdings of 8.6 t to a total of 95 t, and a rise in assets under management (AUM) to INR 1,279bn. Full-year 2025 inflows reached INR 430bn, equivalent to a record 37 t net demand. Momentum continued into 2026, with holdings crossing 110 t by end-January 2026 and AUM reaching INR 1,842bn. This surge was propelled by muted equity markets, rising macro uncertainty and the appeal of gold's price momentum. Who knew that a few quarters of muted equity returns and geopolitical jitters could transform so many urban Indians – previously content with fixed deposits and family gold – into overnight ETF enthusiasts, quietly building positions while sipping chai and scrolling apps?

Gold ETF Flows by Country, in Tonnes (lhs), and Global Gold ETF Holdings, in USD bn (rhs), 2004–2025



Source: World Gold Council, Incrementum AG

At the same time that Western ETFs were experiencing persistent outflows, India's expanding ETF market was absorbing record inflows, effectively increasing the country's share of global gold ETF AUM and underscoring a clear geographic shift in investment leadership. Part of the ETF surge can also be attributed to a wave of new product launches, which expanded investor choice and widened access to gold-backed funds. These additional vehicles helped absorb strong inflows and cemented ETFs as a mainstream investment route during a year of heightened macro uncertainty.

The root of wealth is economic activity.
Chanakya

These flows formed part of a global trend: ETFs in Western markets experienced renewed interest as US real yields softened, recession risks rose, and US dollar strength moderated. Yet India's trajectory was distinctive. Retail participation expanded not because institutions shifted allocations but because of structural improvements in household access to investment channels. Since 2014, India has opened 482mn Jan Dhan bank accounts, bringing the total to 578mn; demat accounts for equities have increased from

Wealth creation is not a selfish pursuit; it is a responsibility.
Thiruvalluvar

Digital gold has become a structural, not cyclical, component of India's investment landscape.

24mn to 216mn; SIP participation surged to 9.4mn; and the number of smartphone users roughly quadrupled to 950mn. **Together, these shifts created a pipeline of new investors who could buy investment gold digitally, seamlessly and frequently.**

Sovereign gold bonds: design, impact, and limitations

Sovereign gold bonds (SGBs) strengthened this momentum. Offering 2.5% annual interest, exemption from capital-gains tax at maturity, and the backing of the Government of India, SGBs provided the most cost-efficient long-term gold exposure available to Indian households. Launched in 2015, cumulative issuance reached 98 t, with particularly strong adoption by urban, affluent, and tax-sensitive investors. SGBs also reflected a shift in household mindset: Gold is no longer perceived solely as a family asset or ornament, but increasingly as a financial instrument integrated into broader portfolio planning. SGBs' eight-year maturity structure, liquidity via secondary markets, and attractive tax profile recast gold as a strategic portfolio allocation rather than simply a cultural anchor.

> *There are seven lawful sources of income: inheritance, acquisition, purchase, conquest, investment, industry and receiving of proper gifts.*
> Manusmriti

India's sovereign gold bond program was one of the government's most innovative attempts to reduce the structural macro-vulnerability created by large physical gold imports. **As highlighted by Goldman Sachs Commodities Research, gold remains India's second-largest import after crude oil, yet unlike oil it produces no recurring economic return once purchased, instead remaining idle in household vaults, often for decades.**[4] By redirecting a portion of household gold demand into a financial instrument rather than imported metal, policymakers hope to lower US dollar outflows, ease current-account pressures, and reduce rupee volatility.

SGBs were designed as a direct financial substitute for physical gold. Issued by the RBI and denominated in grams, they carry an eight-year maturity (with early redemption permitted after year five), an annual interest payment of 2.75% – later revised to 2.5% – and exemption from capital gains tax at maturity. Investors also avoided goods and service tax and jewelry-making charges. At redemption, holders receive the prevailing domestic gold price in rupees, giving them full exposure to price appreciation without the frictional costs associated with coins, bars, or jewelry.

India's Sovereign Gold Bond (SGB) program is now closed to new issuance, with no fresh tranches since February 2024 – a major shift in India's financial gold market. Existing series run to maturity through 2032, but subscriptions are over. The halt reflects success in drawing household savings into financial gold, offset by heavy fiscal costs from gold's sharp rise: Early low-price issuances now redeem at much higher levels after years of interest payments. The scheme has become a legacy portfolio of long-term obligations, shaping the future mix of physical vs. financial gold demand. In retrospect, SGBs were a smart policy step that widened financialized gold access for sophisticated buyers but barely dented mass-market physical demand rooted in tradition.

Digital gold: micro-saving and young investor adoption

> *Accumulate wealth – it destroys the arrogance of your enemies; there is no weapon sharper.*
> Thiruvalluvar

Digital gold sits at the opposite end of the spectrum: a mass-market, high-frequency engagement channel, especially popular among younger users aged 18–35. With 5–6mn active accounts, often transacting in denominations below INR 500 (= ca. 5.30 USD), digital gold has democratized ownership, enabling micro-savings behavior that aligns with the explosive adoption of India's instant payment system UPI and payment-app ecosystems. This segment also introduces millions of first-time savers to gold as an asset, creating a feeder system that naturally matures into ETF and SGB participation over

4 *See* Goldman Sachs Commodities Research: "India Gold Market: Household Holdings, Financialisation Trends, and Import Dynamics", August 17, 2025

time. UPI-based digital gold purchases grew almost threefold in 2025, rising from INR 8bn in January to INR 21bn in December, with an estimated 13.5 t accumulated over the year. Even after a temporary slowdown following the Securities and Exchange Board of India's (SEBI) November 2025 advisory, transaction volumes rebounded quickly, underscoring digital gold's resilience and growing appeal among younger, first-time savers. This rapid growth highlights the increasing integration of gold into India's digital payments ecosystem. It further indicates that digital gold has become a structural, not cyclical, component of India's investment landscape. Since late 2025, India's provident fund regulator has permitted retirement funds to allocate to gold ETFs, and insurance companies are expected to receive similar approval – marking the first time institutional long-term savings pools can invest in gold.

This policy grants silver the same regulatory status as gold for the first time in modern Indian banking, permitting households to pledge up to 10 kilograms of silver jewelry or 500 grams of coins.

Electronic gold receipts (EGRs): bridging physical and financial markets

Electronic gold receipts (EGRs) institutionalize India's gold market infrastructure by linking dematerialized receipts to vaulted bullion in a regulated, exchange-traded ecosystem. This bridges physical and financial gold with transparency and standardization, aligning India with global benchmarks in Shanghai, London, and Singapore. SEBI's 2025 restrictions on unregulated digital gold platforms funneled flows into regulated channels, while IFSCA's push for interoperability via the India International Bullion Exchange (IIBX) has enhanced liquidity, traceability, and depth. As of early 2026, exchanges like NSE (National Stock Exchange) and BSE (Bombay Stock Exchange) continue preparations and mock trading for EGR segments, advancing this framework.

Precious metals credit expansion: silver as collateral

Beginning April 2026, India took a historic step in its precious-metals lending framework by allowing silver jewelry, ornaments, and coins to be used as formal loan collateral, under the RBI's new Lending Against Gold and Silver Collateral Directions. In tandem with these credit expansions, the Bureau of Indian Standards (BIS) introduced voluntary HUID-based hallmarking for silver under the revised IS 2112:2025 standard and extended mandatory gold hallmarking coverage to include 9-carat jewelry, thereby reinforcing digital traceability across a broader range of fineness grades for both gold and silver and further aligning quality assurance with international practices. This policy grants silver the same regulatory status as gold for the first time in modern Indian banking, permitting households to pledge up to 10 kilograms of silver jewelry or 500 grams of coins, valued according to India Bullion and Jewellers Association (IBJA) or SEBI-regulated reference prices. Analysts describe the move as a significant remonetization of silver, noting that formal lenders will now uniformly recognize silver as a collateral asset in a way previously restricted to gold.

> *He wept – and that which was shed as tears became silver. Therefore silver is not a suitable gift – for it is born of tears.*
> Yajurveda, Taittiriya Samhita

Silver-backed lending is expected to unlock substantial household wealth, especially in rural and semi-urban regions where silver ownership is more widespread and affordable than gold – Indian households' silver holdings are estimated at approximately 34,000 t, mobilizing what was historically considered "dead capital" and bringing millions of first-time borrowers into the formal credit system. The RBI's rules introduce tiered loan-to-value caps and strict borrower protections, ensuring responsible valuation, secure storage, and transparent auction procedures in case of defaults. Rather than displacing the entrenched gold-loan market, the new framework is expected to complement gold-backed lending, expanding India's collateral spectrum and deepening the ongoing financialization of household precious-metal savings.

> *Buying metals like gold, and silver, signifies attracting the radiance and Ojas vitality energies of the cosmos.*
> Spundhann

Retail Demand, Fabrication and Consumer Psychology



Source: Pexels

Wedding cycles, festivals, and nondiscretionary demand

India's jewelry market remains one of the largest and most structurally resilient in the world, although jewelry demand fell by 24% last year to 430.5 t, the lowest in nearly three decades except for 2020, when the Covid-19 pandemic began. Nevertheless, multi-decade averages are consistently exceeding 500 t annually. Weddings form the single greatest determinant of demand, accounting still for around 50% of jewelry purchasing. Festival periods such as Akshaya Tritiya and Diwali further inject concentrated demand, often adding 40–60 t within days. T**hese cyclical anchors ensure that, even during periods of elevated prices or macro uncertainty, India maintains a baseline of obligatory, tradition-driven purchasing.**

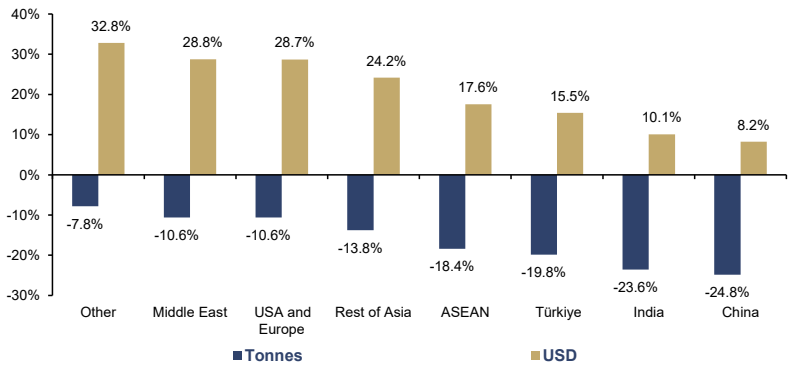
Rural demand, monsoon cycles, and agricultural incomes

The rural economy continues to play a critical role in shaping jewelry volumes. Despite agriculture's declining share of GDP, rural households still generate 55–58% of jewelry demand, reflecting the deep connection between farm incomes, harvest cycles, and gold expenditure. Almost 70% of rural households depend on agriculture, and rainfall remains a major driver of disposable income: a 1% monsoon surplus increases gold demand by 0.2%. Conversely, periods of rural real-wage stagnation – such as 2014–2020, when wages contracted by an average of 0.3% – temporarily dampen discretionary jewelry purchasing. Yet even during weaker rural-income cycles, compulsory wedding demand remains intact.

> *Silver becomes gold when mixed with gold.*
> Chanakya

Yet, recent trade feedback suggests that domestic jewelry demand remains resilient, though more measured, as households adapt to elevated price levels by shifting toward lighter designs and lower-purity formats such as 18k and 14k. Retailers report that over 40% of jewelry sales now come from old-gold exchange, highlighting the extent to which consumers are preserving budgets while still fulfilling wedding-season obligations.

Gold Jewelry Demand, yoy, 2025



Source: World Gold Council, Incrementum AG

incrementum

> *Good people and gold can be joined back together a hundred times. The bad are like a clay pitcher; one strike and they are done.*
> Saint Kabir

Formalization of retail and the rise of organized chains

India's gold jewelry retail sector has undergone one of the most profound structural shifts in recent decades. Organized chains, bolstered by GST, digital payments, mandatory hallmarking, and the HUID system, have gained share – from around 30% in 2015 to estimates of 36–40% by fiscal year 2025 – while improving purity assurance

and consumer trust. Historically plagued by 10–15% fraudulent underkarating issues, the sector now aligns closer to global standards, enabling large national players like Tanishq and Malabar Gold & Diamonds to rank among the world's top jewelers by scale and sales. Fabrication remains artisanal, with 20,000–30,000 workshops and karigars producing about 55% handmade output, providing unmatched flexibility to pivot designs and weights amid price volatility – as seen in the rapid shift to ultra-light pieces during the 2025 spike – though challenges like informal labor persist. Emerging jewelry-park initiatives aim to modernize infrastructure and traceability.

This formalization accelerates further through capital markets: FY 2024–25 saw 17 new listings, with dozens more jewelers and manufacturers filing or advancing IPOs in FY 2025–26 – an unprecedented wave. Public-market discipline imposes audited disclosures, traceability, and governance standards, replacing opaque, cash-heavy practices and setting benchmarks for purity, sourcing, and service. The global ascent of Indian chains combined with this listing surge marks a decisive transition from fragmented, family-run retail to a modern, transparent, investment-grade industry – bolstering trust, consumer protection, and India's position as a global jewelry powerhouse.

> *Merchants increase the strength of a kingdom.*
> Mahabharata

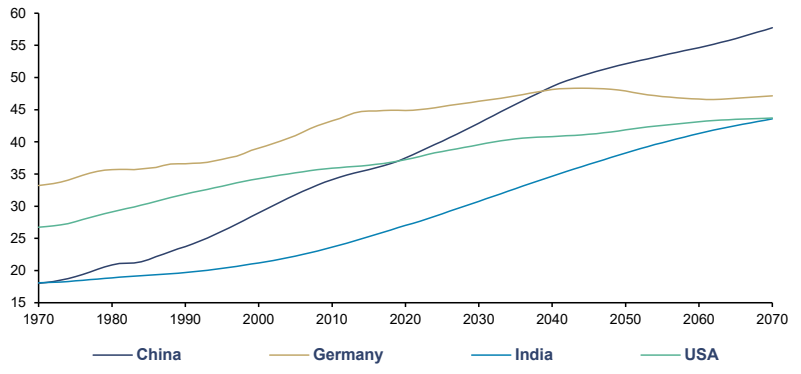
Macro, FX, and Geopolitics: The Strategic Foundations of Demand

Income, urbanization, and demographic momentum

India's gold demand is anchored in a macroeconomic and demographic landscape that continues to expand the underlying base of household purchasing. **With GDP growth consistently in the 6–7% range, a median age of 27, and a working-age population projected to grow by nearly 7mn people annually until 2041, India is creating millions of new earners and new households each year.**

> *A country's jewels are these five: unfailing health, fertility, and joy, a sure defence, and wealth.*
> Thiruvalluvar

Median Age of the Population, 1970–2070e



Source: United Nations, Incrementum AG

incrementum

These structural tailwinds reinforce lifecycle-driven jewelry purchases – weddings, births, festivals, and intergenerational transfers – while simultaneously enlarging the pool of savers who can allocate to investment gold. Urbanization, which rose from 18% in 1960 to 38% currently, deepens this effect by improving access to banks, digital payments, and organized retail, thereby expanding distribution channels and formalized consumption. Income elasticity remains a fundamental driver: **A 1% increase in per-capita income raises gold demand by 0.9%, explaining why India's long-run demand trajectory has continued to rise even through periods of significant price appreciation.**

> *She laid out all her ornaments and many gold and silver coins in a heap at the entrance of the bedchamber and lit many lamps.*
> Dhanteras legend

In this environment, gold functions as a dual insurance asset – microeconomic for households, macroeconomic for the state.

Inflation, rupee cycles and gold as a hedge

Gold's interaction with inflation and currency dynamics further reinforces its role in Indian households' portfolios. A 1% rise in inflation historically increases gold demand by 2.6%, a particularly relevant relationship in 2025 amid persistent food and services inflation. Rupee depreciation magnifies domestic returns on gold, making it attractive both as a consumption asset and as a hedge against purchasing-power erosion. During 2025, the combination of elevated global prices, a strong US dollar and a weak rupee intensified the upward pressure on local gold prices, increasing the appeal of financial gold products such as SGBs and ETFs, while pushing consumers toward old-gold exchange and lighter-weight jewelry. These macrofinancial dynamics explain why investment flows remained robust even as fabrication softened – a behavior consistent with India's countercyclical gold investment patterns observed over multiple decades.

Geopolitics, reserve strategy and central bank behavior

> *The treasury is the root of felicity in heaven and victory on earth. It is in consequence of their treasuries that the foes enjoy such happiness.*
> Mahabharata

India's geopolitical environment adds a further layer of strategic demand. The country remains structurally exposed to maritime chokepoints such as the Strait of Hormuz, whose oil- and gas-supply significance continues to shape India's external vulnerabilities, as exemplified in the first weeks of the Iran war; to the Indo-Pacific balance of power, where rising US–China competition reshapes regional alignments; to the volatility of the Afghanistan–Pakistan corridor; and to the contested Himalayan frontier with China. For households, gold provides protection against inflation, currency volatility and macro shocks; for the sovereign, it provides diversification against the geopolitical risk embedded in foreign-exchange reserves. **In this environment, gold functions as a dual insurance asset – microeconomic for households, macroeconomic for the state.**

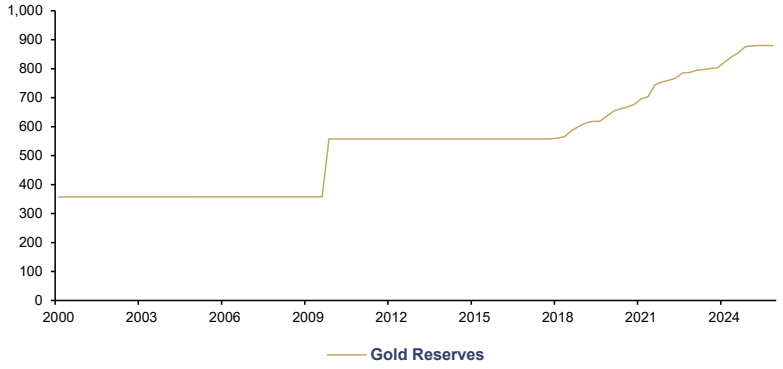
> *We are building up gold reserves — that is a part of our reserve deployment.*
> Former Governor Shaktikanta Das, RBI

The Reserve Bank of India's reserve strategy reflects this logic and aligns closely with global central-bank behavior. Over the past four years, the RBI repatriated roughly 280 t of gold, added around 64 t in H1/FY2025–26,[5] reduced its US Treasury exposure, and raised gold's share of reserves to approximately 16%. These moves mirror the broader trend identified in previous *In Gold We Trust* reports: Central banks – particularly in emerging markets – are expanding their gold holdings as a hedge against counterparty risk, sanctions exposure, and geopolitical fragmentation.[6] Valuation effects drove gold's share of FX reserves from 10% to 16% within a single year. This dynamic illustrates how reserve composition is increasingly shaped by price appreciation rather than tonnage growth. It also signals a strategic shift toward consolidation during high-price periods.

5 *See* "Bringing it Home: Central Bank Gold Repatriation," *In Gold We Trust* report 2025

6 *See* i.a. "BRICS and the Battle for a New Global Order – Geopolitical Shifts in 2025," *In Gold We Trust* report 2025; "Enter the Dragon: De-dollarization and the Eastern Push for Gold," *In Gold We Trust* report 2024; "De-Dollarization: The Final Showdown?," *In Gold We Trust* report 2023

Gold Reserves of the Reserve Bank of India, in Tonnes, 2000–2025



Source: World Gold Council, Incrementum AG

incrementum

Import duties, informal flows, and compliance challenges

India's import-duty structure remains one of the most important policy determinants of domestic market dynamics. Duty hikes from 2% to 10% in 2012–2013, combined with the temporary "80:20 rule," depressed demand by roughly 1.2% annually and created strong incentives for unofficial inflows. As domestic and international price gaps widened, smuggling surged to an estimated 335 t in 2013–14 – nearly one-quarter of India's total gold demand. While regulatory tightening and increased enforcement subsequently reduced unofficial flows, they remain highly sensitive to premium/discount cycles, rupee movements, and global arbitrage conditions. Duty rationalization continues to be a critical lever for reducing price distortions, narrowing domestic-international spreads, and enhancing the effectiveness of formal import channels. India currently produces only 1–2 t of gold per year, making it one of the world's most import-dependent major gold markets; however, ongoing reforms to the mining framework aim to expand domestic production substantially over the next decade, with policymakers and industry groups targeting a long-term goal of meeting a meaningful share of annual demand from domestic mines.

India's gold ecosystem, however, cannot be fully understood without accounting for the informal market. Smuggling remains the most visible component, but it is far from the only one. Cash-based retail transactions persist in rural and semi-urban markets, where gold is often bought using cash savings accumulated over long cycles. Karigar-to-retail supply chains, largely operating in small workshop clusters, frequently transact outside formal invoicing systems, offering jewelers flexibility but complicating traceability and purity verification.

> *Those who love stealing can never be content with what they have.*
> Thiruvalluvar

Old-gold exchange adds a further structural layer. Because 40–50% of India's jewelry fabrication is met through recycled domestic scrap, households routinely use old jewelry as a liquidity mechanism during periods of high prices. This practice sustains fabrication volumes while reducing official imports, weakening the direct correlation between global prices and recorded domestic consumption. While economically rational, the prevalence of old-gold exchange can distort short-term market signals, obscure true demand conditions, and complicate policymaking around import duties and supply-chain monitoring.

> *If a theory of justice is to guide reasoned choice of policies, strategies or institutions, then the identification of fully just social arrangements is neither necessary nor sufficient.*
> Amartya Sen

These overlapping informal channels create a series of compliance frictions. High-cash transactions, unregistered workshops, and informal scrap flows complicate AML frameworks, hallmarking enforcement, and the transition to digital-traceability systems like HUID. Policymakers recognize these constraints, which is why duty rationalization, improved refining oversight, mandatory hallmarking, and the expansion of regulated platforms such as IIBX form the core of ongoing reform efforts. **These initiatives aim to increase transparency, harmonize price discovery, and strengthen India's alignment with global bullion-market standards.**

India is now moving from being the world's pivotal consumer market to an increasingly influential participant in the international gold system.

The policy challenge going forward is not simply to formalize the sector, but to formalize it without eroding the adaptive capacities that have historically made India's gold market both deep and uniquely responsive. This balance – between transparency and flexibility, regulation and tradition – will shape the long-term evolution of India's gold economy.

Conclusion: India's Gold Market at an Inflection Point

Twenty years ago, India's gold market was vast but structurally fragmented – dominated by small family jewelers, limited formal retail, minimal refining capacity, and virtually no financial gold products. Import duties shaped both official and unofficial flows, weddings and inheritance dominated demand, and gold functioned primarily as ornament, family wealth, and cultural obligation. India was the world's largest consumer but remained largely a passive participant in global bullion dynamics.

> *I have tested all sorts of medicines, but nothing is comparable to Love. You just take one drop of it, and your whole being is transformed into pure gold.*
> Saint Kabir

Today, India's gold ecosystem is markedly more sophisticated, transparent, and influential. Organized retail has expanded its footprint, hallmarking and HUID have elevated purity and trust, and refining capacity has grown several-fold, integrating India more deeply into global supply chains. Financialization has transformed gold into a modern investment asset: ETFs, SGBs and EGRs now sit alongside jewelry, coins and bars, while digital platforms have opened access to millions of first-time savers. The market's behavior during the volatility of 2025–26 demonstrated its adaptability: Jewelry shifted toward lighter pieces and old-gold exchange; investment channels absorbed volatility; and deep-rooted cultural and psychological anchors maintained demand even at record prices.

Informal channels – from cash-based retail and karigar workshop flows to household recycling – still influence transparency, premiums, and import patterns. Yet reforms such as mandatory hallmarking, GST, the expansion of digital payments, improved refinery oversight and the emergence of the IIBX are steadily aligning India with global standards and narrowing the space for distortions.

> *Don't limit a child to your own learning, for she was born in another time.*
> Rabindranath Tagore

Looking ahead, India's trajectory is unambiguous. The country's industrial base is expanding alongside this trajectory. Rising incomes, demographic momentum, rapid urbanization, and deeper digital-financial integration will continue to broaden and formalize demand. Cultural continuity ensures that gold will remain indispensable to weddings, savings, identity, and intergenerational wealth transfer. **Combined with greater integration into global bullion networks and a developing exchange-based trading ecosystem, India is now moving from being the world's pivotal consumer market to an increasingly influential participant in regional price discovery, global trade flows, and the long-term architecture of the international gold system.** ■

"Gold Is the New Gold"

A Conversation with Sachin Jain, Regional CEO India, World Gold Council

This interview was conducted in February 2026.

IGWT: ***India has one of the world's deepest traditions of physical gold ownership. How do you explain its enduring strength today?***

Sachin Jain: Physical ownership is still the emotional core of India's gold ecosystem. Gold is not treated as a luxury good; it is a way of life. In most families, you have a family doctor and a family jeweler. These jewelers are often century-old businesses, embedded across 350,000 locations in India. Trust, lineage, and cultural continuity keep households attached to physical gold, especially in rural areas where gold still equals „saving", not „investment".

Even today, brides in southern India commonly wear multiple kilograms of gold during wedding ceremonies. That physicality creates an emotional anchor no financial product can fully replace – but what's changing is that digital and financial forms are supplementing, not replacing, this core behavior.

IGWT: ***Your data show remarkable growth in financial gold products like ETFs. Does this come at the cost of jewelry demand?***

Jain: Not at all – we see complementarity, not cannibalization. India's gold ETFs grew from 40 t AUM in January 2024 to nearly 100 t by January 2026, a 2.5x rise. That is extraordinary growth, but still small compared to India's ~800 t annual gold demand.

Financialization is rising because urban investors are looking for diversification, liquidity, and transparency. But the cultural functions of jewelry – wedding gifting, status, inheritance – remain untouched. Jewelry fulfills social obligations; ETFs and digital gold fulfill portfolio needs. Both segments grow for different reasons, driven by different consumers.

IGWT: ***Rural and urban gold behavior seems to diverge sharply. What does this mean for future demand?***

Jain: Urban India is becoming more "investment-first": Gold competes with equities, mutual funds, SIPs, and alternatives. Rural India remains "savings-first": Gold is the most trusted store of value in regions with limited banking access. About 40% of India's gold demand still comes from rural households, and for them, gold is simpler than financial products. What you save in is what you hold in your hand.

This duality is actually India's strength. The income pyramid is rising – more Indians are entering the middle-income group, and historically a 1% rise in disposable income leads to a 1% increase in gold demand in value terms. India is not a saturated gold market like some others in Asia; it is expanding into new segments every year.

IGWT: ***India has seen major regulatory changes – hallmarking, a duty cut, and changes in import rules. What is the government's evolving view on gold?***

Jain: For decades, gold was seen as a macroeconomic "problem" because it was the second-largest import after oil. Policymakers associated gold with current account pressure. That has changed fundamentally. India now has strong FX reserves, and the government recognizes that gold:

- employs 5mn people across the value chain,
- supports a vast artisanal ecosystem,
- is moving steadily into transparent, formal channels,
- can become a source of export value addition.

The hallmarking revolution – the HUID system – is one of the world's most advanced purity-traceability frameworks. And the 2024 duty cut from 15% to 6% essentially broke the back of the grey market overnight. Retail transparency is improving, and India is positioning itself as a future global jewelry hub, not just a consumer.

> „If there is one takeaway, it is this: Gold is no longer a „traditional" asset. It is becoming a transparent, technological, globally relevant asset class.
>
> Sachin Jain

IGWT: ***Looking ahead, what is the most important shift you expect in India's gold market over the next decade?***

Sachin Jain: India is becoming a digital-first gold nation. With the world's cheapest mobile data and more than 800mn internet users, the next generation will not interact with gold the way their parents did. The future is a hybrid:

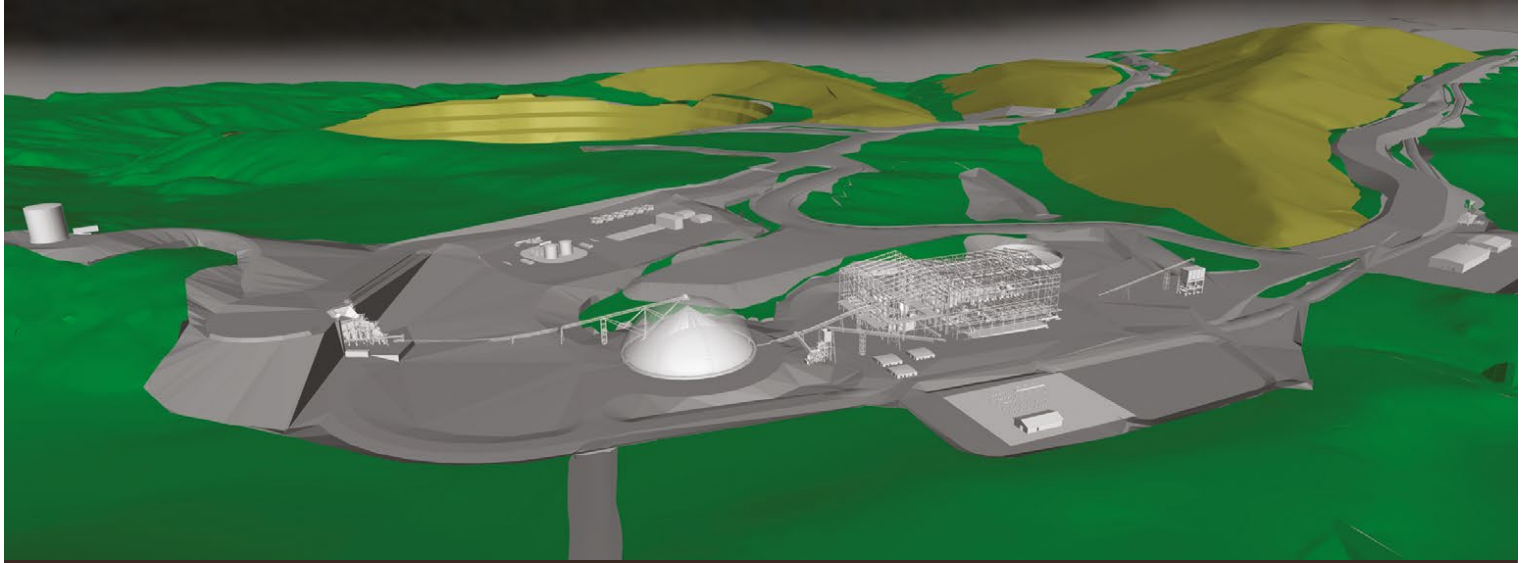
- physical jewelry for culture, identity, weddings and status;
- digital and financial gold for savings, liquidity and portfolio strategy;
- innovations in gold-backed pensions and provident funds;
- and industry-wide modernization through a planned Global Gold Innovation Centre in India – a first of its kind.

If there is one takeaway, it is this: Gold is no longer a „traditional" asset. It is becoming a transparent, technological, globally relevant asset class. As I like to say, gold is the new gold – and it will stay the new gold for India's future.

U.S. GOLD
CORP

Fully Permitted Gold and Copper Project in the U.S.

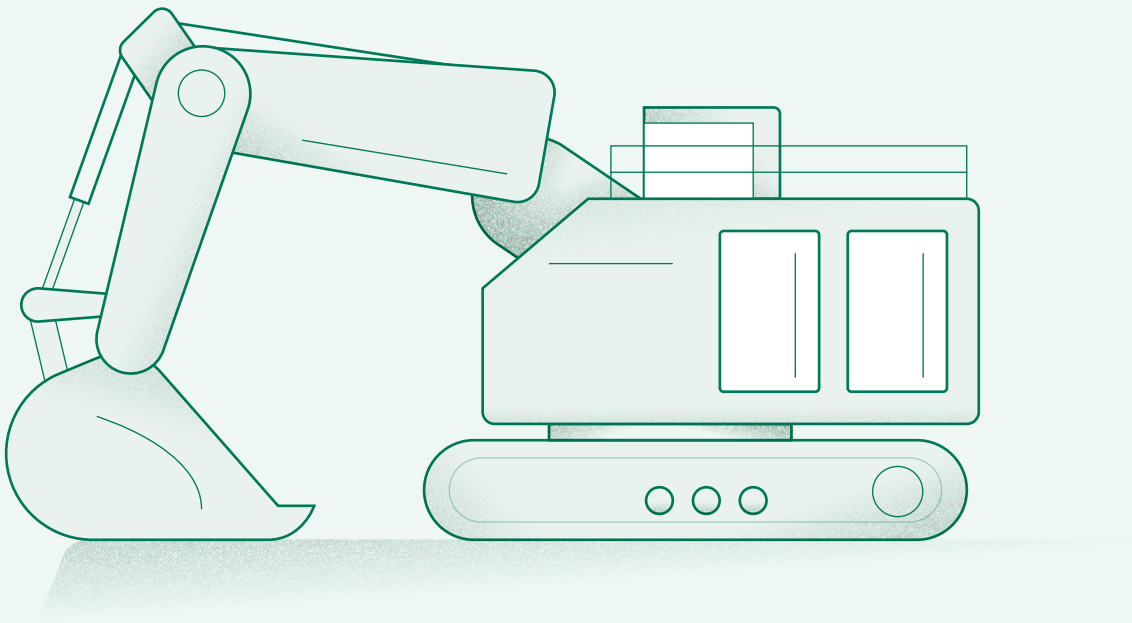
U.S. Gold Corp. is an emerging U.S.-based gold-copper developer poised to become a 110,000+ oz/year producer. With a world-class gold and critical metals asset portfolio in Wyoming, Nevada, and Idaho – USAU offers a compelling mix of near-term production and large-scale exploration upside. The flagship CK Gold Project in Wyoming is fully permitted and advancing toward development.



www.usgoldcorp.com

Nasdaq: USAU

The Collapse of Commodity Beta



Key Takeaways

- Commodity beta (the broad basket) has become a weaker scarcity proxy. Since 2020, benchmark-relative gains have concentrated in fewer commodities, so broad indices capture a smaller share of the outperformance when leadership narrows.
- The post-2020 regime splits commodities by supply response. In bottleneck markets (where supply can't scale in time), outperformance can persist; in throughput markets (where supply can respond), performance remains more cyclical and mean-reverting.
- Gold sits outside the cross-commodity "winner" race as an anchor. It functions as a monetary reference asset – supporting confidence and official-sector balance-sheet demand – even as return leadership rotates elsewhere in the complex.
- The biggest moves occur when accelerants collide with hard constraints. Light ownership, benchmark underweights, and episodic demand impulses (often selective rather than broad-based) can turn small shocks into nonlinear repricing when liquidity is thin and supply is slow to adjust.

We've under-invested in productive capacity... and we can't arrest that decline in five years...

Rick Rule

Introduction

Across successive editions, the *In Gold We Trust* report has traced a clear macro arc: Monetary credibility is under strain, policy is operating within tighter constraints, and the global system is becoming more fragmented across fiscal, geopolitical, and supply-chain lines. Within that arc, commodities have returned to the spotlight through a specific mechanism: Demand shocks now hit a system with thinner buffers, longer lead times, and more gated supply. As a result, price pressure increasingly concentrates in specific bottlenecks rather than across the commodity complex.

> *I'm sure that in 1985, plutonium is available in every corner drugstore, but in 1955, it's a little hard to come by.*
> Dr. Emmett Brown

That shift changes what "commodity exposure" actually gives investors. The commodity complex no longer behaves like a single macro basket, as many narratives still assume. Relative to a broad benchmark such as the Bloomberg Commodity Index (BCOM), participation has narrowed and leadership has compressed: A smaller group of markets now accounts for a larger share of benchmark-relative gains. The problem is not that scarcity has disappeared, but that it has become harder to capture through index-level exposure because the binding constraints now sit in specific nodes such as access, processing, infrastructure, inventory, or weather-sensitive production cycles rather than being spread evenly across the complex.

> *The cure for high prices is high prices. The cure for low prices is low prices. It always works.*
> Jim Rogers

We formalize this gap as the collapse of commodity beta[1]: Broad-basket exposure has become a weaker proxy for scarcity in a regime where constraint premia are localized. We test this claim through a benchmark-relative lens, treating the complex as a cross-section against BCOM. We interpret the resulting compression in leadership through two supply modes: throughput systems, in which deliverable supply can expand within the pricing horizon (= elastic supply system), and bottleneck systems, in which the marginal unit remains constrained (= inelastic supply system). To make these patterns visible, we use three screens: a BCOM-relative performance panel across major commodities, a regime heatmap that tracks relative returns across different macro backdrops, and a leadership and concentration lens that shows how narrow or broad participation has become. We then apply a practical "node test" checklist to distinguish tradable tightness from scarcity that is more likely to persist.

Viewed through this lens, the current commodity landscape looks like a map of binding nodes. Pressure builds at discrete points across metals, energy systems, and agriculture, and leadership follows both the location and the duration of the constraint. The

1 *See* "The Valuation and Beta of the Gold Mining Industry," *In Gold We Trust* report 2024

implication is asymmetry. Where supply can respond, as in throughput systems, tightness tends to clear, and leadership rotates. Where the marginal unit remains constrained, as in bottleneck systems, scarcity premia persist long enough for benchmark-relative outperformance to concentrate. Broad baskets still offer diversification value, but they increasingly dilute exposure to the markets where scarcity cannot be arbitraged away. That helps explain why the post-2020 regime has appeared as dispersion and concentration, rather than broad and uniform participation.

The current commodity landscape looks like a map of binding nodes – pressure builds at discrete points, and leadership follows both the location and the duration of the constraint.

Why Commodities Are Back in the Frame

Commodities tend to move back into the macro spotlight when demand accelerates and runs into low inventories, long lead times, and capacity bottlenecks that slow the return to balance. The 2010s were defined by disinflationary slack and a rapid marginal supply response. The post-2010s backdrop is different. Policy constraints, security premia, slower project cycles, and weather volatility now shape the specific channels through which markets clear: permitting, financing, shipping routes, processing capacity, and inventory rebuilding. **As those constraints tighten, price pressure concentrates at chokepoints. Leadership, therefore, depends more on where the binding constraint sits and how quickly the system can rebuild buffers.**

> *We've exited the era of abundance — the 2010s. We've shifted into the era of scarcity.*
> Tyler Rosenlicht

The regime: Demand impulses arrive into less slack

The policy mix is now more sensitive to constraints. Persistent inflation, larger fiscal footprints, reindustrialization efforts, and rising energy-transition capital expenditure all increase the frequency with which demand impulses hit capacity, while supply expansion arrives with longer delays. Under these conditions, commodity pricing depends more on how fast supply can respond and how deep the buffers are. During shocks, inventories and spare capacity become the main near-term clearing mechanism.

> *It's important to understand that there are environments where stocks do well, bonds do well, and environments where they both do badly.*
> Ray Dalio

At the same time, the regime's arithmetic is reshaping portfolio construction. Compressed real yields and persistent inflation raise the carrying cost of cash and long-duration assets, pushing marginal demand toward liquid stores of value. In parallel, inflation volatility and debt constraints make duration less reliable as a defensive asset, increasing the relevance of exposures linked to physical constraints and security premia.

The signal: Gold reprices the opportunity cost of trust

When credibility and duration risk are being re-evaluated, the first signs usually appear in the asset most directly exposed to that shift: gold. Gold provides the clearest signal because its performance relative to equities and long-term bonds reflects the opportunity cost of trust in duration-based financial claims.

In the *In Gold We Trust* report 2025 "The Big Long", the chapter "Status Quo of Gold relative to Stocks, Bonds, and Commodities" compares gold's performance with key assets that were at the core of the previous regime's default portfolio, especially equities and long-term bonds. It highlights gold's strength not only against duration-based financial claims but also during periods when it outperforms broad commodity benchmarks. That pattern reflects the character of the regime: Higher inflation volatility raises

> *Government bonds are no longer the foundation of an antifragile portfolio, as they have been for the last 40 years.*
> *In Gold We Trust* report 2025

rate uncertainty, debt constraints narrow policy leeway, and the safe-haven role of duration weakens. Consequently, demand shifts toward a balance-sheet-legible reserve asset: gold.

The constraint channels: control cycle, supply inertia, weather stress

Scarcity is transmitted unevenly when the usual adjustment mechanisms, such as trade, substitution, inventories, and capital investment, fail to absorb shocks. When that happens, imbalances are no longer arbitraged smoothly across regions or through time. Instead, they clear at specific chokepoints. As clearing becomes more localized, the commodity market increasingly stops behaving like a unified macro basket.

Control cycle: Scarcity localizes through access and processing

> *To decrease and preclude dependence upon foreign sources or single points of failure for strategic materials in times of national emergency.*
>
> Defense Logistics Agency Strategic Materials, Mission Statement

Geopolitics localizes scarcity by shaping who can access supply and who can convert it into usable form. Alignment, trade policy, and strategic priorities now play a growing role in determining resource availability, routing, and refining pathways. Export controls, sanctions risk, friend-shoring, and strategic stockpiling add a security premium that shifts clearing away from the idea of "global supply" and toward controlled nodes in the value chain.

Policymakers are already behaving as if commodity beta is dead. Commodities are no longer being treated as one interchangeable bucket. Instead, policy is increasingly built around specific materials and specific chokepoints. In the United States, the Defense Logistics Agency's Strategic Materials program operationalizes stockpiling through an Annual Materials Plan that specifies, by material, what the national stockpile can acquire or dispose of. At the same time, the Department of Energy publishes a Critical Materials List and a supporting methodology to prioritize energy-critical inputs. The message is consistent: Security-of-supply planning is now material-by-material rather than "own the complex."

> *Even when minerals are mined outside of China, they are almost always sent there for processing.*
>
> Goldman Sachs, Resource Realism 2023

Europe is following the same legislative path. The EU's Critical Raw Materials Act (CRMA) sets explicit 2030 benchmarks across the chain – targets for domestic extraction, processing, and recycling – alongside a diversification cap designed to limit dependence on any single non-EU supplier.

In essence, provenance, routing, and processing eligibility now matter as much as headline supply. Governments are underwriting bottlenecks, not the basket. That confirms the broader point: Scarcity now clears at nodes, rather than at the index.

Supply inertia: slow projects, thin swing capacity, persistent premia

Supply inertia reinforces localized scarcity because supply response has slowed. In the chapter "Capex Comeback: A Raging Bull Market for Commodities Beckons" of the *In Gold We Trust* report 2023 "Showdown", we argued that capital was beginning to rotate back into commodities but was running into non-market frictions after a long investment drought, with ESG constraints and geopolitics among the key obstacles. That earlier underinvestment now faces even higher hurdles: permitting delays, social-license constraints, capital discipline, and – in parts of the mining complex – declining ore quality.

This makes the tightness structural rather than temporary. Within the relevant pricing horizon, supply often cannot respond quickly enough, so inventories absorb most of the shock. With fewer scaled producers, thinner swing capacity, and longer timelines from discovery to first production, the system stays tight once buffers begin to shrink. **Scarcity premia can therefore persist across multiple quarters because inventories can adjust quickly but capacity usually cannot.**

Weather stress: repeated buffer compression in biologically constrained systems

Weather volatility localizes scarcity by repeatedly compressing the inventories that normally smooth supply. This is most visible in biologically constrained systems with limited short-run flexibility. Weather shocks, shipping disruptions, and regional logistics problems can quickly deplete buffer stocks; and repeated shocks can prevent inventories from rebuilding between seasons.

> The Manchester United effect: The comeback is only believed once it is already on the scoreboard.

When that pattern persists, what would normally look like episodic bottlenecks begins to look structural – not because the commodity is globally scarce but because buffers fail to rebuild on schedule.



Source: MiningVisuals, Incrementum AG

Broad exposure dilutes; bottlenecks compound

What's obvious is obviously wrong.
Joe Granville

Collectively, these constraint channels point to a simple conclusion: In the post-2020 regime, benchmark-relative outperformance builds at the node level, not across the commodity sector as a whole. It is like troubleshooting a network: **When a single overloaded router is causing the slowdown, upgrading the entire office Wi-Fi plan will not solve the problem – you have to fix the specific choke point.** As the usual cross-commodity equalizers (substitution, inventories, and marginal supply response) stop doing their normal job, relative compounding no longer aggregates at the index level. Instead, it concentrates in the few commodities where the binding bottleneck actually sits.

The amplifiers: flows, underweighting, and China's selective impulse

When a bottlenecked market with limited ownership receives a new demand impulse, price moves can become convex, with small increases in demand producing disproportionately large gains. The mechanism is straightforward. Deliverable supply is limited, liquidity is thin, and producers cannot respond quickly enough within the price-setting window. Three forces amplify that convexity: light ownership, delayed reallocation, and a selective China impulse.

Commodity exposure remains constrained by index structure, mandate rules, and risk limits across banks and asset managers. In our view, the implication is not simply "more upside because it is underowned", but a delayed, then abrupt, allocation response. When a sector is only a small part of the benchmark, improving fundamentals rarely trigger immediate buying. Participation usually comes only after outperformance is already visible and the constraint is clearly binding. Call it the Manchester United effect: The comeback is only believed once it is already on the scoreboard. By then, flows become less sensitive to price because the focus shifts from "is it cheap?" to "we need exposure". Once the goal is simply to secure exposure, timing matters less than execution.

That delayed reallocation is amplified by benchmark design. Public equity benchmarks often mask how underowned a sector really is. When a sector's weight sits in the low single digits, it can rerate meaningfully before passive flows begin to matter. In markets with limited supply growth, that makes underownership an amplifier: The marginal buyer can push prices much higher, especially when free float is limited and liquidity is thin.

The West optimized its industrial base for financial returns rather than physical endurance. Victory comes through delay and denial. The goal is to outlast or destroy the adversary's ability to procure materiel.
Craig Tindale

China's liquidity impulse can add a further layer of convexity, but it is usually selective. That selectivity matters because it typically enters a system already operating near capacity at specific nodes. **As Craig Tindale has noted, liquidity can accelerate demand, but it cannot instantly expand throughput. In practice, easing first shows up as incremental demand through restocking, imports, higher run rates, and project pipelines**. The resulting demand pressure often appears first in spreads, basis, and processing margins before it is fully visible in headline prices. From there, it concentrates where buffers are thinnest – both in visible inventories and in the less visible inventory still "in the pipe". The result is cross-commodity dispersion rather than a broad rise across the complex.

Commodity beta is a weak proxy for scarcity

The wise man does not lay up his own treasures. The more he gives to others, the more he has for his own.
Lao Tzu

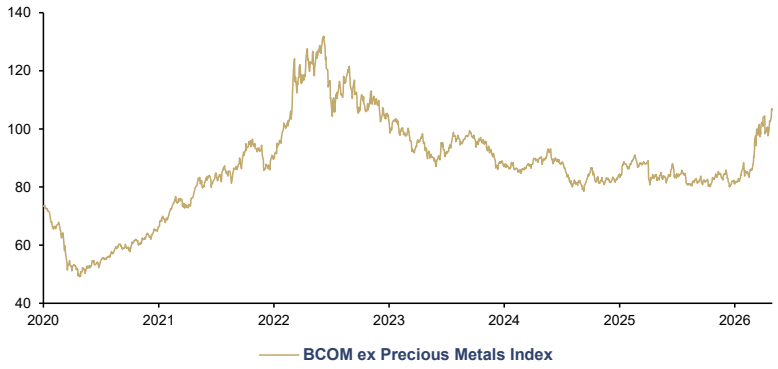
Taken together, these regime shifts, constraint channels, and amplifiers help explain why the post-2020 commodity revival looks less like a broad, basket-wide upcycle and more like a dispersion regime. It is like using the national average temperature to predict whether a single city will face a heatwave: The average may rise, but the real stress can still be concentrated in a few hotspots. In this regime's price-setting window, demand impulses are hitting a system shaped by control points, including slow supply response, fragile inventory buffers, and weather-driven variability. As a

result, the payoff is not distributed evenly across the complex. It concentrates where supply cannot scale in time, which is why broad commodity beta captures less of the scarcity premium.

> Throughput markets behave like a highway – you add lanes. Bottleneck markets behave like a bridge – you raise the toll.

One simple way to see this is to strip precious metals out of the BCOM index. The Bloomberg Commodity ex-Precious Metals Index (BCOMXPM) – which includes energy, agriculture, and industrial metals – has been largely range-bound between mid-2023 and the outbreak of the Iran war. This range-bound performance underscores how much of the period's commodity strength has been concentrated in a narrow set of markets rather than shared across the complex.

BCOM ex Precious Metals Index, 01/2020–04/2026



Source: LSEG, Incrementum AG

incrementum

Commodity Regimes and the Collapse of Commodity Beta

> *Think, McFly! Think!*
> Biff Tannen

Commodity beta is ultimately a claim about breadth: that a broad basket can serve as a proxy for scarcity premia because most commodities participate when the regime is supportive. To test that claim, we express each commodity's performance as a ratio to a broad benchmark such as the BCOM. Because BCOM is rebalanced over time, the key question is not whether any single weight snapshot is "right", but whether benchmark-relative leadership persists against the index investors actually hold. This ratio lens shifts the focus from prices to shares within the complex – that is, from absolute returns to benchmark-relative leadership. We define leadership strictly as positive relative performance versus BCOM within each regime.

That benchmark-relative distribution of compounding answers three direct questions:

- Which commodities are outperforming the benchmark?
- How broad is the set of winners?
- How concentrated is total outperformance among the top performers?

Absolute returns often blur these distinctions because common price movements and commodity-specific leadership sit inside the same series and can look similar in headline terms. The ratio lens separates them. Each commodity either gains or loses share of the complex over time. That makes the failure mode of commodity beta easier to see: Breadth narrows, relative compounding concentrates in a small subset of markets, and index exposure increasingly dilutes the winners with laggards.

Two supply modes: throughput vs. bottleneck

Since the strength of the chain is determined by the weakest link, then the first step to improve an organization must be to identify the weakest link.
Eliyahu M. Goldratt

Broad participation depends on supply elasticity – how quickly and reliably a market can add marginal supply when prices rise over the horizon that sets prices. Across commodities, two modes dominate. Throughput systems relieve pressure by running the system harder: higher utilization, incremental capacity, and operational fixes across logistics and processing. Bottleneck systems relieve pressure more slowly because the constraint sits in places that do not scale on demand: permits, long-cycle capex, depletion, jurisdictional concentration, or hard midstream chokepoints.

A useful way to picture the difference is to compare a highway with a bridge or tunnel. In a throughput market, the highway can add lanes – or at least keep traffic moving by improving flow. When demand rises, higher prices pull forward a familiar response: more shifts, better utilization, incremental capacity, and rerouted logistics. Congestion still happens, but it is usually manageable within the relevant timeframe, so imbalances tend to clear through higher throughput rather than sustained relative price appreciation.

An army marches on its stomach.
Napoleon Bonaparte

Bottleneck markets behave more like a city where everyone must cross the same bridge or tunnel. When traffic surges, you cannot add lanes quickly, and you cannot bypass the choke point without a lengthy build-out. The constraint is structural – geology, long development timelines, processing limits, infrastructure fragility, or policy-controlled access – so the system stays near the margin for longer. In practice, the queue clears by raising the toll: Price rations demand and rewards whoever controls the bottleneck. That is why benchmark-relative outperformance can persist and concentrate even after the initial macro impulse is broadly shared.

Importantly, most commodities are not permanently fixed in one category. Many move along the spectrum as the binding node shifts. A market that normally behaves like a highway can start acting like a bridge if the constraint becomes a specific port, a single refinery process, tight inventories, regional infrastructure, or weather-linked fragility. Scarcity then localizes where the node cannot scale, and leadership concentrates there as well.

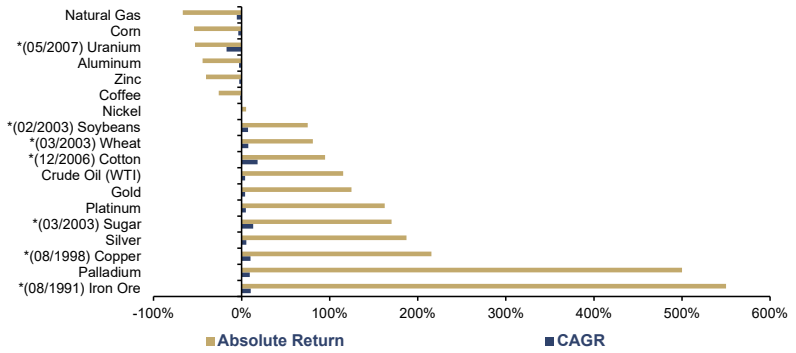
Regimes 1 and 2: broad participation

Farming looks mighty easy when your plow is a pencil, and you're a thousand miles from the corn field.
Dwight D. Eisenhower

When supply can scale quickly, leadership tends to rotate and breadth remains wide; when it cannot, leadership persists and breadth narrows. Earlier regimes were marked by diffuse leadership because the usual equalization mechanisms – trade, substitution, inventories, and faster marginal supply response – helped spread shocks across the commodity complex. During long periods of globalization and in the post-crisis environment, gains were therefore shared across many commodities even when sector-specific drivers differed. Inventories and marginal supply usually rebuilt before bottlenecks could compound, allowing markets to move from tightness back toward balance without a narrow group of commodities dominating for long. Relative winners still emerged, but leadership rotated rather than remaining concentrated.

This structure is evident in benchmark-relative performance from 1990 to 2010, as the next chart shows. Positive relative returns and growth rates were distributed across a broad range of commodities, with no narrow group consistently dominating the complex. In other words, leadership was present, but it remained broad rather than compressed.

Commodity Return Relative to BCOM, Absolute and CAGR, 01/1991*–12/2010



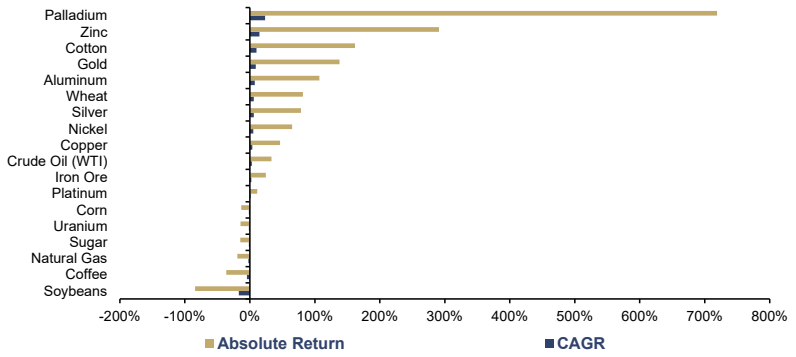
Source: TradingView, Incrementum AG

incrementum

This trend largely continued in the years following the global financial crisis of 2007/08 and leading up to the Covid-19 pandemic. The macro backdrop changed, but relative performance remained broadly distributed. Dispersion stayed contained; leadership continued to rotate; and balances cleared through capacity adjustments, substitution, and weaker demand rather than through persistent chokepoints. Broad exposure, therefore, remained a reasonable proxy for how scarcity and growth impulses moved through commodity markets. And where constraints did emerge, they rarely lasted long enough to dominate the return structure.

The more things change, the more they stay the same.
Jean-Baptiste Alphonse Karr

Commodity Return Relative to BCOM, Absolute and CAGR, 01/2010–12/2019



Source: TradingView, Incrementum AG

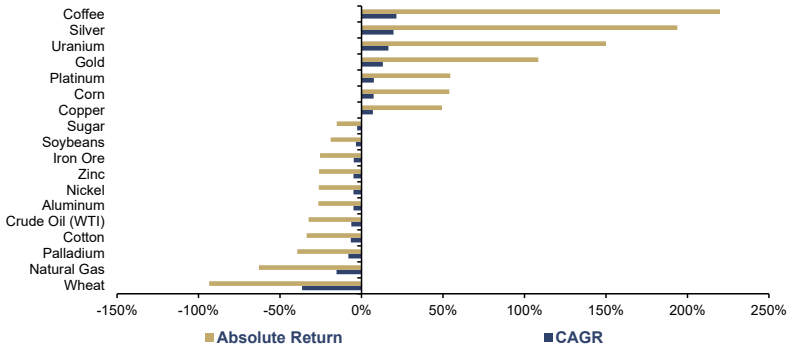
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Regime 3: breadth collapse and leadership compression

The post-2020 period has provided the clearest stress test for breadth. Rather than a single macro impulse lifting the commodity complex together, constraints began to bind selectively at specific supply-chain nodes and processing steps. As supply elasticities diverged across commodities, co-movement weakened, dispersion increased, and leadership narrowed into a smaller set of markets. In benchmark-relative terms, the outcome is clear: A shrinking group of commodities generated most of the gains, while much of the complex lagged despite sharing the same macro backdrop. The next chart shows this post-2020 shift in distribution.

It only takes a handful of big winners to make a lifetime of investing worthwhile.
Peter Lynch

Commodity Return Relative to BCOM, Absolute and CAGR, 01/2020–12/2025



Source: TradingView, Incrementum AG

incrementum

To compare this leadership pattern across regimes, we summarize the distribution of BCOM-relative winners in a single measure: the Commodity Leadership Concentration Index (CLCI). The CLCI answers a simple question: Did outperformance come from many markets or from only a few? After 2020, concentration rose sharply. A higher CLCI means fewer winners, with those winners accounting for a larger share of benchmark-relative gains.

> *What gets measured gets managed.*
> Peter Drucker

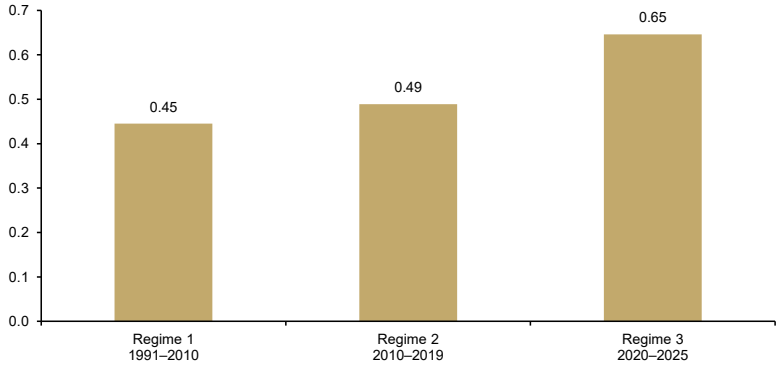
A useful way to think about it is to treat each regime as a season and each commodity as a player. The CLCI shows whether the team's goals were spread across the squad or driven mainly by two or three star forwards. Post-2020 looks much more like the latter: The scoreline is being driven by a small number of decisive contributors.

Under the hood, the CLCI begins by converting performance into leadership shares. Within each regime, we take only commodities with positive BCOM-relative returns and express each winner's contribution as its share of the regime's total positive BCOM-relative return. We then measure concentration through three complementary lenses:

- **HHI** captures how concentrated leadership is among the top winners – think of it as star dependency.
- **Shannon entropy** (H) captures how evenly leadership is distributed across winners – think of it as the spread of scoring.
- **Effective number of leaders** converts that distribution into an intuitive headcount: the number of equally sized contributors that would produce the same degree of dispersion, where $N_{eff} = \exp(H)$.

In essence, the CLCI is an equal-weighted composite of these three measures, scaled so that higher values always indicate greater concentration.

Commodity Leadership Concentration Index (CLCI) Across Regimes, 01/1991–12/2025



Source: TradingView, Incrementum AG

incrementum

Gold's role: anchor, not alpha

In this environment, gold functions less as a cross-sectional "winner" and more as a reference asset transmitted through the monetary channel. Its liquidity, neutrality, and balance-sheet acceptability make it the anchor when regime stress forces a repricing across financial claims and real assets. In other words, gold operates at the system level rather than within the leadership contest that determines which commodities compound faster than the benchmark. It sets the monetary backdrop against which scarcity premia are priced, even as benchmark-relative leadership concentrates elsewhere in the commodity complex.

> *There can be no other criterion, no other standard than gold. Yes, gold which never changes, which has no nationality and which is eternally and universally accepted as the unalterable fiduciary value par excellence.*
>
> Charles de Gaulle

In the *In Gold We Trust* report 2025, "The Big Long", we described this as a sequencing pattern: Gold often moves first, followed by silver and miners, while broader commodity participation tends to arrive only when the impulse reaches inventories, capex, and physical tightness. In cycling terms, safe-haven gold is the domestique, doing the hard work through shocks until the "Hautacam moment," when performance gold (silver and the miners) launches the decisive move.

Viewed through the throughput–bottleneck lens, the pattern becomes clearer. Regimes 1 and 2 produced rotating, broad-based leadership, which made commodity beta a reasonable proxy. Regime 3, by contrast, saw breadth collapse and leadership compress into a small set of structurally constrained nodes. Across all three regimes, gold moved primarily through the monetary channel and acted as an anchor rather than a leader in the benchmark-relative contest.

The post-2020 regime, therefore, separates anchor from leadership. Gold can reprice first as the monetary reference asset, while benchmark-relative outperformance later concentrates in the constrained nodes where supply cannot scale in time. The task, then, is not to choose between gold and commodities, but to distinguish the anchor from the bottlenecks – and to identify where scarcity is being priced as a durable constraint rather than as something episodic and cyclical.

Where Scarcity Is Expressed in the Current Regime

> *Adversity does not build character, it reveals it.*
>
> James Lane Allen

Scarcity becomes visible when a supply system cannot relieve pressure within the time horizon that sets prices, even after capital has been deployed and efforts have been made to expand deliverable supply through coordination and substitution. In the post-2020 regime, that failure tends to concentrate at the clearing node within each system:

The task is not to choose between gold and commodities, but to distinguish the anchor from the bottlenecks.

resource access, infrastructure, processing stages, inventory buffers, and weather-dependent production cycles. Price pressure converges at those nodes because they determine the marginal unit that clears the market. Other parts of the commodity complex, by contrast, still behave like scalable supply systems that can absorb shocks over time.

Systems shaped by geology, geographic concentration, processing capacity, infrastructure rigidity, regulatory friction, or biological timelines follow a different pattern. Deliverable supply expands slowly, inventories carry most of the adjustment burden, and scarcity premia persist because the marginal unit remains constrained for multiple quarters. A third group of markets sits between these poles, with outcomes shaped by inventories, logistics, and regional exposure, all of which can shift the binding constraint over time.

The classification below is therefore not a fixed taxonomy, nor does it suggest that commodities cannot move across categories. It is better understood as a set of transmission descriptors for current conditions. Migration occurs when the binding constraint shifts from scalable capacity to a gated node, or the other way around.

Precious metals

> *[PGMs are] a very small, esoteric market... But when they do recognize this, the price response tends to be quite spectacular.*
> Shree Kargutkar, Sprott

Gold, silver, and platinum-group metals (PGMs) express scarcity through different channels. In this regime, the key question is not whether "precious metals" move together, but where the binding constraint sits: monetary balance sheets, by-product supply chains, or concentrated production geography.

- **Gold:** Gold's scarcity channel is governed by monetary demand, liquidity, neutrality, and balance-sheet acceptability. It anchors valuation and confidence as a reserve asset rather than expressing scarcity through industrial throughput. A key differentiator, discussed repeatedly in earlier *In Gold We Trust* reports, is stock-to-flow: The above-ground stock of gold is enormous relative to annual mine supply, so marginal supply gains or temporary disruptions are often negligible compared with the existing stock.[2] That matters because gold is mostly held and reheld rather than consumed like most commodities. Its price is therefore driven less by supply tightness than by the opportunity cost of trust.
- **Silver:** Silver partly shares gold's monetary characteristics, but its scarcity channel is more exposed to by-product supply dynamics and rising industrial intensity. As demand accelerates, tightness therefore tends to localize in specific nodes.
- **PGMs:** Concentrated production and limited substitution keep the supply system narrow, allowing constraints to persist when disruptions occur.

Precious Metals in Relation to Scarcity under the Current Regime

Commodity	Classification	Scarcity Expression	Notes
Gold	Bottleneck (Monetary Anchor)	Monetary reference; balance-sheet demand	Anchors the system; not synonymous with alpha leadership
Silver	Bottleneck (Dual-Use)	By-product supply; rising industrial intensity	Higher sensitivity to localized constraint than gold
Platinum Group Metals (PGMs)	Bottleneck (Geopolitical)	Concentrated production geography; limited substitution	Physical and political chokepoints

Source: *In Gold We Trust* report

2 *See* "The Stock-to-Flow Ratio as the Most Significant Reason for Gold's Monetary Importance," *In Gold We Trust* report 2014

Energy

> *Are you saying this sucker is nuclear?*
> Marty McFly

Energy markets sit closer to the throughput end of the spectrum – until infrastructure, policy, or fuel-cycle chokepoints force clearing to occur at specific nodes. Under current conditions, the constraint channel appears less as a uniform form of "energy scarcity" and more as a set of differentiated pathways of tightness.

- **Oil:** Large-scale production capacity exists, and effective supply often clears through investment discipline, geopolitics, and policy coordination. Tightness, therefore, tends to arrive in waves as the capex cycle and policy constraints interact with demand.
- **Natural gas:** Regional infrastructure governs deliverable supply through liquefaction capacity, pipelines, storage, and grid realities, segmenting price formation despite large aggregate resources.
- **Uranium:** The constraint runs across the fuel cycle – mining, conversion, enrichment, and fabrication – so pressure can persist when any node tightens, even if another node improves.

Energy in Relation to Scarcity under the Current Regime

Commodity	Classification	Scarcity Expression	Notes
Crude Oil	Throughput (managed constraint)	Large-scale production; policy coordination; investment cycle	Episodic constraint; primarily cyclical
Natural Gas	Mixed	Infrastructure-defined regional markets	Segmented markets; constraints vary by region
Uranium	Bottleneck (fuel-cycle)	Long lead times; conversion and enrichment chokepoints	Constraint spans mining to processing stages

Source: *In Gold We Trust* report

Base and industrial metals

> *Lords are gold and knights steel, but two links can't make a chain. You also need silver and iron and lead, tin and copper and bronze and all the rest...*
> George R.R. Martin

Industrial metals sit on a spectrum. Some systems can scale with capital and energy; others remain constrained by timelines, ore quality, and processing limits that keep the marginal unit scarce within the pricing window. The distinctions below clarify where scarcity is most likely to persist and where it is more likely to mean-revert.

- **Copper:** The system's responsiveness is limited by long project timelines, declining ore quality, and permitting and infrastructure frictions that delay marginal supply.
- **Aluminum:** Production is geographically flexible, and reliable low-cost energy sets the binding constraint, shifting scarcity toward power policy and energy availability.
- **Nickel:** Outcomes depend on processing route and purity. Large-scale supply growth does not necessarily translate into scalable battery-grade output, allowing quality-specific tightness to persist.
- **Zinc:** A mature mining profile and cyclical investment response shape the supply function, with constraints compounding mainly during disruptions that tighten buffers.

Base and Industrial Metals in Relation to Scarcity under the Current Regime

Commodity	Classification	Scarcity Expression	Notes
Copper	Bottleneck-leaning	Long project timelines; declining ore quality; infrastructure/permitting friction	Combines scale with persistent constraint
Aluminum	Throughput	Energy-intensive but geographically flexible production	Capacity adjusts with power availability
Nickel	Mixed (grade-specific)	Rigidity in battery-grade supply	Processing constraints dominate marginal supply
Zinc	throughput	Cyclical; mature mining profiles	Supply responds to price and investment

Source: *In Gold We Trust* report

Softs

> *The time will come that gold will hold no comparison in value to a bushel of wheat.*
> Brigham Young

Agricultural systems often clear through acreage, yield, and trade – until weather, inventories, and logistics compress buffers at the same time. When that happens, scarcity becomes less a question of global totals and more a question of timing, regional exposure, and the speed of biological response.

- **Corn:** Acreage and yield provide the main adjustment channel, with bottleneck behavior emerging when weather stress, inventories, and logistics tighten simultaneously.
- **Bulk grains (wheat, soy):** Trade, substitution, and acreage decisions usually provide the clearing mechanism, with scarcity episodes intensifying when multiple producing regions come under stress at the same time from geopolitics or weather.
- **Coffee:** Biological timelines define the response function, while regional concentration and weather volatility can extend tightness through slow replanting cycles.
- **Other softs:** Scarcity episodes depend on production ecology and regional exposure, with persistence determined by how often the stressor recurs and how long it lasts.

Softs in Relation to Scarcity under the Current Regime

Commodity	Classification	Scarcity Expression	Notes
Corn	Mixed	Acreage/yield flexibility constrained by inventories, logistics, and weather	Bottleneck behavior under localized stress
Bulk Grains (Wheat, Soy)	Throughput	Acreage, yield, and trade adjustment	Tightness clears through substitution
Coffee	Bottleneck-prone	Regional concentration; biological timelines	Constraint persistence driven by weather and geography
Other Softs	Episodic bottlenecks	Weather and regional exposure	Constraint persistence varies by crop ecology

Source: *In Gold We Trust* report

What the map implies about returns

> *It is better to know some of the questions than all of the answers.*
> James Thurber

The foregoing classification helps explain why benchmark-relative outperformance has become both narrower and more persistent. Throughput shocks can still produce sharp moves, but those moves are usually followed by a supply response – through capacity additions, substitution, and buffer rebuilds – that limits relative compounding within the pricing window. Bottleneck shocks behave differently. Because relief is delayed at the binding node, tightness persists, allowing benchmark-relative outperformance to compound over longer stretches.

Commodity Return Relative to BCOM, CAGR, 01/1991*–12/2025

Commodity	Regime 1 1990–2010	Regime 2 2010–2019	Regime 3 2020–2025
Coffee	-1.5%	-4.4%	21.4%
Silver	5.4%	6.0%	19.7%
*(05/2007) Uranium	-17.2%	-1.5%	16.5%
Gold	4.1%	9.1%	13.0%
Platinum	4.9%	1.1%	7.5%
Corn	-3.8%	-1.4%	7.4%
*(08/1998) Copper	10.1%	3.9%	6.9%
*(03/2003) Sugar	13.2%	-1.6%	-2.7%
*(02/2003) Soybeans	7.2%	-16.9%	-3.4%
*(08/1991) Iron Ore	10.4%	2.2%	-4.8%
Zinc	-2.5%	14.6%	-4.9%
Nickel	0.2%	5.1%	-4.9%
Aluminum	-2.9%	7.5%	-5.0%
Crude Oil (WTI)	3.9%	2.9%	-6.3%
*(12/2006) Cotton	18.2%	10.1%	-6.6%
Palladium	9.4%	23.4%	-8.0%
Natural Gas	-5.3%	-2.1%	-15.3%
*(03/2003) Wheat	7.7%	6.1%	-36.6%

Source: TradingView, Incrementum AG

Broad index exposure, by design, dilutes that dynamic. Broad baskets include many scalable markets whose relative gains mean-revert once supply responds, even as a smaller subset continues to compound under durable constraints. It is like buying a fruit salad in search of a vitamin C spike when what you actually needed was the oranges (the bottleneck asset). Instead, you fill up on melon (the throughput asset), which is watery and abundant. **The result is that the scarcity premium is muted by everything in the basket that can scale.**

> *I swore to protect you. Look after you. A shield against all your enemies.*
> Gianluigi Buffon

The table makes this distribution explicit. It shows BCOM-relative CAGRs by commodity and by regime. Positive values indicate sustained excess compounding relative to the index, while negative values indicate persistent lag. The pattern is clear: A narrow set of markets generates durable benchmark-relative gains, while a broader group remains weak or unstable because its tightness clears through supply response rather than persistent constraint premia.

From Beta to Bottlenecks: The Post-2020 Allocation Playbook

In the post-2020 regime, commodity beta has become a dilution trade. Broad baskets increasingly capture the average performance of scalable supply systems rather than the excess returns generated by the few markets facing binding constraints. Scarcity has not disappeared; it has become localized. Leadership now concentrates where supply cannot scale within the time horizon that sets price – whether the bottleneck lies in permits, processing, infrastructure, jurisdiction, or weather – while throughput markets tend to mean-revert as supply response arrives.

> *The essence of strategy is choosing what not to do.*
> Michael Porter

The edge, therefore, has shifted from owning "commodities" in the broad sense to owning the constraint. This is now a dispersion regime: **The task is to identify the bottleneck, size the exposure deliberately, and stop expecting the index to capture the regime's scarcity premium. That is where the barbell strategy comes in.**

> *Once you recognize that supply and demand are totally out of whack, and you make your move, you will get very lucky.*
> Jim Rogers

Gold is the goalkeeper. The bottleneck sleeve is the strike force. Both are needed to win the match – neither can do it alone.

The barbell: defense, offense, and the overlay

Think of post-2020 commodity allocation as a barbell rather than a single "commodity sleeve".

Gold = Defense (Goalkeeper)

In this framework, gold is not there to win the match; it is there to keep you from losing it. Think of gold as the goalkeeper in a portfolio built for the post-2020 commodity regime. When the stock-bond hedge becomes state-contingent and policy and inflation volatility rise, you need one position whose job is to stabilize the scoreline. That is gold's role. It anchors the portfolio's valuation frame and absorbs demand for balance-sheet trust without depending on industrial throughput. That matters, because the rest of the commodity complex is fragmenting into localized, node-specific constraint regimes.

Operational role:

- Gold anchors the portfolio's valuation frame by providing a stable monetary reference asset when trust in financial claims is being repriced.
- It absorbs macro stress by helping stabilize the portfolio when stock-bond correlations become unreliable and policy or inflation volatility rises.
- It underwrites risk-taking elsewhere by creating the defensive base that allows more aggressive exposure to bottleneck assets without making the overall structure fragile.

In short, gold keeps you in the game so that your bottleneck "strikers" can take risks where they are actually rewarded.

> *Gentlemen, two points.*
> Ernst Happel

Bottleneck Sleeve = Offense (Strikers)

If gold is the goalkeeper, the bottleneck sleeve is the front line: the strikers you rely on to put points on the board. This is where benchmark-relative compounding increasingly lives. The opportunity sits in idiosyncratic bottlenecks that remain binding even after the market does the normal things it is supposed to do: Prices rise, capital appears, substitution is proposed, and investment announcements hit the tape. In a throughput market, that sequence usually relieves pressure. In a bottleneck market it often does not, because the constraint sits at a node that cannot scale fast enough. That is when returns become convex: Small changes in demand or ownership can produce outsized moves.

Operational role:

- The bottleneck sleeve targets the binding node by focusing exposure where supply cannot scale fast enough within the pricing window.
- It captures scarcity convexity by owning the markets where tightness is most likely to persist and price must do the clearing.
- It front-runs slow reallocation by positioning before broad capital rotates in and benchmark-relative gains become obvious.

In a nutshell, the bottleneck sleeve is where you try to win. But it only works if the goalkeeper is already in place, because strikers are of limited use if you concede every time the macro regime shifts.

Broad Commodity Baskets = Substitutes (Tactical Minutes, Not Your Starters)

If gold is the goalkeeper and the bottleneck sleeve is the front line, then broad commodity baskets are the substitutes: useful, and sometimes game-changing in the right moment, but not the players you build the season around. They can still play an important role when the macro script is clear; for example, during reflation, broad risk-on phases, inventory squeezes that lift the whole complex, or inflation impulses that pull most commodities higher together. In those moments, broad baskets give you general exposure to the pace and direction of the match.

The mistake is calling it scarcity when it is really macro beta in a fruit-salad wrapper.

But as a structural scarcity allocation, they are becoming less reliable. By construction, the index carries too much of what can still scale. It tends to overweight markets where supply curves can steepen, substitution remains available, and buffers can be rebuilt. In other words, broad baskets are filled with throughput systems that dilute the very constraint premium you are trying to own.

> *Not everything that counts can be counted, and not everything that can be counted counts.*
> William Bruce Cameron

Operational role:

- Broad commodity baskets express the broad macro impulse by providing general exposure when reflation, risk-on, or inventory tightening lifts much of the complex together.
- They add tactical commodity beta by giving shorter-horizon participation in broad commodity moves when precision matters less than overall exposure.
- They complement, rather than replace, bottleneck exposure by serving as a supporting allocation rather than the core vehicle for capturing concentrated scarcity premia.

In short, broad commodity baskets still have tactical value, but in this regime they are supporting players, not the core expression of scarcity.

The "melon list": what to avoid

If your goal is to own the regime's scarcity premium, you need to stop treating commodities as a single bowl and start separating the assets that concentrate constraint from those that dilute it. **In this regime, one of the biggest unforced errors is paying for the whole fruit salad when what you really wanted was one specific ingredient – only to discover the bowl is mostly melon:** watery, bulky, and irrelevant to your actual objective. In commodity terms, "melon" means throughput exposure.

> *In resources, you are either a contrarian or you are going to be a victim.*
> Rick Rule

Avoid – or at least demote to tactical use – exposures dominated by the following:

- Broad commodity indices as a strategic holding
- Short-cycle supply-response markets
- Thick buffers and rebuildable inventories
- High substitutability at the margin
- "Reflation baskets" presented as "scarcity baskets"

The last point still needs some explanation: Many exposures perform well during the initial impulse, then give back relative gains as supply response clears the market. That is not necessarily a bad trade, but it is a different trade. The mistake is calling it scarcity when it is really macro beta in a fruit-salad wrapper.

A useful rule of thumb is this: If a market repeatedly clears tightness through response, it is not a structural bottleneck; it is a cyclical story wearing a scarcity costume. And if you are trying to own scarcity alpha, you do not want the bowl dominated by melon.

Bottleneck screen: what to hunt for

You are not trying to forecast a supercycle. You are screening for markets where constraints remain binding even after the usual adjustment mechanisms have tried – and failed – to clear them. **As a rule, when bank strategists begin marketing a "supercycle", it is usually a signal to become more selective, not broader, and to tighten risk.** Focus on bottlenecks that show at least three of the following characteristics – the more, the better:

A) Time Moats

- Permitting moats and long lead times, including multi-year approvals and slow build cycles
- Long development timelines from exploration to feasibility, financing, construction, and commissioning

B) Chokepoints in the Value Chain

- Processing or refining concentration, such as midstream monopoly or oligopoly structures or single-country dominance
- Conversion capacity limits, where raw material exists but usable forms remains bottlenecked

C) Control and Jurisdiction

- Jurisdictional concentration, with supply concentrated in a small number of producers or regions
- Export controls or resource nationalism risk, where policy can constrain supply faster than capex can expand it
- Strategic stockpiling that removes float when pressure rises

D) Geological Reality

- Declining ore grades or depletion effects
- Complex metallurgy that prevents a rapid expansion of "easy supply"
- Co-product dependence, where the price of that commodity itself does not primarily drive supply

E) Buffer Fragility

- Thin inventories or low buffer capacity
- Low spare capacity and limited swing supply

F) Substitution Limits

- Low substitutability at the margin because of technical constraints, qualification cycles, or safety and regulatory limits
- Demand rigidity in key end uses, where replacement is slow rather than immediate

G) Infrastructure Dependence

- Single points of failure in ports, rail, power, or water
- Logistics fragility that turns "available supply" into "undeliverable supply"

H) Capital Friction

- Mandate friction or political constraints that delay capital formation
- Underownership combined with slow reallocation

The quick screen question is this: Where is the market's clearing node? If it sits in a hard bottleneck (think: permits, processing, infrastructure, control, or weather) rather than in a scalable supply response, you are closer to the regime's structural winners.

> *People are too quick to accept conventional wisdom, because it sounds basically true. Many things 'everybody knows' turn out to be wrong.*
> Jim Rogers

The node test: 7 questions to separate bottlenecks from throughput

- As a service to our readers, we distill the throughput–bottleneck framework into seven practical questions you can apply to any commodity theme. The objective is simple: Separate cyclical reflation beta from genuine scarcity exposure before you commit capital.
- What am I actually trying to own: reflation beta or scarcity alpha?
- Is this market a throughput system or a binding-node system?
- Where is the constraint: resource access, permits, processing, infrastructure, jurisdiction, or weather?
- Can supply respond within the time horizon that sets price? If yes, treat it as cyclical rather than structural.
- Are inventories and spare capacity deep enough to absorb shocks and rebuild? If yes, scarcity premia are more likely to fade.
- Is substitution real at the margin or just a slide-deck promise? How long would it take to qualify alternatives?
- What would have to change for this market to stop being a bottleneck: new processing capacity, a policy reversal, infrastructure expansion, technological substitution, or permitting reform?

If you cannot answer these questions clearly, treat the trade for what it is: narrative beta, not scarcity exposure. In this regime, the index is the glossy brochure, while the constraint premium is earned at the bottleneck itself – where throughput fails and the marginal unit cannot arrive in time. **Own the bottleneck, or accept that the basket will dilute the very move you are trying to capture.** ■

NORTHPEAK

TSX-V: NPR | OTC: NPRLF | FRA: B9TN



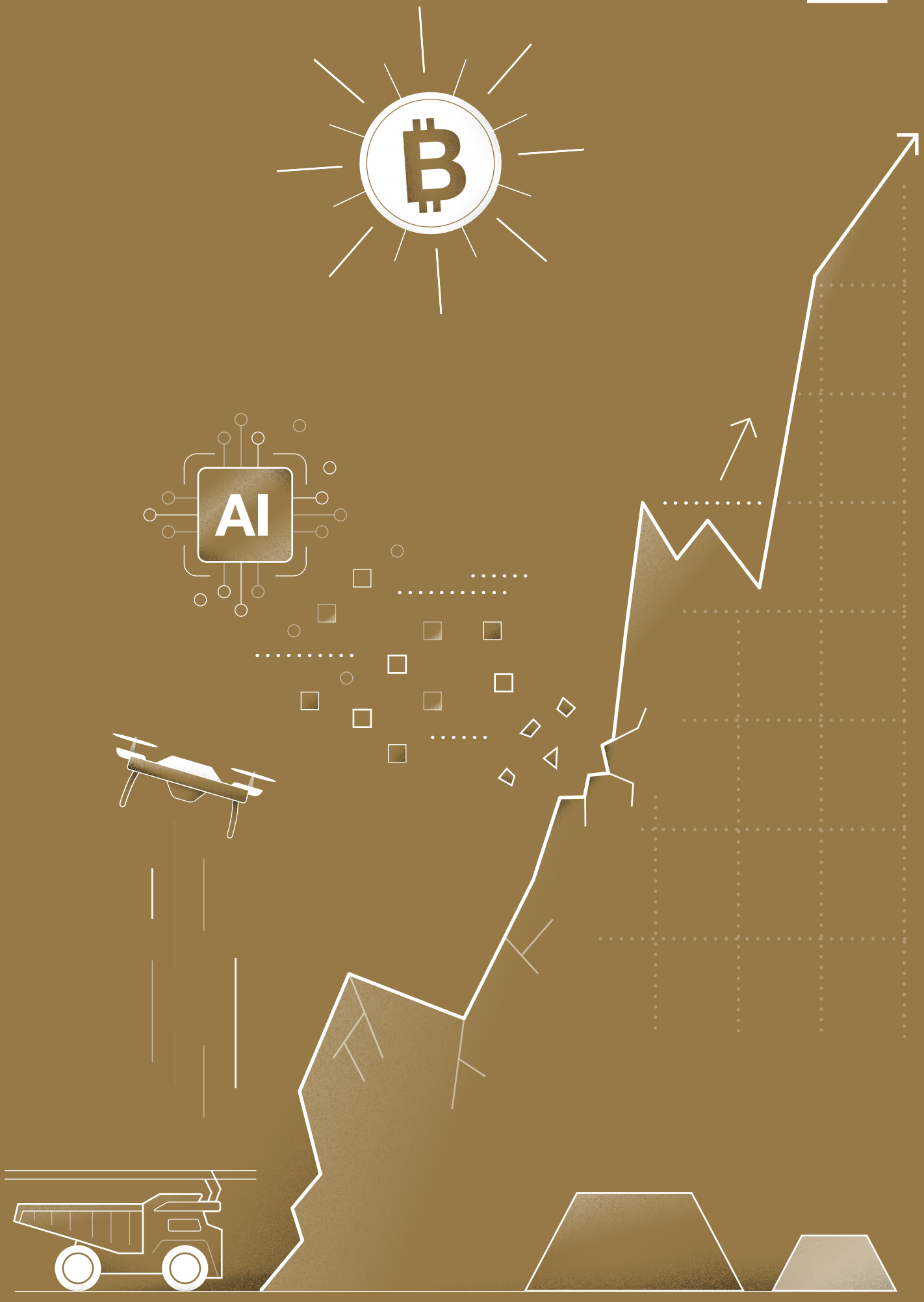
North Peak Resources is a junior exploration company backed by Harry Dobson, founder of Kirkland Lake Gold and Rupert Resources.

It is developing the fully permitted Prospect Mountain property, which is located in the unexplored center of the historic high-grade gold and polymetallic mining camp of Eureka, Nevada, USA.

The property had been in private family hands for over 40 years and North Peak is applying modern exploration techniques for the first time in its history.

Prospect Mountain is unique, with around 10 miles of underground tunnels providing a clear insight into the fault system that appears to be driving the mineralisation in the camp. Surrounded by billion dollar companies who are actively deploying capital and exploring, the camp has an endowment of over 8 million ounces of gold and growing.

info@northpeakresources.com
northpeakresources.com


AI

Performance Gold

Bitcoin's Role in the Monetary Future 328

Bitcoin has overcome its initial challenges. Now, systemic risk, governance risk, and market structure risk must be addressed. As a neutral and rule-based network, Bitcoin can solve one of the defining challenges of our time: the loss of trust.

Silver After the Surge: Stairway to Heaven or Highway to Hell? 348

Silver's significant rally of recent quarters remains fundamentally intact, despite the pullback from its high of USD 121. As a result, the silver market will post a supply deficit for the seventh consecutive year in 2026.

AI Is Making its Way into the Mining Sector 368

AI has a wide range of applications: from optimizing exploration and operations to improving miner safety and raising environmental standards. Even autonomous mining operations appear possible.

Innovate or Terminate: The Case of the Gold Mining Industry 378

Innovations in decarbonization, exploration, processing, and waste management are the answer to numerous challenges such as declining ore grades, water scarcity, and rising energy costs.

The Corporate Gold Standard: Why Gold and Silver Miners Should Hold Their Own Metal 390

Mining companies should follow their own advice and hold 5–10% of their annual production in gold and/or silver. Gold is the natural hedge against cost inflation, as gold and AISC correlate with $R^2 = 0.97$.

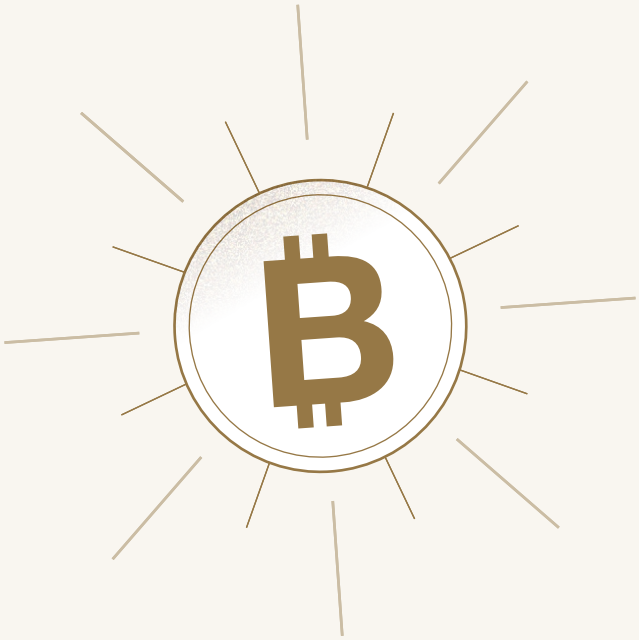
Gold and Silver Miners: From Problem Child to Model Student 402

2025 was the most profitable year in gold mining history. Capital discipline, debt reduction, and transparent dividend policies have transformed the mining sector from a problem child into a model student.

Technical Analysis 420

A breather in the short term, higher in the medium term, and back to the center of the monetary system in the long term: We expect a volatile sideways movement in the range of USD 4,500–USD 4,950 through early summer.

Bitcoin's Role in the Monetary Future



Key Takeaways

- With the early challenges now largely behind us, we identify three categories of Bitcoin risk: systemic risk, governance risk, and market structure risk.
- Quantum risk, currently the most widely discussed Bitcoin risk, is in our framework a subset of governance risk. It is less about an imminent cryptographic break than about Bitcoin's ability to coordinate timely upgrades under stress.
- Bitcoin's financial integration has increased the relevance of market structure risk, with deep drawdowns remaining possible during liquidity shocks. At the same time, the February 2026 sell-off showed that long-term allocators stepped in to buy the dip.
- Gold and Bitcoin remain complementary hard assets, not competitors. Their distinct demand drivers continue supporting low correlation and strengthen a combined debasement-trade allocation.
- At its core, Bitcoin addresses one of the defining challenges of our time: the erosion of trust. Between nations, between citizens and states and within monetary systems themselves. As a neutral and rules-based network, Bitcoin may become one pillar of the future of money.

The root problem with conventional currency is all the trust that's required to make it work.

Satoshi Nakamoto

Risks and Reserves: Bitcoin at the Threshold of a New Era

Bitcoin is almost eighteen years old, and like all newly minted adults, it is very different from when it was born. As it enters adulthood, its institutional phase is beginning to seriously hit its stride. While its core fundamentals remain unchanged, Bitcoin is no longer the same asset it was just a few years ago. The cast of characters holding it, the infrastructure surrounding it, and the risks embedded in it have all transformed.

There's always a million reasons to put off Bitcoin. Yesterday it was the SEC. Today it's quantum. But neither the fundamental nor technical legitimacy of Bitcoin is ever determined by science. It's determined by the will of the community, and self-preservation is a superpower.
Jeff Park

If the leitmotiv of this year's *In Gold We Trust* report is "Back to the Monetary Future," then gold stands at the center of that vision. We believe its role within the global monetary system is set to grow more important again, as trust, neutrality, and monetary resilience are being repriced. Yet the future of money is unlikely to belong to gold alone.

With the discovery of Bitcoin, the monetary timeline was already altered. Its emergence cannot be undone, and its implications will continue to unfold from here. Having come a long way during its adolescence, Bitcoin has risen into the ranks of the world's ten largest assets by market capitalization in less than two decades. Looking ahead, one can envision a future in which institutional investors allocate to it in earnest, credit markets are increasingly built around it, and sovereign nations begin to stockpile it. In such a system, Bitcoin could complement gold as an alternative reserve asset and settlement medium, offering distinct advantages in portability, divisibility, verifiability, and ease of transfer in an increasingly digital and interconnected world.

I find your lack of faith disturbing.
Darth Vader

For investors, this new phase of Bitcoin's life presents both risks and opportunities. Where will the next waves of demand come from? Does institutionalization introduce new vulnerabilities that investors should understand? Which legacy concerns can be retired, and which deserve renewed scrutiny?

Beyond the investment case, Bitcoin may also be gaining relevance as a response to a broader global trust deficit. In a world marked by geopolitical fragmentation, trade frictions, and growing skepticism toward sovereign currencies and state institutions, a neutral, borderless, and rules-based monetary network could become increasingly valuable. In the pages that follow, we examine what has changed for Bitcoin over the past year, the key risks debated in this new market regime, the institutional demand

reshaping market structure, and why the "digital gold" narrative deserves both defense and refinement.

Growing Pains: The Three Risk Categories of Bitcoin's Maturation

Critics once argued Bitcoin had no value and would disappear. Now they argue how it should be governed – the debate itself is the proof of permanence.

Over the years, Bitcoin has weathered a rotating cast of existential threats. The following represent some of the major concerns that were intensely debated in past years but now appear to have been resolved or to have faded in importance:

- For years, the prospect of a Bitcoin ban hung like a Damoclean sword over the asset, and was frequently cited by potential investors as a key reason to stay on the sidelines. With the approval of spot Bitcoin ETFs in the United States, it became clear that – at least across Western jurisdictions – outright prohibition was no longer a credible base case for Bitcoin.
- Exchange risk, once synonymous with Bitcoin itself after the Mt. Gox collapse, has been substantially mitigated by regulated custody infrastructure and the spot ETF regime.

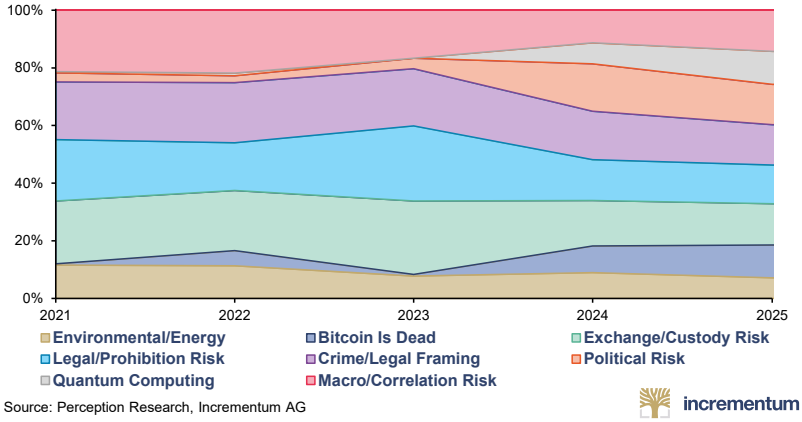
Environmental criticism long ranked among the most persistent objections to Bitcoin, often cited as evidence that large-scale adoption would face political and institutional limits. The environmental narrative lost significant traction as the share of sustainable energy in Bitcoin mining rose above 50%, according to recent Cambridge estimates.

What is remarkable is that every major risk identified in the early years has either been resolved or significantly reduced.

> *One way or another, the war will end, life will move on & governments will keep printing... Bitcoin will continue to gain adoption and the power law will assert itself as a response. Zoom out and consider the value of catching a bottom versus missing the opportunity.*
>
> Dave Weisberger

One might assume that Bitcoin FUD (fear, uncertainty, and doubt) would decline as the asset matures. The data tells a different story: FUD rotates. Perception Research's analysis of 356,000 media mentions across 653 sources found that total negative sentiment remained structurally stable at 12–18% throughout 2025. The media appears to allocate a roughly fixed "negativity budget" to Bitcoin coverage. What changes is not the volume of criticism but its target.

FUD Attention Rotation: Share of Total FUD Mentions, 2021–2025



Source: Perception Research, Incrementum AG

incrementum

The man who views the world at fifty the same as he did at twenty has wasted thirty years of his life.
Muhammad Ali

The stacked area chart illustrates how Bitcoin-related FUD has rotated over the past five years using Perception Research data. The categories that dominated 2021–2023 – environmental criticism, prohibition fears, and macro correlation concerns – accounted for the majority of negative attention. By 2025, their combined share had fallen, though they still command mindshare.

Environmental FUD, once a primary attack vector, lost relevance as newer data on mining's energy mix challenged the narrative. Likewise, the recurring "Bitcoin is dead" trope has increasingly become contrarian clickbait around new all-time highs rather than a serious line of critique.

In their place, new narratives have absorbed attention. Political risk has risen sharply – no longer centered on fears of an outright ban, but on claims that Bitcoin is politically aligned with figures such as President Trump or the broader political right. Quantum computing has emerged as a new category of concern. Meanwhile, crime and legal framing remained persistent and, according to Perception's sentiment data, turned significantly more hostile during 2025.

The broader shift is telling: Critics once argued Bitcoin had no value and would disappear. Increasingly, the debate has moved toward how Bitcoin should be governed, regulated, or politically interpreted – itself a sign that the asset is now treated as durable rather than temporary.

Today, it seems as if the most widely discussed risk is quantum risk. NIST finalized three post-quantum cryptography standards in 2024, and has recommended that organizations begin migrating away from quantum-vulnerable algorithms well before 2035. For Bitcoin, the threat is real but not imminent: Cryptographically relevant quantum computers capable of breaking elliptic curve cryptography are estimated to emerge between 2030 and 2035, and the Bitcoin developer community is already evaluating quantum-resistant signature schemes. Beyond the widely discussed quantum risk, which we classify primarily as a **governance risk**, we identify two additional categories that deserve investor attention: **systemic risk**, relating to network, protocol, or consensus failure; and **market structure risk**, in which institutional flows, macro correlation, and DAT leverage could amplify volatility and deepen drawdowns.

Bitcoin Risk Framework

Risk Category	Definition	Key Subcategories / Examples
Systemic Risk	Risks at the protocol, network, or consensus layer that could impair Bitcoin's core functionality.	• Consensus failure / chain split • Critical software bug • Sustained network disruption • Mining centralization / censorship pressure • Fee-market dysfunction / security budget concerns
Governance Risk	Risks related to coordination, incentives, and the ability of the ecosystem to implement necessary changes. Includes the widely discussed quantum risk.	• Quantum risk (upgrade coordination under pressure) • Soft-fork / hard-fork governance disputes • BIP process gridlock • Social consensus fragmentation • Property-rights questions (e.g. frozen or disputed coins)
Market Structure Risk	Risks arising from Bitcoin's deeper integration into traditional finance and evolving market microstructure. These dynamics may amplify volatility and drawdowns.	• Institutional flow-driven volatility • ETF concentration risk • Macro correlation (e.g. Nasdaq / DXY / liquidity shocks) • DAT leverage (debt-funded treasury strategies) • Forced selling / liquidation cascades • Basis trade / derivatives stress • Historical drawdown depth vs. market maturity

Source: Incrementum AG

It ain't about how hard you hit, it's about how hard you can get hit and keep moving forward.
Rocky Balboa

Finally, volatility itself remains a permanent feature of Bitcoin – not a bug to be engineered away, but a structural characteristic of an asset still in the early stages of global price discovery. As with gold, any noninflationary bearer asset that is not denominated in fiat currency will, by definition, remain volatile so long as it is not widely used as a unit of account. As long as goods, liabilities, and financial contracts are required to be primarily denominated in state currency, the sovereign monetary standard continues to anchor relative pricing.

Governance risks: quantum computing as more than a technical threat

The prospect of quantum computing breaking Bitcoin's cryptography has attracted increased attention, driven by technological progress and amplified by behavioral biases among institutional investors. In 2025, quantum concerns contributed to greater institutional caution – driven more by loss aversion and herd mentality than by a sober assessment of the technology's actual state.

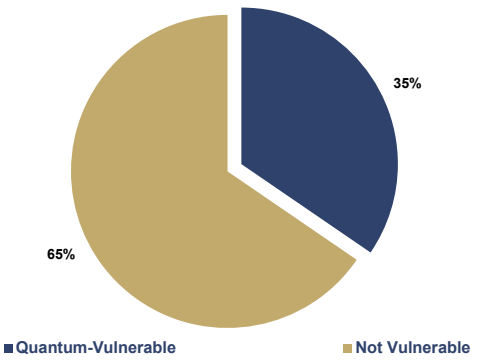
It is important to distinguish clearly between what quantum computing can and cannot threaten. Bitcoin's 21mn supply cap is enforced by consensus, not cryptography, and quantum computers cannot create counterfeit Bitcoin. Coins whose public keys have never been revealed remain substantially better protected because the information needed to attack them has never been revealed. The exposure lies in Bitcoin's earliest transaction formats: Project Eleven's tracker estimates a vulnerable supply of 1.7mn BTC in legacy P2PK addresses (including 1mn tied to Satoshi-era mining). Per CoinShares' analysis, this represents roughly 8% of total supply – well below the 4mn BTC frequently cited in popular discourse.

> *Quantum computing is still very far from any meaningful risk of breaking Bitcoin cryptography. Quantum-resistant addresses will eventually be added to Bitcoin before there is any serious threat. All people alive (and that have access to their wallets) will move Bitcoin into new quantum-resistant addresses. Any Bitcoin in lost wallets, including Satoshi (if not alive), will be hacked and put back in circulation.*
>
> Paolo Ardoino

The quantum debate is often framed as a cryptographic emergency, but its most challenging dimension is governance. Bitcoin has made only two major protocol upgrades in the past decade, each taking years. A post-quantum soft fork would be far more complex. Nic Carter claims that Bitcoin's development culture has been slow to address this risk, with BIP-360 – the primary quantum-safe proposal – led by a relative outsider. Yet core developer Matt Corallo stated in an interview in February 2026 that 30–40% of Bitcoin-dev mailing list posts now address post-quantum proposals, with consensus forming around hash-based signatures as a first step – an effectively zero-cost insurance policy that could be activated when the threat becomes urgent.

> *If it happens gradually, we can still transition to something stronger. When you run the updated software for the first time, it will re-sign all your money with the new, stronger signing algorithm.*
>
> Satoshi Nakamoto, BitcoinTalk forum, July 2010

Percent of Circulating Bitcoin Supply Potentially Vulnerable to Quantum Attacks, 05/2026

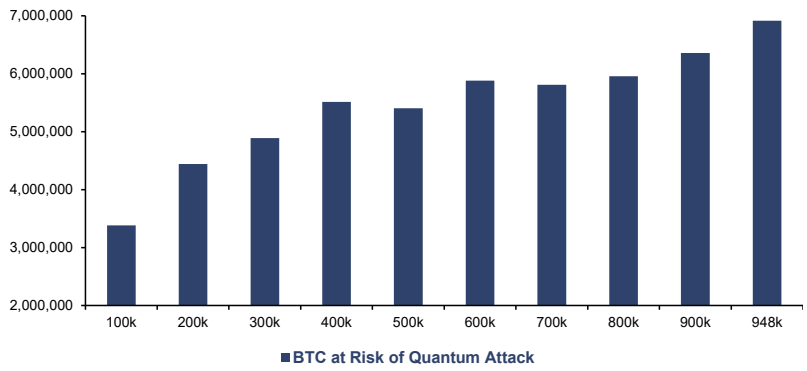


Source: Galaxy Research, Project Eleven, Incrementum AG

incrementum

Galaxy Research's comprehensive March 2026 analysis distinguishes between two categories of quantum exposure that investors should understand. "Long-exposure" coins are those whose public keys are already visible on-chain – legacy P2PK outputs, reused addresses, and previously spent outputs. An attacker with a CRQC would have effectively unlimited time to derive private keys from these exposed public keys. "Short-exposure" coins, by contrast, only reveal their public keys at the moment of spending, meaning an attacker would need to derive the key and front-run the transaction during the brief confirmation window in the mempool. This distinction matters because it means the vast majority of Bitcoin held in modern wallet formats is not vulnerable to a "harvest now, decrypt later" strategy – only the long-exposure category faces that threat.

> *We are working very hard on this very serious problem, and we think that it is the most serious concern that people have raised about Bitcoin.*
>
> Hunter Beast, Bitcoin developer and BIP 360 co-author



> *I think I can safely say that nobody understands quantum mechanics.*
> Richard Feynman

Perhaps the most interesting question is what happens to coins that cannot be migrated. Satoshi's coins and those of early participants who lost their keys will never move to new address formats. Most assume these coins will simply be recovered by quantum-capable entities. But as Jameson Lopp writes, the community will face a choice between two property rights violations:

- Allowing quantum recovery redistributes wealth toward the few organizations with billion-dollar quantum capabilities, or
- Freezing vulnerable coins permanently burns property without consent.

Either way, an inviolable property of Bitcoin gets violated. Lopp frames this as the most significant governance decision Bitcoin will face since the block size wars. Investors should watch this issue closely, but remember that plans are being discussed well in advance of any actual threat.

> *I, for one, am not interested in rewarding quantum-capable entities by inflating the circulating money supply just because some people lost their keys long ago and some laggards are not upgrading their Bitcoin wallet's security.*
> Jameson Lopp

Quantum computing is often presented as an existential threat to Bitcoin. That framing is overstated. The more immediate challenge is not whether quantum machines can break signatures tomorrow, but whether Bitcoin's decentralized governance can coordinate a credible response before they can. The good news is that the issue is being debated years in advance of any demonstrated large-scale threat. Technical pathways exist, and the share of truly vulnerable coins is far smaller than many headline figures suggest.

For investors, the key takeaway is clear: Quantum risk should be monitored seriously but understood correctly. It is less a sudden extinction event than a long-dated governance test for a maturing monetary network.

Market structure risk: "regular volatility" vs. max drawdowns

> *Prediction: Bitcoiners being able to empirically say "yeah, Bitcoin's property rights guarantees are so strong that it didn't even fork to save the creator's 1 million coins from quantum attack" will be a huge narrative win and reinforce Bitcoin's uniqueness as the hardest money.*
> Dan McArdle

The February 5, 2026, sell-off was a masterclass in how Bitcoin's new market structure can amplify volatility. Bitcoin's 13.2% decline in a single day was not a Bitcoin-specific event – it was a multi-asset cascade that revealed just how deeply integrated Bitcoin has become into the traditional financial plumbing.

The mechanics were instructive. Goldman Sachs' prime brokerage desk reported that February 4 was one of the worst daily performance events for multi-strategy funds, with a z-score of 3.5, a 0.05% probability event, ten times rarer than a three-sigma move. When risk managers at multi-strategy pods ordered indiscriminate de-grossing, Bitcoin was caught in the crossfire. The CME basis trade, a favorite of institutional players like

Millennium and Citadel, was unwound – the near-dated basis leapt from 3.3% on February 5 to a staggering 9% on February 6th, one of the largest jumps observed since the ETF launch.

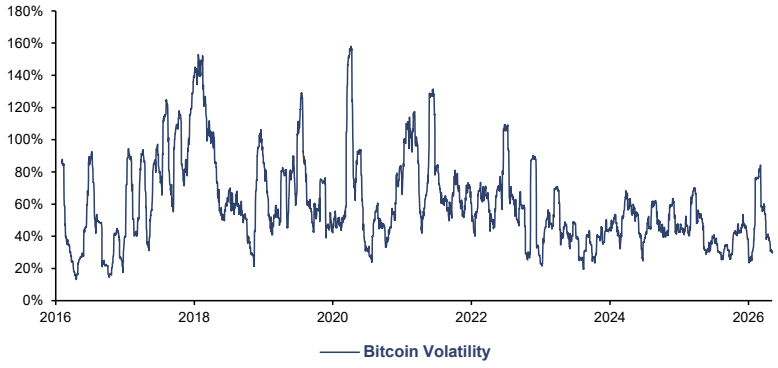
Yet the most remarkable feature of the episode was what did not happen: There were no net outflows. Despite record IBIT trading volume (over USD 10bn, double the prior high) and options activity led by puts, IBIT saw approximately 6mn new shares in creation, driving USD 230mn in new AUM. The broader Bitcoin ETF complex added USD 300mn in inflows.

The catalyst came from traditional finance de-risking, which pushed Bitcoin down to levels where short gamma accelerated the decline, but the dip was met with buying by what appear to be authentic long-term allocators.

> *When the upside gamma squeeze comes, it will be fantastic. And it can happen at any time, for no obvious reason.*
> Samson Mow

Nevertheless, a longer-term view of Bitcoin's volatility shows that volatility has not declined in line with rising market capitalization. Rolling volatility has largely moved sideways even as market capitalization expanded during the most recent bull market.

Rolling Bitcoin Volatility (30 days), 01/2016–05/2026



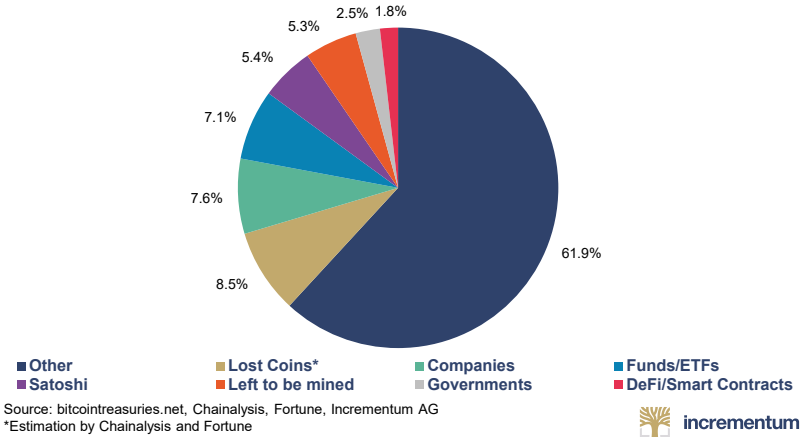
Source: LSEG, Incrementum AG

incrementum

However, the market structure has changed significantly in recent years. ETF holders and corporate holders – mostly via digital asset treasury companies (DATs) – have increased their holdings of the total Bitcoin supply dramatically. Together these two groups currently hold more than 14% of all Bitcoin available. The concentration of Bitcoin among relatively homogeneous investor groups raises the risk of an excessive drawdown should an event trigger widespread selling in one or both groups.

> *We know the past but cannot control it. We control the future but cannot know it.*
> Claude Shannon

Distribution of Bitcoin Holdings, in % of Total Supply, Q1/2026

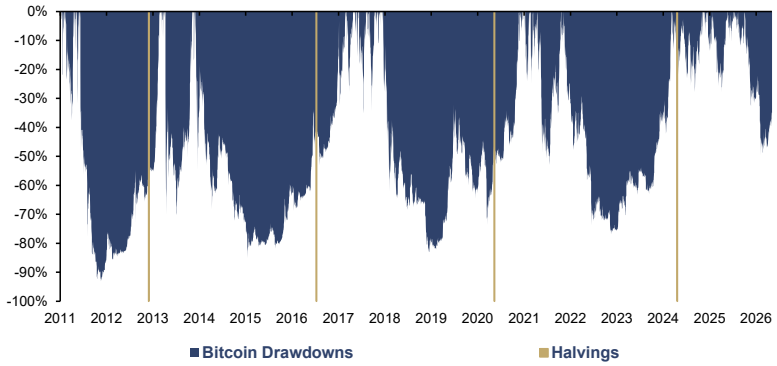


Source: bitcointreasuries.net, Chainalysis, Fortune, Incrementum AG
*Estimation by Chainalysis and Fortune

incrementum

The current bear market has so far been less brutal than previous downturns. One could argue that each successive bear market has historically been somewhat shallower than the one before it. We would, however, highlight the possibility that this pattern of reduced drawdowns could be broken if a liquidity event were to trigger a wave of selling by ETFs and/or DATs. It is equally possible that such an event occurs only in a future cycle, and that the current bear market is already closer to its end than the traditional four-year cycle would suggest, absent such a liquidity shock.

Bitcoin Drawdowns from ATH, in USD, 01/2011–05/2026



Source: blockchain.com, LSEG, Incrementum AG

incrementum

To match the magnitude of previous bear markets, the current drawdown would still need to deepen materially from current levels. A decline toward the historical range of prior cycle troughs would imply significantly lower prices than those seen so far in this downturn. Past cycles have seen drawdowns of over 80%; if this cycle is consistent with a "typical" historical bear, then BTC would hit USD 25,254 if it were to decline 80% from its USD 126,272 high in October 2025. While such an outcome is not our base case in the absence of a catalyst, it would become considerably more plausible in the event of a broader liquidity shock that forces indiscriminate selling across ETFs, leveraged structures, and digital asset treasuries.

> *If you make every game a life-and-death proposition, you're going to have problems. For one thing, you'll be dead a lot.*
> Dean Smith

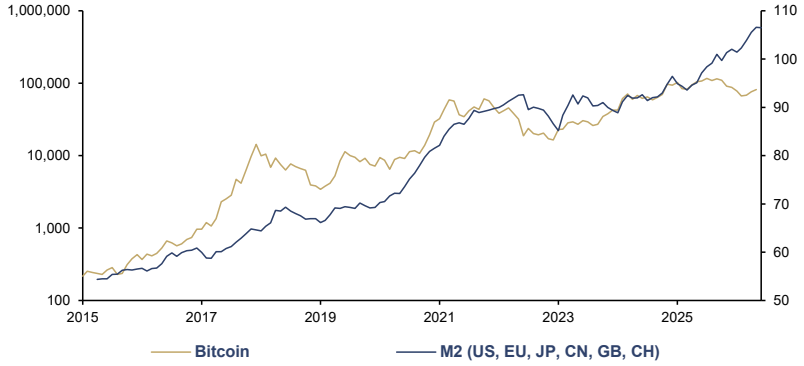
The lesson for investors is not to avoid Bitcoin but to prepare for a different kind of volatility. The fragility of traditional finance's margin rules – and the volatility they can generate – will be particularly interesting to observe when the next melt-up arrives. With Nasdaq already having increased open interest limits on IBIT options, any upside squeeze could prove just as violent as prior downside episodes.

Macro correlation risk: correlation regimes and the orange swan

> *If you don't like something, change it. If you can't change it, change your attitude.*
> Maya Angelou

Under our updated categorization, macro correlation risk is treated as an important subcategory of broader market structure risk, reflecting Bitcoin's growing sensitivity to cross-asset liquidity and risk regimes. Before 2025, Bitcoin's correlation with global M2 money supply was approximately 83% on a lagged basis. That relationship has since deteriorated, and Bitcoin now tracks the Nasdaq 100 more closely than the dollar index. For investors who anchored their Bitcoin thesis to the M2 narrative, this shift demands attention.

Bitcoin (log, lhs), in USD, and M2 (US, EU, JP, CN, GB, CH) (3 month lead, rhs), in USD trn, 01/2015–06/2026



Source: LSEG, Incrementum AG

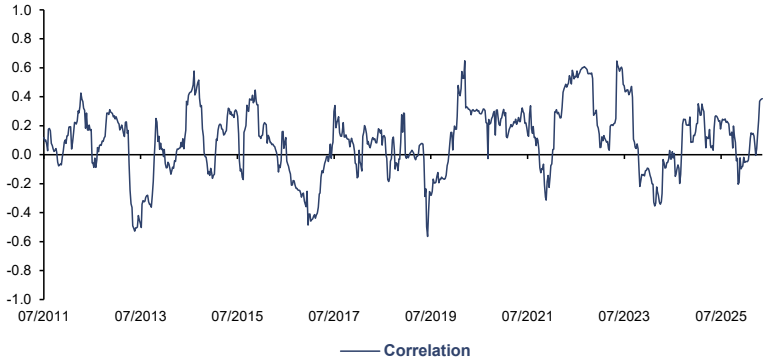
The Trump administration's unpredictable policy decisions – the "orange swan" – add an additional layer of macro risk. When traditional risk assets sell off sharply on geopolitical or policy shocks, Bitcoin sells off with them, at least in the short run. The hawkish appointment of Kevin Warsh as Fed Chair further complicates the outlook for all risk-sensitive assets.

However, the macro backdrop also contains powerful tailwinds. We are not at the beginning of a hiking cycle but at the end of one. Even if Western central banks, faced with renewed inflation risks, may find it harder to deliver rate cuts and may refrain from easing aggressively, the decisive variable for investors is real yields. As inflation outpaces nominal rates, real yields are likely to decline – a de facto form of easing. Against the backdrop of the structural US deficit trajectory, which we have examined extensively in this and previous *In Gold We Trust* reports, the medium- to long-term outlook continues to favor hard assets.

> *We're seeing capital controls … taking place all over the world today, and who will experience that is questionable. So, we are on the brink – that doesn't mean we are in [a capital war now], but it means that it's a logical concern.*
>
> Ray Dalio

If the simultaneous bid for gold and Bitcoin truly constitutes a "debasement trade," as JPMorgan has suggested, then anyone who believes the structural factors making this trade attractive will persist should consider: Why are virtually all long-duration savings vehicles still denominated entirely in the currency being debased?

Weekly 6-Month Rolling Correlation of Bitcoin and Nasdaq 100, 07/2011–05/2026



Source: LSEG, Incrementum AG

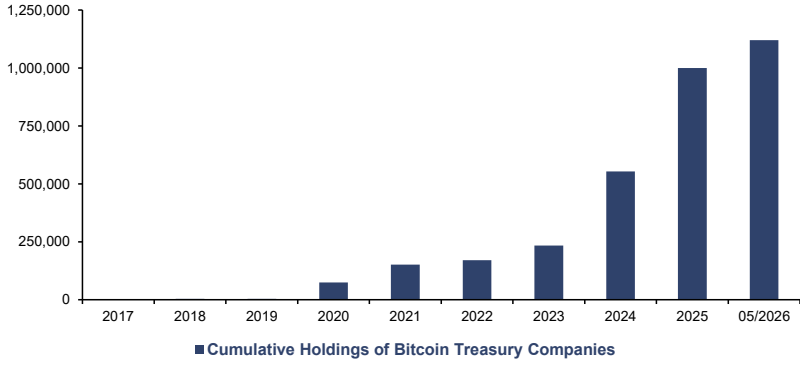
Digital asset treasury companies: boom, bust, and beyond

Under our updated categorization, the rise of digital asset treasury companies (DATs) feeds directly into a changing market structure through leverage, capital markets dependence, refinancing needs, and reflexive balance-sheet demand.

> *Bitcoin has two things going for it as collateral. It's very easy to collect against because it is fungible, liquid, verifiable, transparent, and divisible. And over time, it has tended to appreciate very powerfully.*
> Andrew Hohns

2025 was the year of the DAT; 2026 will determine which of them endure. By DATs, we mean listed companies that use Bitcoin as a core treasury asset and access equity or debt markets to expand that exposure, whether through simple balance-sheet accumulation or more structured capital vehicles. Public company Bitcoin holdings rose 82% year-over-year to 1.08mn BTC, while the number of listed holders increased from 69 to more than 191. Corporations now control at least 6.4% of total Bitcoin supply. Strategy remains dominant with 818,334 BTC, around 75% of all public company holdings, but the trend has broadened significantly. Excluding Strategy, corporate holdings grew 189% year-over-year, with new entrants such as Twenty One Capital and Bitcoin Standard Treasury Company joining the top ranks.

Cumulative Holdings of Bitcoin Treasury Companies, in BTC, 2017–2026



Source: Coingecko, The Block, Incrementum AG

incrementum

> *63% of [business owners buying Bitcoin] plan to hold indefinitely… These are real operating business owners buying Bitcoin to preserve the wealth of their business for the long term with no plans to sell.*
> Alex Leishman

DATs did not emerge by accident. They offer many investors a familiar equity wrapper for Bitcoin exposure, can fit mandates that restrict direct token ownership, and may benefit from tax, liquidity, or capital-markets advantages unavailable in spot markets. In that sense, they represent one pathway through which Bitcoin is being integrated into traditional finance. The model, pioneered by Strategy – raising capital to acquire Bitcoin and measuring success via BTC per diluted share – has spawned a global ecosystem of imitators.

In 2025, DATs became the market's speculative proxy trade: surging to euphoric highs before collapsing sharply, while Bitcoin itself again proved the more durable asset.

> *Don't lose the Bitcoin. That's what everybody wants. Rule one, rule two, don't lose the Bitcoin.*
> Alex Blum

A central concept is mNAV: the ratio of a company's market value to the net value of its Bitcoin holdings. A premium can allow accretive capital raises, while a discount can shut that window entirely. Premiums may reflect liquidity, options-market demand, management credibility, index inclusion, or easier access than direct Bitcoin owners have.

The model is also evolving. Strategy's STRC preferred stock, designed to trade near par while paying a variable dividend, marked a shift toward Bitcoin-linked credit products. Other firms followed with their own preferred structures, while new vehicles now package DAT securities into ETPs and even stablecoins backed by baskets of DAT preferred shares. What began as corporate Bitcoin accumulation is becoming a broader capital-markets ecosystem.

Some firms are better positioned than others. Stronger DATs are likely to combine low funding costs, deep liquidity, disciplined issuance, and credible management. Weaker issuers may rely on expensive capital, repeated dilution, shallow trading liquidity, or fragile market confidence.

The "digital gold" narrative has come under fire in 2025 and early 2026, as gold dramatically outperformed Bitcoin over the period.

The 2025 DAT cycle demonstrated these dynamics clearly. Companies trading at extreme mNAV premiums could issue stock and boost BTC-per-share metrics, but the process depended on continued multiple expansion. By year-end, several major DATs had fallen more than 90% from their peaks even as Bitcoin reached new highs.

At its core, the DAT phenomenon is financial engineering: the securitization of different Bitcoin risk/return profiles into equities, preferred shares, convertibles, structured products, and synthetic yield vehicles. There is likely room for a small number of credible, well-capitalized issuers. Beyond that, the model risks saturation. For many investors, leverage, rollover risk, and interlocking counterparty exposures may be far less transparent than direct Bitcoin ownership. Direct Bitcoin ownership removes layers; DATs add them back. **The opportunity is real, but so is the return of the financial complexity Bitcoin was designed to escape.**

> *USD 5bn in cumulative revenue in 7 months, faster than virtually any product, including the iPhone.*
> Phong Le

Digital Gold Revisited: Complementary, Not Competitive

The "digital gold" narrative has come under fire in 2025 and early 2026, as gold dramatically outperformed Bitcoin over the period. Critics have seized on the divergence as proof that the thesis is failing. This criticism confuses similar monetary properties with identical market behavior.

> *We're converting capital into credit. We're converting economic wealth into a stream of cash flows.*
> Michael Saylor

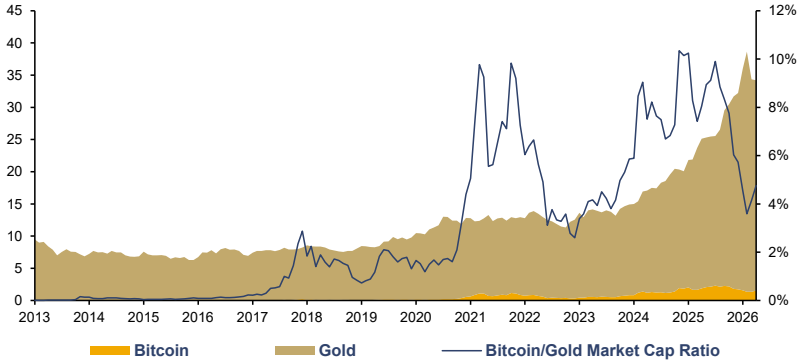
Gold and Bitcoin share scarcity, durability, and resistance to debasement, but they exist within entirely different market structures. Gold is experiencing extraordinary demand from Eastern central banks – a geopolitical bid from conservative institutional capital.

This divergence in demand drivers is not a weakness of the dual hard-asset thesis; it is its greatest strength from a portfolio construction perspective. Gold's demand is anchored in central bank reserve accumulation, jewelry consumption in Asia, and its role as a crisis hedge with millennia of institutional trust. Bitcoin's demand, by contrast, is driven by retail adoption in Western markets, the generational wealth transfer from boomers to digitally native millennials, ETF integration into model portfolios, and its emerging role as a neutral settlement layer for sovereign actors. Because these demand drivers are structurally independent – central bank gold purchases do not compete with millennial Bitcoin accumulation, and jewelry demand in India has no bearing on the pace of ETF inflows – the two assets respond to different catalysts and stress scenarios.

> *I believe this will be the ultimate fate of BTC looking good here.*
> Kyle Soska

For investors, this means that a combined allocation to gold and Bitcoin captures exposure to the broader monetary debasement trade while diversifying across two distinct adoption curves, buyer bases, and risk profiles. Both assets are hard money; they are simply hard money for different constituencies and different use cases.

Market Capitalization of Bitcoin and Gold (lhs), in USD trn, and Bitcoin/Gold Market Cap Ratio (rhs), 01/2013–04/2026



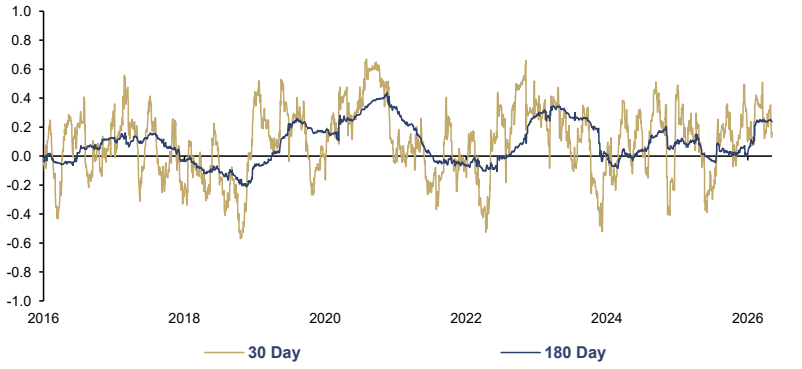
Source: coinmarketcap.com, World Gold Council, LSEG, Incrementum AG

incrementum

> *"It is irrational to love gold and hate bitcoin on purely financial or economic grounds. You might disapprove of bitcoin's environmental impact or have doubts about the technology or infrastructure, but the economics between gold and bitcoin have much in common. That statement will become increasingly obvious over the coming decade.*
>
> Charlie Morris

The rolling correlation between gold and Bitcoin has historically been low and unstable. Since 2015, the 90-day rolling correlation has oscillated between –0.37 and +0.57, with a long-term average hovering around 0.10. In March 2026, the correlation reached –0.88, its lowest level since the November 2022 bear market. This persistent lack of correlation is not a failure of the "digital gold" thesis; rather, it is one of its strongest arguments. Two assets that share the same monetary properties (scarcity, durability, resistance to debasement) but exhibit low correlation to each other offer genuine diversification benefits within a portfolio. We do not expect this correlation to rise meaningfully in the near term. For Bitcoin's price behavior to converge with gold's, its market capitalization would need to grow to a comparable order of magnitude – and even then, the different buyer bases and market microstructures would likely preserve significant divergence.

Rolling Bitcoin/Gold Correlation, 01/2016–05/2026



Source: LSEG, Incrementum AG

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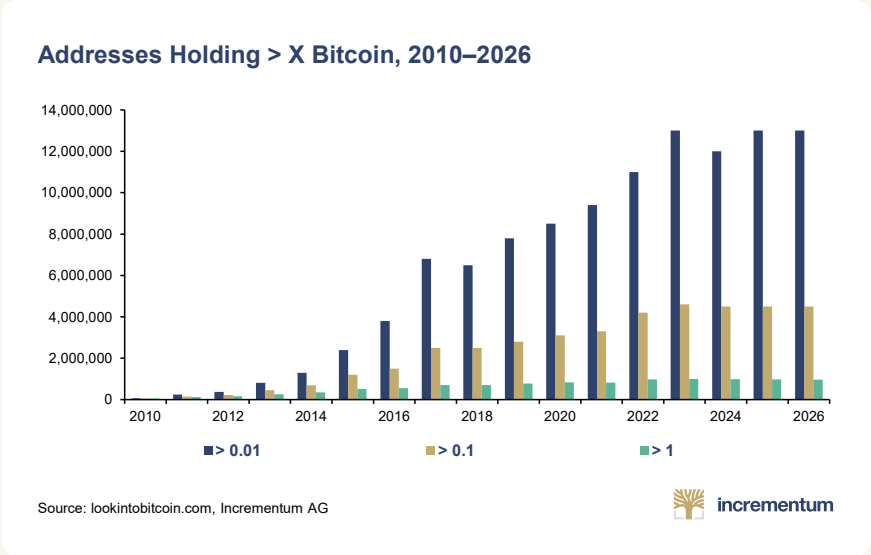
In contrast, Bitcoin is heavily traded by retail in the West, by hedge funds treating it as risk-on, and through ETF structures integrated into model portfolios alongside software equities. The fact that Bitcoin tracks the Nasdaq more closely than gold reflects different buyer bases at different stages of adoption.

The Demand Drivers of the Next Twenty Years

Looking forward over the 20-year horizon, several structural demand drivers for Bitcoin become difficult to ignore.

As fiscal pressures mount globally and politicians propose wealth taxes, the demand for "outside money" will likely intensify.

First, the demographic pyramid is inverting. As the Epoch VC team documents, aging demographics in the Western world will provide a natural tailwind to Bitcoin over the next two decades as USD 105trn passes to heirs through 2048. Less than 5% of people over 65 own Bitcoin, while Gen X ownership is 5–10% and Millennials are 20–25%. As younger generations gain control of inherited wealth, Bitcoin will likely be a beneficiary. Epoch estimates that inheritance-driven inflows alone could cumulatively generate USD 1.2 to USD 2.3trn through 2035 and as much as USD 9.6trn by 2048.



Second, wealth inequality is approaching levels that historically trigger confiscatory policy responses, which could drive demand toward assets like Bitcoin. When the Netherlands passed legislation in February 2026 imposing a 36% tax on unrealized gains in stocks, bonds, and cryptocurrencies, it signaled the direction of travel. As fiscal pressures mount globally and politicians propose wealth taxes, the demand for "outside money" – portable, jurisdictionless capital beyond the reach of discretionary rule changes – will likely intensify. Bitcoin was designed from its first line of code to serve precisely this function.

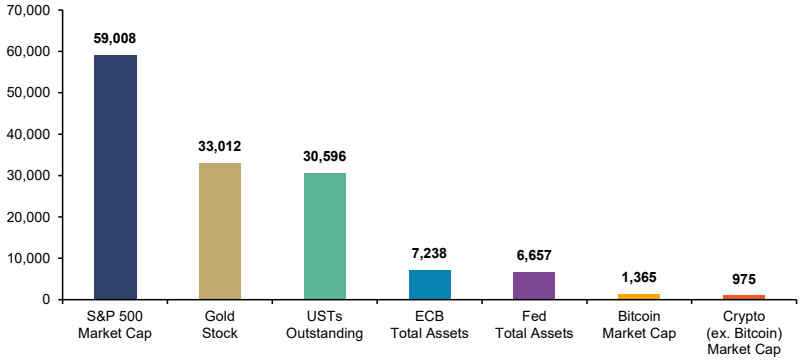
> *A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it.*
>
> Max Planck

Third, the spot ETF channel continues to widen. Bitcoin ETFs have become the most successful launch in ETF history, with cumulative net flows projected to reach USD 100bn by 2027. Bank of America, Morgan Stanley, Vanguard, and Citi are all now allowing or actively recommending Bitcoin allocations to clients — a reversal that would have been unthinkable two years ago. Morgan Stanley, the largest US wealth management platform with USD 8trn in client assets, is now building native Bitcoin custody and exchange infrastructure, and has filed for its own Bitcoin ETP – a level of commitment that goes well beyond passive distribution.

> *Not one in a hundred people can explain how an air conditioner works, but they all want one… People want an insanely great simple-to-use consumer product that just makes their problems go away that has complicated technology embedded in it.*
>
> Michael Saylor

Yet the gap between access and allocation remains enormous: Over 90% of top US-registered investment advisors now have Bitcoin allocations, but only 0.006% of total RIA assets under management have been deployed – a figure orders of magnitude below the 2–5% allocations recommended by leading firms.

Market Capitalization of Bitcoin vs. Various Assets and Central Bank Balance Sheets, in USD bn, Q1/2026



Source: coinmarketcap.com, World Gold Council, US Treasury, Fed, ECB, LSEG, Incrementum AG

incrementum

Applying the suggested allocations from the top 13 wealth management firms to their assets under management yields potential inflows of USD 400bn to USD 835bn, according to Epoch's analysis. The top 15 companies by market capitalization hold USD 1.15trn in cash; just 10% allocated to Bitcoin would nearly equal the entire current ETF complex.

And, finally, sovereign accumulation may prove to be the most powerful demand driver of all. Nations currently hold approximately 643,000 BTC — roughly 3.1% of total supply — through seizures, purchases, and the newly established US Strategic Bitcoin Reserve. But here is the thought experiment that should keep Bitcoin bears awake at night: Global central bank gold reserves total approximately USD 4.4trn, representing about 17% of above-ground gold supply.

If nations were to accumulate Bitcoin at a comparable 17% of supply, that would imply roughly USD 253bn in sovereign inflows — nearly double the entire current ETF complex.

> *We are rolling out spot crypto on the E*Trade platform. We're looking at wallet technology for our entire wealth management space. We've filed for crypto ETPs. Anywhere there's a connectivity point to the digital asset space, we're exploring.*
>
> Amy Oldenburg, Morgan Stanley

The BRICS nations have spent the past two years building alternative settlement infrastructure, from the mBridge wholesale CBDC project connecting China, Hong Kong, Thailand, the UAE, and Saudi Arabia, to the proposed BRICS Unit, a settlement currency backed 40% by gold and 60% by member currencies. These efforts reflect a fundamental problem: In a multipolar world, surplus nations need a way to settle trade and store reserves that is not controlled by any single counterparty. Gold has historically served this function, but it is slow, expensive to transport, and difficult to use for real-time settlement.

Bitcoin, by contrast, offers final settlement in minutes, is natively digital, operates on a decentralized network beyond the control of any single government, and has a credibly fixed supply. For nations seeking to settle trade surpluses, manage reserves outside the dollar system, or simply hedge against the weaponization of the existing financial infrastructure, Bitcoin provides a solution that no state-sponsored CBDC can replicate – precisely because it is controlled by no state.

In April 2026, Iran provided the most vivid demonstration yet of a nation turning to Bitcoin, because it is neutral and it works. During the Strait of Hormuz ceasefire, Tehran announced that tankers crossing the waterway would be required to pay a USD 1-per-barrel toll in Bitcoin, payable in seconds to avoid sanctions traceability. At pre-crisis transit volumes of 130 ships per day, the implied daily accumulation would dwarf the 450 BTC the entire network mines daily.

As Nick Szabo observed, "Iran is no longer effectively under sanctions. Do try to keep up with events." Bitcoin's censorship resistance is not an abstract property but an operational one, and sanctioned nations now have a structural incentive to maintain it. Gold

has many benefits, but its physical nature makes it easier, in some respects, to steal in transit. Stablecoins, with their centralized issuers, don't work, either. Iran is opting for neutral digital money that sits outside the purview of Team USA and Team China.

Conclusion

The enthusiasm surrounding Bitcoin's institutional adoption and growing sovereign relevance should not obscure some risks that remain. These risks can now be broadly divided into three categories: systemic risks, which could impair Bitcoin's core protocol or network functionality; governance risks, which relate to coordination and the ecosystem's ability to adapt under pressure; and market structure risks, which primarily manifest through volatility, correlation shifts, and drawdowns. As we have argued throughout this chapter, however, no imminent systemic risks are currently evident. This includes quantum computing, where the more relevant challenge appears to be one of governance rather than an immediate technical threat.

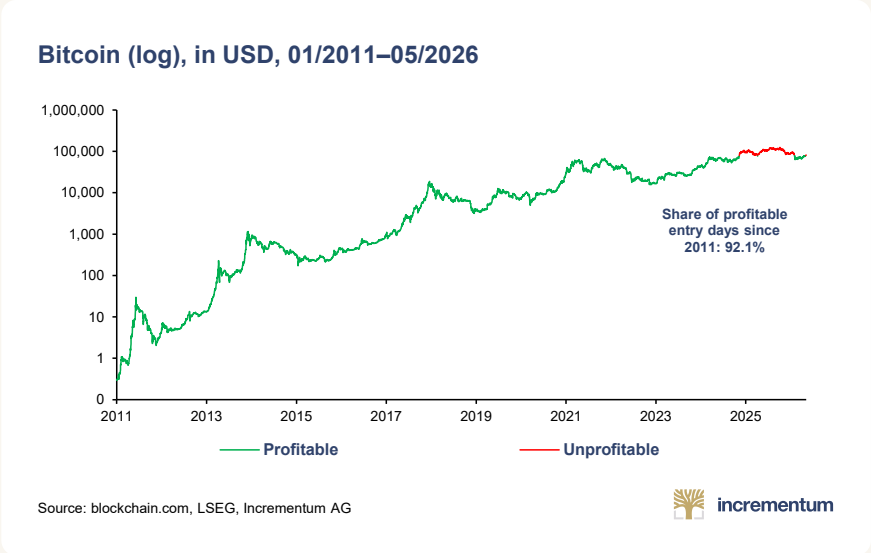
> *Ironic both Morgan Stanley and Iran tanker ships are buying BTC today. The RANGE.*
>
> Tommy Shaughnessy

Severe drawdowns have been a feature of every major Bitcoin cycle, even if the current bear market has so far been less brutal than prior episodes. There is no guarantee that the historical pattern of progressively shallower declines will persist. In particular, a broader liquidity event could still produce materially deeper drawdowns through forced selling across ETFs, leveraged structures, and digital asset treasuries. Absent such a liquidity shock, however, this cycle may prove different: The traditional four-year cycle appears to be weakening, while the period around the US midterm elections could bring renewed stimulus for risk assets in general and for Bitcoin in particular.

> *This bear market is unique… It is the first bear market in Bitcoin's history where we are seeing an acceleration in the institutional adoption of Bitcoin.*
>
> Alex Leishman

The proliferation of leveraged Bitcoin treasury strategies – while innovative – also introduces systemic fragility. Companies that have issued convertible debt or preferred equity to fund Bitcoin purchases are, in effect, making a leveraged bet on continued appreciation.

Investors should be thoughtful about position sizing, avoid the temptation to leverage what is already a volatile asset, and maintain the discipline to hold through drawdowns rather than panic-sell at the worst moment.



The long-term thesis for Bitcoin is compelling, but the path to get there will not be a straight line. Being right about the destination matters far less if you are forced out of your position along the way.

The future monetary system will be anchored not in credit, but in collateral that cannot be printed. Gold and Bitcoin are not competitors in that future – they are co-architects.

In 2021, when Bitcoin was a teenager trading at roughly USD 60,000, it was less battle-tested, to say the least. No serious institutional adoption, existence only in the ZIRP era, no ETFs, and a hostile administration made it seem quite speculative from an outsider perspective.

Yet here we are in 2026, with Bitcoin a young adult and in an external landscape that is different in every meaningful way. Bitcoin reached USD 126,000 not on a massive liquidity wave but despite the highest interest rates in a decade. We have ETFs that have become the most successful in history. We have an openly supportive administration, a Strategic Bitcoin Reserve, and major legislation either passed or in progress – including the Mined in America Act, introduced by Senators Lummis and Cassidy in March 2026 to codify the Strategic Bitcoin Reserve into law and establish a federal certification program for domestic mining operations. Major US banks are moving to custody actual spot Bitcoin. And we had a halving in April 2024, with the next one approaching. Perhaps most telling: Even amid a 40% drawdown that began in early 2025, institutional and corporate buyers set records for net Bitcoin accumulation – making this the first bear market in Bitcoin's history in which institutional adoption actually *accelerated* while individuals were the net sellers.

There are significant demand drivers:

- inheritance-driven wealth transfer to Bitcoin-native generations
- growing appetite for hard and less-confiscable assets as wealth taxes emerge globally
- integration of Bitcoin into credit markets through BitBonds and mortgage structures
- steady accumulation through ETFs and traditional wealth management channels

> *There are two buttons I never like to hit, alright? And that's "panic" and "snooze."*
>
> Ted Lasso

As we have stressed in previous *In Gold We Trust* editions – and it remains one of our core convictions – Bitcoin and gold are complementary tools within the broader thesis that the future monetary system will be anchored not in credit but in collateral that cannot be printed.[1] The next 20 years will see Bitcoin's market structure gradually converge with gold's: deeper, broader, and increasingly driven by structural demand. That convergence will not be linearly "up forever"; there will be drawdowns, governance fights, and policy surprises. But the arc bends toward increased adoption.

For investors willing to take a clear-eyed view of the risks and opportunities, Bitcoin at the threshold of adulthood represents an asymmetric opportunity in the current monetary landscape.

Now is a perfect time for serious investors to re-underwrite their Bitcoin thesis, and the case for conviction remains strong. ■

1 *See* "A Monetary Turning Point: Bitcoin's Ascent as a Strategic Reserve Asset," *In Gold We Trust* report 2025; "The New Playbook for Bitcoin," *In Gold We Trust* report 2024; "Showdown in Sound Money," *In Gold We Trust* report 2023; "Bitcoin: Bull Market in Adoption, Bear Market in Price," *In Gold We Trust* report 2022; "Crypto: Friend or Foe?," *In Gold We Trust* report 2018

Sam Lyman Interview

This interview was conducted on April 8, 2026 by IGWT.

Sam Lyman is Head of Research at the Bitcoin Policy Institute. He served previously as senior advisor and chief speechwriter to Treasury Secretary Scott Bessent. Prior to working at Treasury, he served as public policy director at Riot Platforms, a leading digital assets and AI infrastructure company; policy director of a DC-based think tank; and chief speechwriter to Senator Orrin G. Hatch. Sam holds a master's in public policy from Princeton University.

IGWT: ***We are joined by Sam Lyman, Head of Research at the Bitcoin Policy Institute and previously an advisor at the US Department of the Treasury, where he worked directly with Secretary Scott Bessent. Sam, thank you for being here.***

Sam Lyman: Thank you so much for having me.

IGWT: ***Getting right into it, you were at Treasury during the most significant period of pro-Bitcoin policy in US history. How would you compare where things stand today relative to that initial wave of activity when the Trump administration first came into office in 2025?***

Lyman: I would describe the current moment as a consolidation phase. That first year was a period of tremendous excitement and development in the Bitcoin policy space. The Strategic Bitcoin Reserve became the de facto policy of the United States through the executive order that President Trump signed.

Since then, Treasury and other executive agencies have been focused on how best to implement that reserve. I expect to see meaningful action in the next year or so, though it is more likely to come out of the Commerce Department at this point, simply because Treasury has so many competing policy priorities right now, including the implementation of the One Big Beautiful Bill.

> "A Strategic Bitcoin Reserve was the easy part. Funding it without spending a dollar is the hard part.
>
> Sam Lyman

President Trump is wholly committed to making the United States the Bitcoin capital of the planet, as he has said himself. The key sticking point in the executive order's language is the requirement that the United States find or study budget-neutral pathways to creating the reserve. That is the central question federal agencies are weighing right now.

BPI is very much focused on this as well. As the premier Bitcoin think tank, we see it as our responsibility to educate policymakers on Bitcoin's benefits as a strategic asset and to help develop policies that advance the administration's efforts.

IGWT: ***You mentioned that Commerce may be involved in implementation, which will be news to many readers. Could you share some examples of budget-neutral pathways that you see as realistic for stocking the reserve?***

Lyman: The most compelling budget-neutral pathway, in my view, is monetizing stranded energy on federal lands and waterways. The perfect case study is Bhutan, which has been mining Bitcoin since 2019. Bhutan is a landlocked country with far more hydropower than it has customers for. By leveraging that stranded energy to mine Bitcoin, Bhutan has earned hundreds of millions of dollars – enough to double the salaries of its civil servants. Bitcoin mining now accounts for roughly a third of Bhutan's GDP.



Sam Lyman is Head of Research at the Bitcoin Policy Institute (BIP). He served previously as senior advisor and chief speechwriter to Treasury Secretary Scott Bessent. Prior to working at Treasury, he served as public policy director at Riot Platforms, a leading digital assets and AI infrastructure company; policy director of a DC-based think tank; and chief speechwriter to Senator Orrin G. Hatch. Sam holds a master's in public policy from Princeton University.

The United States has an abundance of stranded energy. Mining Bitcoin on federal lands advances multiple objectives that President Trump has publicly committed to: making the US the Bitcoin superpower, becoming the energy capital of the world, and monetizing the country's assets.

The stranded energy sources are diverse – methane venting on federal lands where oil drilling takes place, hydropower, wind power. Hydropower is probably the most untapped resource at this moment.

You could envision a public-private partnership model in which established Bitcoin miners bid for contracts to mine using stranded energy from, say, the Hoover Dam or other federal waterways – similar to how defense companies bid for Pentagon contracts. The miners would share a portion of their proceeds with the US government, making the arrangement budget-neutral. In some cases, the competition for exclusive access to the energy resource could drive bids low enough that the arrangement effectively pays for itself.

> "Norway monetized its oil. Bhutan monetized its hydropower. America has yet to monetize its stranded energy – though the blueprint is on the desk.
>
> Sam Lyman

This model has already been proven to work by Bhutan. There is no reason the United States could not emulate it.

IGWT: ***Many of the proposals for funding the reserve have centered on revaluing gold reserves and allocating the difference to Bitcoin. Is that less feasible than what you just described? And how does the proposed sovereign wealth fund fit into this framework of leveraging the asset side of America's balance sheet?***

Lyman: From my experience at Treasury, there is not much appetite within the building to revalue gold in order to stock the Strategic Bitcoin Reserve. I know it is something Senator Lummis has favored, and it is a compelling idea – but I think it is unlikely. That is precisely why I believe pro-Bitcoin policymakers should look at alternative budget-neutral pathways, such as mining on federal lands and waterways, which is more politically feasible.

As for the sovereign wealth fund, there are two good models to consider. The first is Bhutan, where it is effectively the country's sovereign wealth fund that engineered the Bitcoin mining operation using hydropower – and Bitcoin has been among the most lucrative of all its investments. The second is Norway, which has built one of the most successful sovereign wealth funds in the world by monetizing its oil reserves. Norway recognized that oil was its foremost national asset and found a way to turn it into long-term wealth for its citizens.

American policymakers have the same opportunity. They need to recognize that one of the country's most powerful untapped assets is stranded energy. Thanks to Bitcoin's digital alchemy, you can take that stranded energy and turn it into digital gold. Bitcoin could be a powerful component of the strategic wealth fund that has been proposed within the administration.

IGWT: *BPI has done remarkable work bringing the idea of nation-state Bitcoin strategies into the mainstream, particularly with the research report on Taiwan. Today we are also seeing reports of Iran using Bitcoin for settlement, presumably because it is a neutral asset. How do you think about Bitcoin within the broader global monetary framework – especially as the de-dollarization tug of war between Team China and Team USA intensifies?*

Lyman: Every day that passes, it becomes harder to deny that Bitcoin is a strategic asset. A few years ago, many people would have relegated Bitcoin to the realm of internet playthings. Today, countries are creating their own Bitcoin reserves and using it to facilitate commerce.

On this front, it is worth noting that our BPI fellow Matthew Ferranti – a Harvard-educated PhD economist and one of the first academics to make a rigorous case for Bitcoin as a reserve asset – recently had his paper cited by one of China's premier financial think tanks, the International Monetary Institute. They posted about it on WeChat and stated that they would continue to monitor Bitcoin's potential use as a reserve asset.

That China is paying attention makes sense. BPI recently published a paper making the case for a Taiwan Bitcoin reserve. We know that China has its eyes set on Taiwan, and in the event of an invasion, one of the very first things it would confiscate is Taiwan's gold reserves. If Taiwan held some of its reserves in Bitcoin, that seizure becomes impossible.

Then there is Iran. We learned today that some of the tolls Iran is exacting for ships to transit the Strait of Hormuz are being paid in Bitcoin. Iran has claimed that one benefit is that these payments cannot be traced – though that is mistaken, since the blockchain is a public ledger. Regardless, the strategic intent is clear: More and more nations are recognizing the benefits of a dematerialized form of gold that can move across the world almost instantaneously at very little cost.

One of the largest pieces of misinformation out there is the so-called Chinese Bitcoin ban. China famously banned Bitcoin mining in 2021, yet China today remains the third-largest country for Bitcoin mining activity. A lot of that mining is happening to monetize stranded energy, just as we discussed earlier.

The broader picture is becoming clear. China is going all-in on the digital yuan – leveraging blockchain technology to surveil and control its population. The digital yuan is now an interest-bearing instrument, which is a direct play to compete with

US dollar-based stablecoins. Conversely, the United States, true to its ideals of individual liberty and the right to transact freely, is leaning toward Bitcoin and stablecoins.

The CCP despises both Bitcoin and stablecoins because they represent the greatest threat to China's capital controls. The entire Chinese economic model depends on maintaining those controls. Few people realize that the Bitcoin bull market of 2015–2017 was primarily driven by wealthy Chinese investors buying Bitcoin to move wealth out of the country. That capital flight precipitated the mining ban a few years later – in the same way that China erected the Great Firewall to wall off its internet from the rest of the world.

> "Every day that passes, it becomes harder to deny that Bitcoin is a strategic asset.
>
> Sam Lyman

American policymakers are waking up to the fact that China has been playing a game of unrestricted warfare for decades. This concept, articulated by members of the CCP military in the late 1990s, holds that any domain – economic, financial, technological – can be a battlefield. The future of monetary competition is the digital yuan versus Bitcoin and stablecoins. I do not think China can win that contest, because you cannot compete with permissionless, decentralized assets that anyone can access with no strings attached.

IGWT: ***That is a compelling framing – stablecoins and Bitcoin as part of Team USA's monetary stack. Shifting to the domestic side: US institutions are getting much deeper into Bitcoin, and Morgan Stanley just launched a spot Bitcoin ETF. But we are still some distance from a world where you can hold dollars and BTC in the same Bank of America account. From a policy perspective, what is holding traditional financial firms back?***

Lyman: There is a huge obstacle: the Basel 1,250% risk-weight rule. Under current Basel requirements, any bank that wants to hold Bitcoin on its balance sheet must collateralize it with 100% reserves. If you hold USD 100mn worth of Bitcoin, you need USD 100mn of liquid cash standing behind it. That makes it nearly impossible for banks to realistically hold or custody Bitcoin. BPI is working hard to educate policymakers on how detrimental this rule is to Bitcoin adoption.

If that rule is fixed and banks can treat Bitcoin according to its actual risk profile, I believe we will see dramatically greater institutional adoption. This is something Michael Saylor's Strategy is very much focused on as well.

The second major barrier is taxation. Bitcoin aspires to be a medium of exchange, but in the United States, every Bitcoin transaction – even buying a USD 4 cup of coffee – is a capital gains taxable event. You have to calculate the cost basis, determine the gain or loss, and report it to the IRS. That administrative burden makes spending Bitcoin incredibly cumbersome.

Congress is currently looking at a de minimis exemption for small Bitcoin transactions – say, under USD 200 – that would exempt them from capital gains reporting. Together with fixing the Basel rule, this would lead to what I would call a Cambrian explosion in Bitcoin financial activity.

These two reforms also have significant geopolitical implications. As Bitcoin grows in adoption as a medium of exchange, it also grows as a tool for people in countries like China who have access to circumvent capital controls via technologies like Starlink. What is good for Bitcoin is arguably good for America, because America is positioning itself as the Bitcoin superpower. Policymakers need to see the bigger picture.

IGWT: ***That requires a real mindset shift, particularly among the national security hawks who may still view Bitcoin with suspicion. You have covered the strategic, geopolitical, and institutional dimensions comprehensively. As a final question: where do the de minimis exemption and the Basel rule sit on the legislative timeline? And is there anything else you would flag for our readers?***

Lyman: The de minimis tax issue will most likely be addressed after regulatory clarity. Once the clarity legislation passes, it will be broadly bullish for Bitcoin and the wider crypto market. The de minimis exemption is most likely to be included in what is called the Parity Act – so after clarity comes parity.

One other policy issue readers should pay attention to is the double taxation of Bitcoin miners. Under current IRS guidance, a Bitcoin miner is taxed both when they mine Bitcoin and when they sell it. But Bitcoin is classified as a commodity, and commodities are not treated this way. When a farmer harvests corn, he is not taxed on the harvest – only when he sells it. Our argument is that Bitcoin should receive the same treatment: taxed only at the point of sale.

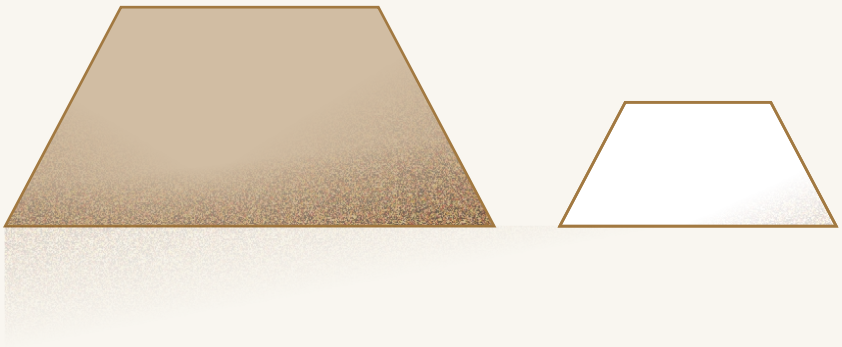
If the Bitcoin community can get the de minimis exemption, the double taxation issue, and the Basel 1,250% rule fixed, that creates an incredibly strong regulatory environment for Bitcoin to flourish – both in the United States and globally. Every country is now looking to the United States as the gold standard for Bitcoin policy. If we set the right example, it will be replicated around the world.

IGWT: ***It sounds like there is still a great deal of work ahead, even in the most pro-Bitcoin administration in history!***

Sam Lyman: There is. Even with this level of support, there are still battles to be fought and a lot of education to do. But the momentum is unmistakable.


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22.8 MOZ SILVER PRODUCTION IN 2025
742.2 KOZ GOLD PRODUCTION IN 2025
PAN AMERICAN SILVER
NYSE: PAAS | TSX: PAAS
panamericansilver.com
Vancouver, B.C.

Silver After the Surge: Stairway to Heaven or Highway to Hell?



Key Takeaways

- While industrial demand laid the foundations for silver's rise to a record high of USD 121, the rise culminated in speculative frenzy, as net ETP investment skyrocketed 312% yoy in 2025.
- The silver market balance (including ETPs) widened to a record deficit of -318.4 Moz in 2025, marking the seventh successive negative year and amounting to 1.3 Boz cumulatively.
- In 2026, this negative market balance is set to persist at -76.3 Moz, as a forecasted 0.3% fall in mine output offers no rebuttal to the theory that "peak silver" was reached in 2015.
- An expected -19% in solar offtake will throw a spanner in the works of silver's industrial engine in 2026, although green shoots are emerging in the form of EVs and data centers.
- Above all, the extent to which an investment demand renaissance continues will determine silver's fate in 2026, with Western investors yet to follow India into the burgeoning silver bull.
- Even in a world where silver trades sideways amid inflation, investors seeking high beta would do well to consider silver miners, which generate 80% profit margins at USD 80 silver.

How everything still turns to gold
And if you listen very hard
The tune will come to you at last
When all are one, and one is all, yeah
To be a rock and not to roll.

Stairway to Heaven, Led Zeppelin

The Story of the Silver Bull

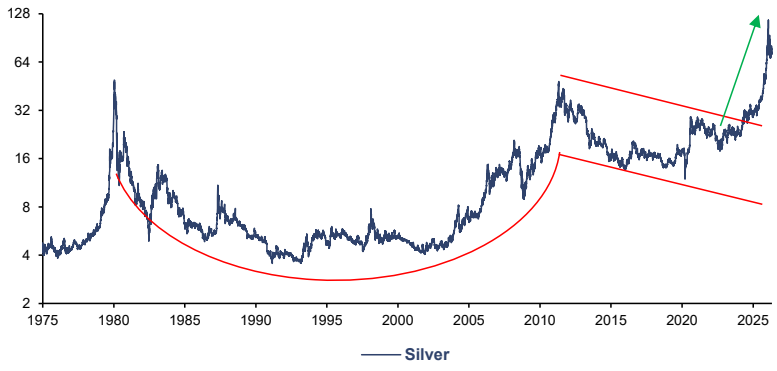
> *The moral of the story is not to listen to those who tell you not to play the violin but stick to the tambourine.*
> Jose Mourinho

> *Vindication in the privilege of the victorious.*
> Jelle Peters

When we published the first edition of the *In Gold We Trust* report in May 2007, the silver price was hovering around USD 13. Almost two decades later, our *In Gold We Trust* report 2025 "The Big Long", was launched against a backdrop of USD 32 silver. In the interim, we maintained our conviction that the white metal was historically undervalued. In doing so, we remained resolute in the face of the naysayers who labelled our contrarian play a "worthless pet rock".

Specifically, we wrote in the *In Gold We Trust* report 2016, amid a USD 15 near-bottom, that "the price of silver is definitely at a historically extremely low level". More recently, we reiterated in the *In Gold We Trust* report 2024, "The New Gold Playbook", that at a USD 25 silver price: "we are bullish on silver and silver miners for 2024 and beyond, both as a uranium-esque supply-deficit play and as a high-beta play on gold". **Naturally, after years of positing that the silver bull would break free from its technical shackles, the metal's surge to record highs above USD 121 was vindicating to say the least.**

Silver (log), in USD, 01/1975–04/2026

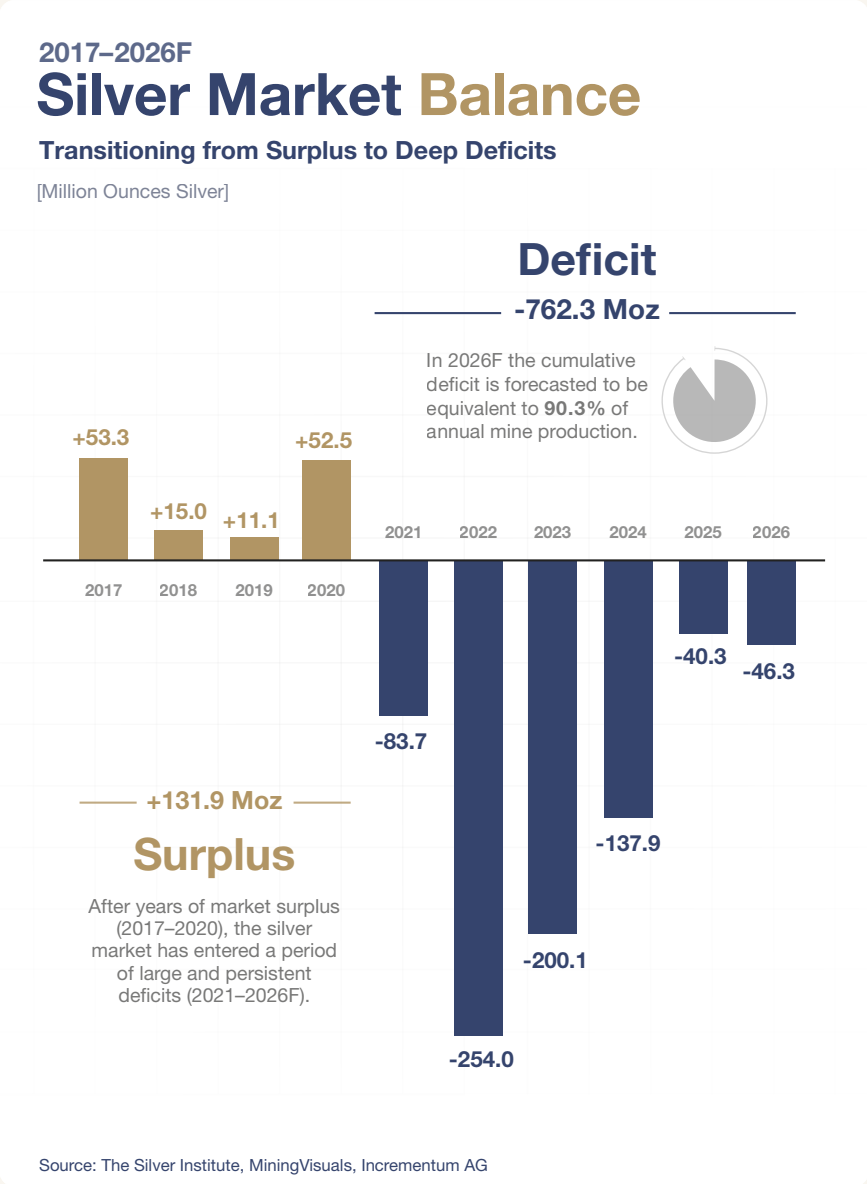


Source: FactSet, LSEG, Incrementum AG

incrementum

Beyond that, silver's meteoric rise reaffirmed the enduring relevance of fundamental investing principles in an age of AI and algorithmic trading. That is, silver's ~570% increase from its 2022 lows to its peak on January 29, 2026 was grounded in five consecutive years of structural supply deficits. From 2021 to 2025, this ~800 Moz cumulative shortfall was almost equivalent to one entire year of silver mine production.

> *The underlying principles of sound investment should not alter from decade to decade.*
> Benjamin Graham



Of course, silver's historic move was amplified by additional factors. First and foremost, episodic declines in speculative positioning triggered bouts of short covering that acted as an accelerant to the rally. For instance, managed money short exposure on the COMEX fell sharply from 15,433 to 11,648 contracts between late May and early June 2025. A similar dynamic was observed between mid-August and early September 2025, when shorts declined from 16,574 to 12,523 contracts alongside a move in silver from USD 37 to USD 40. Ultimately, these positioning dynamics helped silver cruise past 13-year highs.

> *The line separating investment and speculation, which is never bright and clear, becomes blurred still further when most market participants have recently enjoyed triumphs.*
> Warren Buffett

And yet, silver was not driven by short covering alone. Instead, rising long exposure and, at times, expanding open interest indicated that fresh capital was entering the market. That was until October 7, 2025, when managed money longs, having consolidated around 50,000 for six weeks, declined sharply to 43,186. This preceded a sustained downtrend, which reached approximately 29,100 by December 30, 2025, and later 19,423 by January 26 – four days before the largest daily decline in silver's history of 34%.

> *It's a time bomb, and I want to short it.*
> Michael Burry, The Big Short

Silver, in USD, 05/2025–04/2026



Source: LSEG, Incrementum AG

incrementum

China is on an epic silver buying spree.
John Rubino

In this sense, long accumulation helped carry silver to around USD 48 by early October 2025. Thereafter, however, managed money positioning began to unwind, and the drivers of silver's advance became increasingly speculative. Perhaps most notably, China's Ministry of Commerce confirmed on October 26, 2025 that new export licensing rules would take effect on January 1, limiting eligibility to state-approved firms producing at least 80 t annually. By late December 2025, premiums had skyrocketed to 62%, from 7%, on China's UBS SDIC Silver Futures Fund, prompting a wave of subscription restrictions.

Unless you have deep pockets to deal with the margin, some players are being taken out on a stretcher.
Bob Coleman

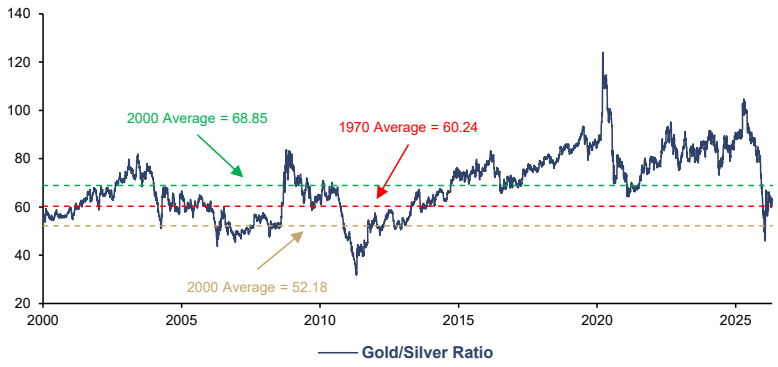
Between this, London tightness, US dollar weakness, and Federal Reserve rate cuts, silver leapfrogged Nvidia to become the world's second most valuable asset in January, second only to gold. Inevitably, the speculative bubble burst after Trump's nomination of perceived "hawk" Kevin Warsh as chair of the Federal Reserve. Overwhelmingly, though, it was the successive margin hikes by exchanges that curbed the frenzied speculation driving silver's volatile ascent. Since then, the devil's metal has done its utmost to stabilize above USD 70.

From Historic Undervaluation Toward Fair Value?

A cynic is a man who knows the price of everything, and the value of nothing.
Oscar Wilde

Undeniably, the historic undervaluation that defined silver as a contrarian investment has become noticeably less pronounced over the last 12 months. This is exemplified by the gold-silver ratio (GSR) reaching highs of 107:1 in April 2025, before compressing to 60:1 by December 2025, and ultimately plunging to lows of 45:1 by late January. Since then, the ratio has rebounded to around 60:1. Broadly in line with its historical average since 1970, this places silver closer to "fair value" than at any point since early 2014.

Gold/Silver Ratio, 01/2000–04/2026



Source: FactSet, LSEG, Incrementum AG

incrementum

At first glance, this does not bode well for silver bulls. The last time the GSR declined to this extent was in March 2020, when it practically halved from 124 to 64 by February 2021. Prior to that, an even larger contraction occurred between November 2008 and April 2011, as the GSR descended from 83 to 32. In both cases, silver's subsequent performance was broadly sideways to weaker. **As such, one may view silver today as Oasis in 2009: fresh off a memorable run but seemingly headed for a prolonged hiatus.**

> *Slide away and give it all you've got /*
> *My today fell in from the top.*
> Oasis

Meanwhile, Bank of America sees silver reaching USD 135–309 this year, premised on the GSR falling to 2011 lows of 32 and, in a more bullish scenario, to 1980 lows of 14. In parallel, the Reserve Bank of India's new lending directives, effective April 1, allow silver to serve as collateral for bank and non-bank loans at a weight ratio of 10kg silver to 1kg gold. Lower than the ~15:1 GSR from the bimetallic standard, this remonetization implies gold is not alone in leading the charge "Back to the Monetary Future". More importantly, it helps redefine silver as undervalued, even after it broke the notorious USD 50 ceiling.

> *Gold has long been a bankable asset in India. Silver's inclusion democratizes that access and strengthens the metal's monetary identity.*
> Rajiv Mehta

Comparison of Various Macro- and Market Key Figures at Silver ATH in 1980, 2011 and Current

	1980	2011	Current
Silver Price, in USD	48.70	48.41	73.74
Monetary Base, in USD bn	157	2,496	5,458
M2 Supply, in USD bn	1,483	9,035	22,686
US Federal Debt, in USD bn	863	14,287	38,967
GDP per Capita	12,303	49,873	92,989
US Median House Price, in USD	63,700	228,100	403,200
S&P 500	111	1,364	7,209
US Unemployment Rate, in %	6.3	9.1	4.3
USD Index	86.1	73.1	97.9

Source: treasury.gov, Federal Reserve St. Louis, LSEG (as of 04/30/2026), Incrementum AG

In light of this, the key question now becomes: Are silver's fundamentals still conducive to an upward revaluation or do the mining stocks offer the highest-beta exposure to any next leg up? Secondly, will the investment demand renaissance be fleeting or will it be durable enough to offset expected weakness in jewelry and silverware? And thirdly, is a higher price sowing the seeds of industrial demand destruction or does silver's elevation to critical mineral status in the US, as of November 2025, help render its moat impenetrable across solar, EVs, and data centers?

> *The important thing is not to stop questioning.*
> Albert Einstein

Silver's Industrial Engine: Losing Steam or Firing on All Cylinders?

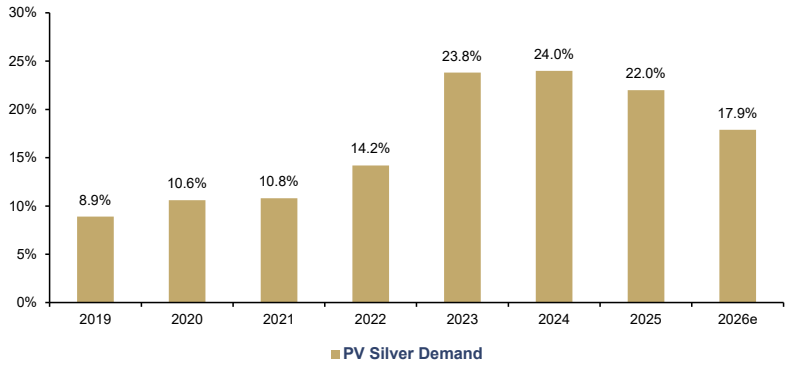
The received wisdom in commodity markets is that deficits don't matter, until they do.
Silver Institute, WSS26

The persistence of a structural supply deficit is the first, and arguably most consequential, variable for the silver price in 2026 and beyond. Encouragingly, the Silver Institute forecasts a 46.3 Moz structural deficit this year, bringing the revised cumulative shortfall to 762.3 Moz over six consecutive years. This indicates that silver's robust fundamentals will remain intact for at least one more year. That said, structural supply deficits have been gradually narrowing since the 254 Moz peak in 2022.

Here comes the sun, and I say It's alright.
The Beatles

In 2026, this moderation is partly attributable to industrial demand, which is forecast to decline by 3% for a second consecutive year to 639.6 Moz. Still, representing 58% of the 1,130.6 Moz that comprised total silver demand in 2025, industrial demand remains as relevant and all-encompassing as the Beatles in the 1960s. Having grown from 74.9 Moz in 2019 to 186.6 Moz in 2025, solar PV offtake is naturally the George Harrison of silver industrial demand. Initially an understated contributor, Harrison developed each year, ultimately penning one of the band's greatest hits in 1969: the solar-powered classic "Here Comes the Sun".

PV Silver Demand, as a % of Mine Production, 2019–2026e



Source: Silver Institute, Metals Focus, Incrementum AG

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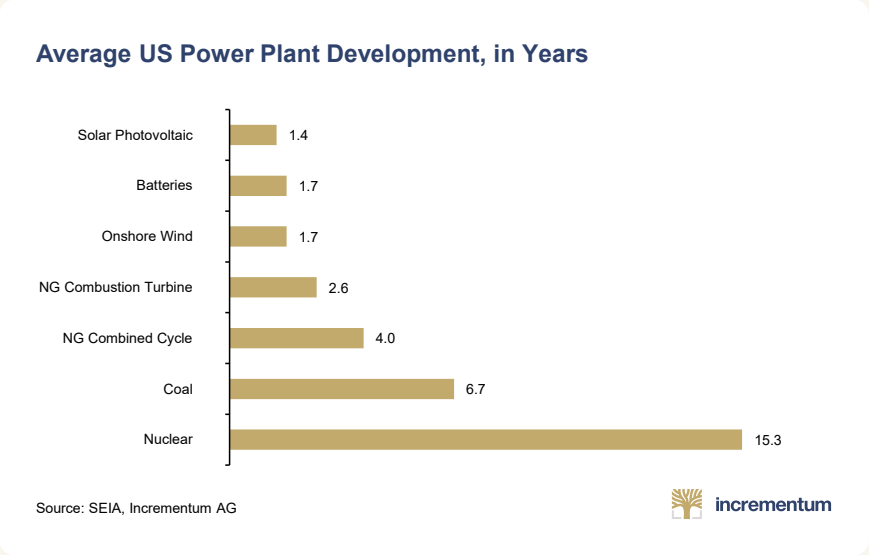
I shouldn't bring an umbrella to a brainstorm.
Ted Lasso

To recap, it took solar a mere two years to go from consuming one in every ten ounces of silver produced annually to nearly one in four. However, in an environment characterized by higher silver prices, this seemingly relentless growth faces its greatest challenge yet. Chiefly, silver reached an estimated 30% of solar cell costs in early March at a USD 90 price, according to RBC Capital Markets. As per Bloomberg NEF, that's up from a 5% share in 2023, and 14% in September 2025, when prices were USD 42–46. In 2026, this dynamic is feeding into an expected 19% decline in solar offtake, with the Silver Institute forecasting 151 Moz of demand amid "ongoing thrifting and outright substitution away from silver."

Broader industry shifts are expected this year, with leading manufacturers moving to pure copper metallisation and hybrid silver-copper pastes.
Rystad Energy

At 500 gigawatts of annual solar production, this move away from silver and towards copper is estimated to result in USD 15bn per year in savings for the sector globally. Consequently, the world's three largest solar panel manufacturers – LONGi, JinkoSolar, and Trina Solar – are spearheading a purported "copper shift". LONGi announced it would begin substituting base metals for silver in its solar cells in Q2/2026. JinkoSolar has reportedly used silver-coated copper pastes for rear-side contacts already and is actively testing front-side applications. Meanwhile, Trina Solar is developing a new copper-contact solar cell designed to reduce reliance on silver, according to the Financial Times.

Naturally, one may fear that elevated silver prices are driving silver's solar-powered rise toward an early sunset. In reality, though, the sun should continue to shine over silver's solar offtake in the near term, as global demand for cheap and quickly deployable energy lands before manufacturers can make the capex-intensive and time-consuming switch from silver to copper.



It is estimated that even with unlimited funds, converting 50% of the ~300 global solar panel factories from silver to copper would take approximately four years – too long for a world now racing for domestic energy security. At the same time, Octopus Energy has seen a 50% rise in solar panel sales since the Iran war began, as buyers reacted to Hormuz-driven USD 100+ oil prices. More importantly, China's solar panel exports soared to a record high in March, rising 125% month on month and 67% year on year in value terms to USD 3.61bn. In tandem, March was also the month in which Chinese silver imports surged to record highs above 800 t. No prizes for guessing where some of that metal ended up.

> *Silver will remain essential in the PV industry. In high-reliability applications, such as aerospace, offshore solar, and premium high-efficiency cells, silver pastes retain a defensible segment due to their unmatched physical and electrical performance.*
>
> Silver Institute, WSS26

In due course, we expect innovatory efforts to produce a serious copper-silver hybrid. For the time being, though, silver's solar moat is partly shielded by an immediate and urgent global energy demand. Our conviction is also grounded in silver's superior conductivity, longevity, and corrosion resistance versus copper-based panels, which currently fall short of silver's typical 25-year lifespan. This sentiment is echoed by Jean-Nicolas Jaubert, solar industry expert and Director of China Operations at Kiwa PVEL:

> *Both our own experience and the industry knowledge of copper paste is extremely limited. In short, we should brace for new failures as people start trying these solutions commercially, as it may be challenging to deploy quickly in a realistic way. Copper could diffuse into the cell and create new defects, or possibly interact with other BOM components, such as encapsulant additives.*

In Search of Solar's Successor

If solar demand was akin to the Beatles' hit, "Here Comes The Sun", then automotive demand must be "Drive My Car" — not the headline act, but a respectable contribution, nonetheless. In 2025, global EV sales grew 20% yoy to 20.7mn units, anchored by a 17% rise in Chinese sales to 12.9mn units and a 33% increase in Europe to 4.3mn units. Even as North American sales declined 4% to 1.8mn units in 2025, global EV sales have averaged above a 40% CAGR since 2017. As part of that, the additional EVs sold globally between 2023 and 2024 exceeded the total sales from 2020.

> *Baby, you can drive my car / Yes, I'm gonna be a star.*
>
> The Beatles

An EV uses 67–79 % more silver than an ICE vehicle – and by 2031, EVs will consume 59 % of the auto industry's silver.

With 25–50 grams of silver used on average in an EV – some 67–79% more than in ICE vehicles – silver is a direct beneficiary of this accelerated growth. In 2024, ICE vehicles comprised 55% of automotive silver demand, while EVs trailed behind in second place at 30%. By 2027, the same study by Oxford Economics forecasts EVs will overtake ICE vehicles, before ultimately consuming 59% of the industry's silver by 2031. At that point, annual automotive silver demand is estimated at 94 Moz. While conservative, this scenario could materialize after China – the nation behind roughly 3 out of every 5 EV sales globally – ended its decade-long full purchase tax exemption on EVs at the close of 2025, replacing it with a 5% levy from 2026.

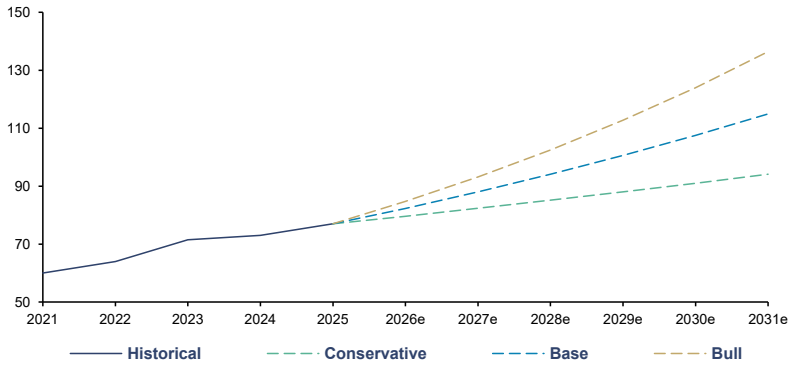
> *The electric car is not a dream of the future. It is the future.*
> Elon Musk

Beneath the bonnet, however, lies a compelling case for upside surprise. Chief among these is China, where two thirds of EVs, *without subsidies*, were already priced below their ICE equivalents in 2024. This dynamic has lent itself to emerging markets such as Thailand, where an influx of affordable Chinese imports helped EVs to reach price parity with ICE vehicles in 2024. India, meanwhile, represents the largest untapped EV market on Earth, with EV penetration at just 2% against a 1.45bn population.

> *We see the Chinese as the main competitor, not GM or Toyota. The Chinese are going to be the powerhouse.*
> Jim Farley, Ford CEO

Notably, India, China, and Thailand source the majority of their oil from the war-torn Middle East – a concentration risk that was laid bare after oil spiked above USD 100 in March 2026. Against this backdrop, the green transition becomes less of a virtue-signaling exercise and more of a strategic imperative with a legitimate business case. In this accelerated EV adoption scenario, we envisage automotive silver offtake rising toward 110 Moz by 2031; albeit the figure could potentially surpass 130 Moz, when factoring in a higher silver-loading per vehicle.

Automotive Silver Demand, in Moz, 2021–2031e



Source: GlobalData, Oxford Economics, Silver Institute, Incrementum AG

incrementum

Indeed, any outperformance would derive from the proliferation of electronics-intensive autonomous vehicles – a market growing at a 24% CAGR to reach USD 656bn by 2031. **Equally, the marginal adoption of Samsung's solid-state battery (SSB) could turbocharge silver offtake.** Boasting twice the energy density of competing lithium-ion batteries and consuming 10–20 times more silver than average EV batteries[1], the SSB could add up to 20 Moz of silver demand at a mere 3% market share of today's EV sales.

> *What we're doing is no different from what Henry Ford did – we're just using electricity.*
> Elon Musk

In aggregate, the automotive industry should add 3–9 Moz of silver demand per year. However, it is not likely to reach the 150+ Moz annual demand levels commanded by solar any time soon. Akin to the US, solar remains the de-facto global superpower of

1 See "Searching for the Silver Bullet: An Analysis of Silver Price Catalysts", *In Gold We Trust* report 2025

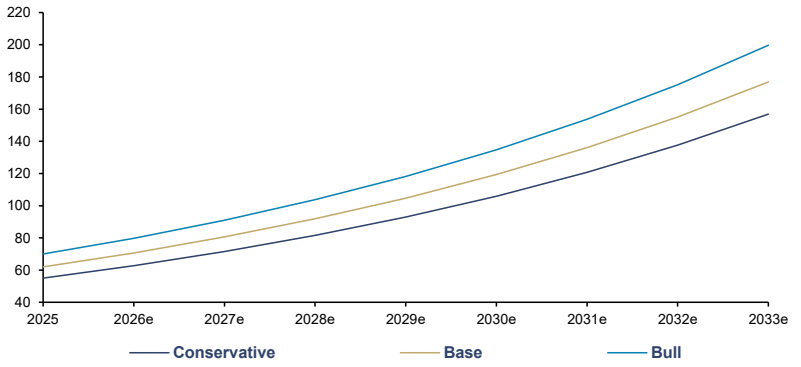
silver industrial demand. Impactful, but not dominant, automotive offtake is closer in stature to Canada, joining consumer electronics, power generation, and data centers as one of the many "middle powers" that collectively constitute silver industrial demand.

Data center silver demand may be likened to the potential of China in the 1990s: still a middle power for now, but firmly on track for graduation to superpower status. Data centers consume sizable quantities of silver as an input across connectors, printed circuit boards, semiconductor chip packaging, and thermal interface materials. In fact, silver's thermal conductivity – the highest of any metal and 9% superior to copper – makes it uniquely suited to managing heat generated by AI chips, which run hotter and denser than any computing hardware that preceded them. **This renders silver effectively irreplaceable in the AI server stacks powering today's digital economy, including those that run large language models such as ChatGPT and Claude.**

More broadly, global data center capacity has expanded fourfold from 26 GW in 2015 to 103 GW in 2025, with JLL projecting 200 GW by 2030 as a further 97 GW comes online. This growth will be powered by hyperscale projects such as Meta's Hyperion campus – a 5 GW facility in Louisiana nearly the size of Manhattan – as well as OpenAI and Oracle's USD 500bn Stargate initiative. All in, JLL projects a 14% CAGR for data center capacity through 2030, equivalent to approximately 16 GW added each year. For silver, we estimate this will add approximately 10 Moz to annual demand, as current data center silver consumption of 55–70 Moz grows toward 120 Moz by 2030. **Thereafter, a continuation of a 14% CAGR could see data centers overtake solar as soon as 2031, before consuming up to 200 Moz of silver by 2033.**

> *We think right now there's around 55–70 Moz of silver going into data centres.*
> Michael DiRienzo, Silver Institute CEO

AI Data Center Silver Demand, in Moz, 2025–2033e



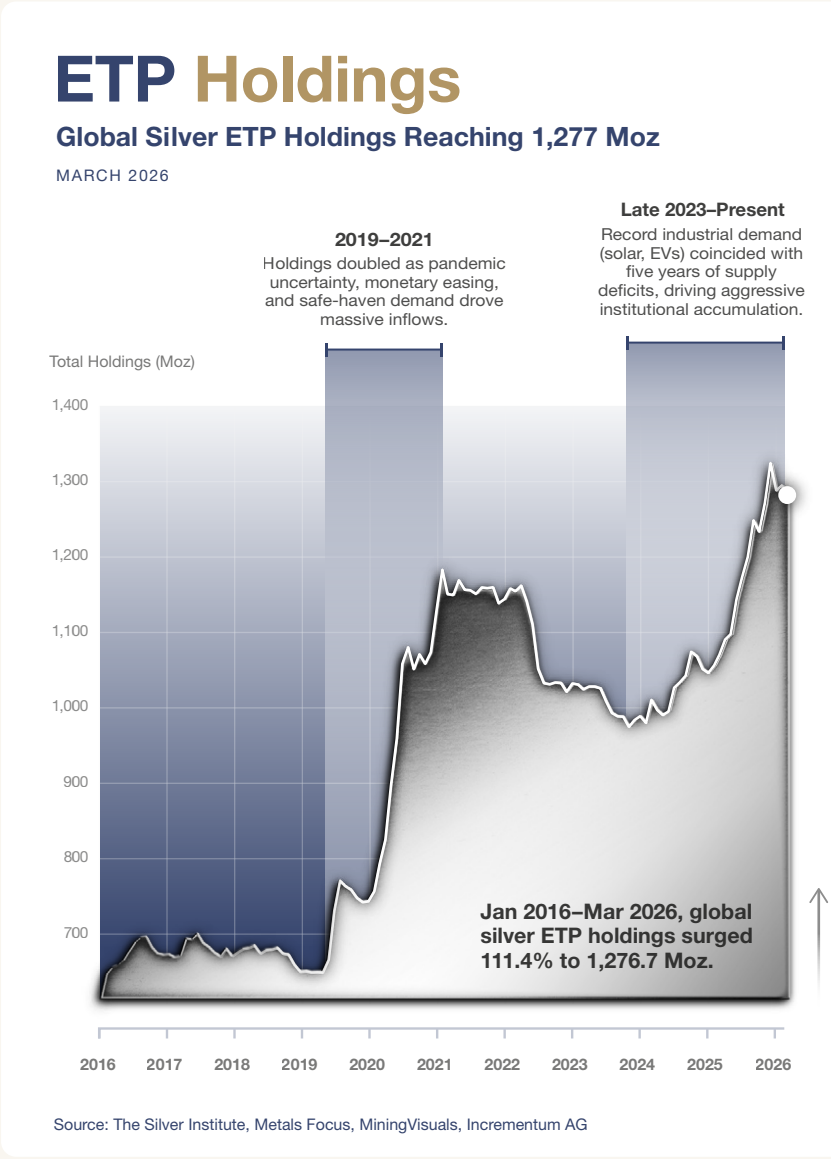
Source: Silver Institute, JLL, Incrementum AG

incrementum

The Renaissance of Silver Investment Demand

While data centers look set to write tomorrow's silver demand story, investment demand is already busy writing today's. That's because the category experienced a resurgence in 2025, beginning with a 14% increase in net coin and bar demand to 217.7 Moz. To a large extent, this growth was fueled by a 33% yoy increase in physical investment in India, where silver ETP holdings tripled from 41.7 Moz to approximately 120 Moz in the twelve months to January 2026. In line with our forecasts from last year's *In Gold We Trust* report "The Big Long," holdings have fallen to 110 Moz as of March 2026. Still, India's appetite for silver ETPs – which comprised 40% of the nation's total retail investment in 2024 – helped drive a staggering 312% yoy surge in global silver ETP net investment to 278.1 Moz in 2025. As a result, global silver ETP holdings have more than doubled over the past decade, standing at 1.277 Boz as of March 2026.

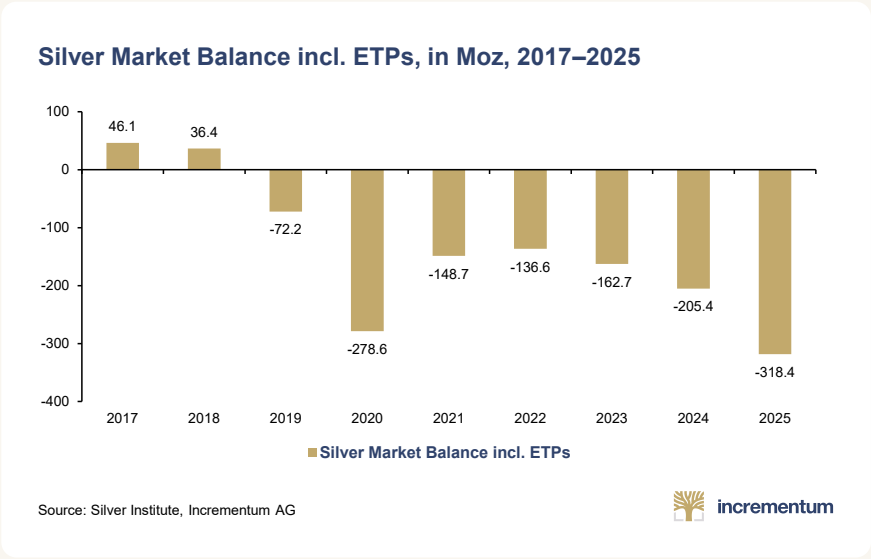
> *What made the January 2026 rally truly exceptional was the outsized impact that physical investment had on prices.*
> Silver Institute, WSS26



Taking on a challenge is a lot like riding a horse. If you're comfortable while you're doing it, you're probably doing it wrong.

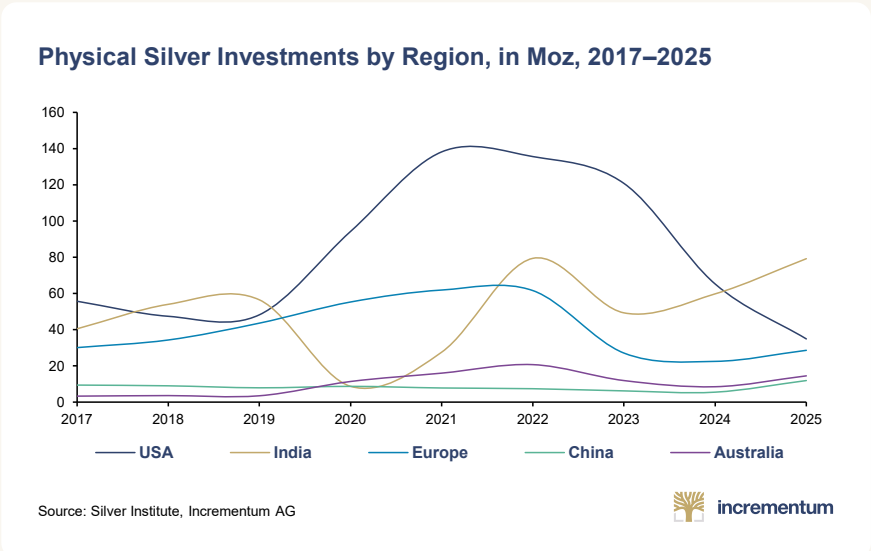
Ted Lasso

Curiously, once ETP investment is included, the silver market balance widens to a record -318.4 Moz in 2025 – the largest non-structural deficit in history. The market balance is set to normalize to -76.3 Moz in 2026, as ETP net inflows are expected to moderate to 30 Moz, yet the broader picture remains striking: the structural supply deficit has run from 2021–2025 to the tune of ~800 Moz. However, the market balance *inclusive of ETP investment* has been negative for seven successive years since 2019, amounting to over 1.3Boz cumulatively.



In short, this reveals ETP investment as a silent, and nascently explosive, driver of silver's ascent. Though, even after this ETP boom, physical investment demand remains largely subdued with significant room to grow. For one, European physical silver investment sits at less than half of its 2022 peak in 2025, despite a sizable 27% rise to 28.5 Moz. Meanwhile, US demand saw a third year of uninterrupted losses in 2025, with volumes almost halving to 34.9 Moz – the lowest level since at least 2010. Evidently then, most US investors were stuck in their MAG 7 bubbles, as India profited handsomely from a burgeoning silver bull.

> *What do you want to own? I want to own metal. Own the HALOs (Heavy Asset Low Obsolescence). Own those assets and hang on.*
>
> Jeff Currie



In 2026, this dynamic is approaching an inflection point. That is, after three successive years of decline, Western physical investment is set to extend silver's broader investment renaissance in 2026, as "ongoing macroeconomic uncertainty rekindles investor interest," according to the Silver Institute. As part of this, US coin and bar demand is expected to increase 57% yoy in 2026, after four years of losses saw demand collapse by 69% from its 2021 peak. More broadly, the global category is forecast to increase 18% to 257.6 Moz in 2026, and has considerable upside to move into to reach the 2022 peak of 339.5 Moz.

> *A strategic inflection point is a time... when fundamentals are about to change. That change can mean an opportunity to rise to new heights.*
>
> Andrew S. Grove, Intel Co-Founder

Compounding this, European silver investment is anticipated to recover in 2026. Historically marginalized by VAT, silver's share of retail turnover in Germany defied the odds, rising to as much as 30–50% by late January 2026, according to the Silver Institute. However, Germany has made investing in silver significantly less attractive overnight. On April 9, the Federal Ministry of Finance announced new rules and ended the VAT exemption for precious metals stored in German duty-free warehouses. Against

> *I'm sorry to the rest of the world, but we're going to be unbeatable for the next few years.*
>
> Franz Beckenbauer

After three consecutive years of decline, the Silver Institute sees Western physical investment recovering in 2026 – "ongoing macroeconomic uncertainty rekindles investor interest."

this backdrop of regional recovery, global physical investment stands at 205.7 Moz in 2025, almost 130 Moz below its 2022 peak of 333.9 Moz. In theory, that much investment demand, or more, could flock to silver under the right macroeconomic conditions.

Our Silver Base Case: Consolidation Before Inflation-Induced Acceleration

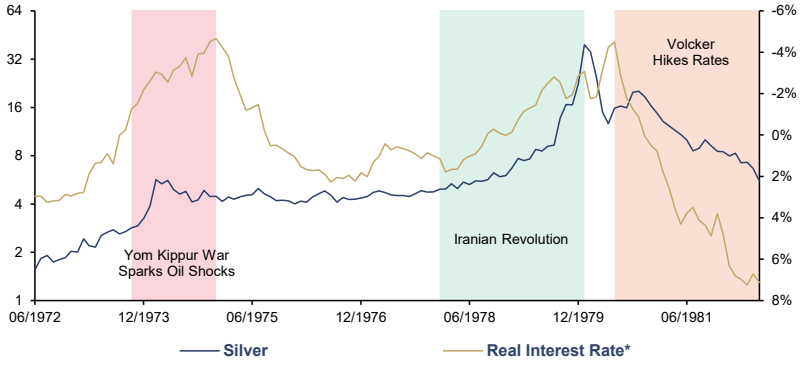
Silver is the Swiss army knife of metals.
Peter Krauth

Formerly serving as legal tender across civilizations, but today a metal whose price is 58% informed by industrial demand, silver's ambiguous dual-nature complicates any straightforward assessment of optimal economic conditions. On the one hand, its expanding industrial identity renders the historic monetary metal status increasingly dormant, while opening the door to weakness during recession, as we outlined in the *In Gold We Trust* report 2023, "Showdown", where we presented our *IGWT Recession Phase Model*. On the other hand, the metal's 0.8 correlation with gold as of late intertwines it with conventional macro factors such as real rates, keeping its monetary soul alive.[2]

U.S debt is bigger. Interest payments are bigger. So, when oil prices go up, headline inflation goes up.
Jeff Currie

To that point, perhaps the best macro bellwether for silver's outperformance was declining real rates amid the stagflation-ridden 1970s. During this period from 1971 to 1980, silver produced more than a thirtyfold return as oil shocks and elevated geopolitical risk joined negative real rates to punctuate a multi-year consolidation phase. Between August 1973 and November 1974, in the wake of the Yom Kippur War, this saw real rates plunge by 9 percentage points from +4.45% to -4.52%, while silver surged from USD 1.96 to an annual peak of USD 6.76. Then again, from February 1978 to June 1980 amid the Iranian Revolution, real rates plummeted by over 6 percentage points from +1.79% to -4.49%, as silver soared tenfold, aided by the Hunt Brothers.

Silver (lhs, log), in USD, and Real Interest Rate* (rhs, inverted), 06/1972–06/1982



Source: LSEG, Incrementum AG
*US 10Y US CPI adjusted

incrementum

It's one thing to shoot yourself in the foot. Just don't reload the gun.
Lindsey Graham

In the same breath, the Federal Reserve can also blow bearish headwinds toward silver. Most notably, Paul Volcker puffed on his cigar in 1980, hiked rates to 20%, and nonchalantly helped extinguish silver's flame. At a 32% debt-to-GDP ratio, the US

2 "Silver's Correlation with Gold & LME Index", *World Silver Survey 2026*, Silver Institute, p. 17

government had the capacity to absorb the burden of higher rates back then. Today, the ratio stands much taller at 125%, with annual interest payments exceeding USD 1trn – the federal government's largest single expenditure, surpassing even defense spending.

If Paul Volcker held a bazooka in 1980, Kevin Warsh today is clutching a water pistol – material rate hikes are off the table when interest payments alone exceed USD 1 trillion.

Frankly, if Paul Volcker held a bazooka in 1980, the new Federal Reserve Chair, Kevin Warsh, may as well be clutching a water pistol. In other words, material rate hikes are off the table due to the compounding debt servicing cost. Instead, our base case sees the Federal Reserve opting for the lesser of two evils: letting inflation run untamed in order to preserve the system's "stability". Beyond 2026, this dynamic should drag real rates into negative territory, enticing bond investors, and the USD 7.64trn sitting in money markets, to flock to silver as a high-beta play on gold.

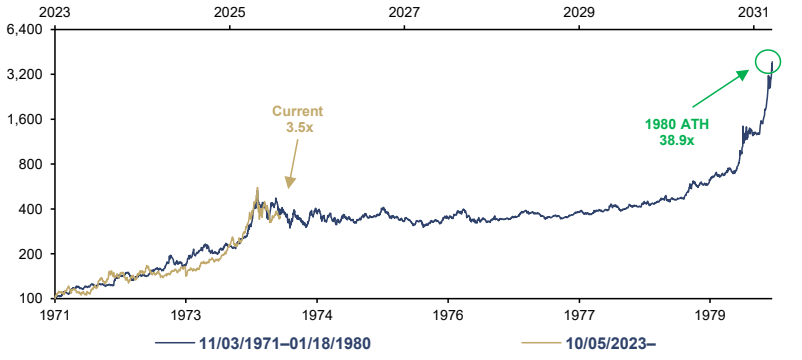
On balance, we believe the resulting investment demand from this phenomenon will sufficiently offset the expected weakness in the jewelry and silverware categories. For context, silver jewelry fabrication declined by 8% in 2025 to 189.3 Moz – the lowest level since 2021 – as record prices eroded affordability and curtailed rural Indian demand. The segment is forecast to decline a further 16% to 159.4 Moz in 2026, ahead of Pandora's planned switch to platinum-plated alloys in 2027. Silverware is also expected to fall 21% in 2026 to 33.5 Moz, as elevated prices push Indian manufacturers towards lighter products.

> *We have to decouple the performance of the company and the share value from the commodity. We are a jewellery brand; we are not a silver trader.*
>
> Pandora CEO, Berta de Pablos-Barbier

Collectively, the year-over-year loss from jewelry and silverware is expected to amount to 38.5 Moz in 2026. That said, physical investment's reacquaintance with 2022 highs from 2025 levels would greatly offset this with up to 128.2 Moz of additional demand. Moreover, the increasing acceptance of gold-plated silver jewelry, particularly in South Asia, is reportedly helping to soften the extent of the segment's contraction, as per the Silver Institute. **Taking this alongside industrial demand's broader growth potential, we posit that any consolidation phase will conclude earlier than the 1970s, with accelerating inflation as the prerequisite for silver's next leg-up.**

> *Any cooling of prices to lower levels will encourage jewelry and silverware buying to once again grow.*
>
> Silver Institute, WSS26

Silver (log), in USD, 100 = 11/03/1971, and 100 = 10/05/2023, 11/1971–05/2026



Source: FactSet, LSEG, Incrementum AG

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Shifting to Supply: Is it Time to Favour Stocks Over the Rock?

On the supply side, our bullish conviction for silver miners, let alone silver, is grounded in the relationship, or lack thereof, between price and mine production. Case in point, the silver price averaged USD 40.03 in 2025 – up 42% from the 2024 average of USD 28.27 and 71% from the 2023 average of USD 23.39. Despite this, primary silver supply declined for the third consecutive year in 2025 by 1% yoy, bringing the percent of global supply from primary silver mines to a new low of 26%. From this, it's clear that higher silver prices do not directly correlate to higher primary silver supply. Incidentally, this will please primary silver mining companies, whose profit margins sit above 80% at an 80 USD silver price, after their average all-in sustaining costs (AISC) fell for the second consecutive year to USD 12.21 in 2025.

> *There is no point in being confident and having a small position.*
> George Soros

Profit Margin Matrix for Silver Mining Companies: Silver (x-axis), in USD, and AISC (y-axis), in USD

	30	40	50	60	70	80	90	100	110	120
9	70%	78%	82%	85%	87%	89%	90%	91%	92%	93%
12.21*	59%	69%	76%	80%	83%	85%	86%	88%	89%	90%
15	50%	63%	70%	75%	79%	81%	83%	85%	86%	88%
18	40%	55%	64%	70%	74%	78%	80%	82%	84%	85%
21	30%	48%	58%	65%	70%	74%	77%	79%	81%	83%
24	20%	40%	52%	60%	66%	70%	73%	76%	78%	80%
27	10%	33%	46%	55%	61%	66%	70%	73%	75%	78%
30	0%	25%	40%	50%	57%	63%	67%	70%	73%	75%

Source: Incrementum AG
*2025 Average

Notwithstanding these stellar margins, the 74% of silver supply produced as a by-product warrants equal attention. To that end, non-primary silver mine production rose 4% yoy to 625.5 Moz in 2025, led by a 6% increase in by-product silver from copper operations, which reached 237.3 Moz. More broadly, global silver mine supply grew by 3% yoy to 846.6 Moz in 2025. This saw gains in Peru (+9 Moz) and Russia (+10.5 Moz) compensate for a 5% decline (-8.2 Moz) in Mexico, where a mine cessation at Fresnillo's San Julián and grade declines at Peñasquito helped North American silver output to decade lows.

Elsewhere, recycling rose 2% to 197.6 Moz in 2025, adding a modest 3.1 Moz to supply. In 2026, a more meaningful contribution of 13.7 Moz is forecasted, as a 7% rise to 211.3 Moz is supported by expected 14-year highs in industrial scrap recycling. An India-led uptick in jewelry and silverware recycling is also set to buoy the segment, as a full year of elevated prices draws sellers, according to the Silver Institute. Still, with mine production projected to decrease 0.3% (-2.5 Moz) in 2026, higher silver prices are evidently not moving the supply needle. Add to that a dearth of new discoveries, declining ore grades, and 10–15 year average lead times to advance a silver mine from inception to production, **and it's likely that peak silver production was reached in 2015.**

> *You don't want to hit your peak until late in the season.*
> Clint Dempsey

Silver is strongly favored to climb a "stairway to heaven" in 2026 rather than be driven down a "highway to hell."

Global Silver Mine Production, in Moz, 2000–2026e



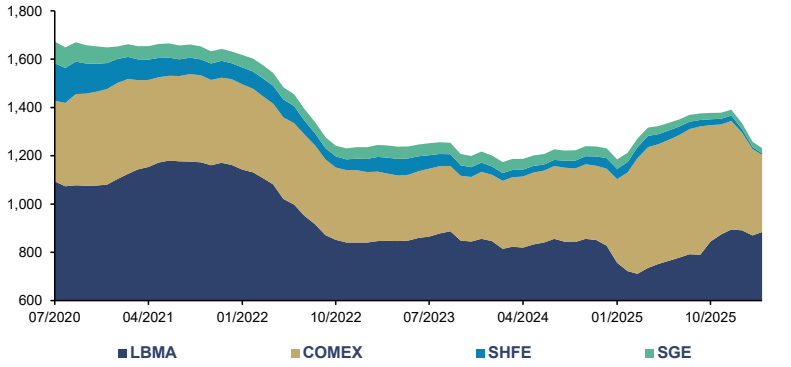
Source: Silver Institute, Metals Focus, Incrementum AG

incrementum

Infinite growth of material consumption in a finite world is an impossibility.
E.F. Schumacher

In turn, global silver demand looks set to continue with its unsustainable dependency on above ground stocks. While much of this opaque supply exists in the hands of private investors, the measurable aspect is visible in the silver inventories held on major exchanges, such as the SHFE and SGE in Shanghai, the LBMA in London, and the COMEX in New York. As a side note, the recently introduced SILVER Act (H.R. 8007) seeks to geographically diversify US precious metals depositories away from their concentration in the Greater New York area. More importantly, the collective depletion across exchanges from their 2020 peak up to March 2026 amounts to ~440 Moz – almost 3x solar's forecasted silver offtake in 2026.

Silver Inventories Held On Exchanges, in Moz, 07/2020–03/2026



Source: COMEX/CME Group, GoldChartsRUs, LBMA, SHFE, Silver Institute, Incrementum AG

incrementum

As industrial demand crowds out investment demand, we'll see more investor silver squeezes.
Peter Krauth

A further testament to the physical market tightness, it is estimated that 83% of London inventories were represented by physically backed products by end-September 2025, leaving a free float of just 136 Moz vulnerable against daily spot trading volumes of ~450 Moz. As for China, we estimate that approximately 200 Moz left both

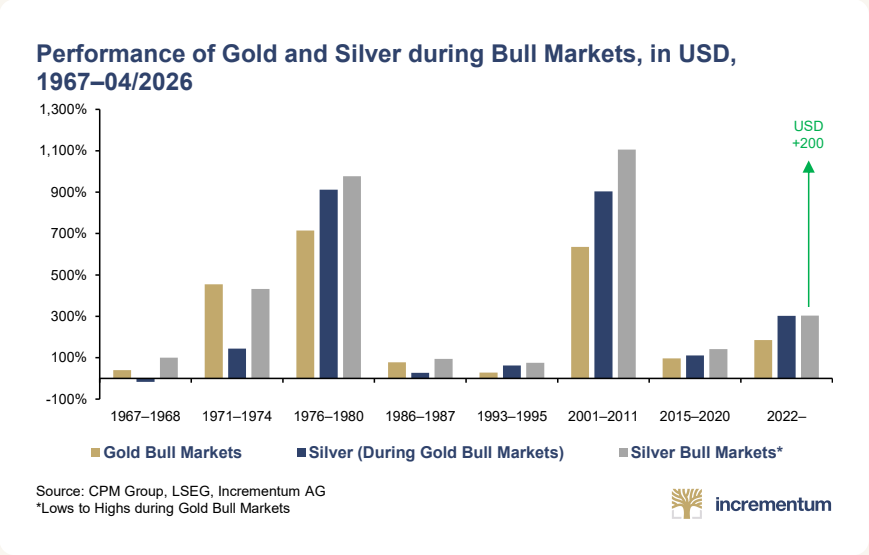
Shanghai exchanges between the mid-2020 highs and December 2025 lows of 47.1 Moz.[3] Producing 112.8 Moz of silver while consuming 282.9 Moz from industrial demand alone in 2025, China's domestic silver shortage helped erode Shanghai stocks to the lowest levels since 2016 this year. Elsewhere, this scarcity was reflected in a Shanghai spot premium, which reached up to USD 15 above the Western price.

The Bottom Line

To conclude, silver's long-awaited breach of triple digits was no speculative aberration. Instead, it was the inevitable consequence of consecutive supply deficits meeting investors finally willing to pay attention. In turn, silver emphatically demonstrated just how explosively it can trade when the conditions align. What follows is not the end of the story, but an intermission. In other words, investors need time to digest the historic move, while silver establishes a new floor, likely around USD 60-70. **Thereafter, we view this base as the springboard for the next leg-up, amid supply deficits that look set for the foreseeable future.**

> *It would take a rather extreme combination of changes to the supply-demand balance for us to see a swing to sustained surplus... and very unlikely indeed to match the cumulative deficit seen over the last six years.*
>
> Silver Institute, WSS26

Notably, a return to USD 100 silver in 2026 is not out of the question either, especially if the tempestuous winds of inflation imminently ripple across the economy. Our view is congruent with that of the LBMA's analyst survey in which 17 of the 26 forecasters expect the white metal to reach the USD 100 milestone in 2026. Within that, 3 see it exceeding USD 160, and 2 see USD 200 breached. While they may prove to be optimistic for 2026, we rate these latter forecasts as realistic over a longer horizon: from the 2022 low of USD 17.83, matching the ~1,100% trough-to-peak return of the 2001–2011 cycle would put silver comfortably above USD 200.



To answer our own rhetorical question then, silver is strongly favored to climb a *"stairway to heaven"* in 2026 rather than be driven down a *"highway to hell"*. And yet, even if the metal stays rangebound at the 2026 forecast of USD 79.57, the 98% increase upon the 2025 average renders silver miners the decidedly high-beta play from here on in. As measured by the SIL ETF, silver miners continue to trade at depressed levels relative to an elevated silver price, spelling opportunity for the category we call *performance gold*.

> *There's a lady who's sure all that glitters is gold.*
> *And she's buying a stairway to Heaven.*
>
> Led Zeppelin

3 "Identifiable Silver Bullion Inventories," *World Silver Survey 2026*, Silver Institute, p. 26

SIL/Silver Ratio, 01/2011–04/2026



Source: LSEG, Incrementum AG

incrementum

The best time to buy is when there's blood in the streets.
Baron Rothschild

On this basis, it would seem that investors are refraining from buying silver miners until confirmation is received that the silver price will remain elevated or go higher. Already generating record free cash flows at an 80 USD silver price, the irony is that silver miners do not require higher prices. This disconnect provides investors with a window to obtain 3–5x leverage on the silver price at a steep discount. As Jeff Clark demonstrates in PAYDIRT, this 3–5x leverage rule has held remarkably consistent across cycles.

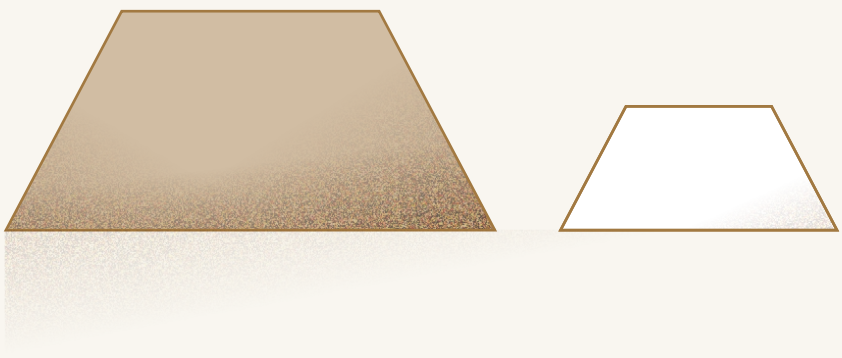
Performance of Various Assets, 2001–2011

Asset	2001–2008 (Bull Market)	2008 (Crash)	2008–2011 (Bull Market)
Gold	**295%**	**-30%**	**+166%**
Agnico Eagle Mines Ltd	+1,425%	-68%	+194%
Barrick Mining Corp	+285%	-63%	+180%
Golden Star Resource Corp	+684%	-88%	+691%
Gold Fields Ltd	+525%	-73%	+250%
Kinross Gold Corp	+1,933%	-67%	+106%
McEwen Inc	+2,347%	-86%	+1,816%
Newmont Corporation	+288%	-57%	+203%
Average Gold Stocks	**+973%**	**-66%**	**+451%**
Silver	**+363%**	**-58%**	**+448%**
Coeur Mining, Inc	+642%	-90%	+634%
First Majestic Silver Corp	+1,783%	-84%	+2,542%
Hecla Mining Co	+2,444%	-90%	+711%
Pan American Silver Corp	+1,643%	-76%	+312%
SSR Mining Inc	+2,800%	-82%	+422%
Average Silver Stocks	**+1,612%**	**-80%**	**+845%**

Source: LSEG, Incrementum AG

When can their glory fade? O the wild charge they made!
Alfred, Lord Tennyson

In summary, the wise adage "If you don't hold it, you don't own it" should serve silver investors and their portfolios well beyond 2026. However, while the "rock" continues to serve more risk-averse investors as a hard asset safe haven, we believe the moment has finally arrived for silver mining stocks to enjoy their period of relative outperformance, as the silver bull rears up for its most thunderous charge yet. ■



Growth on the Horizon

Endeavour Silver is a mid-tier silver producer focused on exploration, development, and mining. The Company operates three producing mines in Mexico and Peru and is advancing the Pitarrilla project through exploration and technical studies to support long-term growth.

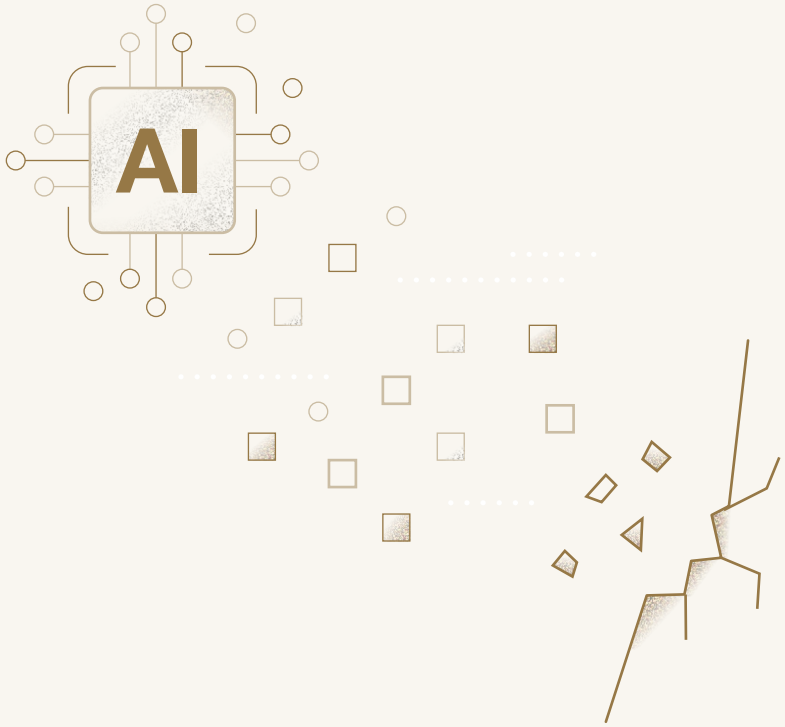
Headquartered in Vancouver, Canada, Endeavour Silver aims to be a leading silver producer, focusing on responsible mining and operational excellence.



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AI Is Making its Way into the Mining Sector



Key Takeaways

- AI can improve the profits of gold mining operations by improving recoveries, reducing plant downtimes, and reducing fuel consumption.
- The AI-based technologies can improve the safety at the mine site and reduce the environmental impacts, significantly reducing operating and permitting risks.
- In a not-so-distant future, AI agents will be able to optimize the whole production chain and run the whole mine autonomously.
- The main hurdles in full AI adoption are the quality and quantity of required data, and the security/ethical question of how much the mining operation relies on the AI and where the human factor should be employed in the decision process.

AI will not replace humans, but those who use AI will replace those who don't.

Ginni Rometty

Goldminers are facing a problem. The low-hanging fruits have been harvested and they must dig deeper; they must dig in more remote locations; and they must dig lower-grade ore. But this is where the knight on a white horse comes to the rescue. His name is AI (artificial Intelligence), and he helps the mining companies to fight inefficiencies and high costs. He can find more ore with less drilling; he can fine-tune the mine sequencing and ore processing; he can improve mine site safety and lower the environmental burden. It is quite possible that 20 years from now, he will have full or nearly full control over all the operations at the mine site.

The rise of powerful AI will either be the best or the worst thing ever to happen to humanity. We do not yet know which.

Stephen Hawking

One of the major issues the gold mining industry has to face is declining ore grades. The miners are forced to mine and process ore that would have been considered unprofitable only several years ago. The low-grade ore certainly leads to higher unit production costs. The recent steep gold price growth has helped to cover this issue, as almost every gold mine should be profitable at gold prices over USD 4,000 per ounce, but this situation might not last forever. Therefore, the cost savings that may be generated by applying AI in various stages of the production cycle may be invaluable. Moreover, AI may also be useful when the mining activities stop and it is needed to reclaim the area and secure the safety of the old mine site.

AI across the mining value chain.

Value-chain stage	AI innovations	Primary value drivers
Exploration & discovery	Geoscience foundation models; remote sensing; drill targeting assistants	Higher drilling success rates; lower exploration costs; faster identification of drill targets
Mine planning & execution	Enhanced block models; dynamic scheduling; autonomous haulage; traffic optimization	Reduced ore losses; higher equipment utilization; lower fuel consumption; lower maintenance costs; improved safety
Processing & metallurgy	Digital twins; advanced process control; reagent optimization; anomaly detection	Higher recoveries; lower energy, water, and reagent consumption; faster ramp-up process
Maintenance & reliability	Predictive maintenance; condition monitoring analytics	Reduced unplanned downtime; lower maintenance costs
Safety, security & ESG	Computer vision for PPE/zone breaches; fatigue monitoring; tailings monitoring	Fewer incidents and reduced liabilities; better compliance; earlier warning of tailings dam instability
Closure & legacy assets	Tailings reprocessing optimization; environmental monitoring	Incremental production from old tailings; lower long-term liabilities

Source: *In Gold We Trust* report

According to a recent Globe and Mail article, a study by Grand View Research shows that the market size for AI in mining was USD 29.94bn in 2024, and this number should grow to USD 685.61bn by 2033. That's a 41.87% CAGR. These numbers, although only estimates, confirm the potential of AI in the mining industry.

> *The sky is the limit to what technology can do for the mining sector.*
> Vince Gerrie

Moreover, AI can also be highly useful directly for investors in gold and other minerals. A company named CAP2 developed a technology combining AI, high-resolution satellite imagery, and ground-based data streams to provide "Live Economic Intelligence". This system enables live monitoring of open-pit mines and mine stockpiles and uses them for the analysis of the efficiency of the ongoing mining operations, as well as for the prediction of future commodity price movements. This may help the investors and portfolio managers to better time their investments in individual commodities. Moreover, they can have information regarding production disruptions or production guidance misses long before an official announcement, which means a significant edge in stock investing. According to Dr. Christian Jasperneite, the founder of CAP2, the system monitoring industrial activity, energy flows, emissions, and infrastructure, from space and by ground sensors, "bypasses reporting delays, political distortions, and incomplete statistics"[1].

> *Whether it's old-fashioned stock picking or forecasting the weather to trade commodities — it's a research business first and foremost. And trading is simply how we monetize our research.*
> Ken Griffin

How AI lifts exploration success rates

The whole story starts at the exploration level. It would be nice to just start digging anywhere and always find some gold. Unfortunately, while this might work in some fairy tales, in real life, years of exploration, drilling, and various studies precede the mining itself. And the problem is that the biggest and richest deposits situated in the most accessible locations have already been discovered and extracted. Therefore, the explorers must search for new deposits in more remote areas, which means more technical difficulties, longer timelines, and higher costs. All three problems can be tackled by employing AI. AI can make the interpretation of exploration data much more efficient, as it is able to process and interpret huge volumes of data quickly. This leads to quicker and more successful identification of exploration targets. According to Discovery Alert, AI can reduce exploration drilling requirements by 25–30% and discovery time by 40%.

> *The gold price has to rise to stimulate more exploration and make projects more economic, or we have to be smarter and more efficient at exploration.*
> Richard Schodde

The AI and machine learning algorithms use geophysical, geochemical, and remote sensing data to identify patterns indicating the presence of a potentially economically interesting mineralization. For example, a company called Fleet Space uses nanosatellites and satellite-enabled geophysics, along with AI-powered analytics, to identify new exploration targets quickly, efficiently, and with notably limited environmental impacts. The company has even provided its services to Barrick Gold, in exploration of Reko Diq, one of the biggest undeveloped copper-gold deposits in the world.

Another AI exploration pioneer, Terra AI, developed an AI application for mineral and reservoir exploration. Terra AI claims that its technology enables its customers to reduce drilling time and cost by 40% and increase initial under-cover targeting accuracy by 90%. It helps to prioritise drill targets and optimize the drill sequencing and number of drill rigs used in a campaign. As new drill results keep coming, the AI incorporates them and provides updated recommendations.

> *We haven't replaced the gold that we've mined since 2000. So, we are in a precarious position as an industry and the gold grade is now half of what it was in 2000.*
> Mark Bristow

A similarly named company, Earth AI, utilizes its own AI-powered Mineral Targeting Platform to advance its exploration projects rapidly and more cost-efficiently. The company announced that the combination of AI and proprietary mobile low-disturbance technology results in a 75% discovery success rate, an 80% exploration costs reduction, and a 4x faster exploration process.

In November 2025, Opawica Explorations announced that it employed ALS Gold Spot Discoveries' proprietary Smart Targeting technology to identify 20 high-priority targets at its Arrowhead property. The AI-based technology turned out to be highly successful, as Opawica encountered gold in each hole drilled in its initial drill program.

1 CAP2: "Real Time Economics – Company Overview and Product Stack", January 2026

AI is heavily dependent on data availability. Insufficient or incorrect data leads to incorrect (or less correct) conclusions.

Another example is Equinox Gold, which in February 2026 announced the discovery of a new gold zone at the Valentine property, using VRIFY's AI-powered DORA software that combines geochemistry, geophysics, and structural geology data.

The examples show that AI can improve the drilling success rate significantly. This means that a smaller number of drill holes is required to discover and later also to delineate a deposit, which may lead to significant cost savings. This may be highly important, especially for small nonproducing exploration companies, as according to a study by Accenture, in Canada the average cost of drilling 1 meter grew from USD 103 in 2016 to USD 201 in 2023.[2] On the other hand, AI is heavily dependent on data availability. Insufficient or incorrect data leads to incorrect (or less correct) conclusions. This is why, according to Rajive Ganguli, a mining engineering professor at the University of Utah, AI doesn't work very well in data-poor regions, and so many AI discoveries happen in already explored areas.

> *AI on bad numbers does not result in good answers.*
> Rajive Ganguli

How AI improves the efficiency of mining operations

> *Tech-enabled transformation opens up a whole new horizon of possibilities. It equips companies with novel levers, tools, and opportunities to improve safety, productivity, and ways of working. The rewards will be far-reaching for companies that commit to it and approach it wisely.*
> McKinsey

But the fight of the AI knight doesn't end at the exploration stage. He has even more work to do directly in the mining process. He can tackle a broad spectrum of issues, by finding the best metallurgical solutions and the best and most efficient haulage routes, by predicting potential equipment failures, or by modelling the whole production process in the form of a digital twin. But the ultimate goal is to improve efficiency.

Metallurgy

It is one thing to outline a gold deposit, possibly even a large one, another thing to mine the ore, and a completely different thing to extract the gold from the ore. If the metallurgy of the deposit is too complex and the recoveries are too low, it may be simply unprofitable to build a mine. However, the AI can evaluate various aspects of the assay results, such as the gold grade; the grain size; the hardness of the ore; the clay, carbon, or sulfide content, etc.; and the metallurgical test results, and model expected grindability, leach kinetics, and recoveries for each ore block separately. This information can be used in mine planning to better optimise the mine sequencing and ore blending.

The final outcome should be lower consumption of energy and reagents and higher gold recoveries. Even slightly improved recoveries can have a significant impact on the overall economics of the project. Let's say that a mine processes 5mn tonnes of ore per annum, and the ore grade is 1 g/t gold. At a 75% recovery rate, the mine will produce approximately 120,600 ounces of gold. However, at an 80% recovery rate it will be 128,600 ounces of gold. At a gold price of USD 4,000 per ounce, the difference means USD 32mn that goes directly to the bottom line.

Haulage

> *Goals are about the results you want to achieve. Systems are about the processes that lead to those results.*
> James Clear

Another field where AI can improve efficiency is haulage. The transportation of ore from the mine to the processing plant is an important part of the whole mining process. It is also responsible for a significant portion of operating costs. The AI can evaluate real-time data regarding traffic, weather conditions, terrain profile, etc., and find the best

2 Accenture: "From explore to ore – How data and AI can radically tighten the mineral exploration lifecycle", April 2025

and most efficient routes for the haulage trucks. Besides the routes, it can also optimise the speed of the trucks at individual sections of the route, which may result not only in time but also in fuel savings. According to a recent study by GEM Mining Consulting, in open-pit mines, AI can reduce truck waiting times by up to 55% and fuel consumption by 6–21%. In other words, the AI may help to reduce the number of trucks that are needed as well as the volume of fuel they consume.

The mine operator can better schedule cash flows and secure funds for replacing expensive equipment, and more importantly, completely avoid excessive production disruptions.

Newmont is the pioneer in this area, as in 2020 the company decided to equip the Boddington gold mine with the first autonomous haulage fleet. The USD 150mn investment was expected to generate a 35% IRR, increase mine life by 2 years, and improve mine-site efficiency. By the end of 2022, the fleet had hauled more than 100mn tonnes of material.

Production chain

But AI can also help to optimize the whole production chain, not just its separate parts. This is where digital twin technologies come into play. Digital twins enable the miner to simulate various scenarios of plant operations under changing conditions. The AI can provide tailor-made solutions for different ore types, which enables a more optimal energy, water, and chemicals consumption. This technique enables the mine operator to simulate various alternatives of process configuration without taking on real-world environmental or financial risks. The digital twin can be applied to the whole operation or to a specific process. An example is Newmont's development of an AI-based metallurgical twin for its Lihir gold mine. It used Metso's Geminex platform to optimize material flows and metallurgical processes and to better manage ore feed variability. Metso states that its Geminex twin technology helps to improve operational efficiency and recoveries, reduce risks, and improve sustainability. Moreover, it also helps with the training of operators.

Another highly promising innovation is the AI-based predictive maintenance system. By combining machine learning with real-time data from sensors embedded directly in the machinery, it can predict equipment failures before they occur. Sensors collect data regarding the performance, energy consumption, or heat levels of a specific piece of equipment; and the AI uses historical data to identify anomalies and detect an increased probability of failure. The mine operator can subsequently adopt measures to prevent the failure or minimize its impacts. The mine operator can better schedule cash flows and secure funds for replacing expensive equipment, and more importantly, completely avoid excessive production disruptions. This helps not only to significantly reduce unplanned downtimes but also to minimize safety risks.

> *AI has by now succeeded in doing essentially everything that requires 'thinking' but has failed to do most of what people and animals do 'without thinking'.*
> Donald Knuth

What is important is that as the system learns from previous failures, its efficiency improves over time, delivering higher and higher benefits. **According to a study by McKinsey, AI-driven predictive maintenance systems can reduce equipment downtime by up to 50%. In a mid-sized gold mine, this may mean that the negative impacts on revenues and cash flows are smaller by several tens of millions of dollars, depending on the nature of the failed equipment.** A study by Deloitte states that improper maintenance strategies may reduce the productive capacity of a plant by 5–20%. This number further confirms the potential benefits of AI in predictive maintenance systems. The same study concludes that on average, predictive maintenance increases productivity by 25%, reduces breakdowns by 70%, and lowers maintenance costs by 25%.

> *Prediction is very difficult, especially when it's about the future.*
> Niels Bohr

Revenue lost due to guidance misses (2020–2024)

Company	Copper	Gold	Iron Ore	Zinc	Nickel	Coal	Total
Anglo American	1,094		1,667		63	3,966	6,790
Barrick Gold	416	4,315					4,731
BHP	2,744		210		619	6,472	10,045
Fortescue Metals			308				308
Newmont	146	4,322		371			4,839
Nexa Resources				382			382
Rio Tinto	1,122		2,682				3,804
Teck Resources	1,941			163		2,022	4,126
Vale	1,679		9,532		930		12,141
Agnico Eagle		1,012					1,012
Freeport McMoran	2,347	362					2,709
Glencore	1,785			1,389	1,047	8,481	12,702
Total	**13,274**	**10,011**	**14,399**	**2,305**	**2,659**	**20,941**	**63,589**

Source: Accenture, Incrementum AG

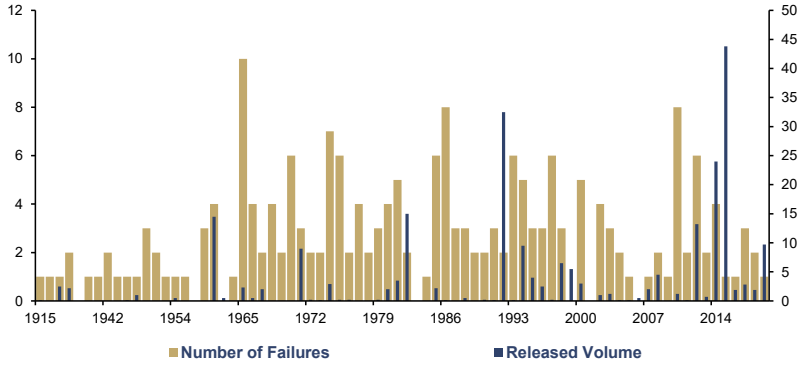
To sum up, AI has the potential to significantly improve the efficiency of mining operations and reduce the variation in production volumes. This may have important economic benefits.

Everybody wants to save the earth; nobody wants to help Mom do the dishes.
P. J. O'Rourke

According to a study by Accenture[3] that investigated the 12-month production guidance and the actual production results of 89 mining operations operated by 12 major mining companies, during the 2020–2024 period, missing production guidance was a very common thing in the mining industry. The misses occurred much more often than outperformances, and the accumulated lost revenue amounted to USD 63.6bn. For the gold miners included in the study – Barrick, Newmont, Agnico Eagle – the lost revenue amounted to USD 9.65bn over the 5-year period. According to Bernd Elser, Accenture Senior Managing Director, "By addressing the root causes and implementing recommended strategies, mining companies can improve production predictability, minimise revenue misses and contribute to a successful net-zero transition". It is possible to assume that a big portion of the underperformance could be prevented by the proper employment of various AI-based technologies.

AI can also be useful for improving the security of mining operations. A major issue is tailings management. Over the previous more than 100 years, at least one tailings dam failure occurred nearly every single year. In many cases, the failures were relatively small, with only limited impacts on mining operations, the environment, and the health of the population. But in some cases, the damage was devastating, including in the Mariana, Brumadinho, Mount Polley, and Baia Mare incidents. However, AI has the potential to help prevent similar situations.

3 Accenture: "Production predictability in mining – Research findings", July 2025



In tailings management, AI can help to better anticipate, and therefore also prevent, dam collapses and tailings leakages. AI can identify or even predict micro-movements or deformation trends that a human eye can miss. Preventing dam failures means lower environmental impacts and higher safety. The miners collect data about temperature, rainfall, soil moisture, or seismic shifts. AI can process this data along with satellite images or data collected by drones more efficiently than humans and identify the most critical areas. It can even evaluate the data continuously, 24/7. AI can also help to optimize water management and optimize beach slopes, extending the operating life of the tailings.

> *Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future.*
> John F. Kennedy

AI can also be used to improve the overall safety of mining operations in numerous ways. The AI can monitor live video streams to identify potentially dangerous shifts in topography, increases of water levels, or even the appearance of suspicious persons in restricted areas. The AI can also identify the presence of persons in dangerous areas (for example, too close to heavy machinery) and provide a warning to the person, as well as to the machine operator.

> *It is important to protect the environment while pursuing economic and social progress — to achieve harmony between man and nature, and harmony between man and society.*
> Xi Jinping

An example of AI improving the security at the mine site is the Mine Safety DX system developed by Almonty Industries and Korea Telecom. Smart tags equipped in bands and helmets monitor the biological functions of the miners, and AI evaluates the level of their fatigue, so that they can be warned or removed from hazardous situations. Moreover, the tags also track the position of the miners and the AI issues a warning if they enter a dangerous area.

How AI manages post-mining obligations

The work of the AI knight is hard, and it doesn't end even after mining operations have ceased. This is the time when the mine site needs to be reclaimed. The task usually includes actions such as removing the equipment and infrastructure, filling the open pits or turning them into lakes, reshaping the hills and mounds to support natural drainage and reduce erosion, replacing the topsoil with fertile ground, planting native species of grass and trees, etc. The final aim is to make the old mine site virtually disappear and restore the rule of nature. The AI can help with these processes. It can process satellite images to identify signs of plant degradation, soil erosion, or abnormal water accumulation, so that these issues can be eliminated before they get out of control. It can also help in identifying specific pollution sources, in the case that elevated levels of pollution are encountered.

> *To build may have to be the slow and laborious task of years. To destroy can be the thoughtless act of a single day.*
> Winston Churchill

One specific challenge relates to tailings management. They need to be monitored long after the mining operations cease, as they present a long-lasting danger to the environment. However, they often contain a significant volume of valuable metals that

haven't been recovered by the original mining methods. The AI may help in the process of tailings recycling, by optimising the parameters of the process based on geological and metallurgical data. This process can deliver not only significant environmental but also economic benefits. For example, Vale expects that in 2030, approximately 10% of its iron ore production will come from tailings recycling.

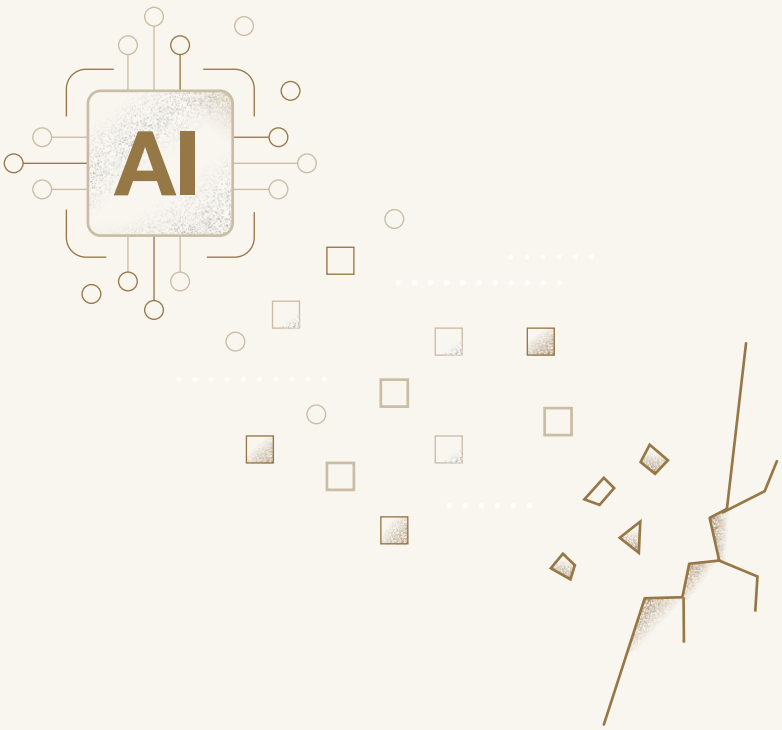
Conclusion

All of these practices are already in use, but often only separately. In the future, though, there is the potential to combine all these processes together under agentic AI. Agentic AI is the next generation of AI, which should be able to function autonomously and 24/7. In other words, it is quite possible that in a not-so-distant future, agentic AI will be non-stop evaluating huge amounts of live data from every possible part of the mine production chain, and will be optimizing mining operations in real time. For example, if ore grades start to decline unexpectedly, or if the metallurgy in a block that is being mined is more complex than predicted, the AI agent may change the mine sequencing, in order to feed the mill with a more optimal ore blend, with the aim of minimizing the negative impacts on production volumes. Or if the predictive maintenance algorithm starts indicating an incipient failure of a piece of equipment, the AI agent may order a new piece of equipment and at the same time modify the production chain in order to ease the load on the endangered equipment to reduce the risk of its failure before the replacement arrives.

To sum up, there is the potential that in 20 years, and possibly even sooner, the mine will have eyes thanks to ever more sensors, it will have ears – acoustic sensors –, and it will have its own brain – various AI applications and AI agents – that will conduct a highly efficient, safe, and environmentally friendly mining operation. The mine of the future probably won't be full of human-like robots. It will be a highly efficient, fully automated operation, with only sporadic oversight by a human operator.

> *With artificial intelligence we are summoning the demon.*
> Elon Musk

However, there are also obstacles that need to be overcome. To fully implement AI agents into a mining operation may be expensive and technically challenging, especially when we are talking about an already operating mine. In the case of a mine that is to be newly built, the process may be easier and slightly less expensive. Another problem is that the mining companies will need teams of experts who are able to create and operate tailor-made AI agents for each mine separately. Especially in the early years, it is hard to expect a one-for-all solution that is adaptive enough to suit every mining operation well. And there is also an ethical/security question regarding the involvement of a human factor. **In other words, to what extent should the AI manage the mine autonomously, and when should people remain involved?** ■


AI

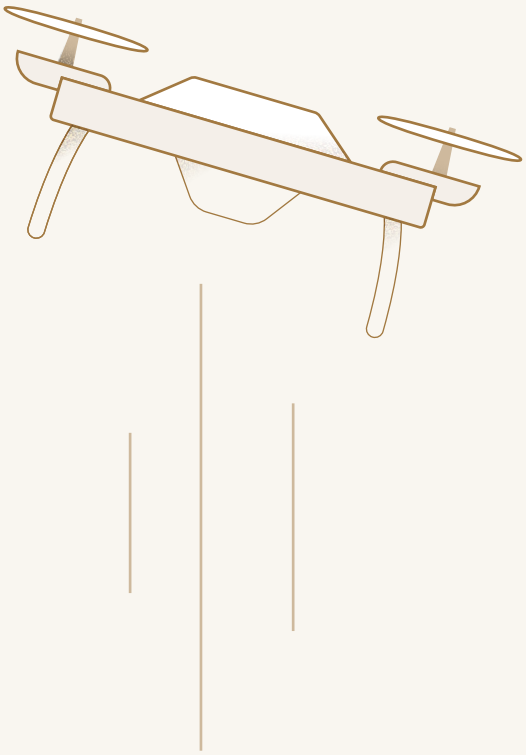


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Innovate or Terminate: The Case of the Gold Mining Industry



Key Takeaways

- Broad adoption of innovations that occurred in the gold mining industry over the recent years is a response to mounting operational constraints such as declining ore grades, water scarcity, higher fuel/energy costs, and decarbonization pressure.
- Decarbonization is reshaping mine planning and haulage via battery-electric vehicles, trolley assist, hydrogen pilots, and in-pit crushing and conveying (IPCC), aiming to cut diesel use and emissions as well as some ventilation needs, but often with higher upfront CAPEX or infrastructure requirements.
- Exploration is getting faster and cheaper through better sensing and drilling control: UAV geophysics (drones) for early screening and mapping, fiber-optic DAS for borehole seismic monitoring, and directional drilling and rotary steerable systems.
- Processing and waste-management innovations such as thiosulfate leaching or dry-stack tailings target energy, water, toxicity, and risk reduction.

No decision in business provides greater potential for the creation of wealth … than the choice of which innovation to back.

Robert Heller

> *Stone Age. Bronze Age. Iron Age. We define entire epochs of humanity by the technology they use.*
> Reed Hastings

Some innovations have a huge impact on the whole society. For example, the invention of the wheel was obviously one of the most important technological developments in human history. **Some innovations are so important that they define an entire era, for example, the Bronze Age, or the century of steam.** Over the last hundred years, the pace of innovation has accelerated, as humankind switched from horse carriages and steam locomotives to cars, airplanes, and spaceships; developed nuclear weapons and energy, invented mobile phones, computers, and the internet; and is in the early stages of the AI revolution right now.

Innovations have also impacted the gold mining industry. In recent years, the gold miners had to face numerous challenges, ranging from declining ore grades and increasing water scarcity to rising energy costs and increasing pressures to decarbonize operations. And despite the high innovation activity, according to Accenture, it takes about 40% longer, on average, than it did 15 years ago to get from discovery to production.[1] The gold producers must adapt to this climate and innovate on all fronts to meet the growing demands of regulators, investors, and other stakeholders.

> *Innovation is more than having new ideas: It includes the process of successfully introducing them or making things happen in a new way. It turns ideas into useful, practicable and commercial products or services.*
> John Adair

AI's broad adoption is arguably the single most transformative innovation in the modern mining cycle.[2] However, there are also numerous non-AI innovations employed by the gold mining industry in various stages of the mining cycle. Some of them have been covered in previous editions of the *In Gold We Trust* report, e.g. "Asteroid Mining and Deep-Sea Mining" in the *In Gold We Trust* report 2024, *The New Gold Playbook*, or "Gold Mining: Disruptive Innovation at Its Core" in the *In Gold We Trust* report 2019, *Gold in the Age of Eroding Trust*. Not all of them are completely new; some have just been reinvented and adapted to the modern era. However, their positive impacts have been felt significantly in recent years.

The following table shows two main things. First, the number of innovations is quite large – the table lists only some of the most important ones. Second, the innovations can be found in different areas of the mining operations and at different stages of the production cycle.

1 Accenture: "From explore to ore – How data and AI can radically tighten the mineral exploration lifecycle", April 2025
2 *See* chapter "AI Is Making its Way into the Mining Sector" in this *In Gold We Trust* report

Non-AI innovations across the mining value chain

Value-chain stage	Innovation	Primary value drivers
Exploration & discovery	UAV/drone geophysics (magnetics, radiometrics, EM), fiber-optic distributed acoustic sensing (DAS)	Faster target screening and mapping, improved resolution in remote terrain, better and quicker subsurface imaging, improvement of drilling success rate
Drilling & resource definition	Directional drilling (branch holes), MWD/LWD, rotary steerable systems (RSS)	Fewer drill pads/collars, higher hit rates; improved intercept positioning, faster resource definition
Sampling, assaying & early testwork	PhotonAssay, early metallurgical screening to de-risk ore variability	Shorter decision cycles, improved sampling representativeness for coarse gold, reduced study risk by identifying processing constraints earlier
Mine planning & execution	Battery-electric mining vehicles (BEVs), trolley-assist and dynamic charging concepts, hydrogen haulage pilots, IPCC with gearless conveyor drives	Lower diesel use and emissions, reduced ventilation needs in underground mines, potential productivity gains, lower haulage costs and improved energy efficiency
Processing & metallurgy	HPGR (high-pressure grinding rolls), coarse particle flotation (CPF), thiosulfate leaching	Lower comminution energy, potential recovery uplift, lower water and reagent intensity, improved flowsheet options for complex/refractory ores
Tailings & water management	Dry-stack (filtered) tailings	Reduced tailings failure risk, smaller footprint, lower water consumption, improved permitting risk, improved ESG profile, long-term liability reduction
Safety, security & ESG	Drones for safety inspections, slope monitoring, and security applications, electrification reducing heat, noise, and emissions	Fewer incidents via remote inspections, improved compliance and monitoring, better working conditions, and reduced onsite pollutants
Closure & restoration	Geomorphic landform design, phytoremediation and ecological restoration planning supported by monitoring	More stable, natural drainage and erosion control, lower long-term closure costs and liabilities, improved post-mining land use

Source: Incrementum AG

More Electricity, Less Carbon

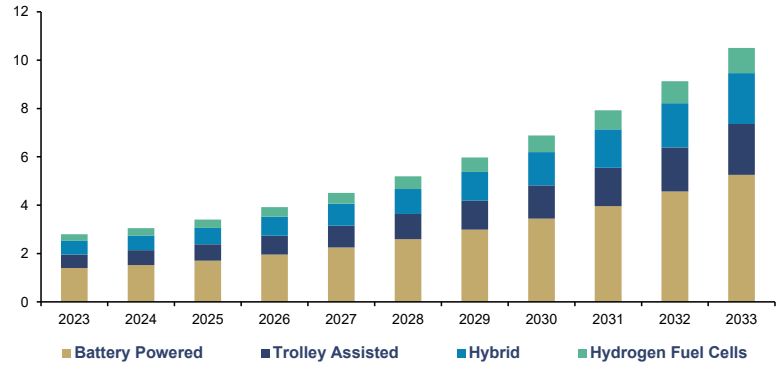
Electrification in transportation has been a common trend over the last decade, and it has also impacted the gold mining industry. The adoption of electric vehicles is important for several reasons. They not only reduce emissions, which helps mining companies meet their ESG targets, they also significantly reduce operating costs, as electricity is usually cheaper than diesel. Electric trucks provide instant torque, and during downhill hauls a large amount of energy can be recovered. A study by IDTechEx claims that a 150-tonne electric haul truck can save over USD 5.5mn in energy costs over its lifetime. Another advantage is a lower number of moving parts in electromotors, which means fewer breakdowns and lower maintenance costs.

Any conversation I have about innovation starts with the ultimate goal.
Sergey Brin

Moreover, using emission-free vehicles also limits the need for extensive ventilation systems in underground mines. This further reduces operating costs and also CAPEX costs. The electric vehicles also improve working conditions in the mines, as they generate less noise, heat, and emissions. Of course, there are also disadvantages. The battery packs needed to fuel the trucks are large, which limits payload capacity. Recharging the batteries takes more time than simply filling the tank with diesel. Moreover, the capacity of the batteries may deteriorate rapidly in harsh winter conditions, which makes the BEVs unsuitable for Arctic or Subarctic regions, especially in open-pit mines. There are additional costs to build the infrastructure, such as charging bays, a reinforced electric grid, or even a new power plant. Moreover, the electric trucks alone are more expensive than their diesel counterparts. So while reducing operating costs, they increase capital costs. Nevertheless, according to a study conducted by Grand View Research, the USD 3.05bn electric mining equipment market should grow by a CAGR of 15.2% and exceed USD 10.5bn by 2033.

Innovation distinguishes between a leader and a follower.
Steve Jobs

Electric Mining Equipment Market, by Power Source, in USD bn, 2023–2033e



Source: Grand View Research, Incrementum AG

incrementum

Another technology reducing fuel consumption and the carbon footprint of mining operations is trolley-assist systems. They help haulage trucks, both diesel and electric, to ride more quickly on uphill climbs. This results in reduced fuel consumption, a decreased carbon footprint, prolonged truck engine life, and shorter turnaround times. A study of the Copper Mountain mine shows that the trolley-assist system increased the climbing speed of haul trucks by 59%, reduced the operating cost per tonne of moved material by 16%, and lowered carbon dioxide emissions by 42%.[3] A further evolutionary step are the dynamic-charging battery trolleys that enable recharging of batteries while the trucks are hauling, eliminating the need for charging pauses.

If you don't innovate fast, disrupt your industry, disrupt yourself, you'll be left behind.
John Chambers

Electrification of mining vehicles is not the only way to reduce fuel costs and pollution. Another potential way was shown by Anglo American in 2022, with its introduction of a 2MW hydrogen-battery hybrid haulage truck at its Mogalakwena PGM mine. According to Anglo American, it was the largest hydrogen-powered haulage truck to date. Technically, it is a Komatsu 930E truck, with its diesel engine replaced by hydrogen fuel cells and a battery pack. It weighs 220 tonnes and can carry up to 290 tonnes of material (which equals 50 elephants or 220 cars). According to the company, full adoption of this type of truck could reduce the volume of diesel emissions at its open-pit mines by approximately 80%.

Unfortunately, although the truck has been serving in the mine for a year, the project cannot be marked as a success. It turned out that the development of on-site hydrogen infrastructure takes longer and is more expensive than originally expected. Following a change of priorities, Anglo American stopped financing First Mode, the company that stood behind the trucks, and it went bankrupt. However, the idea of using hydrogen to power mining equipment is not dead, as in February 2025, Komatsu started testing its HD785 truck equipped with a hydrogen combustion engine. However, this is a different hydrogen-based technology.

Any sufficiently advanced technology is indistinguishable from magic.
Arthur C. Clarke

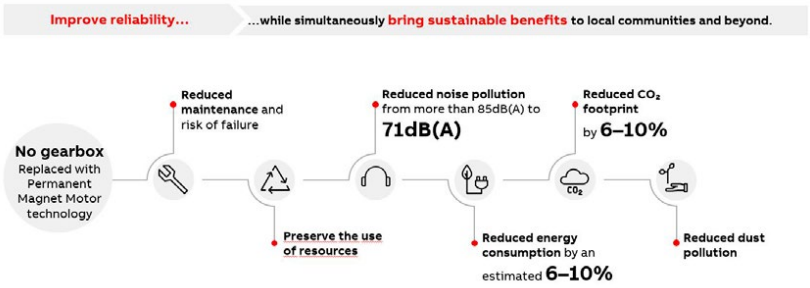
Meanwhile, Caterpillar developed the C13D engine platform, which enables the use of renewable liquid fuels such as 100% HVO or B100 distilled biodiesel; and it is also developing a hydrogen-hybrid solution for the C13D engine platform. And Chinese competitors aren't sleeping, either. In February 2026, XCMG presented prototypes of a full-electric ultra-large wheel loader and wheel dozer developed under a partnership with Fortescue. About 100 pieces of this equipment are to be deployed at the Pilbara mine, to reach the zero-carbon target by 2030. Offerings of electric vehicles are also coming from SANY, LiuGong and Zoomlion. The same companies are developing hydrogen-powered vehicles as well.

3 Fujimaki, K.: "A Case Study of the Trolley Assist System at the Copper Mountain Mine", in: 12th International Copper Conference COPR, *Springer*, November 13, 2025

Do more with less – go gearless.
ABB

The target of reducing carbon emissions has also resulted in the introduction, or more exactly the reintroduction, of in-pit crushing and conveying (IPCC) systems. The concept is not new; it dates back to the middle of the 20th century. The ore is crushed directly in the pit and subsequently transported to the processing facility by conveyor belts. This eliminates the need for hauling trucks and reduces fuel consumption and volume of emissions, as the conveyors are powered by electricity. The biggest innovation in this system is the adoption of gearless conveyors. They use high-power electric motors that drive the pulley directly, without using a gearbox. The gearless systems are suitable for long distances, as well as for steep climbs. Moreover, the elimination of gearboxes means a reduction of moving parts, with fewer breakages, longer maintenance intervals, and lower operating costs. On the other hand, gearless conveyor systems are significantly more expensive than the classic ones. Therefore, their adoption is especially efficient for large-tonnage long-life mines. Among the biggest gearless conveyor producers are ABB and Siemens. According to ABB, the gearless conveyors have a lifetime more than 10 years longer than standard geared conveyors, and they are also less noisy (73 dB vs. 85 dB) and reduce energy consumption and CO_2 footprint by 6–10%.

Advantages of IPCC systems



Source: ABB: "Green conveyor systems driven by slow-speed gearless drives in the Czech Republic"

Innovating the Exploration Process

Exploration is the engine that drives innovation. Innovation drives economic growth.
Edith Widder

The exploration process has enjoyed numerous innovations, too. One of the main advances in this area, especially in its very early phases, is the adoption of drones to perform the unmanned aerial vehicle (UAV) geophysics. The drone platforms can carry all the equipment needed to perform geomagnetic surveys. In comparison to classical aircraft with a human crew, the drones are much cheaper, and the logistics are easier. They can also operate in more problematic areas and worse weather conditions, without endangering the operators. High-definition satellite imagery combined with AI, provided by companies like CAP2, Terra AI, or Earth AI, is also a major innovation.[4]

One accurate measurement is worth a thousand expert opinions.
Grace Hopper

Another innovation is distributed acoustic sensing (DAS). This technology uses optical fiber cables to create a string of acoustic sensors that can be used for vertical seismic profiling in drill holes, in place of classical geophones. The DAS systems have numerous advantages. They enable continuous monitoring over the whole length of the drill hole. Moreover, they are much more durable, and their usage is cheaper. In theory, the fiber cable can remain in the drill hole for decades and still be functional. A huge advantage is much quicker and easier installation. Moreover, the DAS geophones are more sensitive and can better capture weak signals.

The best way to predict the future is to create it.
Alan Kay

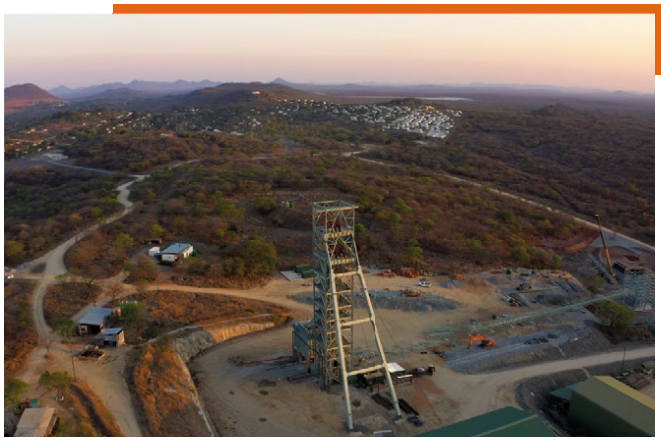
Several innovations have also been introduced to the exploration drilling area. While directional diamond drilling is not a new idea, it has been supplemented by numerous technological improvements over the recent years. Directional diamond drilling enables leading the drill hole along a specific path that deviates from a simple vertical trajectory. This enables not only horizontal drilling but also the drilling of numerous branches from a single main drill hole, which may significantly reduce the amount of drilling needed to outline a deposit. This means lower costs, lower environmental

4 *See* chapter "AI Is Making its Way into the Mining Sector" in this *In Gold We Trust* report

Caledonia Mining Corporation Plc

Investing in Disciplined Gold Growth





Proven Producer: Consistent gold production and quarterly dividends since 2012

Growth Pipeline: Strategic assets in Bilboes and Motapa for disciplined expansion

Cash Generation: Blanket Mine delivers ~75,000 oz annually with extended mine life

Zimbabwe Experience: Strong local relationships with 100% in-country employment



Strategy & Outlook

1. Maximise Value: Optimising Blanket operations in high gold price environment

2. Prudent Development: Value-focused approach to Bilboes with minimized risk

3. Exploration Upside: Promising Motapa results create flexible pathway to multi-asset growth

impacts, and briefer drill campaigns. But the innovation doesn't end there. Technologies such as MWD (measurement while drilling) and LWD (logging while drilling) enable the collection and evaluation of data simultaneously with drilling. Based on these data, the drill rig operator can change the direction of drilling. Moreover, rotary steerable systems enable changing the direction of drilling without stopping the drill rig, which can lead to significant time savings.

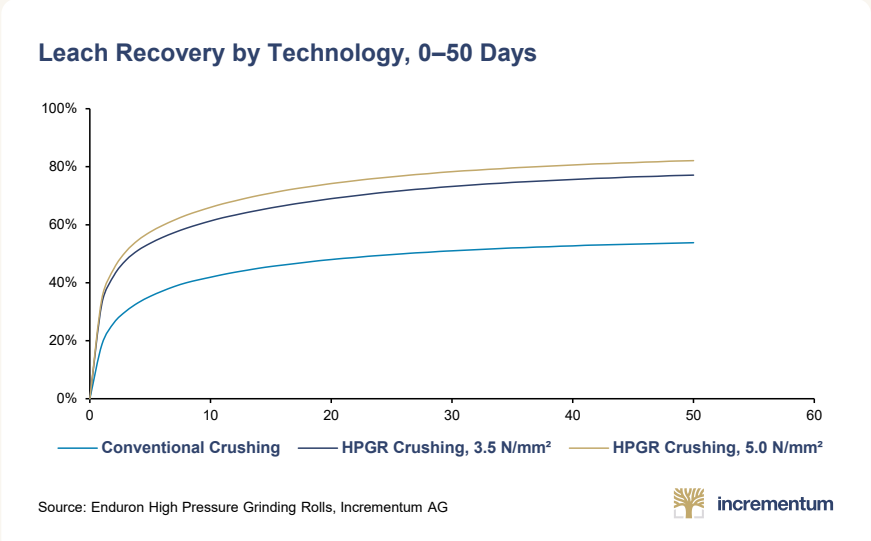
Gold mining is one of the world's oldest industries – and quietly one of the most innovative.

An innovation devoted directly to the gold mining industry is PhotonAssay technology. It is based on gamma activation analysis, which employs high-powered X-rays to activate atoms of gold in the ore sample. According to CSIRO, the developer of this technology, it is much quicker, more accurate, and much more environmentally friendly than classic fire assay methods. The potential of this technology is confirmed by the interest of gold mining companies. In November 2025, McEwen Mining acquired a 31% interest in Britannia Mining Solutions Inc., a provider of the PhotonAssay technology.

Advances in Ore Processing and Metallurgy

Numerous innovations have also been adopted in the metallurgy and ore processing areas over recent years. The high-pressure grinding rolls (HPGR) are an example. Although this is not a new technology, it found a more widespread adoption in the gold mining industry only over the recent years. Traditionally, the gold mines used SAG mills, where the ore is ground using steel grinding balls. In HPGR, the ore is cracked between two rotating steel rolls. This turns the ore into flakes that are much easier to further process. Compared to SAG mills, HPGR is more energy efficient, as it not only breaks the ore but also creates microfractures that enable better leaching and higher recoveries. Moreover, due to the lower water and energy consumption, less noise and dust, the overall environmental footprint is smaller. On the other hand, HPGR units are more expensive, if the ore is too hard, the rolls can wear relatively quickly, and they are more complex to operate.

> *No decision in business provides greater potential for the creation of wealth (or its destruction, come to think of it) than the choice of which innovation to back.*
>
> Robert Heller



An important innovation is coarse particle flotation (CPF). Compared to classic flotation technologies, CPF enables the flotation of up to 5x bigger ore particles. CPF uses fluidized beds, high-energy bubble generation, and low-turbulence zones to keep coarse particles suspended and attached to air bubbles. This technology requires much less ore grinding, which reduces energy consumption considerably. Moreover,

> *The most dangerous kind of waste is the waste we do not recognize.*
>
> Shigeo Shingo

Less water, less energy, less toxicity, less risk – the "less" in modern gold mining is the "more" in margins.

the grinding takes less time, which may improve the processing rate of the flowsheet. CPF also enables higher recoveries, lower water consumption, and reduces the volume of ultrafine material that settles much harder in the tailings. According to a recent study, the Eriez HydroFloat CPF system can increase conventional flotation capacity by 40%, reduce grinding energy consumption by 30–50%, and lower tailings management costs by 30%. The disadvantages of CPF are higher capital costs, its unsuitability for use with some types of ore, and the fact that bigger particles may cause quicker wearing of some equipment.

Mining is essential to extracting the minerals people need for the green economy, but it is essential to do so responsibly to protect the environment and people.
Geralda Wildschutt

An important step towards sustainable mining is the substitution of cyanides by less toxic alternatives. An example is thiosulfate leaching. According to SGS Minerals Services, thiosulfates are less toxic and also more efficient than cyanides, especially for carbonaceous materials. The main components of thiosulphates are ammonium sulphate and ammonium thiosulphate, which are commonly used as fertilizers.

The disadvantage of thiosulphate leaching is its higher chemical complexity compared to cyanide leaching. Moreover, although thiosulphates are significantly cheaper than cyanides, their consumption in the leaching process is significantly higher. Another disadvantage is that the common carbon-in-pulp and carbon-in-leach processes of gold recovery are inefficient with thiosulphates. A pioneer in the commercial-scale adoption of thiosulphate leaching is Barrick Mining. The company decided to use this method to process refractory ore at its Goldstrike mine. Laboratory testing started in 2009, a demonstration plant followed a few years later, and the full-scale facility was completed in 2015. Since then, thiosulphate leaching has also found its place in other mining operations, including in urban mining for the extraction of gold, silver, and other metals from electronic waste.[5]

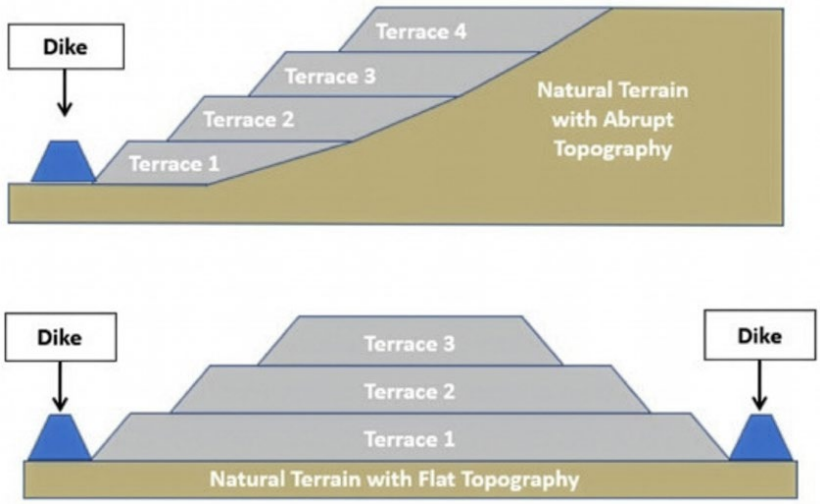
New Ways in Tailings and Dam Management

Everybody wants to save the earth; nobody wants to help Mom do the dishes.
P.J. O'Rourke

Recent tailings dam failures, as well as growing water scarcity, have stimulated wider adoption of dry-stack tailings, in which tailings are filtered to eliminate most water. The resulting material, filtered tailings, contains more than 80% solids compared to less than 25% in common tailings and can be placed in a pile and compacted. This reduces the need for embankments and dams; moreover, it eliminates the risk of dam failures and subsequent huge ecological damage. The majority of the filtered water can be recycled, which significantly reduces water consumption. In addition, the dry stacks are much easier to rehabilitate and revegetate. The disadvantages are high capital costs to build the filtration plants, and operating costs are usually higher, too. Another problem is that while dry stacking is suitable for dry climates, in wet climates it can encounter some limitations.

5 Tran, Duy Tho, Tran, Ngoc Tu Trinh et al: "Thiosulfate-based leaching for eco-friendly urban mining: Recent developments and challenges", *Separation and Purification Technology*, Vol. 359 (3), June 22, 2025

Typical geometric configuration of dry stacking of filtered mine tailings



Source: Cacciuttolo, C., Atencio, E.: "Dry Stacking of Filtered Tailings for Large-Scale Production Rates over 100,000 Metric Tons per Day: Envisioning the Sustainable Future of Mine Tailings Storage Facilities", Minerals, 13 (11), 1445, November 16, 2023

A modern method in mine site reclamation is geomorphic landform design. This process is based on replicating natural landforms, slopes, and drainage networks. Systems like GeoFluv use data regarding local weather patterns and climate conditions, as well as geology and vegetation, to guarantee better long-term slope stability and significantly reduced disruption of the surrounding landscape.

An exciting way of dealing with old tailings is phytoremediation, which uses hyperaccumulator plants for phytoextraction and phytostabilisation. In the tailings area, plants like sunflowers or Indian mustard are planted. These plants are able to absorb metals such as gold or platinum. They are subsequently harvested and dried, and from the resulting material, the metals can be extracted. In the case of phytostabilisation, the aim is to limit the mobility of toxic materials in the tailings. For this purpose, plants such as vetiver grass are usually used. They bind the contaminants and limit the extent of their leakage. The positives of phytoremediation are clear. The downside is that it is a long-term process. An older study shows that Indian mustard, one of the most efficient hyperaccumulator plants, can remove only 10–20% of gold contained in the substrate in a single cycle. Moreover, the employment of phytoremediation is heavily dependent on the suitability of the local conditions for the plants.

> *Nature does not hurry, yet everything is accomplished.*
> Lao Tzu

The Adoption of Drones

The adoption of drones directly impacts various stages of the mining cycle. During the exploration phase, drones equipped with special equipment are used mainly to perform magnetometry, gamma-ray spectrometry, or electromagnetic surveys. These techniques enable mapping of subsurface structures and detection of faults, conductive ore bodies, and radioactive elements. The techniques are not new, but drones represent a relatively cheap and efficient way of applying them in remote and hard-to-access locations. Based on data by SPH Engineering, drones, as a cheaper substitute for helicopters, can help to reduce operational costs by up to 70%, and also significantly cut the time needed to perform surveys, from weeks to hours.

> *The future belongs to the fast.*
> Jim Carroll

In the extraction phase, drones are used for delineation of ore bodies, grade control, slope stability monitoring, or for identifying unexploded ordnance. And after mining operations conclude, during the reclamation phase, drones are used to monitor the environmental impacts and the rehabilitation process.

The mine of 2045 will look nothing like the mine of 2025 – and ten years after closure, it may look like nothing at all.

Drones also play a role in maintaining the security of mine sites. An example is Gold Fields' Tarkwa gold mine in Ghana. According to a Reuters article, Gold Fields successfully uses drones to scan the 210 km² property for illegal miners. The drones enable surveillance over large areas covered with dense vegetation. Their importance grows along with rising gold prices that attract more and more intruders to mining locations.

Conclusion

The biggest risk is not taking any risk. In a world that's changing really quickly, the only strategy that is guaranteed to fail is not taking risks.
Mark Zuckerberg

For a modern mining company, it is inevitably necessary to innovate to overcome growing operational, regulatory, and environmental pressures. Innovations adopted in various stages of the production cycle enable miners to deal with challenges such as declining ore grades, growing energy and labor costs, and increasing water scarcity. The list of the most prominent innovators includes the gold and silver mining heavyweights Agnico Eagle Mines, Barrick Mining, Equinox Gold, Newmont, and Pan American Silver.

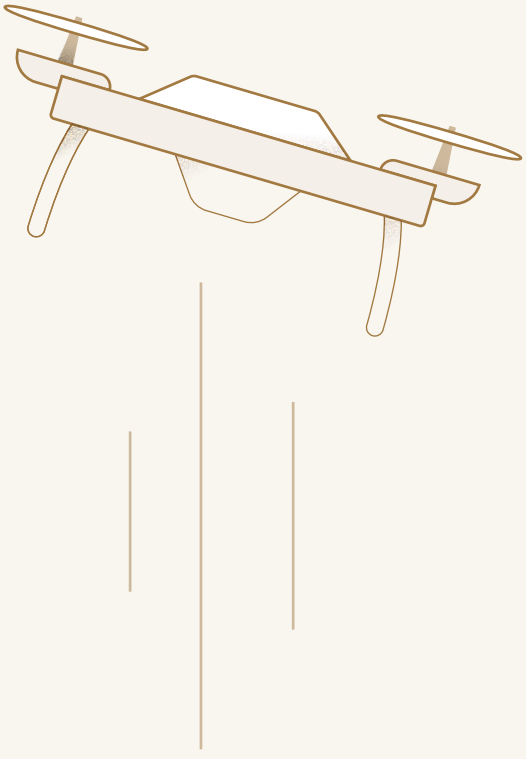
However, despite the advantages, there are also limitations to the adoption of innovations. There are usually high upfront capital needs, integration into existing mining operations may be technically difficult, and the workforce may have insufficient skills. Indeed, it is the human factor that may turn out to be the main obstacle in the innovation process. According to a study by Craig Tindale, the western mining companies are facing a shortage of skilled workers due to the demographic crisis. Mining engineers are becoming a scarce commodity. The young generation is not particularly interested in this kind of jobs, and the older generation is usually more conservative and less open to new technologies. This may slow down the adoption of some innovations, especially the more disruptive ones, quite a lot.

However, investors want more efficiency and higher profits, and the public wants safer mines with lower environmental impacts. Governments usually want both. Therefore, the mining industry will keep on innovating. Ironically, while the demographic crisis may slow down the adoption of some innovations, we are nearing a point where the solution for this crisis may be innovation itself. According to a Streetwise Reports article, in the USA, more than half of the current mining workforce is expected to retire by 2029. Will they be replaced by modern technologies — self-driving haul trucks, autonomous drills, robotic ore-graders? Almost certainly. **The only open question is whether the technology will arrive fast enough to bridge the workforce gap.**

You have to be prepared to make your innovation obsolete.
Peter Drucker

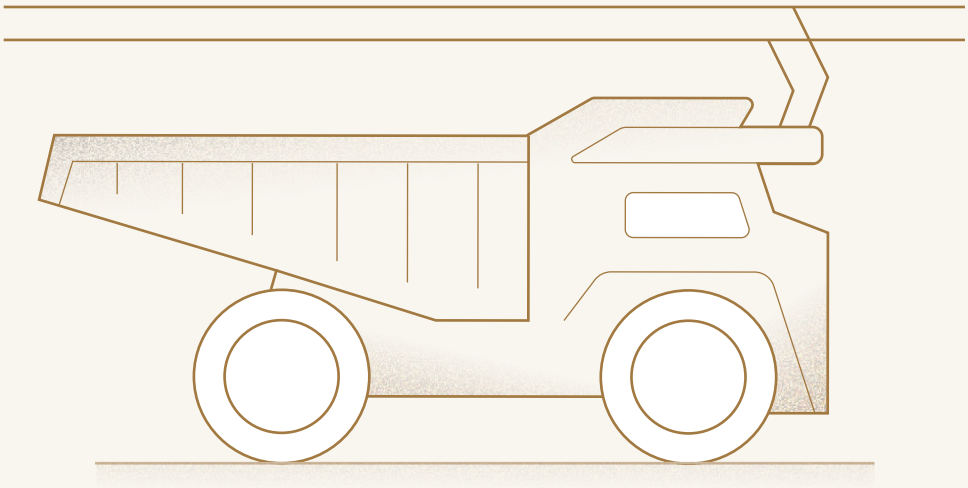
But let's try to look a little further into the future. It is possible to speculate that the next two decades of continuous innovation will change the face of gold mining –and mining in general – significantly. Mines will increasingly be operated autonomously, and (CO_2-)emissions will continue to fall. Advanced monitoring systems will take care of the safety and environmental sustainability of the operations. Exploration and grade control will fully rely on real-time data from drones, satellites, and fiber optic sensors. Ore processing will be much more efficient, with significantly reduced energy and water

consumption, as modern pre-concentration, coarse processing, selective leaching, recycling, and tailings management methods will be developed and adopted at the mine sites. Moreover, further progress in reclamation methods will make the process so efficient that only a decade after the mining operations cease, it will be hard to see that there used to be any mine in the area. It is also possible to expect that not only the environmental but also the social and governance aspects of ESG will be closely followed; and it will be possible to track the end-product, a gold coin or a gold bar, directly to the mine. **The investor will have complete information regarding the source of the metal and its journey from underground to the vault, similar to modern diamond certificates.** ■




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The Corporate Gold Standard: Why Gold and Silver Miners Should Hold Their Own Metal



Key Takeaways

- Closing the Big Short. Mining companies are the only industry on earth that systematically converts the very asset their investors bought them for into the currency that asset is meant to hedge against. Since 1971, the US dollar has lost ~98% against gold.
- *The Corporate Gold Standard*: practice what you preach. We propose miners retain 5–10% of output as bullion on the balance sheet – the same allocation the industry has long recommended to its own investors. What is prudent for a portfolio is prudent for a treasury.
- Gold is the natural hedge against a miner's cost inflation. With an R^2 of 0.97 between the gold price and AISC, gold-denominated mining costs have barely moved for decades. Compounding today's USD 1,605 AISC at its historical 8% CAGR over a 15-year project cycle yields ~USD 5,090 – already above today's gold price.
- From price taker to price maker. Every ounce retained delivers pure metal-price leverage, free of operational risk – the same exposure that earns royalty companies 25–30x EV/EBITDA versus 7–10x for producers. In a market priced at the margin, even moderate supply discipline would have disproportionate price effects.

> *Any business that is a price taker does not deserve a good multiple.*
>
> **Chris Ritchie**

The Corporate Gold Standard concept was developed by **Ronald-Peter Stöferle** in collaboration with **Chris Ritchie** and **Alexander Scanlon**. Our thanks to both for their insights and generosity in shaping this chapter.

For twenty years, the *In Gold We Trust* report has argued that every investor should hold at least 5%–10% of their portfolio in gold, as a hedge against monetary debasement, a discipline against fiat excess, and an anchor in Austrian capital theory. ***The Corporate Gold Standard*** **applies that same logic to the balance sheets of the companies that produce the metal in the first place.** If gold earns its place in every rational portfolio precisely because fiat cannot be trusted, then gold miners run the world's most peculiar business model: they dig up the antidote – and promptly exchange it for the poison.

The Irony of Gold Producers

It is one of the most remarkable contradictions in the financial world: The companies that extract gold from the earth – the very asset that has served as humanity's ultimate store of value for millennia – generally tend to sell it promptly, only to hold the very currency whose debasement they tell their investors to avoid. In a manner of speaking, though previously "long gold", they have now gone "long currency".

> *Dom Pérignon, you brought it*
> *No crowd of friends applauded*
> *Your hometown skeptics called it*
> *Champagne problems.*
>
> Taylor Swift

Now, with metals prices near recent highs, producers are rapidly accumulating more of that currency. That is a champagne problem, but one for which a solution is required. The industry markets gold as an inflation hedge while industry standard dictates that feasibility studies are run with an implicit inflation rate of zero percent. As our friend Chris Ritchie, former president of SilverCrest Metals and architect of its bold treasury strategy, puts it: Good governance would suggest that miners evaluate the total costs and risks over the entire capital allocation life cycle.

> *The relevance of gold is not in its price but in its ownership. Participating in a price movement is not the same as owning an asset.*
>
> Anthony Deden

This cognitive dissonance is not a peripheral issue. It lies at the heart of the mining sector's chronic undervaluation and its inability to attract capital beyond a narrow niche of precious metals enthusiasts. With a CAGR of 9% since 1971, gold is one of the best-performing assets in history – yet the mining industry remains uninvestable for most of the market. The industry has chronically underperformed, and malinvestment of retained profits is among the most frequently cited causes. It is a particular irony that a mining company should overcome the considerable technical, regulatory, and financial hurdles required to generate a return on capital, only to reinvest and destroy it. The way out may start with simply embracing the core functionality of the product itself.

Our proposal is, in essence, a *Corporate Gold Standard* – a framework in which gold producers cease to operate as mere throughput machines, converting the asset of highest monetary integrity into the asset of lowest as rapidly as the conveyor belt allows. Most gold producers function like refineries in reverse: They extract the one substance that has best preserved purchasing power for 5,000 years, then immediately exchange it for a currency that has lost 98% of its value against gold since 1971 – and rush to do so precisely when their product is appreciating. In effect, they run a permanent short position against the very asset their investors bought shares to gain exposure to.

Out of 750 exploration projects, only one reaches production. Successful mines are statistical outliers – not the norm.

The *Corporate Gold Standard* proposes a simple corrective: Gold producers ought to retain a meaningful portion of output, at least 5–10%, as a hard-currency war chest on the balance sheet. Portfolio theory has long advocated that investors hold 5–10% of their personal balance sheets in gold. Why should corporates – who are legal "persons" of another construct – differ in practice? Taking their own advice would build industry credibility and credit alike. Robust balance sheets attract capital; maintaining them mitigates malinvestment and capital destruction.

The Replacement Cost Trap

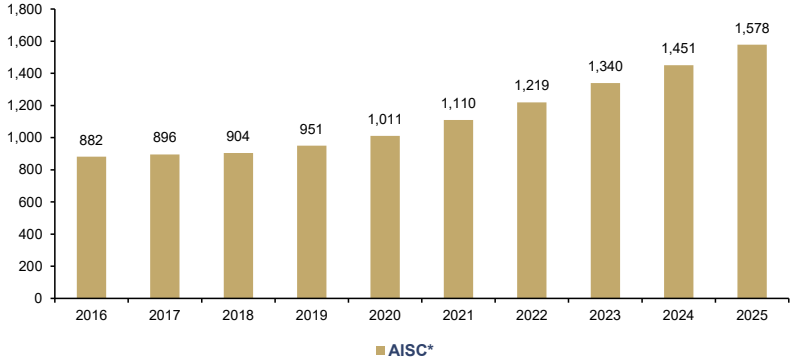
> *The cheapest ounces we can find might be the ones we have in our hand.*
>
> SilverCrest Metals, New Orleans Investment Conference presentation, 2023

From our point of view, the industry's standard metric, all-in sustaining costs (AISC), systematically obscures the true cost of gold production. AISC captures the ongoing operating costs and sustaining capital of an *existing* (read: successful) mine. It does not capture that mine's sunk costs of exploration, the capital expenditure of mine construction, the costs allocated to projects that never make it to production, the G&A during the time leading up to production, and the time value of deployed capital. It also critically fails to recognize, much less measure, the improbability of repeated future success(es).

The numbers are sobering: Out of 750 exploration projects, on average only one reaches production (Colorado School of Mines). Successful mines are statistical outliers, not the norm. Once all upstream costs are accounted for – exploration, development, construction, failed projects, cost of capital, and a realistic inflation rate – the true total cost per ounce of silver, by Ritchie's calculation at SilverCrest, was approximately USD 22 at a time when silver was trading at USD 18. For the industry as a whole, the true total cost today likely exceeds USD 40 by a considerable margin. This is not a dire issue when silver is at USD 75 but, given the highly cyclical nature of the business, having the flexibility to choose when to sell one's product is imperative, especially when total cost may be higher than its value at many times throughout the cycle, let alone a much greater future replacement cost. A successful mine is a dying mine from day one.

The Compounding Effect of Rising Costs

Particularly revealing is the empirical analysis of AISC trends: Over the period from 1990 to 2022, based on data from 400 producers, AISC grew at a compound annual growth rate (CAGR) of approximately 8%. That trajectory has continued through the current cycle: Industry-average AISC rose 9% y/y in Q3/2025 to USD 1,605, the highest on record, driven by higher sustaining capex, input costs, and royalty payments tied to the elevated gold price.



Good judgment comes from experience, and often experience comes from bad judgment.
Rita Mae Brown

Simultaneously, the fiat currency received upon sale loses roughly 10% of its real purchasing power per year – measured by actual cost-of-living increases, not official inflation statistics. Short-term pricing and costs will vary; but when considered over the same time horizon within which mining companies allocate, gold has moved in virtual symmetry with costs. The mining industry allocates large sums of money over very long periods of time. Knowing that the industry's product can be functionally used to offset the risks it faces is transformative.

The implication can be illustrated with a straightforward calculation: Take today's median AISC of USD 1,605 and compound it at 8% annually over 15 years, the typical discovery-to-production cycle. That implies a future AISC of ~USD 5,090, already above today's gold price of ~USD 4,600. The cost of a future ounce already exceeds what today's ounce sells for.

In other words: selling an ounce today and holding the proceeds in dollars means (i) exchanging an asset with limited supply for one with unlimited supply, (ii) exposing investors to more reinvestment and mining-related risk, and (iii) decreasing their leverage to the metal exposure they chose. When deciding how to allocate capital, it is worth considering that the cheapest ounces a producer can find may well be the ones already in their hand.

The 0.97 R^2: Gold as a Functional Inflation Hedge

One of the strongest arguments for holding gold on the balance sheet is also the least appreciated: the near-perfect correlation between the gold price and the industry's production costs. With an R^2 of 0.97, the gold price moves in near-lockstep with AISC over the capital allocation life cycle.

Data is not information, information is not knowledge, knowledge is not understanding, understanding is not wisdom.
Clifford Stoll

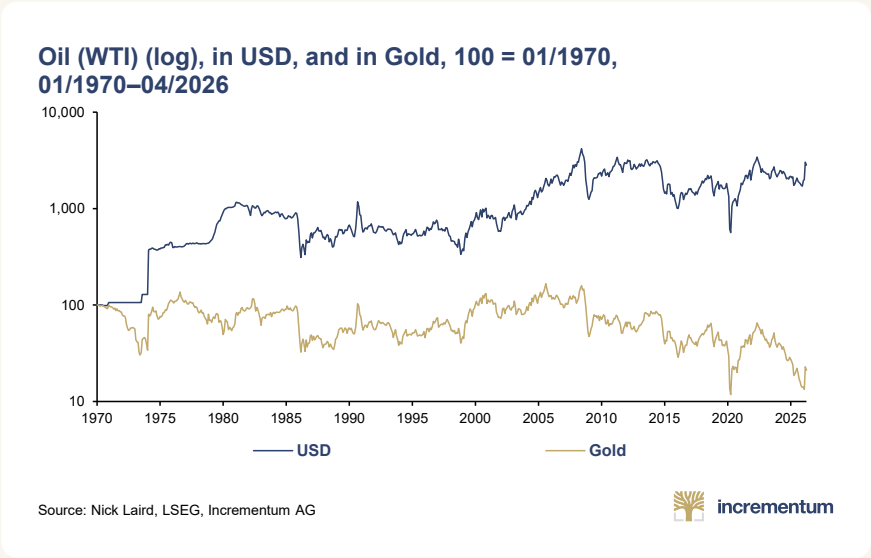
This correlation reflects three distinct mechanisms. First, the same inflationary forces – energy costs, wages, materials, regulatory burden – drive both production costs and the gold price. Second, the gold price must ultimately cover the marginal cost of the highest-cost producer still operating. Third, and often overlooked: The correlation is partly endogenous. When gold prices rise, producers extend mine life by processing lower-grade ore that would be uneconomic at lower prices, a practice known as "low-grading". This mechanically raises reported AISC, as more tonnes must be moved per ounce recovered. Conversely, in bear markets, producers "high-grade" their deposits, selectively mining only the richest ore to compress costs. The R^2 of 0.97 thus captures both exogenous inflation and endogenous grade management.

The implication remains intact: Whether the correlation arises from shared inflationary drivers or price-responsive mining behavior, gold-denominated costs are far more stable than fiat-denominated costs. This insight can be expressed mathematically:

$$C(real) = C(fiat) / P(Au)$$

where C(fiat) is the total cost of production in fiat currency and P(Au) is the gold price. The fiat-denominated cost fluctuates wildly; the gold-denominated cost barely moves. The producer who retains gold holds the most stable unit of account for their own cost structure.

The energy dimension makes this point especially vivid. Energy typically accounts for 25–30% of cash costs in gold mining: diesel for haul trucks, electricity for crushing and grinding, gas for heating and processing. A producer that sells gold at USD 4,600 and parks the proceeds in dollars is betting that those dollars will purchase the same energy next quarter. Given that oil has lost roughly 80% of its US dollar value against gold since 1971, this has consistently been a losing bet. A producer retaining a portion of output as a hard-currency war chest insures operational continuity precisely when it matters most.



For a mining company, gold is the natural hedge against its own cost inflation. A company investing in 15-year project cycles, whose greatest risk is cost escalation, holds the perfect hedge literally in its hands. One strategy: Hold enough gold to offset anticipated annual sustaining costs. Another: Increase holdings ahead of major capex endeavors.

> *The essence of investment management is the management of risks, not the management of returns.*
>
> Benjamin Graham, The Intelligent Investor

The current cycle illustrates the point. With AISC at ~USD 1,600 and gold around USD 4,600, margins are at record levels – yet the industry converts virtually 100% of output into fiat. Had producers retained just 5% of production during 2013–2019 – when gold averaged USD 1,250 – those ounces would today be worth nearly 4x their original value, without a single drill hole required. These "post-production margins" carry no additional capital investment and far less risk than "next-production margins." Selling is also a risk: Price upside opportunity is permanently forgone.

Healthier Leverage: The Royalty Logic for Producers

> *Think of why a royalty company gets a better multiple. Investors can limit their exposure to mining and increase their exposure to the desired product in a cleaner way.*
>
> Chris Ritchie

The valuation discount at which gold producers trade relative to royalty and streaming companies is one of the most persistent anomalies in the mining sector. While a Franco-Nevada or Wheaton Precious Metals commands EV/EBITDA

A company investing in 15-year project cycles holds the perfect hedge against its own cost inflation literally in its hands.

multiples of 25–30x, even high-quality producers languish at 7–10x. The explanation lies not solely in the operational risks of mining but in the nature of the exposure: Royalty companies offer pure metal price leverage with significantly reduced operational risk. Every ounce a producer holds on its balance sheet offers similar "post-production" leverage. If investors prefer gold and silver to fiat, then every ounce held can support the company's multiple. When sold, that multiple must then trend back toward that of an entity whose reserves are composed of instruments losing 10% annually in value.

To emphasize: An ounce of gold stored above ground is *no longer exposed to the risks of mining* – no geological risk, no operational risk, no political risk, no environmental risk. It offers pure, undiluted exposure to the metal price. It offers *zero exposure* to monetary debasement. Or, framed in the language of the Austrian School: The time preference shifts in favor of the future: The producer trades immediate but depreciating consumption (fiat proceeds) for the accumulation of a non-inflatable asset which can more likely support greater future consumption. Every metal ounce held offers the investor healthier leverage, and purer exposure, to the future itself.

Supply Discipline: From Price Taker to Price Maker

> *Price is what you pay. Value is what you get.*
> Warren Buffett

The supply-side implication is equally striking. What if major gold producers withheld 5–10% of annual output? And why should the logic stop there – why shouldn't every company seeking to preserve its balance sheet's purchasing power treat gold as a treasury currency? The empirical answer is unambiguous: backtests show that including gold among managed treasury currencies would have added meaningful value over decades.

Annual gold mine production currently stands at 3,672 t, or approximately 118moz. Withholding just 5% amounts to some 180 t – a figure that may seem modest in the context of central bank purchases, exceeding 1,000 t in each of 2022, 2023, and 2024, before easing to 863 t in 2025, but price discovery always happens at the margin.

The mechanism is mechanically trivial: Producers simply do not ship a fraction of monthly doré or refined output to the bullion bank. The metal moves from processing plant to corporate vault rather than from vault to market. No fiat round-trip is required, no tax event is triggered, and the full economic exposure remains with the producer until it chooses to realize it. For those concerned about liquidity, physical gold serves as first-class collateral against revolving credit facilities – a mechanism private investors, central banks, and even some sovereign funds already exploit. Producers need not worry about Basel III risk-weightings; unlike deposit-taking institutions, they face no regulatory constraint on holding their own product.

The Network Effects of an Industry Strategy

When a single producer pursues this path, the market impact is marginal. But if major gold mining companies were to follow, a self-reinforcing cycle would emerge: Withheld supply supports the price. A rising price improves margins. Better margins require fewer sales to cover actual costs and enable further withholding. And the combination of increasing metal price exposure and decreasing dependence on operational output leads to higher valuation multiples. Adjusting the weightings of this strategy when prices are at different stages of the cycle can allow for better capital

allocation decision making and multiple options for cost-effective downside protection on metal held.

To put the numbers in perspective: Annual global silver mine production of roughly 820moz at a recent silver price around USD 75 equates to a market value of approximately USD 61.5 bn, still a rounding error in global financial markets. Put differently, a single day's trading volume in a mega-cap such as Nvidia can exceed the entire annual output value of the silver mining industry. Precious metals markets, measured against global capital flows, remain tiny. Even moderate supply discipline at the producer level would have disproportionate price effects.

Gold producers have the advantage Michael Saylor never had: They produce the asset they would accumulate.

From Theory to Practice: The SilverCrest Experiment

Consider one example: The SilverCrest Metals team completed construction with excess capital, low costs, and at a unique time in the cycle. In hindsight, it's easy to say that it was wise to hold onto metal when the selling price at the time of around USD 18 for silver and around USD 1,800 for gold was below their fully loaded total costs and well below the industry average AISC. With gold and silver at much higher levels now, the industry is at a very different part of the cycle with different capital allocation options in front of it.

> *The beauty of stocks is that they do sell at silly prices from time to time. That's how Charlie and I have gotten rich.*
> Warren Buffett

The market ultimately validated this discipline: In February 2025, Coeur Mining completed its acquisition of SilverCrest in an all-stock transaction valued at approximately USD 1.7 bn. The bullion treasury was not a deal-breaker but a deal-maker – it was priced *into* the acquisition multiple, not discounted out of it. The corporate-gold-standard thesis earned an exit premium, not a conglomerate discount.

To forestall the inevitable objection: Michael Saylor's (Micro)Strategy has pursued a parallel thesis with Bitcoin since 2020, turning a software company into a digital-asset treasury vehicle. The difference is one of capital structure, not of strategy. Gold producers have the advantage Saylor never had: They *produce* the asset they would accumulate. The treasury strategy need not be funded by convertible-bond issuance; it can be funded simply by *not selling* a fraction of what is mined. It is the cheapest treasury strategy in the world – the capital outlay is an opportunity cost of deferred revenue recognition, not a capital raise.

It's reasonable to expect that congestion and cost inflation can increase as more projects rush towards production. While margins are high, the balance sheets of producers have never been healthier. Holding onto gold and silver now might seem to be a higher-risk capital allocation decision, but selling all of your gold and silver to hold dollars also poses a significant and rarely discussed risk.

> *I prefer a volatile appreciating asset over a stable depreciating one.*
> Michael Saylor

If holding 10% is seen as risky, then the risk of holding 90% of the balance sheet in an instrument that producers tell their investors to avoid like the plague deserves equal scrutiny. Increased dividends and buybacks are welcome and investor-friendly decisions. Allocating capital to holding bullion (or simply withholding bullion from current sale) should also be included in the conversation and would also likely be welcomed by a large group of investors. **Companies can give investors more of the exposure that they want, lead the industry in supply discipline, and retain balance sheet flexibility.**

Retail Enthusiasm, Institutional Skepticism

> *A group of people who think differently is a market. A group of people who think alike is a mob.*
> Naval Ravikant

The shareholder reception to the bullion strategy at SilverCrest was notably bifurcated. Retail investors – many of whom buy mining shares precisely because they believe in gold as money – responded enthusiastically. SilverCrest's approach aligned with their core conviction: Here, finally, was a company that practiced what the sector preached. T**he bullion strategy became a branding asset in itself, generating loyalty and advocacy that transcended conventional equity analysis.**

As companies battle for superior cost of capital, adjusting the narrative to more effectively communicate with the enormous amount of capital that cares about inflation (but doesn't know much or care about mining) will be core to a successful marketing strategy. The current marketing system is not set up to access this audience, though doing so offers a true opportunity to differentiate.

This divergence is revealing. It suggests that the bullion thesis resonates most powerfully with the very investors the mining sector most needs to attract and retain: long-term, conviction-driven holders who understand gold's monetary properties. As Marty Neumeier writes in *The Brand Flip:* "Customers no longer buy brands. They join brands." The retail investors who rallied behind SilverCrest were not passive shareholders; they were members of a tribe that shared a common monetary worldview, and their support built upon itself. **Tesla is the textbook case.** Owners who bought the car for its environmental credentials became members of a tribe; that tribe then extended its conviction from the car to the stock, turning shareholders into the brand's most effective marketing arm.

The Austrian Perspective: Time Preference and Capital Theory

> *It may sometimes be expedient for a man to heat the stove with his furniture. But he should not delude himself by believing that he has discovered a wonderful new method of heating his premises.*
> Ludwig von Mises

From the perspective of Austrian capital theory, the behavior of the mining industry can be characterized as pathological time preference. Producers act as though an ounce of gold will be worth less tomorrow than today – even though the opposite is true when measured in fiat purchasing power. They discount the future at a rate that would only be rational if the fiat money received in exchange were to preserve its value.

The rational capital allocation for a gold producer in an inflationary environment – and the current environment of fiscal dominance, shrinking tax bases, and structurally elevated inflation is *precisely* such an environment – consists in retaining a portion of production in the hardest available currency: its own product.

The Next Decade: Massive Cost Escalation

Data and experience would suggest that a decade of massive cost increases in mining is a risk that needs to be managed. This assessment aligns with several structural trends:

- **Declining ore grades:** Average gold grades at producing mines have been falling for decades. Lower grades mean more tonnes of rock, more energy, more water, and more chemicals per ounce – and consequently, higher costs per ounce.
- **Increasing depth and complexity of development:** The easy-to-reach deposits have been exhausted. New projects require deeper shafts, more remote locations, and more complex processing methods.
- **Regulatory thickening:** Permitting timelines for new mines have doubled or tripled in many jurisdictions. Longer permitting processes mean higher capital risk and higher financing costs.
- **Energy cost volatility:** Mining is energy-intensive. In an environment of geopolitical fragmentation and energy transition, stable and affordable energy supply chains and prices can no longer be taken for granted.

- **Labor market tightness:** The mining sector increasingly competes with other industries for skilled workers, particularly in remote regions.
- **Resource nationalism and geopolitical fragmentation:** Royalty hikes, windfall taxes, and outright shutdowns have become base case in many countries.
- **Social license and ESG cost loading:** Community consent and new disclosure rules have moved from reputational concerns to line items on the cost sheet.
- **Tailings and legacy liability:** Tougher tailings standards continue to drive up AISC. As of November 2025, only 67% of 836 ICMM member facilities were in full conformance with the Global Industry Standard, leaving one-third still investing toward compliance.

The bullion retention thesis is, at its core, a marketing innovation.

All these factors point in the same direction: the cost or risk of replacing an ounce sold today is rising faster than the general price level. This replacement cost logic tightens with every passing year.

The CFO's Dilemma: Practical Obstacles

Intellectual elegance notwithstanding, the bullion retention thesis faces real-world obstacles that explain why adoption has remained limited. **Any CFO considering this path will confront several challenges that deserve honest acknowledgment.**

> *The question isn't whether your industry will be disrupted, but when.*
> Marty Neumeier, The Brand Flip

- **Accounting ambiguity:** Under IFRS, gold fits no standard classification – not financial instrument (IFRS 9), not investment property (IAS 40), and inventory treatment (IAS 2) requires intent to sell. Producers retaining gold enter an accounting grey zone requiring bespoke policies. The World Gold Council has long advocated for a common framework, but progress remains slow.
- **Metric distortion:** Sell-side analysts evaluate producers on standardized metrics – AISC, free cash flow yield, production growth. Gold on the balance sheet disrupts these models. A producer withholding 5 or 10% of output shows lower revenue, lower reported FCF, and potentially higher AISC per sold ounce – mechanically translating into lower target prices. Early adopters may pay a "complexity discount" until analytical frameworks evolve to treat bullion retention as value-accretive.
- **Earnings volatility:** Mark-to-market holdings introduce unrealized gains and losses unrelated to operations. For CFOs answering to quarterly-focused analysts, this can trigger covenant breaches and credit downgrades. Put options on treasury holdings offer one solution – insuring downside while preserving upside.
- **Asymmetric perception risk:** Treasury strategies carry asymmetric reputational exposure – when they work, investors shrug; when they fail, management faces intense scrutiny. This asymmetry biases risk-averse boards toward the status quo.
- **Cash flow timing:** Mining operations have relentless cash needs – payroll, energy, consumables, royalties, taxes. Retaining metal requires sufficient cash reserves or the discipline to time retention to periods of excess cash generation. For junior producers without SilverCrest's enviable position – debt-free, high-margin – the liquidity calculus is less forgiving. A position must be established over time.
- **The "buy it yourself" objection:** If shareholders wanted pure gold exposure, they simply could buy it themselves. This objection has surface logic but misses the point. Shareholders cannot replicate the producer's unique advantage of acquiring gold at production cost rather than market price, nor the supply-side impact of coordinated withholding.

These are real obstacles, not theoretical ones. But they are obstacles to execution, not to the fundamental principle. Every one of them admits a solution: bespoke accounting policies, investor education, phased implementation, cycle-aware retention strategies. The question is whether management teams – and boards – have the conviction to accept short-term friction in pursuit of a structurally superior capital management proposition.

> *Our species can only survive if we have obstacles to overcome. You remove those obstacles. Without them to strengthen us, we will weaken and die.*
> Captain James T. Kirk

However, this again presents an opportunity for differentiation, branding and community building. If industry players become advocates to fix this system to allow for better risk mitigation, then they can tap into the believers in gold who in turn become passionate brand advocates and champions of the strategy. As William Pollard states, "Those who initiate the change will have the better opportunity to manage the change that is inevitable."

The Brand Flip: From Price Taker to Tribe Builder

Don't compete. Differentiate.
Marty Neumeier

The challenges outlined above are real but they miss a deeper strategic dimension. As Marty Neumeier argues in *The Brand Flip*: "A brand is not owned by the company, but by the customers who draw meaning from it." The mining industry has historically struggled to create a strong brand. It has commodities. It has ticker symbols. But it has failed to create meaning for its investors – the very investors who believe, more fervently than almost any other investor class, in the product they are financing. To be fair, this has much to do with the near irrelevance to which gold has been relegated since the 1970s in a "dollarized" economy. **Now that this trend is clearly reversing, it requires consideration from corporate leaders who wish to be industry leaders.**

The greatest danger in times of turbulence is not the turbulence. It is to act with yesterday's logic.
Peter Drucker

Peter Drucker wrote that a business has only one valid purpose: to create a customer. And only two basic functions: innovation and marketing. The gold mining sector invests heavily in generating tangible value, but has allocated far fewer resources to improving intangible value – and thereby its cost of capital. The industry is investor-relations heavy but has made limited inroads in forming a narrative attractive to the 98% of the investing world that does not typically invest in mining. The bullion retention thesis is, at its core, a marketing innovation. It tells the investor: We believe in our product as much as you do. We are not just extractors; we are custodians of sound money.

Neumeier identifies a crucial shift: "Today's customers want more than products, more than features, more than benefits, even more than experiences. They want meaning." The gold investor tribe is driven by meaning – monetary sovereignty, protection against institutional failure, preservation of purchasing power across generations. **Yet the companies that serve this tribe operate as though they were selling wheat or copper: undifferentiated, generic, competing solely on cost metrics.**

The loyalty economics are compelling. Neumeier cites research showing that loyal customers spend 33% more than new customers, that a 5% increase in retention can mean a 30% increase in profits, and that emotionally connected customers are four times as likely to do business with a company. In the mining context, this translates directly to cost of capital: A producer with a loyal, conviction-driven shareholder base can issue equity at tighter discounts, weather volatility with less panic selling, and maintain higher trading multiples through cycles. **As Peter Drucker noted: "The aim of marketing is to make selling superfluous." For miners, the aim of holding bullion is to make the perpetual discount to NAV superfluous**.

You either have a boss or you have clients.
Louis-Vincent Gave

If the industry wants to put customers first, it must give them more of what they want – exposure to gold and silver – and less of what they do not want: pure mining risk returned in the form of depreciating fiat. Very few people invest in gold mining because they love the process of mining. They want the product, or as near as they can get to it. **The company that internalizes this insight, and acts on it, does not merely improve its capital allocation. It flips its brand.**

Conclusion: Dear Mining Industry, Take Your Own Product Seriously

The irony is exquisite: the innovation the gold mining sector most urgently needs is not better extraction technology or more efficient processing – it is *to believe in its own product.*

The arguments for retaining a portion of production on the balance sheet are multi-layered and mutually reinforcing: Across most cycles, true total costs can exceed the selling price for extended periods. Replacement costs are rising faster than inflation. Gold is the natural hedge against a miner's own cost inflation. Ounces held above ground offer pure metal price leverage without operational risk. Supply discipline supports the price and thereby the margins of the entire industry. Holding fiat on your balance sheet is a short position on gold, a drag on valuation, and – so long as you believe central banks will continue printing – a material capital allocation risk in and of itself.

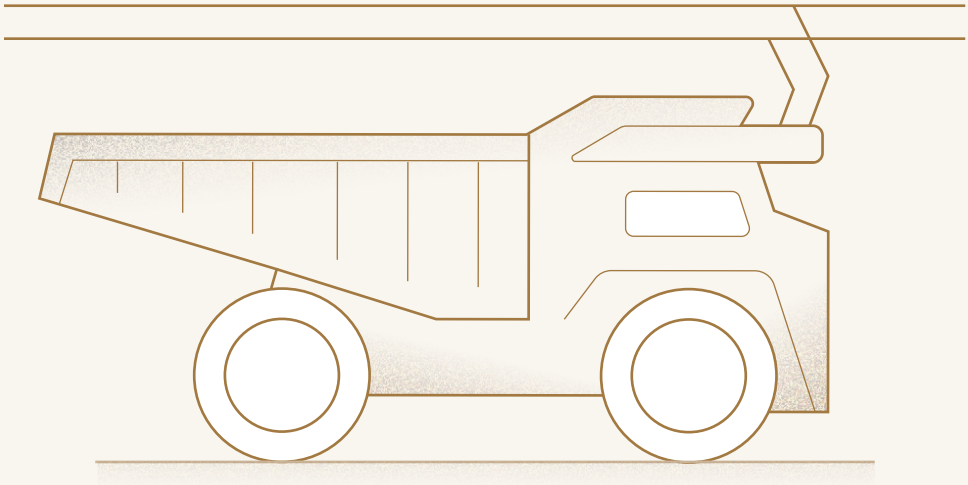
> *The main purpose of any company is to get a new customer. Therefore the main two functions are to innovate and market.*
> Peter Drucker

Naturally, there are practical objections: cash flow requirements, tax implications, accounting provisions, and analyst expectations for consistent sales volumes. But these objections concern the "how", not the "whether" or the "why". No reasonable observer would argue that a producer should withhold its entire production – yet the same logic should apply in reverse to holding 100% of treasury in fiat. 5–10% is not a radical proposition. It is the same allocation prudent investors have been advised to hold for decades, applied to the balance sheets of the companies that produce the asset in the first place.

> *Innovation amateurs talk good ideas. Innovation experts talk testable hypotheses.*
> Marty Neumeier

The question is not whether gold producers should hold their metal. The question is why, for so long, they have not done so. The industry's own product has functional utility across all aspects of its business, from improving the overall cost of capital to hedging fiat-currency treasury risks, to more effective marketing. The industry tells its investors to hold 5–10% of their net worth in gold and silver. If it truly means it, it should start by doing so itself.

Or, to borrow SilverCrest's own motto: The product is the solution. ■



ROYAL GOLD, INC

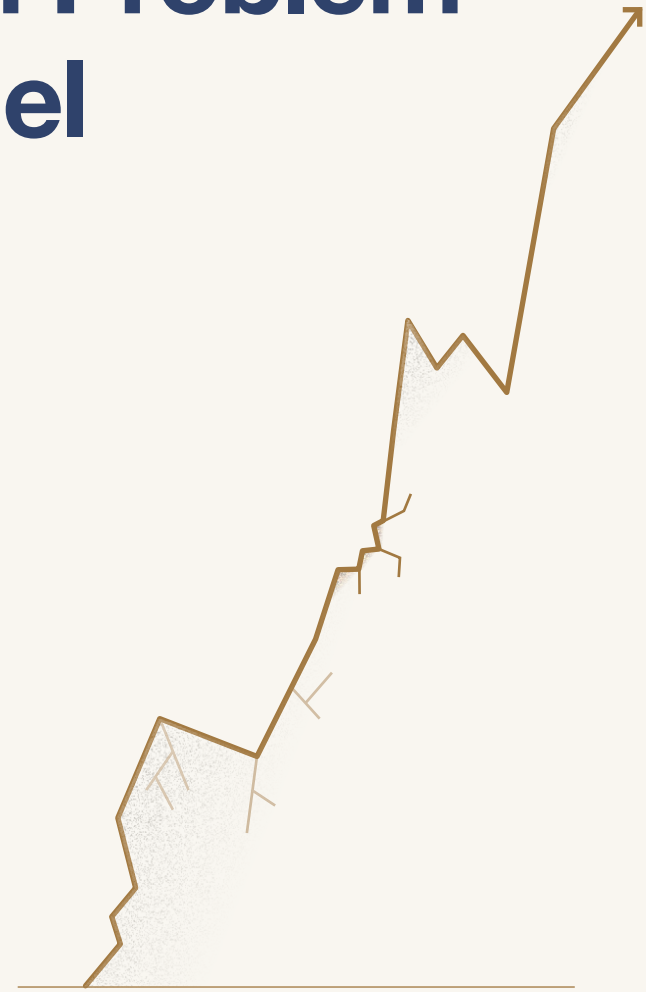
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The Gold Standard in Precious Metals Investing

- 78% of 2025 revenue from gold, 12% from silver
- 68% of 2025 revenue sourced from North America
- Highly diversified portfolio with 80 producing assets
- Lowest share count in the GDX Index
- Only precious metals company in the S&P High Yield Dividend Aristocrats Index



Gold and Silver Miners: From Problem Child to Model Student



Key Takeaways

- From problem child to model student: Capital discipline, debt reduction, and transparent dividend policies have transformed the mining sector.
- 2025 was the most profitable year in gold mining history: The free cash flow margin of the GDX aggregate jumped from 4.2% to 24.5% and earnings per share quadrupled, while the P/E ratio fell from 30.8x to 19.8x.
- M&A as the new exploration: With USD 21.2bn in the gold sector alone, 2025 was the most active year for M&A since 2010 – driven by a structural shortage of reserves. The global discovery rate has plummeted since 2009 from 202 finds to 70–90 per year, while the cost per discovery has risen from USD 50mn to USD 200mn.
- Public participation phase, not mania: Senior producers have fired the opening salvo, mid-tier consolidation is underway, and junior financing is returning.
- Templeton litmus test passed: Generalist allocation marginal, ETF inflows anemic, people talking about AI at cocktail parties. If John Templeton was right, we are not at the end of this bull market but right in the middle of it. Bull market, not bubble.

> *The secret to investing is to figure out the value of something – and then to pay a lot less.*
>
> Joel Greenblatt

> *If you can't handle a 50% drop, you deserve a mediocre result.*
>
> Charlie Munger

If any sector embodies the "Back to the Monetary Future" theme of our 20th anniversary report, it is the gold mining sector. For over a decade, the sector was the capital market's purgatory. The scars of roughly USD 500bn in destroyed shareholder value, of cyclically misguided acquisitions, and of ill-advised expansion into marginal deposits had rendered the industry largely uninvestable for a generation of institutional investors.

> *Gold and silver are not simply rising cyclically; they are being monetarily repriced. Furthermore, precious metals mining equities remain priced for linear outcomes, not exponential operating leverage.*
>
> Ben Davies

Attentive readers of our mining chapters will recall: In 2022, we wrote that the industry had "delivered," but the market had not yet realized it. In 2023, we reiterated that "generalists and value investors would (re)discover the value proposition of the mining sector." In 2024, we still described the sector as "[u]nloved, undervalued, underowned" and warned that many investors would be "surprised" by the Q1/2024 metrics. Finally, in the 2025 *In Gold We Trust* report, "The Big Long," we presented the thesis of "cash flow and margin optimization." Now it has come to pass.

Performance of Various Precious Metal Investments, in USD, 04/30/2026

	1 Year	2 Years	5 Years	10 Years
Gold	40.6%	102.2%	161.3%	257.3%
Silver	126.3%	180.6%	184.7%	313.8%
GDX	80.1%	166.5%	157.0%	241.8%
GDXJ	89.5%	187.5%	145.2%	202.0%
SIL	117.4%	189.7%	112.5%	141.5%

Source: LSEG, Incrementum AG

> *Gold will continue to vanish into private hoards in preparation for the day when no metallic money will be available or seen anymore...Gold mines will once again be viewed as mini-central banks.*
>
> Dan Oliver

The data in the table below allows for some conclusions regarding the performance of gold, silver, and gold mining stocks. While gold does show correlations with the federal funds rate, the 10-year Treasury yield, or the CPI over short periods, these are not reliable in the long term. Only the negative correlation with the US dollar persists, and it proved itself once again in 2025: While the DXY fell by 9.4%, gold rose by 64.4%.

For gold mining stocks, the dominant driver is once again evident: the gold price itself, amplified by operational leverage. The GDM's 155.4% rise, accompanied by the 64.4% increase in the gold price, corresponds to a beta of approximately 2.4. Silver also lived up to its reputation as "gold on steroids" – with a gain of 146.8% compared to 64.4% for gold.

Performance of Various Investments and Macroeconomic Indicators, 2000–2026 YTD

Year	Gold (USD)	Silver (USD)	GDM	S&P 500	DXY	US CPI*	Effective US Policy Rate*	US 10-Year*
2000	-5.3 %	-15.0 %	-31.3 %	-10.1 %	7.5 %	3.38 %	6.24 %	5.96 %
2001	2.4 %	0.4 %	39.3 %	-13.0 %	6.6 %	2.83 %	3.89 %	4.96 %
2002	24.4 %	3.3 %	79.7 %	-23.4 %	-12.8 %	1.59 %	1.67 %	4.53 %
2003	19.6 %	24.6 %	47.1 %	26.4 %	-14.7 %	2.27 %	1.13 %	3.99 %
2004	5.6 %	14.5 %	-9.6 %	9.0 %	-7.0 %	2.68 %	1.35 %	4.26 %
2005	18.1 %	29.7 %	29.1 %	3.0 %	12.8 %	3.39 %	3.21 %	4.26 %
2006	23.0 %	46.1 %	21.9 %	13.6 %	-8.2 %	3.24 %	4.96 %	4.78 %
2007	30.9 %	14.8 %	16.9 %	3.5 %	-8.4 %	2.85 %	5.02 %	4.57 %
2008	5.4 %	-23.5 %	-26.8 %	-38.5 %	5.8 %	3.85 %	1.93 %	3.58 %
2009	24.8 %	48.9 %	37.3 %	23.5 %	-4.1 %	-0.34 %	0.16 %	3.27 %
2010	29.5 %	83.4 %	33.9 %	12.8 %	1.5 %	1.64 %	0.18 %	3.12 %
2011	10.2 %	-10.3 %	-16.2 %	0.0 %	1.5 %	3.16 %	0.10 %	2.73 %
2012	7.1 %	9.5 %	-9.9 %	13.4 %	-0.5 %	2.07 %	0.14 %	1.73 %
2013	-28.0 %	-36.0 %	-54.4 %	29.6 %	0.3 %	1.47 %	0.11 %	2.36 %
2014	-1.8 %	-19.3 %	-12.7 %	11.4 %	12.8 %	1.62 %	0.09 %	2.48 %
2015	-10.4 %	-11.7 %	-25.5 %	-0.7 %	9.3 %	0.12 %	0.13 %	2.09 %
2016	8.5 %	15.2 %	53.3 %	9.5 %	3.6 %	1.26 %	0.40 %	1.82 %
2017	13.1 %	6.4 %	11.3 %	19.4 %	-9.9 %	2.13 %	1.00 %	2.33 %
2018	-1.5 %	-8.7 %	-9.6 %	-6.2 %	4.4 %	2.44 %	1.83 %	2.89 %
2019	18.3 %	15.2 %	39.7 %	28.9 %	0.2 %	1.81 %	2.16 %	2.08 %
2020	25.0 %	47.8 %	22.5 %	16.3 %	-6.7 %	1.24 %	0.38 %	0.82 %
2021	-3.6 %	-11.7 %	-10.9 %	26.9 %	6.7 %	4.69 %	0.08 %	1.45 %
2022	-0.2 %	3.0 %	-10.3 %	-19.4 %	7.9 %	8.01 %	1.68 %	3.00 %
2023	13.1 %	-0.9 %	8.8 %	24.2 %	-2.1 %	4.14 %	5.02 %	3.97 %
2024	27.2 %	21.5 %	9.1 %	23.3 %	7.1 %	2.95 %	5.14 %	4.23 %
2025	64.4 %	146.8 %	155.4 %	16.4 %	-9.4 %	2.69 %	4.21 %	4.23 %
2026 YTD	**7.1%**	**3.5%**	**3.7%**	**5.3%**	**-0.3%**	**2.69%**	**3.64%**	**4.22%**
Cumulative	**1,400.6%**	**1,219.6%**	**711.2%**	**365.9%**				

Source: LSEG (as of 04/30/2026), Incrementum AG
*Annual average

What we have been witnessing since 2025 can only be described as a golden renaissance of the mining sector – a return to financial discipline, operational excellence, and shareholder-centric governance that would have been unthinkable just a decade ago. **The volatile zigzags of the bear market have given way to a volatile but clear upward trend.**

Performance and Profitability 2025

2025 was the most profitable year in the history of gold mining. Operational performance was solid, but the real message is this: The sharp rise in the gold price has had a disproportionately large effect on earnings, free cash flow, and balance sheet quality. Growth through additional ounces was never the driver – it is the sheer leverage of the price on margins that has changed the picture.

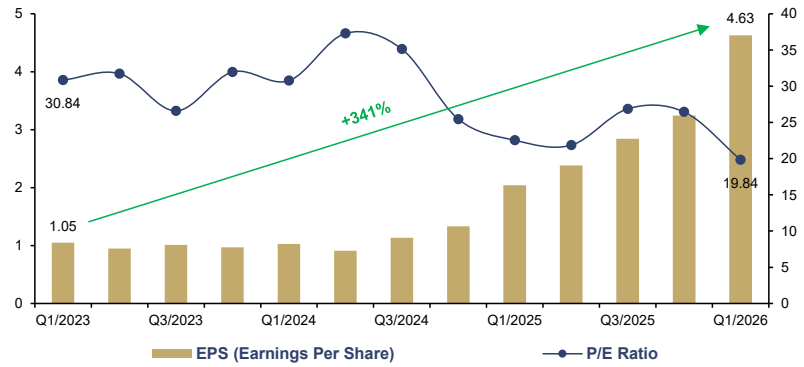
> *In mining, hope is not a strategy, but cash flow is.*
> Pierre Lassonde

Let's take a look at the numbers: FactSet aggregates the quarterly results of all GDX constituents into a sector index. Earnings per share for the GDX aggregate quadrupled from USD 1.05 to USD 4.63 – a 341% increase. Over the same period, the P/E ratio fell from 30.8x to 19.8x. In other words: Investors are now paying a lower multiple for every US dollar of earnings than they did three years ago – even though earnings per share are now four times higher.

That is the true anomaly of this cycle. Rarely in the history of financial markets has it been possible to buy into a structural fourfold increase in profitability at a declining valuation multiple. Usually, the dynamic works the other way around: Rising profits lead to rising multiples, and the stock price reflects both – profit growth and re-rating. Here, the market has granted only the jump in profits; the re-rating is still pending.

> *If you pay well above the historical mean for assets, you will get returns well below the historical mean.*
> John Hussman

GDX (LTM), EPS (lhs), and P/E Ratio (rhs), Q1/2023–Q1/2026



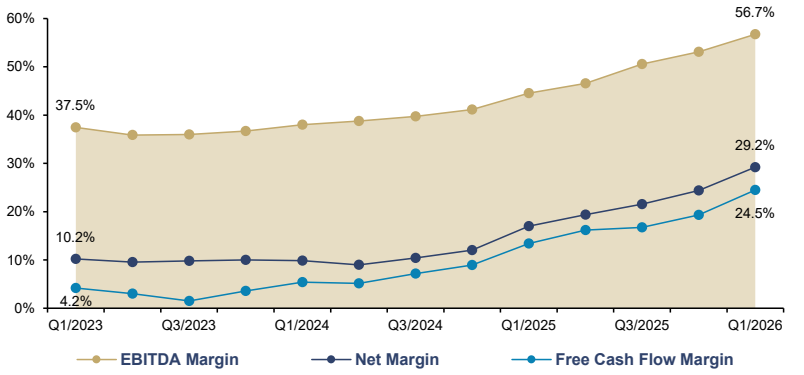
Source: FactSet, Incrementum AG

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The fact is that one of the earliest lessons I learned in business was that balance sheets and income statements are fiction; cash flow is reality.
Chris Chocola

The free cash flow margin of the GDX aggregate stood at 4.2% in Q1/2023 and at 24.5% in Q1/2026. That is a sixfold increase over 13 quarters, or to put it another way: For every US dollar of revenue, nearly a quarter now flows into the balance sheet as free cash flow. The EBITDA margin grew in parallel from 37.5% to 56.7% – a level typically found only in the most profitable tech industries. **It's important to emphasize again: The entire jump in profitability came from margin expansion, not volume growth.**

GDX (LTM), Margins, Q1/2023–Q1/2026

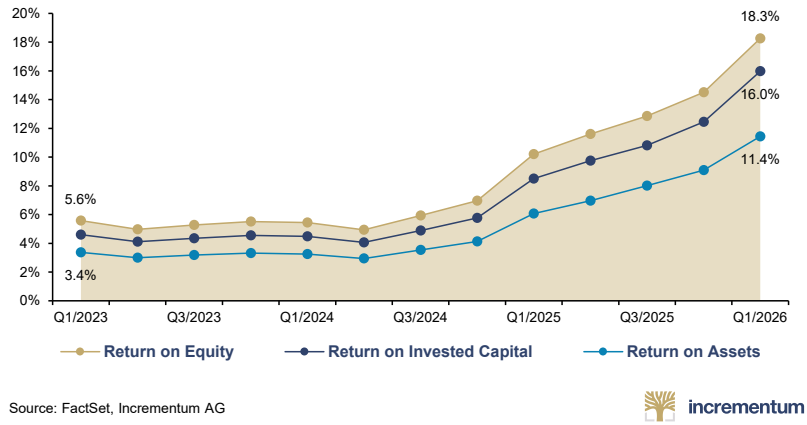


Source: FactSet, Incrementum AG

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Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.
Archimedes

The next chart illustrates the operational leverage of the gold mining sector in its purest form. While returns on equity, capital, and total capital trended sideways for nearly two years, a marked acceleration began in Q3/2024. In Q1/2026, the return on equity reached a peak of 18.3%, a figure that seemed unthinkable just three years ago. The return on capital (16.0%) and return on total capital (11.4%) confirm this picture. The backdrop is the inverse relationship between the gold price and cash costs: With AISC margins of nearly USD 3,000 per ounce, every additional price increase flows almost entirely into the income statement. **Anyone who, despite these fundamentals, continues to claim that the sector has "overheated" is confusing price performance with valuation expansion.**



When costs rise because the gold price rises

Upon closer inspection, the much-discussed cost increases turn out to be predominantly price-driven. Royalties, profit-based taxes, profit-sharing components, and exchange rate effects account for the lion's share of the AISC increase, not operational deterioration.

The only significant exogenous uncertainty is the oil price. Since diesel and electricity accounted for about one-fifth of cash costs in 2025, according to S&P Global, realized AISC could trend toward USD 1,800–USD 1,900 per ounce if oil prices remain high. A BMO analysis quantifies the sensitivity precisely: For every 10% increase in the oil price, gold production costs rise by about 2%. Newmont itself calculated its February guidance based on USD 70/barrel Brent and estimates the effect of a USD 10/barrel change in oil prices on AISC at around USD 12 per ounce. With a margin expansion by a factor of 6.5 since 2015, this is a burden that gets lost in the noise of the gold price rally.

> *Like energy investing, mining is the business of pouring dollars into the ground and hoping you get more dollars back.*
> Kailash Concepts

Exogenous vs. endogenous: where the real challenge lies

Differentiation is certainly warranted. The structural AISC inflation since 2020 is real – and it has two sources that must be evaluated fundamentally differently:

- **Exogenous cost drivers** such as diesel, steel, reagents, or tires are now well covered by the hedging and procurement policies of established producers. They are operationally controllable.
- **Endogenous cost inflation**, such as falling ore grades, declining mine lives, or rising stripping ratios, on the other hand, cannot be hedged. The mining industry has been operating against the law of diminishing returns for decades, and no forward contract in the world can bring back an ore grade once it has been mined.

This is precisely where the sector's operational dividing line lies. **Senior producers with Tier 1 assets and long mine lives are the structural beneficiaries** – they convert margin expansion almost entirely into free cash flow. Mid-tier and junior producers with more complex assets, shorter mine lives, or capital-intensive growth projects also realize margin expansion, but with higher operational risks.

> *Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down.*
> Warren Buffett

Grow, deleverage, distribute – all at once

Noteworthy is the new multidimensionality of capital allocation. The old either-or logic – growth, balance sheet repair, *or* distribution – is a thing of the past. Today, the industry can grow, deleverage, *and* distribute simultaneously. A remarkable constellation for a sector that, just a few years ago, was considered synonymous with capital destruction.

Today, the industry can grow, deleverage, and distribute simultaneously – a remarkable transformation for a sector that, just a few years ago, was considered synonymous with capital destruction.

Among our premium-partner miners, 2025 was the year capital came home to shareholders rather than back into the ground. Barrick led the structural reset with a record USD 2.4bn returned to shareholders, lifting its dividend by 140% alongside a USD 1.5bn buyback and adopting a new policy targeting 50% of attributable free cash flow as annual payout, with a fixed-base quarterly dividend plus a year-end performance top-up. Newmont returned a sector-record USD 3.4bn through dividends and repurchases, drawing USD 3.6bn from its USD 6bn authorization while reducing net debt by USD 3.4bn – closing 2025 in a USD 2.1bn net cash position. Agnico Eagle returned a record USD 1.4bn (USD 803mn in dividends, USD 600mn in buybacks) and raised the dividend a further 12.5% for 2026, while protecting an unbroken payout record that dates back to 1983. Kinross lifted its dividend by 17% and its buyback target by 20% to USD 600mn. Endeavour Mining sent USD 435mn to shareholders, 93% above its own minimum commitment, and pre-committed to at least USD 1bn over 2026-2028. Harmony rewrote its policy from 20% to 30% of net free cash with optional upside to 50%, posted a record FY25 payout of ZAR 2.4bn (USD 133mn), and more than doubled its interim dividend again in H1/FY26.

> *When I bought my precious metals I was playing defense. But as they say, defense is the best offense.*
>
> David Bateman

Pan American Silver returned USD 221mn via dividends and buybacks and raised its payout in three successive quarters, capped by a 29% Q4 increase. Mineros returned USD 42mn against a record net profit of USD 145mn while sustaining a five-year dividend growth rate close to 17%. The royalty and streaming partners embody the new discipline most cleanly, with Royal Gold marking its 25th consecutive annual dividend increase.

Equally telling are the capital-return inflections among the rest of our partners. Equinox Gold, having cut net debt by USD 1.1bn since Q2/2025, declared its first-ever dividend (USD 0.06 annualized) and inaugural NCIB in February 2026, the classic handover from build-out to capital return. Elemental Royalty, the post-merger combination of Elemental Altus and EMX, did much the same with a maiden USD 0.12 annual dividend, and went one step further by offering registered shareholders the option to take that dividend in Tether Gold tokens. First Majestic operates a revenue-pegged formula (1% of net quarterly revenue) that nearly doubled its per-share payout across 2025 as silver and gold prices rose. Fortuna prefers buybacks to dividends, having cancelled 3.4mn shares at an average USD 9.53 before renewing the program for a further 5% of float in May 2026. The remainder of our partner roster (explorers, developers, and turnaround operators) is appropriately reinvesting in resource expansion rather than payouts, which in this part of the cycle is its own form of discipline.

The four pillars of the new discipline

Four behavioral changes are driving this turnaround and fundamentally distinguish the current cycle from previous bull markets:

- **Capex discipline:** Even the capex increases of around +25% yoy expected for 2026 remain well below the 2011/12 peaks. More importantly: The additional funds are flowing primarily into brownfield expansions of existing Tier-1 assets rather than into greenfield megaprojects.
- **Hedging restraint:** The industry has learned from the hedging debacle of the late 1990s and early 2000s: Leading producers now sell at the spot price, thereby fully participating in the rally, rather than giving it away to banks via forward sales as in previous cycles.

- **Conservative valuation:** The majors value their reserves at USD 1,700–USD 2,200/oz – at a spot price of around USD 4,600/oz. Double effect: Reserves are hedged against a price decline, *and* there is significant upside potential lurking on the balance sheets.
- **Dilution discipline:** The most telling indicator of the paradigm shift: During the 2003–2012 supercycle, the majors' share count grew by double digits annually in some cases – driven by acquisitions and equity offerings. Today, dilution is significantly lower, and many producers are even actively buying back their own shares.

The majors still value their reserves at USD 1,700 to USD 2,200 per ounce – a fraction of current spot prices. A massive call option, hidden in plain sight on the balance sheets.

The industry has learned from the excesses of the past. The only open question is whether investors have also internalized this lesson.

The next wave of M&A: reserve acquisition as a strategic imperative

The growth picture remains divided: Senior producers expect an average production decline of around 4.5% by 2026, while intermediates are expanding by 5.4% and juniors by 16.8%. Organic growth is clearly shifting toward the "new generation" of mines – Côté, Greenstone, Valentine, Tocantinzinho, Blackwater, Goose, Media Luna. Any major seeking access to this generation's reserves faces a simple choice: build, discover – or buy.

This is precisely where the next wave of M&A begins. In 2025, three major transactions dominated the market: Coeur/New Gold (USD 7bn), Gold Fields/Gold Road (USD 3.69bn), and Equinox/Calibre (USD 2.13bn). Three structural features set this wave apart from the acquisition frenzy of the 2003–2012 supercycle:

- **All-stock and mixed cash-stock deals dominate; pure cash deals are the exception.** Buyers are using their relatively overvalued shares as acquisition currency instead of spending scarce cash.
- **Premium spreads between 11% and 39%** – far removed from the 50–80% premiums of the last supercycle.
- **Strategic logic consistently focuses on acquiring reserves, not diversification:** Northern Star/De Grey, Pan American/MAG Silver, Coeur/New Gold, Fresnillo/Probe – not a single conglomerate deal, not a single move into foreign commodities.

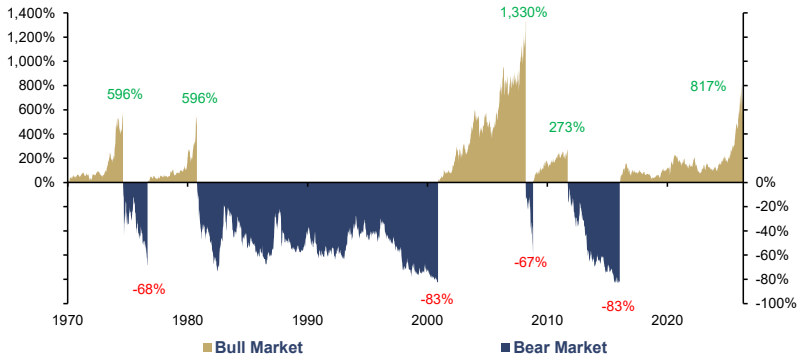
The structural context: declining discoveries. Data from Richard Schodde provides the fundamental rationale for this M&A logic: While 202 discoveries were reported in the peak year of 2009, there are currently only 70–90 per year; the average cost per significant discovery has risen from around USD 50mn before the boom to around USD 200mn today. Since 2010, only 1,967 Moz of gold have been discovered globally across 645 deposits – while 1,470 Moz of gold were mined during the same period. This sounds like reserve growth, but it is only positive if one factors in resource growth at existing mines. When it comes to genuine new discoveries resulting from independent exploration activities, the balance is negative.

> *You have to kiss a lot of frogs before you find a prince. In mining, you have to drill a lot of holes before you find a mine.*
> Ross Beaty

Gold Mining Stocks: Active Management Is Key

Readers are already familiar with our distinction between *safe-haven gold* – i.e., physical gold to preserve purchasing power – and *performance gold* – i.e., mining stocks and mining funds for capital appreciation. **Given the diverse risks involved, we advocate an active investment strategy when dealing with gold mining stocks.** This is because not only are the bull markets typically much more pronounced than in conventional stock sectors, but so are the bear markets.

Gold Miners* Bull/Bear Markets, in USD, 01/1970–05/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1970–11/2000, HUI = 11/2000–

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The *Incrementum Active Aurum Signal*

> *Catenaccio isn't just about defending; it's about knowing when to strike. You wait, you watch, and then you strike on the counterattack.*
> Nereo Rocco

But what criteria can be used to determine the optimal time to go on the offensive and add performance gold to the portfolio? And when, according to the football adage "The offense wins games, but the defense wins championships," is it time to act more defensively?

In recent years, we have intensively explored this question and developed a signal that helps us precisely anticipate this moment. The result of our analysis is our proprietary *Incrementum Active Aurum Signal*, which we first introduced in the *In Gold We Trust* report 2024, "The New Gold Playbook", in the chapter "Mastering the New Gold Playbook." This signal serves to determine the optimal time to adjust gold exposure in the portfolio.[1]

Composition

The *Incrementum Active Aurum Signal* consists of two subsignals: the cycle signal and the fundamental signal. The cycle signal is composed of five countercyclical components:

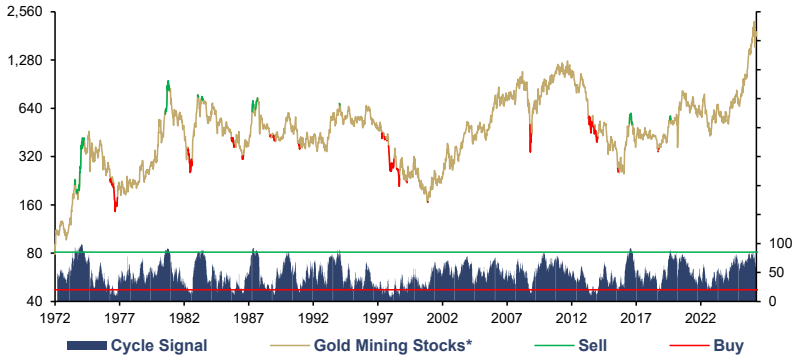
- **Momentum:** relative strength index (RSI) of gold mining stocks
- **Sentiment:** CFTC net gold positioning
- **Risk appetite:** Bollinger bands on gold mining stocks/gold ratios
- **Macro environment:** Treasury inflation-protected securities (TIPS)
- **Boom/bust indicator:** gold mining stocks relative to their moving average

1 This proprietary signal supports the weightings of the Incrementum Active Gold Strategy.

All subindicators of the cycle signal oscillate between 0 and 100 and influence the cycle signal with varying weights. Together, this results in the cycle signal, which also has a value between 0 and 100. Buy or sell signals are generated when the cycle signal is above 85 (= sell signal) or below 20 (= buy signal).

The greatest discoveries often arise from a series of smaller discoveries that come together.
Alexander Fleming

Gold Mining Stocks* (lhs, log), in USD, and Cycle Signal (rhs), 01/1972–04/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

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The second cornerstone of *the Incrementum Active Aurum Signal* is the fundamental signal, which can be understood as a procyclical market environment indicator for gold mining companies. Unlike the cycle signal, the fundamental signal has only two levels:

Markets are never wrong – opinions often are.
Jesse Livermore

- 0: negative/weak fundamental environment
- 100: positive/strong fundamental environment

A value of 100 triggers a buy signal, while a value of 0 triggers a sell signal.

Gold Mining Stocks* (lhs, log), in USD, and Fundamental Signal (rhs), 01/1972–04/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

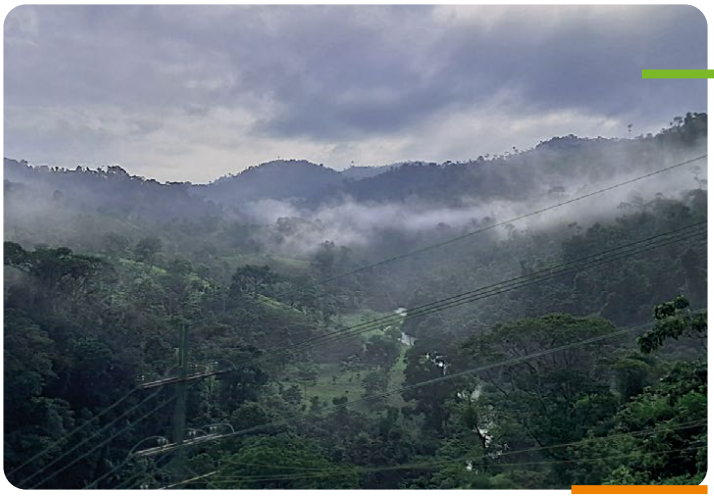
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Interpretation of the signal

The combination of the two subsignals results in the *Incrementum Active* Aurum *Signal*, which has three levels:

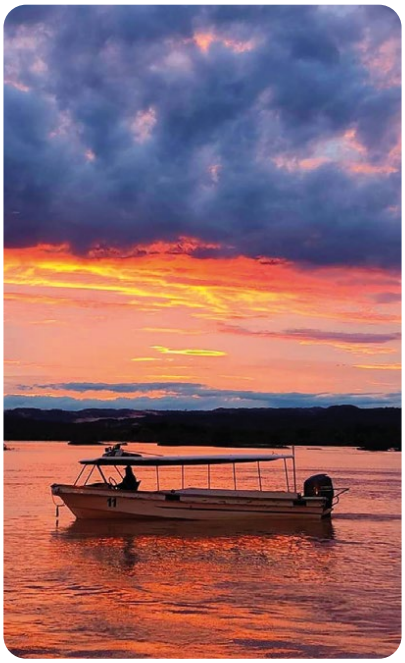
- Offensive: Both subsignals are set to "buy."
- Neutral: The two subsignals show divergent trends.
- Defensive: Both subsignals are set to "sell."







Record results, proven growth, untapped potential.







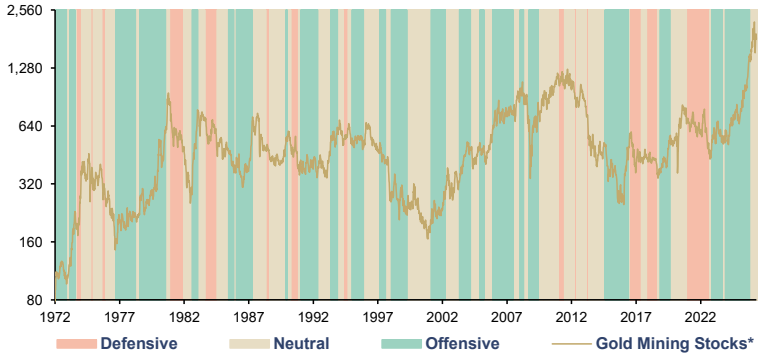


TSX:MSA OTCQX:MNSAF BVC:MINEROS

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Gold Mining Stocks* (log), in USD, and Incrementum Active Aurum Signal, 01/1972–04/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

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Backtest characteristics

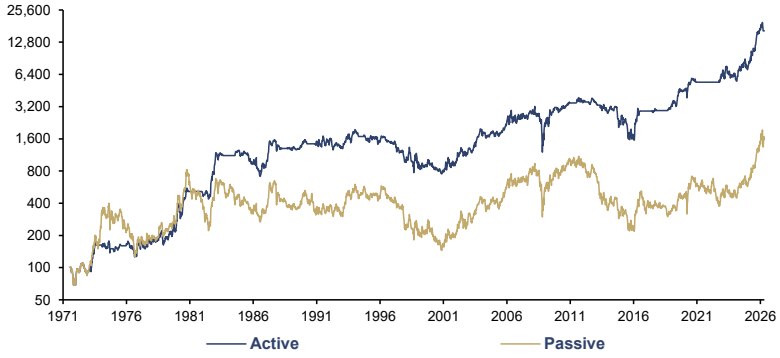
In backtesting since 1971, the *Incrementum Active Aurum Signal* indicates an average of 1.5 signal changes per year. We interpret this value as positive.

A simple backtest strategy using the *Incrementum Active Aurum Signal* can be implemented by investing 100% in gold mining stocks for an aggressive stance, 50% for a neutral signal, and 0% for a defensive signal. For the backtest covering 1971–2005, we used the Barron's Gold Mining Index (BGMI) as the investment instrument, and starting in 2006, the VanEck Gold Miners UCITS ETF (GDX). While the BGMI is the oldest gold mining stock index in the world, the GDX is an investment vehicle in the gold mining sector in which the vast majority of investors globally can invest.

The key question now is: How does the performance of an active gold mining stock strategy using our *Incrementum Active Aurum Signal* compare to a passive strategy – that is, a strategy in which one is always 100% invested in gold mining stocks? **The results speak for themselves.**

> *It is a capital mistake to theorize before one has data.*
> Arthur Conan Doyle

Performance Comparison: Active vs. Passive Gold Mining Stocks Strategy* (log), in USD, 100 = 07/1971, 07/1971–04/2026



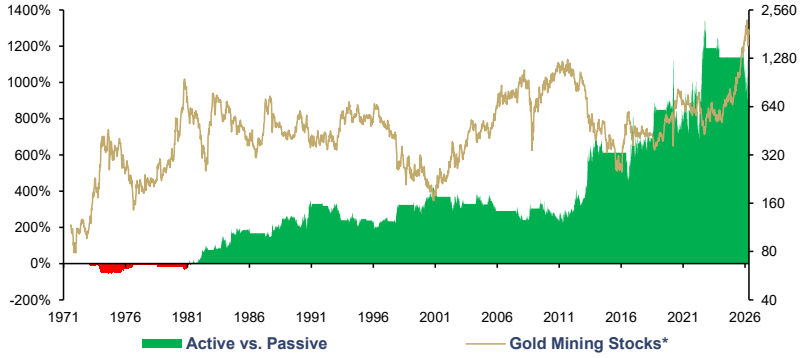
Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

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While a passive strategy has achieved a performance of approximately 1,477% (CAGR of 5.16%) since 1971, the active mining stock strategy achieved a performance of over 16,000% (CAGR of 9.76%). A positive point to note in this context is that the excess return was not achieved due to a short-term outperformance in a brief period, but rather consistently over the entire time horizon. The results of the relative performance backtest are therefore independent of the time period.

> *In God we trust, all others bring data.*
> W. Edwards Deming

Excess Return Active vs. Passive (lhs), and Gold Mining Stocks* (rhs, log), in USD, 07/1971–04/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

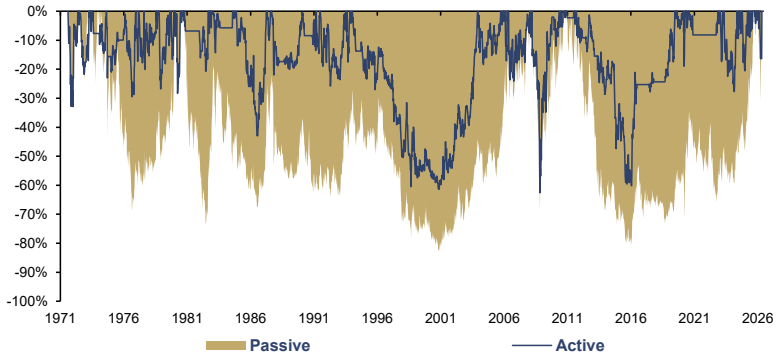
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At the outset, we noted that investing in gold mining stocks may be off-putting to many investors due to their high volatility. Therefore, in the context of the backtest, it is important not only to examine performance but also to analyze risk metrics.

You get volatility in the market because people overreact to news, good or bad. That's where the bargains are.
Peter Lynch

The next chart illustrates the drawdown comparison between a passive mining strategy and an active strategy using the *Incrementum Active Aurum Signal*. The result is clear: The active strategy recorded significantly lower drawdowns. Furthermore, the annualized volatility of the active strategy is 26.05%, which is ten percentage points lower than the volatility of a passive strategy (36.93%).

Drawdown Comparison: Active vs. Passive Gold Mining Stocks Strategy*, 07/1971–04/2026



Source: Nick Laird, LSEG, Incrementum AG
*BGMI = 01/1972–06/2006, GDX = 06/2006–

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The results thus suggest that an active strategy supported by the *Incrementum Active Aurum Signal* is clearly superior to a passive gold mining stock strategy in terms of both performance and risk characteristics.

Gains are overrated. Avoiding loss is underrated.
D. Muthukrishnan

The signal enables an investment process that takes into account not only long-term market cycles but also short-term volatility and trends, in order to better align the portfolio's exposure to gold (and gold mining stocks) with changing market conditions. In backtesting, the *Incrementum Active Aurum Signal* impresses with a clear outperformance relative to a passive mining stock strategy. This is illustrated by the table below, which lists both performance and risk metrics.

Passive vs. Active Mining Stock Strategy, in USD, 07/1971–04/2026

	Passive	Active
Performance	1,477 %	16,279 %
CAGR	5.16 %	9.76 %
Annualized volatility	36.93 %	26.05 %
Sharpe ratio	0.14	0.36
Sortino ratio	0.19	0.46
Omega ratio	1.05	1.17
Skewness	-0.49	0.01
Max DD	-82.53 %	-62.56 %
RoMaD	3.34	8.15

Source: Nick Laird, LSEG, Incrementum AG,
*BGMI = 01/1972–06/2006, GDX = 06/2006–

Current developments of the signal

Following an impressive rally in the precious metals sector, the *Incrementum Active Aurum Signal* initially shifted from *offensive* to *neutral* as of October 10, 2025. This marked the first signal change since live tracking began on January 1, 2024. **During the offensive phase from December 1, 2023, to October 10, 2025, the HUI Index, calculated in USD, recorded an increase of approximately 150%.** The change was based on countercyclical market overheating in the cycle signal, while the fundamental signal remained positive.

I do not play according to a given set of rules; I look for changes in the rules of the game.
George Soros

On March 20, 2026, the shift from neutral to defensive occurred. The trigger for the signal change was the significantly deteriorated market environment in the precious metals sector in the wake of the Iran war, causing the fundamental signal to turn as well. Rising energy prices are fueling new inflation concerns, driving yields higher, and making interest rate expectations more hawkish. At the same time, this creates a challenging combination for gold mining stocks. Furthermore, potential risk-off movements in the stock markets could put additional pressure on mining stocks, as their equity nature makes them sensitive to general market sentiment.

The trick is to win at the slowest speed possible.
Niki Lauda

The current defensive signal should not be interpreted as a structurally negative assessment of gold and mining stocks, nor as a general sell recommendation. Rather, the signal suggests tactically reducing risk exposure in the mining sector in order to be able to act more aggressively again once conditions improve. From today's perspective, the longer-term structural investment case for gold and mining stocks remains intact. **It is precisely in this area of tension that the added value of active management** – which combines strategic convictions with a disciplined, quantitative signal system – becomes apparent.

The topic of getting rich versus staying rich is undervalued because the former can be driven by luck, but the latter is almost pure strategy and tactics.
Morgan Housel

Where Are We in the Cycle? The Three Phases According to Dow and Their Application to the Mining Sector

Charles Dow described the public participation phase as the longest of the three phases of a bull market: increasing public participation, trend-confirming fundamentals, broad-based price increases – and, crucially, a rotation of capital from early-stage to late-stage asset classes. Applied to the mining sector, this means: first royalties & streamers as well as senior producers, then mid-tier, and finally junior explorers.

The public, as a whole, buys at the wrong time and sells at the wrong time.
Charles Dow

Gold mining bull market Dow Theory

Phase	Drivers	Preferred Asset Classes	Market Behavior
Accumulation (Phase 1)	Early smart money buyers, counter-indicator to public opinion	Physical gold, royalty champions; senior producers	Low volume, narrative skepticism
Public Participation (Phase 2)	Trend confirmation, fundamentals improving, generalist allocation returns	Senior Producers → Mid-Tier Producers → Developers	Rising volumes, broad price increases
Distribution (Phase 3)	Smart money sells to late-stage generalist buyers	Mid-Tier Producers → Junior Developers → Pure Explorers	Mania-level volume, parabolic movements, FOMO

Source: Incrementum AG

Where do we stand today? In the midst of the public participation phase. Four empirical indicators paint a consistent picture:

- **The senior producers fired the opening salvo.** The first 18 to 24 months of the bull market clearly belonged to the major cash flow generators – those companies that were able to convert margin expansion most directly into free cash flow.
- **Mid-tier consolidation is in full swing.** Gold M&A transactions reached their highest level since 2010 in 2025, totaling USD 21.2bn across 32 deals. The strategic logic is clear: acquiring reserves through mergers and acquisitions, because greenfield exploration has simply become too slow and too expensive.
- **Junior financing is making a comeback.** After five years of weak capital inflows, which hit a low of USD 10.27bn in 2024, a turnaround is now on the horizon. There has also been significant activity at the lower end of the market in 2025. We have seen the second-best year for financing since 2011. Through early March, 2026 looked set to be a record year, though the crisis in the Middle East has somewhat curbed investors' risk appetite.

The diagnosis is clear. We are neither at the beginning nor the end of the public participation phase, but right in the middle of it. The rotation from seniors to mid-tier producers and developers has begun, but the final, loud wave toward junior explorers is still missing.

Thus, the remaining sweet spot of this bull market clearly lies with mid-tier producers, developers, and high-quality juniors. The senior producer rally from 2024 to 2025 was the opening salvo. The main act – the rotation toward late-stage leveraged classes – is yet to come.

The time lag of gold miners: 1980s vs. 2011 patterns

One of the key timing questions for mining investors is: Does the mining sector peak *before* or *after* the gold price? The historical answer is surprisingly ambiguous, as the last two secular bull markets show an exact mirror-image pattern.

> *The most important thought at the summit is about the way down.*
> Reinhold Messner

1980: Mining Peak AFTER the Gold Peak. Gold reached its then-all-time high of USD 850 on January 21, 1980. The Barron's Gold Mining Index (BGMI) followed nine months later, on October 17, 1980, at around 1,285 points. While gold corrected by 41% between January and April 1980, the BGMI began a six-month rally in April and nearly doubled – even though the gold price had already fallen well below its January high. A textbook example of mania distribution: General investors jump in late and concentrate their purchases on mining stocks because that's where the biggest returns beckon in the final crescendo.

> *Getting to the top is optional. Getting down is mandatory.*
> Ed Viesturs

2011: Mining Stocks Peaked BEFORE Gold. During the 2000s bull market, the pattern was reversed. The HUI hit its all-time high as early as April 2011, at around 638 points. Gold didn't follow suit until five months later, reaching a price of USD 1,921 in September 2011. The miners thus began their bear market while gold was still in its final upward move. The result was brutal: The HUI lost 83% by January 2016, while gold lost "only" 45%.

The two scenarios could hardly be more different. In 1980, the market was dominated by cost-disciplined, debt-free, high-grade producers – South African underground mines and North American Tier-1 projects – that participated in the gold price without leverage. In 2011, by contrast, the industry was deep in a phase of ill-timed mega-acquisitions, extrapolated reserve prices, and runaway capex programs. The margin story was overshadowed by structural balance sheet and governance issues – and the market discounted this discrepancy before the gold price correction even began.

The gold mining sector remains about as popular with investors as a debate on wealth taxes at a private equity conference.

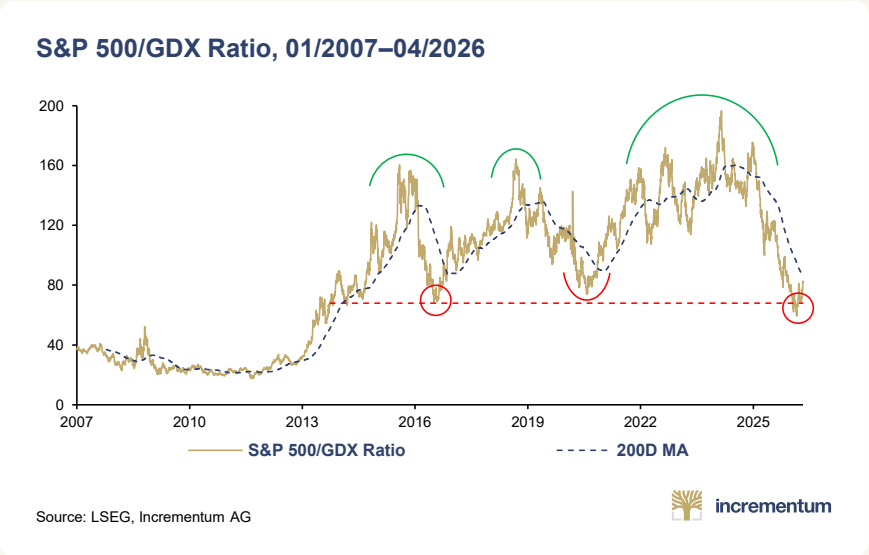
The lesson for today: With net-cash balance sheets, hedging restraint, conservative reserve price assumptions, and strong capital discipline, the mining sector of 2026 structurally resembles the disciplined 1980s setup far more than the overly optimistic 2011 setup. If this parallel holds, miners will not peak before gold, but after it. Even if gold reaches its cyclical peak in the coming quarters, mining outperformance could continue for another six to twelve months – and it was precisely this distribution phase that was the most profitable period of the entire cycle in 1980.

The relative valuation of miners

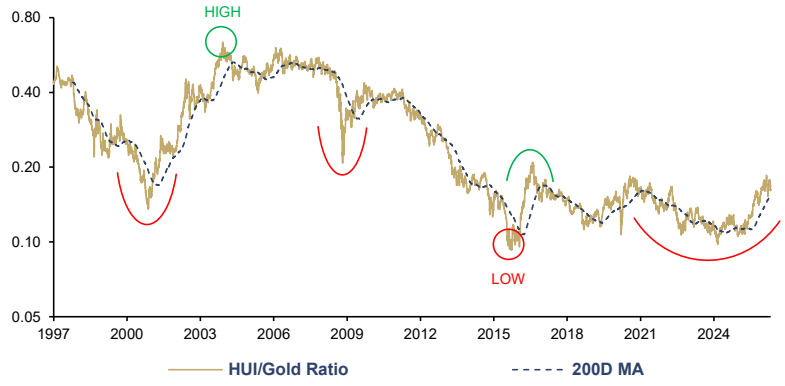
Gold stocks are historically attractively valued, whether measured by net asset value, production, reserves, or book value. But let's now look at the relative valuation of mining stocks.

> *The best investments are usually made when you feel most uncomfortable about making them.*
> Stanley Druckenmiller

The first chart illustrates the relative strength of gold mining stocks compared to the S&P 500. After years of relentless underperformance, the miners have regained the initiative since early 2025 and pushed the ratio down to around 76 – a level last seen in early 2016. The ratio is now trading well below its 200-day moving average. Nevertheless, we are still far from the historical extreme: At the end of the last major gold cycle, the ratio bottomed out at 18.

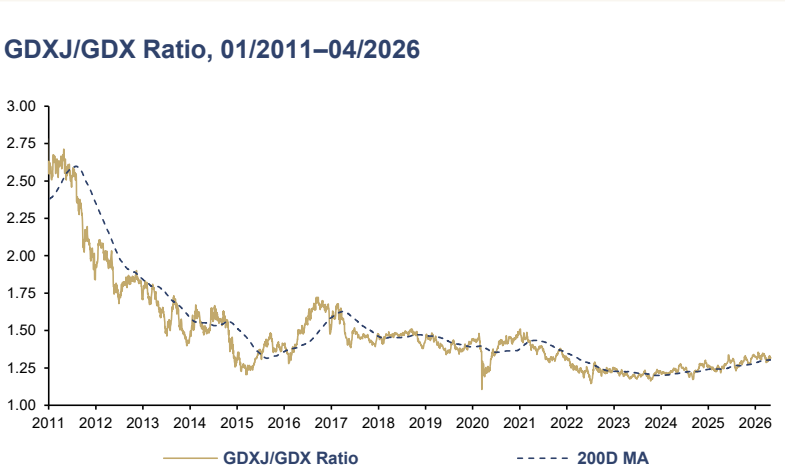


The HUI/gold ratio paints a remarkable picture: Currently at around 0.11, it is trading well below the long-term average of 0.28. To put this in context: At its peak, the ratio stood at 0.64, and at its 2015 low around 0.10 – so we are currently near the low point. A simple mean reversion to the historical average would imply a doubling of the relative valuation; a rise to the previous high would imply a sixfold increase. Despite record free cash flows, net cash balance sheets, and a 6.5-fold expansion in margins since 2015, the market continues to price miners as if the last decade had never happened.



One of the things I have learned as a portfolio manager – perhaps the hardest thing to do as a PM – is to do nothing.
Steve Eisman

While senior producers (GDX) have rallied massively in recent quarters, junior miners (GDXJ) are still lagging behind their big brothers. The GDXJ/GDX ratio is trading at around 1.30, near its structural low – almost 50% below the level at the start of the observation period in 2011. Since 2024, however, a cautious trend reversal has emerged: The juniors are slowly gaining relative strength. As we transition into the public participation phase, the structural underweighting of the juniors is thus what it historically tends to be: a setup for disproportionate catch-up rallies.



Conclusion: Bull Market, Not a Bubble

Last year, in the chapter "Performance Gold – Is It Time for Mining Stocks?", we wrote:

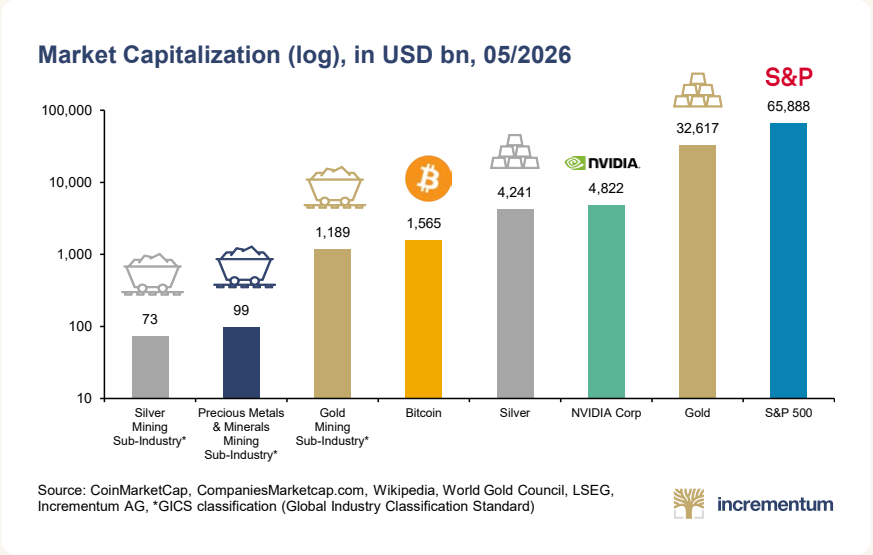
> *...we expect mining stocks – and their shareholders – to reap a rich harvest over the next few years after a grueling dry spell. However, it is now up to the sector to deliver on the promises made in recent years and build new investor confidence.*

This has come to pass and has rewarded patient investors with substantial price gains.

The industry has learned from the trauma of the last cycle – McKinsey estimates the value destruction from 2003–2012 at around USD 500bn, primarily due to top-of-the-market acquisitions and oversized capex programs. This time is different. Where greenfield gigantism, balance sheet leverage, and double-digit shareholder dilution used to be

the order of the day, operational efficiency, solid balance sheets, and transparent dividend policies now reign supreme. What looks like a consolidation boom is, in reality, the rational response to a secular shortage of reserves: Incremental, capital-efficient ounces beat the spectacular greenfield bet as a growth strategy.

The aggregate figures speak for themselves. The top 10 precious metal producers tripled their free cash flow within a year – from around 9bn (2024) to just under 27bn (2025). With an expected AISC margin of around USD 3,000 per ounce – a historic level of profitability. The margin leverage, which the GDX profitability chart has already made visible, translates directly into free cash flow. Despite this profitability, the sector remains a minnow in absolute terms.



Added to this is a hidden option right. While reserve prices in the planning models have been raised – senior companies are counting on around USD 1,760 per ounce, intermediates on USD 1,840 per ounce – both figures are dramatically below the 2025 spot average of around USD 3,432 per ounce. What looks like caution is in fact a massive call option on higher gold prices: If the spot price continues to rise, millions of ounces will move from the resource to the reserve category – without a single additional meter of drilling being required.

So the question is no longer whether the industry can deliver. It is delivering. The only question now is when the market will take note. Because despite its spectacular performance, the gold mining sector remains about as popular with investors as a debate on wealth taxes at a private equity conference.

In our view, a balanced allocation in a mid-to-late bull market would include the following breakdown:

- 40–50% royalty and senior producers – stable cash flow core
- 30–35% mid-tier producers – the sweet spot of the phase 2b/2c
- 15–20% junior developers in Tier 1 jurisdictions – asymmetric upside
- 5–10% speculative explorers – highest leverage, highest risk

This allocation combines cash flow stability with asymmetric upside potential.

Sir John Templeton's famous dictum goes: "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." Applying this litmus test to today's mining sector, the diagnosis is clear: We are far from euphoria. Generalist allocation remains marginal, institutional positioning defensive; no mining CEO has graced a *Time* cover yet. At cocktail parties, people talk about AI – not gold mines.

Bull market, not bubble. ■

ENDEAVOUR MINING

LSE:EDV
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GROWING PRODUCTION, STRONG CASHFLOW AND ATTRACTIVE SHAREHOLDER RETURNS

GROWTH

Tier One

Assafou project DFS defines our lowest cost and longest life mine

+27%

Group production growth to 1.5Moz at first-quartile AISC by 2030

RETURNS

+$1b

Minimum dividend over 2026-28

+$2b[1]

Shareholder returns



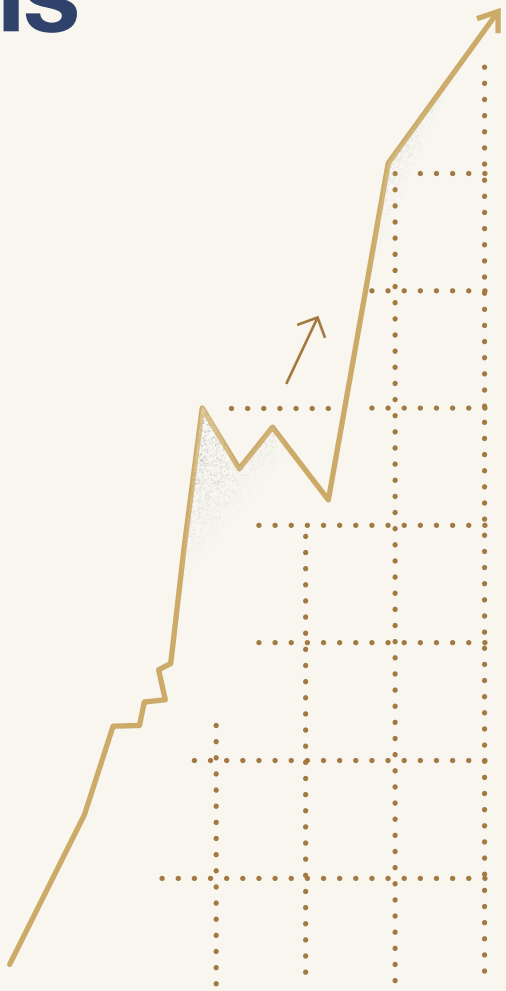
Invest in a top 10 pure gold producer delivering sector-leading organic growth and sector-leading shareholder returns

1 The minimum dividend is expected to be paid semi-annually, provided that the prevailing realised gold price for the dividend period is at or above $3,000/oz, and the Company's leverage remains below its long term target of 0.50x net debt / Adjusted EBITDA (LTM). Supplemental dividends and share buybacks are expected to be paid, if the gold price exceeds $3,000/oz and if the Company's leverage remains below its long term target of 0.50x net debt / Adjusted EBITDA (LTM).

Find out more about our attractive shareholder returns program at

endeavourmining.com/investors

Technical Analysis



Key Takeaways

- The secular bull gold market remains intact. The parabolic rally to the all-time high of USD 5,589 and the subsequent sharp correction to USD 4,098 are part of a healthy consolidation pattern.
- Analyst consensus remains a reliable contrarian indicator: While the forward curve points to USD 5,556 by 2030, sell-side analysts collectively forecast a bear market – with a median price of USD 3,405. For silver, the spread is even more extreme at nearly 45%.
- Seasonality in midterm election years calls for patience: The seasonal weakness in the summer is statistically particularly pronounced in midterm election years. The five seasonality patterns compiled by Seasonax – for gold, silver, HUI, DXY, and ratio comparison – provide clear evidence of this.
- Sentiment is surprisingly neutral despite record prices: The Gold Optix stands at 59, the Silver Optix at 60, and the GDX Optix deep in bearish territory at 14 – no signs of exuberant euphoria anywhere.
- The Midas Touch Gold Model™ has been at neutral since May 7. Two scenarios: an erratic summer range between the 50-day and rising 200-day moving averages (USD 4,309) – or, now somewhat more likely, a retake of the 50-day moving average with a run toward USD 5,000 and a possible summer rally to USD 5,297.
- Gold should take a breather in the short term, trend higher in the medium term, and be back to the center of the monetary system in the long term: Through early summer, we expect a volatile sideways movement in the range of USD 4,500–4,950.

A chart tells you what has happened. A great chart tells you what is happening. A masterful chart whispers what will happen.

Brian Shannon

Following our comprehensive macroeconomic and fundamental analysis, we now turn to the technical analysis of the gold price. Last year, when gold was trading at around USD 3,200, we wrote in the chapter "Technical Analysis",

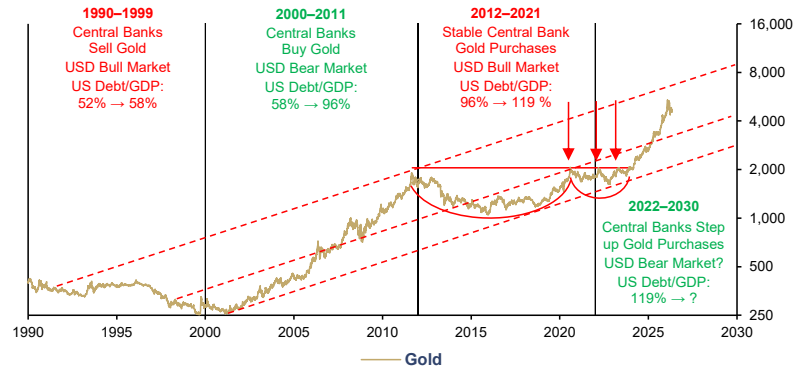
> *As the year progresses, we would not be surprised to see the gold rally continue, reaching new all-time highs above USD 4,000. In fact, the upward trend in the gold market – similar to the period between 1976 and 1980 – is likely to accelerate rapidly in the coming months and years, especially as many underinvested investors worldwide continue to jump on the bandwagon.*

This technical assessment proved to be correct – in fact, we were too conservative in our assessment.

The trend is your friend until the end when it bends.
Ed Seykota

What is our current technical assessment of the gold price? The following logarithmically scaled chart shows the long-term cup-and-handle formation, which has since broken out to the upside. After consolidating sideways from August 2020 to February 2024, the gold price in US dollars has clearly entered a new, expansionary phase of the secular bull market. **The upper boundary of the long-term trend channel currently lies in the range of around USD 6,000, while the lower boundary is around USD 4,200.** The sharp pullback in February 2026 tested the trend channel on the downside – and thus impressively confirmed the trend's strength.

Gold (log), in USD, 01/1990–04/2026



Source: LSEG, Incrementum AG

incrementum

For a longer-term assessment, we are once again using the Coppock indicator.[1] The advantage of this indicator is that it reliably identifies major trend reversals. The Coppock indicator remains at a buy signal, though it has formed a divergence from the price. The KST[2], on the other hand, had already turned impulsively upward in 2024 and continues to send a buy signal.

The best bulls in the rodeo are unpredictable. Trying to outsmart them can lead cowboys to outsmart themselves.
Ty Murray

Gold, in USD, 09/2003–05/2026



Source: Tradingview, Incrementum AG

Let us now take a look at market sentiment. Naturally, as a bull market continues, analysts become increasingly optimistic – and vice versa. A look at the current Bloomberg consensus is therefore more than just a snapshot of the current situation; it is a lesson in procyclical thinking. Looking at the consensus forecasts, the median gold price expected for the end of 2026 is USD 4,775, which effectively represents a continuation of the sideways movement around current levels. Incidentally, exactly one year ago, the analyst community's median price target for the end of 2025 was USD 3,007.

It is impossible to achieve superior performance unless you do something different from the majority.
Sir John Templeton

1 Specifically, these are two time-weighted momentum curves that are added together, and whose long-term moving average represents the Coppock line. We use a slightly modified Coppock with slightly longer periods.
2 Martin Pring's "Know Sure Thing" (KST) indicator measures the price momentum of four different price cycles.

The one who follows the crowd will usually get no further than the crowd. The one who walks alone is likely to find himself in places no one has ever been.
Albert Einstein

The median price targets for the following years read like a package insert for the procyclical forecasting culture: USD 4,700 (2027), USD 4,150 (2028), USD 3,775 (2029), and USD 3,405 (2030). In effect, the analyst community expects a bear market totaling over USD 1,300, or roughly 28%, by the end of the decade.

Bloomberg: Analyst Consensus for Gold, 2026–2030

Gold $/t oz | Browse | As Of 04/27/26 | Ticker Type Actual
Overview | Curve Analysis | Histogram | Ranking
Quarterly Forecast | Yearly Forecast | Quarterly and Yearly Forecast
Firms: Standard | Custom Rank: All Updated: Last 6 Months

Consensus	Spot	As Of	2026	2027	2028	2029	2030
Median		04/24/26	4775	4700	4150	3775	3405
Mean		04/24/26	4772	4722	4231	3984	3562
High		04/24/26	5651	6550	5250	5300	4849
Low		04/24/26	4225	3575	3100	2883	2750
Forward	4722	04/27/26	4797	4952	5177	5381	5506
Diff (Median - Curr)			-22	-252	-1027	-1606	-2102

Source: Bloomberg

The divergence from the forward curve is particularly revealing. While futures market prices imply a continuous rise to USD 5,556 by 2030 – driven by real interest rates, storage costs, and financing costs – analysts see the price more than USD 2,100 lower. **Anyone who believes the analysts is therefore implicitly believing that the forward curve is mispriced by nearly 39**%. That is a bold bet against the market itself.

To be a perfect member of a flock of sheep, one must, above all, be a sheep.
Albert Einstein

A similar picture emerges for silver. A median price of USD 75 is expected by the end of 2026. Subsequently, the price is projected to gradually fall to USD 65 (2027), USD 60 (2028), USD 52 (2029), and finally USD 48 per ounce (2030). In effect, the sell side projects silver 37% lower by the end of the decade — in a market that has posted a structural supply deficit every single year since 2021.

What's particularly telling: The silver forward curve sees things exactly the opposite way. It rises gradually from USD 79.56 (2026) to USD 87.49 by 2030 – an implied difference from the median by year-end 2030 of USD 39.49, or nearly 45%. **So anyone following the Bloomberg consensus is implicitly betting that futures market prices are massively mispriced**.

A bubble is a bull market in which the user of the word "bubble" has not fully participated.
Jim Grant

However, the consensus is no longer truly meaningful, as the number of active coverages by banks has declined significantly in recent years. **This confirms our hypothesis that silver remains as popular in the financial sector as a Bitcoin maximalist at an ECB press conference.**

Bloomberg: Analyst Consensus for Silver: 2026–2030

Silver $/t oz | Browse | As Of 04/27/26 | Ticker Type Actual
Overview | Curve Analysis | Histogram | Ranking
Quarterly Forecast | Yearly Forecast | Quarterly and Yearly Forecast
Firms: Standard | Custom Rank: All Updated: Last 6 Months

Consensus	Spot	As Of	2026	2027	2028	2029	2030
Median		04/24/26	75.00	65.00	60.00	52.30	48.12
Mean		04/24/26	72.60	67.51	57.49	53.84	49.61
High		04/24/26	90.00	95.00	81.22	78.19	71.60
Low		04/24/26	48.29	48.58	35.00	37.60	34.00
Forward	76.30	04/27/26	79.56	79.97	83.17	86.67	87.49
Diff (Median - Curr)			-4.56	-14.97	-23.17	-34.38	-39.37

Source: Bloomberg

Be careful when you follow the masses. Sometimes the "m" is silent.
Unknown

One of our favorite sentiment indicators is the Optix Index from SentimenTrader. It tracks the most common sentiment indicators as well as data from the futures and options markets. The logic underlying this barometer is remarkably simple. When public opinion forms a strong consensus, this broad consensus serves as a good contrarian indicator. The market is usually too bullish when prices have already risen and too bearish when they have already fallen. When the Optix Index rises above the red dotted line at 75 points, it's time to be more cautious. If it stands at 30 points or below, however, sentiment is markedly pessimistic and downside risk is limited.

The Optix for gold is currently trading at 59. After several attempts to reach 80 in recent months, this is a first sign that the market is taking a breather following the spectacular rally. **Consolidation is not only normal but healthy.**

But the bigger picture matters: Since the Optix hit a low of 20 points at the end of 2022, which coincided exactly with the low in the gold price, the gold price has nearly tripled. Yet a classic euphoria peak with sustained values above 90 has not materialized so far. Secular bull markets do not end with a polite shrug, but with investors dancing on tables. We are still a long way from that.

Optix Indicator and Gold Price, 2016–2026

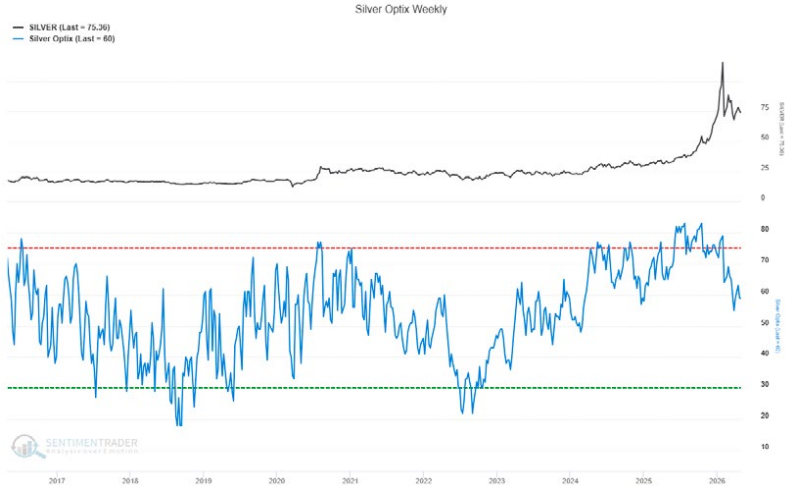


Source: Sentimentrader.com

The Optix Index for silver is also trading at 60, meaning it is also in neutral territory. Regarding sentiment in the silver sector, we once wrote: "For silver, the party doesn't seem to have really started yet, although the guests are slowly arriving." Despite interim new all-time highs, the mood is more like that of an art opening – some guests have left in frustration because they had expected even more spectacular price gains, while others are bothered by the high volatility. From a contrarian perspective, this is precisely what is remarkable. The truly hot phases of secular silver bull markets look different. **Anyone who was there in 1980 or 2011 knows: The real silver mania is yet to come.**

> *Much of investing is about avoiding FOMO buying and panic selling.*
>
> Naval

Optix Indicator and Silver Price, 2016–2026

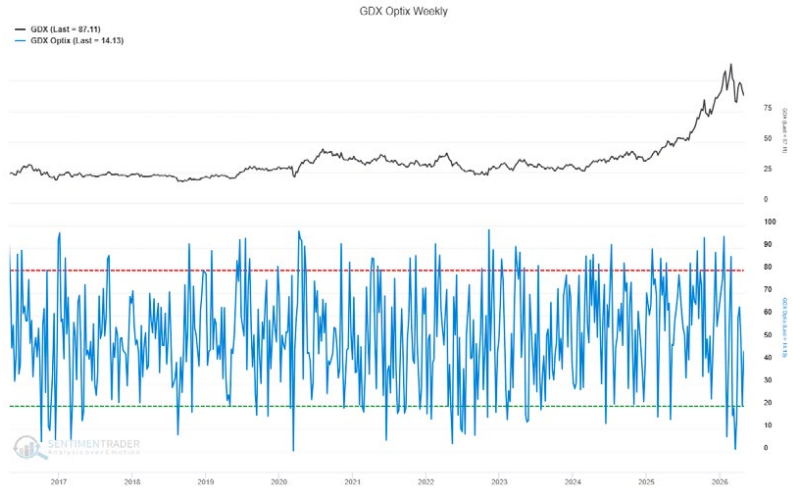


Source: Sentimentrader.com

Sentiment volatility in mining stocks mirrors that of a teenage household – swinging between despair, panic, and euphoria within moments.

Finally, when we look at the sentiment among mining investors, there is no sign of exuberant euphoria here either – quite the opposite. The GDX Optix currently stands at 14, deep in bearish territory, even after the GDX has multiplied since 2022. **Sentiment volatility here mirrors that of a teenage household – within moments, the indicator swings between despair, panic, and euphoria.**

Optix Indicator and GDX, 2016–2026



Source: Sentimentrader.com

A look at the Commitments of Traders report also supports our assessment. As of April 28, 2026, the speculative net long positions of non-commercials stood at around 160,000 contracts – a thoroughly constructive but by no means euphoric level. To put this in context: During the classic sentiment peaks of recent years, figures exceeding the 280,000-contract mark were reached. So today, speculators are positioned at only about half the level of bullishness seen during periods of market excess.

> *The market is a pendulum that forever swings between unsustainable optimism and unjustified pessimism.*
> Benjamin Graham

The behavior of the commercials is particularly noteworthy. This group, considered "smart money," reduced its short positions by 3,835 contracts during the recent correction phase while simultaneously increasing its long positions by 4,292 contracts. The commercials' net short position thus fell by over 8,000 contracts within a single reporting week – a traditionally constructive signal. In other words: Those who know the business best are buying boldly on the dip, while the speculators are frozen in shock and reducing their net long positions. The fact that small speculators (*"small specs"*) are also reducing their long positions during this phase rounds out the contrarian picture.

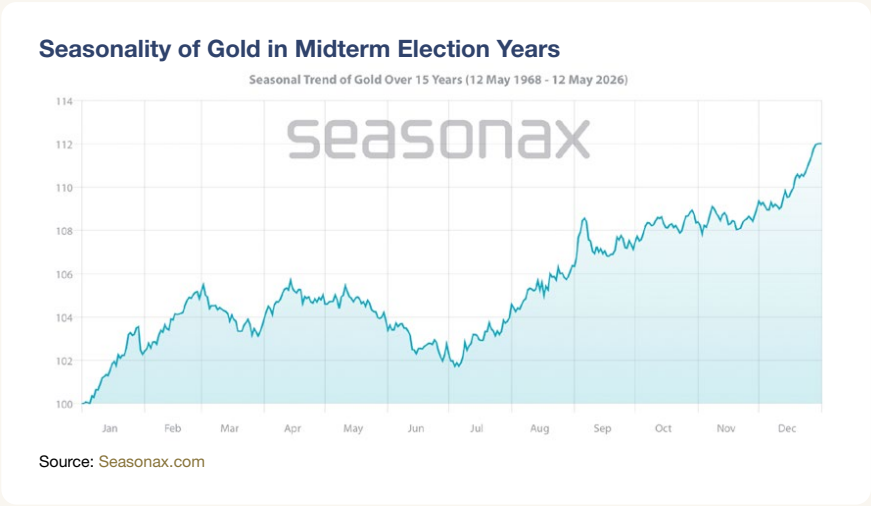
The open interest of 369,530 contracts is also well below the levels we would see at secular highs. This constellation is atypical for a market top. At secular tops, speculators are traditionally "all in," commercials are maximally short, and open interest is at record levels. We are currently as far from that as Jerome Powell is from an invitation to Mar-a-Lago. **The CoT report sends no warning signals – on the contrary, it attests to the market's remarkable resilience, which simply does not fit with the apocalyptic headlines the tabloid financial press has been running for weeks.**

> *I have seen the future and it is very much like the present, only longer.*
> Kehlog Albran

This year, too, we want to take a brief look at seasonal patterns.[3] 2026 is a US midterm election year. The statistical peculiarities of these years are as remarkable as they are underestimated.

3 The seasonal charts were provided to us by our friends at www.seasonax.com.

Let's start with gold itself. The first chart shows gold's seasonal performance in midterm election years since 1968. The pattern is strikingly clear: A solid rise in the first quarter is typically followed by a pronounced consolidation phase from April through early July. From mid-July onward, a strong second half of the year sets in, implying a rise of around +12% by year-end compared to the start of the year.

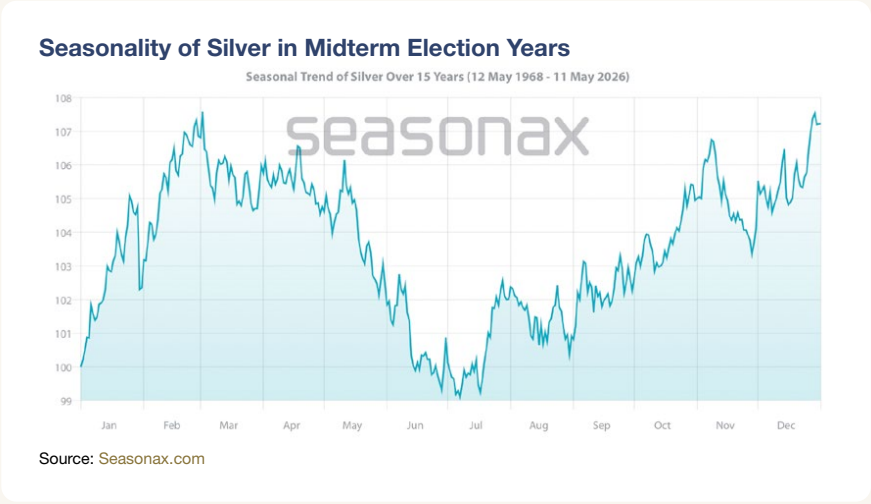


Source: Seasonax.com

What does this mean for the coming months? The historical period of weakness in May and June could also manifest itself in 2026. The most likely scenario for the next two to three months is therefore a consolidation in the range of USD 4,500 to USD 4,900, before the next upward wave could begin in July/August.

> *Opportunity comes to those who are patient and who can write a big check.*
> Seymour Schulich

Silver exhibits a significantly more volatile seasonal pattern. The chart below illustrates that in midterm election years, silver experiences an extremely strong rally through February, followed by a steady period of weakness that typically reaches its low point in mid-July. The subsequent recovery through the end of the year tends to be more volatile than for gold.



Source: Seasonax.com

Noteworthy is the correlation with actual performance in 2025/2026. The spectacular rise to USD 113.17 in January corresponded – albeit in a significantly exaggerated form – to the typical seasonal pattern. The subsequent correction to around USD 65 and the current consolidation in the USD 70–80 range also fit the seasonal script. We would expect that the key question for silver is not whether, but when a sustained breakout will occur – from a seasonal perspective, late summer would be the most likely time.

> *I've always said, the key organ here isn't the brain, it's the stomach.*
> Peter Lynch

Let us now take a look at the performance of mining stocks in midterm election years. The chart below shows the NYSE Arca Gold Bugs Index (HUI) relative to the 15-year average of past midterm election cycles. The pattern is surprisingly pronounced: A spectacular spring rally (February through mid-April) to a seasonal high is followed by an unusually deep and protracted correction phase that does not bottom out until October/November. The second half of the year is thus statistically significantly weaker for mining stocks in midterm election years than for gold itself.

Seasonality of the NYSE Arca Gold Bugs Index in Midterm Election Years



Source: Seasonax.com

In a world where all paper currencies are toilet tissue, at least the dollar was double-ply.
Thomas Kaplan

The seasonal weakness of the dollar starting in mid-year is the fundamental driver behind the seasonal strength of gold starting in July/August. Should this pattern repeat itself in 2026, it would significantly strengthen the seasonal tailwind for gold in the second half of the year.

Seasonality of the US Dollar Index (DXY) in Midterm Election Years

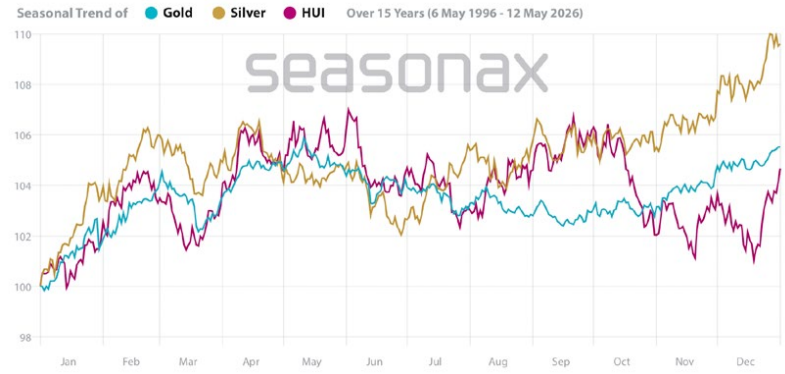


Source: Seasonax.com

The two most powerful warriors are patience and time.
Leo Tolstoy

The fifth and final seasonality chart shows the seasonal performance of gold (gold), silver (blue), and the HUI (pink) in a direct comparison. The chart illustrates the distinct movement patterns at a glance: Gold is the relatively uneventful but reliable performer with the clearest upward trend in the second half of the year. Silver shows early strength and a late recovery. Mining stocks perform relatively strongly in the spring, then correct sharply and do not find their bottom until October.

Seasonality Comparison of Gold, Silver, and the HUI in Midterm Election Years



Source: Seasonax.com

Combining these five charts yields a consistent tactical scenario. A consolidation or correction phase appears likely through July, with silver likely to bottom earliest. Starting in August/September, a strong upward wave should begin – supported by seasonal dollar weakness. Mining stocks are likely to establish themselves as top performers only starting in November, once the seasonal weakness phase has been overcome and the operational leverage from higher gold prices kicks in.

The Midas Touch Gold Model™[4]

As usual, we would like to present you with an up-to-date overview of the Midas Touch Gold Model™ and Florian Grummes' short- to medium-term outlook. The Midas Touch Gold Model examines the gold market from various perspectives with a rational and holistic approach, standing out for its versatility and quantitative measurability. Despite the abundance of data, the model succeeds in presenting a comprehensive and in-depth analysis clearly and concisely in a table, allowing for precise conclusions to be drawn.

> *When gold speaks, all other speech is in vain.*
> Latin proverb

Gold in USD (Monthly Chart), 01/2000–04/2026



Source: Midas Touch Consulting, Tradingview

4 We would like to thank Florian Grummes for this discussion. Florian is the founder and managing director of Midas Touch Consulting. Our readers can sign up for free updates and the accompanying newsletter at the following link: http://eepurl.com/ccKg2r.

From a double top at USD 4,380 to an all-time high at USD 5,602 – and then a 21.4% collapse in three trading days. The Midas Touch Gold Model™ tracked both the acceleration and the exhaustion in real time.

In the *In Gold We Trust* report 2025 "The Big Long", we interpreted the sharp pullback from the then-recent all-time high of USD 3,500 as the beginning of a demanding consolidation phase at elevated levels. At the same time, we considered a sustained decline below the psychologically important USD 3,000 mark unlikely. In addition, we outlined an acceleration of the upward move for late summer and defined price targets in the USD 4,000 and USD 5,000 range. In retrospect, these assessments have been confirmed in full – most notably, silver far exceeded our expectations.

> *Whoever wishes to win in this game must have patience and money, since the values are so little constant and the rumors so little founded on truth.*
> Joseph de la Vega

However, the high-level consolidation in the gold market dragged on stubbornly into the final weeks of August 2025. For around four months, gold traded – quite typically – in a triangle formation, with the bulls repeatedly failing at the USD 3,450 level.

Only from August 20, 2025 onward did buyers decisively force a breakout from this formation. From that point on, there was hardly any meaningful resistance: prices surged for eight weeks and reached a double top around USD 4,380 in mid-October 2025. At the same time, silver managed to break through the decades-long resistance at USD 50 and subsequently rallied to USD 54.48.

> *I've seen gluts not followed by shortages, but I've never seen a shortage not followed by a glut.*
> Nassim Taleb

The heavily overbought market then forced another sharp correction in mid-October. While gold bulls had already been surprised in spring by a drop of around USD 250 within nine trading days, this time the correction was much more severe: within just six sessions, gold lost nearly USD 500. The low at USD 3,886 on October 28, 2025, however, already marked the turning point. After several weeks of sideways consolidation, gold, supported by the extraordinary momentum in the silver market, broke out of the next consolidation pattern in mid-December 2025 at around USD 4,250.

That said, the path toward USD 5,000 was still not clear. In thin holiday trading, just before year-end, gold was unexpectedly pushed down by around USD 275 in only two days, to USD 4,275. The bulls, however, were not discouraged and regained control right at the start of the new trading year.

What followed was a dramatic sequence of events: while silver continued to surge relentlessly and rallied in a spectacular, albeit highly parabolic, move to USD 121.64, gold joined the advance with a powerful final rally. Starting from the beginning of the year at USD 4,322, gold posted strong gains throughout January and ultimately marked a new all-time high of USD 5,602 on January 29, a level that still stands today.

> *At some point in every investor's career, gold steals their soul.*
> Harris Kupperman

In that final week of January, the first reversal signal in silver already put us on high alert: on Monday evening, silver abruptly plunged within just four hours from USD 117.73 to USD 101.92, a drop of 13.4%. Although prices quickly stabilized and then rose again to a new high of USD 121.67 by the following Thursday, the previously dynamic uptrend had already suffered its first visible crack.

On that same Thursday, January 29, gold marked its new all-time high of USD 5,602 right at the opening of trading. A few hours later, it printed a slightly lower high of USD 5,595. Given the spectacular gains and the extremely overheated market backdrop, profit-taking quickly set in and turned on Friday into an unusually sharp selloff. By the following Monday morning, gold had fallen by nearly USD 1,200, or 21.4%, and only found support around USD 4,400. In hindsight, this dramatic drop inflicted enough damage to break and end the previous roughly three-month parabolic advance.

Gold has remained in that correction phase ever since, which at the time began with a slightly lower high. From the selloff low at USD 4,400, the bulls managed a volatile but ultimately impressive recovery throughout February back above the psychologically important USD 5,000 level.

The American-Israeli attack on Iran briefly pushed gold up to USD 5,419 on March 2. However, the bulls ran out of steam in that region, and over the following three weeks, amid the dramatic escalation in the Middle East, gold suffered another sharp selloff of around 24.3%. This second downward wave finally ended, for the time being, at USD 4,099.

Two scenarios for the summer: a sideways range between USD 4,309 and USD 4,780, or a reclaim of the 50-day line and a path to USD 5,000. The Midas Touch Gold Model™ now reads the second as slightly more probable.

Over the next three and a half weeks, another recovery move took hold. The subsequent high in mid-April at USD 4,891, however, failed not only at the 50-day moving average but also remained well below the previous recovery high from early March. Together with the lower low at USD 4,099, a clearly defined downward trend channel has now formed in the gold market. Against this backdrop, the bears gained confidence and from April 17th gradually increased selling pressure and short positions again. Yet the heavily oversold market structure, together with fresh ceasefire announcements following the Fed's interest-rate decision, triggered a pronounced short squeeze, sending gold up by +5.86% from USD 4,501 to USD 4,764 in just three trading days.

The one eternal aspect of every market top is that it occurs before we're ready for it.
Justin Mamis

That brings us to the present. The bulls successfully repelled the bears' attack over the past trading week and initiated a clear recovery. Although the move has not yet been enough to reclaim the 50-day moving average, the likelihood of an initial higher low at USD 4,501 has increased significantly. That would mean the downtrend of the past three and a half months has, for the time being, been halted. If the recovery continues in the coming days and weeks and carries gold back above the 50-day line toward the USD 5,000 mark, this could be interpreted as an ongoing base-building process. In that case, the odds of a summer rally toward and above USD 5,000 would rise noticeably.

Nothing moves in a straight line is the point. But picking bottoms is best left to the proctologists.
Dave Rosenberg

Despite the recent rebound, gold's underlying weakness remains visible. Little of the bullish momentum of the past two and a half years is currently left, as intraday gains are rarely sustained until the close. Reclaiming the 50-day moving average, currently at USD 4,780, therefore remains essential. Should gold fail again at this closely watched average, the rapidly rising 200-day moving average, currently at USD 4,309, would likely come into focus as the next downside target. In that case, the correction could deepen significantly and, above all, last much longer.

Overall, gold therefore still looks somewhat damaged from a tactical perspective. The American-Israeli attack ultimately led less to a regime change in Iran than to a tectonic shift in the commodity sector: oil broke decisively upward out of its three-and-a-half-year consolidation wedge and rallied dynamically to nearly USD 120, reaching the 0.382 trend extension of the preceding recovery move. Precious metals, by contrast, came under greater downward pressure over the past two months, as they had entered the Iran crisis in a markedly overbought state after their historic rally.

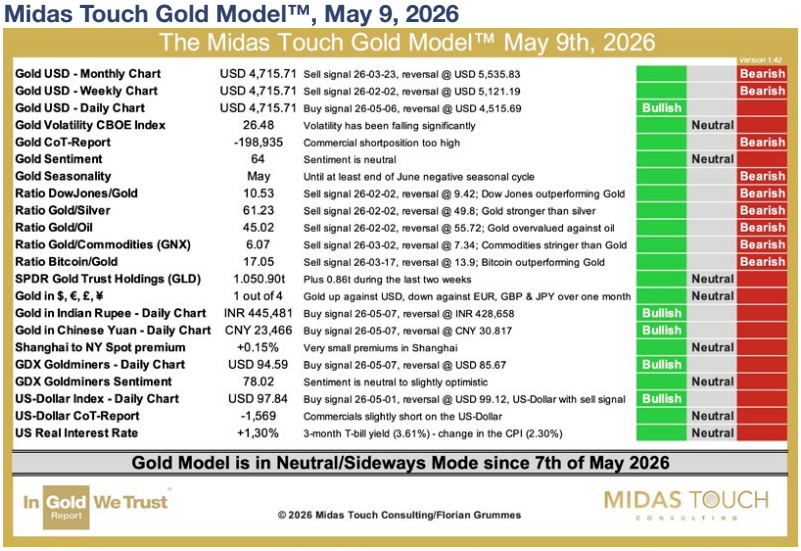
Charts don't predict the future, they tell you where the crowd has been.
Michael Steinhardt

From both a technical and sentiment perspective, signs are accumulating that the oil rally may continue. The monthly stochastic has generated a clear buy signal for oil, while the current uptrend in the energy sector still appears to be in an early stage. There is, at least for now, no sign of euphoria or excessive extension. Regardless of possible short-term consolidations, the overall technical picture for oil remains constructive. The next target is the upper boundary of the long-term downtrend channel in the USD 120 to USD 125 area. Above that lie the next trend extension around USD 140, as well as a measured move derived from the consolidation flag in the USD 140 to USD 145 area.

Gold is the final court of confidence.
Proverb

Gold, by contrast, is currently simply facing the fact that the spotlight is on other asset classes and other parts of the commodity sector. Even so, the broader secular uptrend in the gold market remains intact and unbroken despite the ongoing consolidation.

Midas Touch Gold Model™, May 9, 2026



Source: Midas Touch Consulting, Tradingview

The ball is round so that the game can change direction.
Sepp Herberger

The Midas Touch Gold Model™ is in neutral mode since May 7. The very heavy USD 1,200 selloff within just two days triggered an abrupt shift in sentiment in early February and a broad 180-degree turn in numerous model components. After three months in bearish mode, the model finally turned neutral again on 7 May 2026, significantly increasing the chances of an ongoing base formation.

The new buy signals on the daily charts for gold (USD, INR, CNY), the GDX, and the US Dollar Index have just in time blunted the bears' attacks.

Overall, the following conclusions can currently be drawn from the Midas Touch Gold Model™:

- **In the broader picture, the sell signal on the monthly chart still carries significant weight.** Gold would currently need to rise above USD 5,535 to turn this signal positive again. That would likely require considerable time, strength, and patience. A swift return to the parabolic advances therefore appears highly unlikely. A prolonged consolidation phase in the gold market, potentially lasting until the end of 2026, is more probable.
- **Even the weekly chart still requires a clear rise above USD 5,121 before its signal can turn green again.** Although the correction phase had already pushed the weekly stochastic down to its lowest level since autumn 2023, the momentum oscillator has not yet reached its oversold zone. Only when the stochastic clearly turns upward out of oversold territory would a sustainable new uptrend be expected.
- Sentiment, as measured by the Gold Optix, remains neutral. Since mid-2024, market sentiment had been characterized by growing euphoria, interrupted by four brief but sharp pullbacks that each helped cool the market and extend the advance. However, the decline since late January has broken this pattern, as the Optix sentiment index fell in March to its lowest level since February 2024. There is still a risk that the pendulum could now swing to the other extreme – fear and panic – in order to fully cleanse sentiment in the gold market. Ideally, the Optix would stabilize above 50, from where optimism could gradually rebuild as prices rise again.
- **Seasonally, the high for this year was reached unusually early.** Accordingly, the typical early-summer low may already have been set in early May. Even so, the seasonal pattern currently calls for caution, restraint, and patience, as the precious-metals sector is statistically in a less favorable phase during spring.

- **The gold/silver ratio turned precisely at 43.57 on the lower boundary of the major downtrend channel originating from the March 2020 COVID crash.** After a nine-month decline from 107 to 43.57, the current counter-move likely implies not only a relatively weak silver performance, but also a move that will take considerably more time. A prolonged consolidation or countertrend move could theoretically push the ratio back toward 82. At the same time, we believe that the secular bull market could by no means have ended with a gold/silver ratio of 43.
- **With a gold/oil-ratio of 45, gold still looks expensive relative to oil in long-term comparison.** The historical average is roughly 17 barrels of oil per ounce of gold, well below the current level. Rising oil prices can support gold through inflation and crisis expectations, but they also increase the costs of gold producers. More expensive energy, transport, and extraction pressure margins unless the gold price rises by a similar amount.
- **The so-called Shanghai premium, currently at 0.15%, has almost completely disappeared during the correction.** This suggests that the Chinese market is currently signaling neither strong physical demand nor supply tightness. Over the past twelve months, this premium has fluctuated much more widely and at times stood around USD 40 per ounce above the global market price. The current development points to normalization – driven by improved import supply, weaker local demand, or easing buying pressure – after the market had previously been distorted by strong physical buying, import quotas, currency moves, and geopolitical uncertainty. The situation in silver, however, is different: despite the correction since late January, premiums in China have remained very high and are trading at a 13.8% premium to LBMA prices.
- **The US real yield is slightly positive and is not really supporting gold at the moment.** The simplified calculation – 3.61% T-bill yield minus 2.3% inflation change – has recently fallen despite higher interest rates, while the Iran war should contribute to further rising inflation rates. The new Fed chair, Kevin Warsh, has declared the fight against inflation his top priority and intends to reverse the expansion of the money supply. How that is supposed to work in the face of rising energy, food, and raw material prices remains questionable. Still, this may at least create some psychological headwind for the gold market. We do not, however, expect Warsh to play a role comparable to that of Paul Volcker.

Gold in USD (Daily Chart), 2025–2026



Source: Midas Touch Consulting, Tradingview

Since late January, gold has been in a downtrend on the daily chart, which now appears increasingly to be turning into a consolidation. After the setback at the falling 50-day moving average, currently at USD 4,780, in mid-April, a breakout is no longer far away. If the bulls manage to reclaim this closely watched average, the round USD 5,000 level will automatically come into focus. The daily stochastic also supports this optimistic scenario with a fresh buy signal.

> *Technical analysis is a language; once you're fluent, the market speaks to you.*
> Brian Shannon

Three arguments against a structural correction: speculators not over-positioned, capital waiting on the sidelines, mining stocks showing renewed relative strength.

This gradually increases the probability of a completed ABC correction. However, definitive confirmation that the ABC correction has ended will only come once gold has sustainably broken above the high of the potential B wave at USD 5,419. Until then, gold still has a long way to go and may work its way higher slowly and somewhat stubbornly along a "wall of worry." If the current attempt once again fails at the 50-day moving average, the technical picture would deteriorate noticeably.

Nothing good happens below the 200 day moving average.
Paul Tudor Jones

At the same time, the first test of the rapidly rising 200-day moving average, currently at USD 4,309, has so far not been convincing. A second pullback toward this even more significant average would not only be typical, but from a chart perspective would actually be a solid second base. Given the continuous rise in the 200-day line, however, a renewed break below the March low at USD 4,099 would no longer be necessary for that.

Two primary scenarios are therefore emerging: either gold moves sideways into the summer between its falling 50-day line and its dynamically rising 200-day line, in which case an erratic and hard-to-predict price path would be likely. Or - now somewhat more probable - gold sustainably reclaims the 50-day line, followed by a rise toward USD 5,000. A subsequent summer rally could then even carry the price up to the upper weekly Bollinger Band, currently at USD 5,297. After that, a phase in which gold settles around the USD 5,000 mark for some time would be conceivable.

It's not about being right, it's about managing the wrong.
Paul Tudor Jones

Overall, we remain constructive on the remainder of the year, while deliberately keeping our expectations moderate. We assume that the ongoing correction will accompany the gold market at least into the third or fourth quarter, making new all-time highs unlikely for the time being. In our absolute worst-case scenario, we would expect a test of strong support in the area of roughly USD 3,500. Such a move would, however, require a pronounced liquidity squeeze, as might only occur in the event of a major escalation in the Middle East combined with heavy pressure on equity markets. On the upside, levels significantly above USD 5,250 still appear difficult to reach.

End of the excursus by Florian Grummes, Midas Touch Consulting. We thank Florian for his excellent support.

Conclusion

Last year, we witnessed a paradigm shift that heralded a new phase of the bull market. Bob Farrell aptly described the changed rules of the game:

> *Change of a long-term or secular nature is usually gradual enough that it is obscured by the noise caused by short-term volatility ... Moreover, in a shift of secular or long-term significance, the markets will be adapting to a new set of rules while most market participants will be playing by the old rules.*

When all the experts and forecasts agree, something else is going to happen.
Bob Farrell

This is exactly what we are observing right now. While the gold price has long been dancing to the new rules of the game – central bank purchases, Asian price formation, geopolitical remonetization – the Western sell-side continues to analyze it using models from the *World of Yesterday*.

The combination of continued moderate interest in gold and silver from Western investors, analysts' noneuphoric price projections, and a market sentiment that remains at a comparatively neutral level despite the record rally forms an excellent foundation for further price gains. We view the fact that the gold price still receives relatively little attention in Western media despite its historic rise as a clearly positive signal.

Given the current market sentiment and seasonality, we would not be surprised by a "breathing space" lasting several weeks to several months. However, we do not expect a deeper structural correction. Three arguments support this assessment:

- Speculation in the futures markets is not excessive for either gold or silver – at secular highs, extreme levels would normally be expected here.
- Significant buying interest is waiting on the sidelines. As was the case last year, this results in pronounced "buy the dips" behavior.
- The recent improvement in the relative strength of mining stocks signals a healthy market condition.

We therefore expect a volatile sideways movement through early summer with sharp fluctuations well above USD 4,300. The expected price range is likely to be between USD 4,500 on the downside and USD 4,950 on the upside. We consider a sustained slide below the psychological USD 4,000 mark unlikely – although, given the high volatility and political uncertainties, nothing can be ruled out.

"The secret to being successful from a trading perspective is to have an indefatigable and an undying and unquenchable thirst for information and knowledge."
Paul Tudor Jones

As the year progresses, we would not be surprised to see the gold rally continue, with new all-time highs above USD 6,000. In fact, the bull market is likely to accelerate further in the coming months and years – much as it did between 1976 and 1980. The key driving force: numerous underinvested investors worldwide who will be scrambling to catch the gold train that's already in motion.

The coming months could be bumpy, but the goal is clearly defined: reestablishing gold as the monetary anchor of the 21st century. Investors should view seasonal periods of weakness for what they have always been in every secular bull market – an opportunity to accumulate. ■

"Momentum fuels the bull market – fundamentals sustain it."
Stanley Druckenmiller

Advancing the Treaty Creek Project in the Golden Triangle

TUDOR GOLD

TUDOR GOLD CORP.

is a precious and base metals exploration company focused on advancing its Treaty Creek Project (80% ownership), in the Golden Triangle of British Columbia, Canada, which is amongst the largest gold-copper discoveries of the past 30 years.

CATALYSTS IN 2026

- PEA underway.
- Planned drill programs targeting multiple zones with strong bulk-tonnage and higher-grade potential.
- Anticipated approval of an underground permit to construct a ramp for drill targeting the high-grade discovery - SC-1 Zone.

GOLDSTORM DEPOSIT–UPDATED MRE 2026 (1)

CATEGORY	Tonnage (Mt)	Au (g/t)	Cu (%)	Ag (g/t)	Au (Moz)	Cu (Mlb)	Ag (Moz)
INDICATED	912.3	0.85	0.15	5.07	24.9	3,048.0	148.7
INFERRED	86.1	1.43	0.17	5.22	4.0	327.7	18.6

Mineral Resource Estimate –NSR Cut-off Value Sensitivities

UD$50/tonne



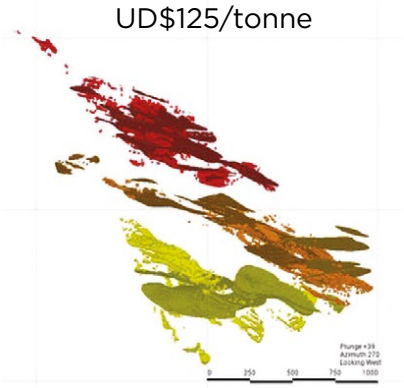
INDICATED

Au: 0.85 g/t, 24.9 Moz
Cu: 0.15%, 3,048.0 Mlb

INFERRED

Au: 1.43 g/t, 4.0 Moz
Cu: 0.17%, 3,048.0 Mlb

UD$125/tonne



INDICATED

Au: 1.78 g/t, 5.8 Moz
Cu: 0.27%, 607.2 Mlb

INFERRED

Au: 3.64 g/t, 2.6 Moz
Cu: 0.14%, 67.8 Mlb

UD$175/tonne



INDICATED

Au: 2.33 g/t, 3.4 Moz
Cu: 0.17%, 167.3 Mlb

INFERRED

Au: 4.02 g/t, 2.36 Moz
Cu: 0.16%, 65.3 Mlb

1) *See Tudor Gold's news release dated January 22, 2026 available under the Company's profile on SEDAR+ at www.sedarplus.com and on the Company's website at www.tudor-gold.com.*

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Quo Vadis, Aurum?



Key Takeaways

- The *Pax Americana* and, with it, the 1971 fiat regime, is showing unmistakable signs of fatigue. Monetary system transitions are the tectonic shifts of history – they rarely unfold smoothly. For investors, three virtues now matter most: orientation, prudence, and diversification.
- Gold is not remonetized by decree, but through function. Six vectors – from reserve policy to accounting to tokenization – are restoring gold to what it has been for millennia: a monetary anchor.
- The next major wave of demand for gold will come from the USD 140trn bond market – the very segment that has long been considered a safe haven. Even marginal shifts from fixed income would overwhelm the financial gold market, which is only USD 15trn in size.
- *Performance gold* shines: silver, mining, commodities. Silver hit new all-time highs, while the mining sector remains historically marginalized at 1% of global stock market capitalization – the catch-up process has only just begun. The focus is now particularly on commodities.
- Gold and Bitcoin – stability meets convexity. In the age of the debasement trade, noninflatable assets are no longer a niche but a strategic necessity.
- Our decade target of USD 4,800 by 2030, as outlined in our 2020 *In Gold We Trust* report, has already been a reality in 2026. We are now turning our attention to the inflationary alternative scenario: USD 8,900 by the end of the decade.

The end of history has itself come to an end, with significant implications for gold and the dollar, which are becoming increasingly apparent.

Deutsche Bank Research Institute

As in every issue of the *In Gold We Trust* report, we want to conclude this issue by looking ahead. In this outlook, we will draw on the most important lessons we have learned from our analysis of the gold market since 2007.

- **Gold is not a "pet rock."** When we began writing about gold in 2007, we were met with skepticism from the mainstream. Yet the performance figures speak for themselves: almost +600% in US dollar terms, corresponding to an annualized growth rate of 10.8%. Gold has outperformed virtually every traditional asset class during this period.
- ***The Austrian School of Economics* was right.** Credit expansion leads to misallocation, inflation, and crises. The cycle is following the Austrian script with a precision that has surprised even us. Financial repression – the systematic expropriation of savers through negative real interest rates – has become a permanent fixture.
- **De-dollarization is no longer a niche topic.** In 2007, the US dollar accounted for nearly two-thirds of global currency reserves. Today, that share stands at less than 58%. If gold reserves are included, it is only around 45%.
- ***Trust* is the monetary foundation.** The creeping erosion of institutional trust – from central banks to political institutions, the media, and the fiat money system itself – is the hidden driving force behind many developments.
- **The cycles follow a pattern.** The collapse of Bretton Woods in 1971–73, the Asian financial crisis of 1997, the global financial crisis of 2007–08, the Covid-19 pandemic of 2020–2022, and the geopolitical turning point of 2022 – each of these crises has confirmed gold as a monetary anchor. Those who know monetary history see patterns where others suspect chaos.
- **Central banks have switched sides.** After two decades as net sellers**,** the trend reversed fundamentally starting in 2010. Since then, central banks have cumulatively purchased over 7,000 t of gold on a net basis. The irony is striking: The very institutions that dismissed gold as a barbaric relic for decades are now the most aggressive buyers.
- **The East has replaced the West as the center of the gold market.** China and India now account for over 50% of physical gold demand. What Frank Holmes called the "love trade" has evolved into a structural anchor of demand. At the same time, Asian stock markets are rapidly gaining importance. Pricing power is shifting eastward – and with it, the rules of the gold market.

- **Gold has increased almost sevenfold in value since the first *In Gold We Trust* report in 2007 – and very few were there to witness it.** Despite a CAGR of 9.0% since 1971, gold remains underrepresented in most institutional portfolios. The biggest bull market of a generation took place largely without Western financial investors.
- **Basel III has quietly but fundamentally transformed the gold market.** The 0% risk weighting for allocated gold and the 85% NSFR for unallocated gold are pushing the market away from synthetic "paper gold" toward physical ownership. At the same time, the *revaluation account* on the Eurosystem's balance sheets has grown to EUR 1,274bn and serves as a balance sheet solvency anchor. A creeping remonetization of gold is taking place through regulatory backdoors.
- **The gold mining sector: from problem child to model student.** The excesses during the 2010–2013 M&A wave were followed by a phase of radical capital discipline – and share price consolidation. Today, record cash flows are being channeled into dividends and share buybacks. AISC margins stand at nearly USD 3,000/oz, and balance sheets are solid. Nevertheless, the entire sector remains a dwarf: The ten largest gold mining companies have a combined market capitalization of around USD 500bn.

On the Path to the Next Monetary Order

Western industrialized nations have elevated the strategy of perpetual postponement to a fine art. *"Kicking the can down the road"* – accumulating debt instead of reducing it, postponing structural reforms, declaring monetary policy a panacea. But every path comes to an end, sooner or later. The crucial question is: What awaits us there?

> *I am more interested in the future than the past, for that is where I intend to live.*
> Albert Einstein

In any case, the monetary coordinate system of the postwar order is facing a recalibration. And in every major monetary upheaval of the past centuries, gold has played a central role. Why should it be any different this time?

We are neither doomsayers nor prophets of the apocalypse – otherwise we would hardly have started families and built businesses. Yet the history of money teaches us one thing: Monetary systems have an expiration date. The classical gold standard lasted a few decades; Bretton Woods, not even three. The fiat regime, born out of necessity in 1971–73, is stumbling toward its sixth decade – and showing the signs of fatigue that sooner or later spell doom for any unbacked monetary system: fiscal hubris, creeping loss of purchasing power, and an erosion of confidence that has now become impossible to overlook, even by the mainstream.

> *In the monetary field, as indeed in other fields, the same causes always bring about the same effects, and those who persist in ignoring the past are irrevocably doomed.*
> Jacques Rueff

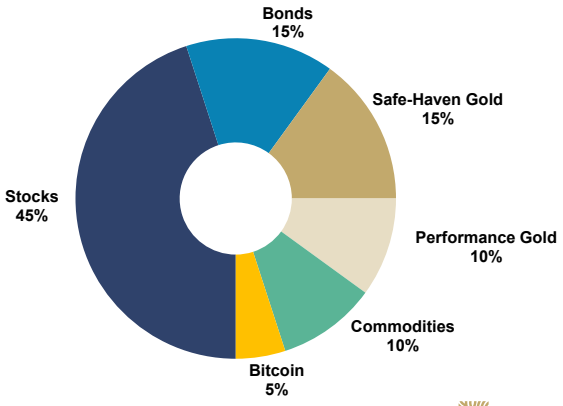
A look at history shows that such currency upheavals rarely occur without disruption. Transitions between monetary systems are not routine technocratic procedures that can be dealt with in the minutes of a central bank meeting, but rather tectonic shifts – accompanied by conflicts of interest, misguided incentives, political friction, and abrupt market reactions. Precisely for this reason, three virtues matter more than ever to investors during such phases: **orientation, prudence, and diversification.**

For investors, gold can act as *a financial time machine*: a temporary haven for wealth while the monetary system realigns itself. Those who park their investments in gold are not turning their backs on the future; they are relying on gold as a bridge to the future. Gold is thus not the destination of the journey, but a vehicle for the passage there.

Gold is not a panacea but an anchor. That is why we conceived the "new 60/40 portfolio" in the *In Gold We Trust* report 2024, "The New Gold Playbook" – moving away from nominal claims toward noninflationary tangible assets. Physical gold forms the strategic core, flanked by actively timed *performance gold* such as silver and mining stocks, a commodities allocation, and a sensibly sized Bitcoin position. The share of fixed-income securities, on the other hand, is shrinking significantly – and intentionally so. The question of the decade is no longer what bonds yield – but what those yields are worth.

> *This is gold, Mr. Bond. All my life I've been in love with its color... its brilliance, its divine heaviness.*
> Auric Goldfinger

The New 60/40 Portfolio: Subcategories



Source: In Gold We Trust

incrementum

The recent shift on Wall Street shows that we are no longer alone in this assessment: In September 2025, Mike Wilson, CIO at Morgan Stanley, proposed a 60/20/20 portfolio – 60% stocks, 20% short-term bonds, 20% gold, explicitly describing gold as an "anti-fragile asset." BlackRock, J.P. Morgan, and Goldman Sachs also now emphasize the structural necessity of gold allocations beyond the traditional 5% mix. When even the biggest names on Wall Street are publicly shelving the time-honored 60/40 portfolio, the shift in thinking has reached the mainstream.

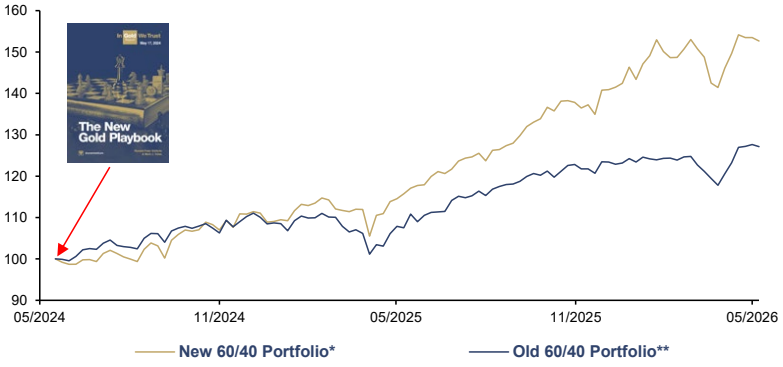
> *You are going to see a crack in the bond market – OK? It is going to happen.*
> Jamie Dimon

The much-cited negative correlation between stocks and bonds has historically been the exception rather than the rule – for roughly 70% of the past 100 years, the two asset classes moved in tandem. The fact that the 60/40 portfolio still worked is thanks to the *Great Moderation*, that era of steadily declining inflation rates which came to an abrupt end with the surge in inflation starting in 2021. **But what if bonds, the supposed safe haven of the portfolio, are in fact the bubble themselves?**

> *With no sign that the geopolitical tectonic plates have stopped shifting – indeed, with plenty of evidence that friction between the plates is growing – it is a dangerous time not to own gold.*
> Russell Napier

Here comes the decisive turning point: In our view, the next major wave of gold demand is likely to come at the expense of the bond market. The global bond market – government and corporate bonds combined – currently totals around USD 140trn. This contrasts with a gold market of about USD 31trn, of which only around USD 14trn is traded – that is, bullion, coins, ETFs, and institutional and government holdings. The proportions are striking: If just 2% of the global bond volume were reallocated to gold, that would correspond to an inflow of nearly USD 3trn and thus about 20% of the entire investment gold market.

New 60/40 Portfolio*, and Old 60/40 Portfolio, in USD, 100 = 05/17/2024, 05/2024–05/2026**



Source: LSEG, Incrementum AG, *45% S&P 500 TR, 15% US 10Y TR, 15% Gold, 5% Silver, 5% HUI Index TR, 10% BCOM TR, 5% Bitcoin, **60% S&P 500 TR, 40% US 10Y TR

incrementum

The key point remains: A robust portfolio in an increasingly fragile monetary system requires both growth and value preservation components. Don't put all your eggs in the gold basket – but build a significantly stronger foundation.

No second Bretton Woods. Just functional shifts – in reserves, accounting, portfolios, and infrastructure.

The six vectors of gold remonetization

> *I like putting all my eggs in one basket and then watching the basket very carefully.*
> Stanley Druckenmiller

What might the path to a new monetary order look like? Just as the DeLorean in the famous *Back to the Future* trilogy doesn't leap blindly into a new era – it requires the precise interplay of energy, timing, and direction – a monetary system doesn't either. A second Bretton Woods moment is unlikely, given the current geopolitical situation. Far more plausible is a series of functional shifts, such as in the areas of reserve policy, accounting rules, institutional portfolios, and technological innovation. The transformation is taking place less through official decrees and more through changing habits and economic necessities.

This is what connects the following six vectors:[1] **Gold regains importance where trust, security, or political neutrality are waning.**

- **Reserve function & sovereignty:** Gold as a sanctions-resistant, state reserve asset and neutral store of value
- **Private remonetization:** Gold as a strategic allocation for private and institutional investors
- **Balancing & recapitalization**: Gold as a silent recapitalization option for central banks and governments
- **Anchoring in debt and credit markets**: Gold-backed bonds as an anchor of credibility for government finances
- **Accumulation**: Western central banks as the potential next wave of buyers
- **Digitalization**: Tokenization making gold more mobile and tradable

These factors do not operate in isolation. A rising gold price improves central bank balance sheets, facilitates policy reassessments, enhances the appeal of gold-backed bonds, and increases interest in tokenized forms of gold. It is precisely these feedback loops that make remonetization not a one-off event but a self-reinforcing process.

Remonetization is taking shape

> *Gold is the reciprocal of confidence in central bankers. When their credibility crumbles, gold's value isn't rising – it's being rediscovered.*
> Jim Grant

We are by no means the only analysts pointing to the possible evolution of the monetary system. Zoltan Pozsar had already elevated the debate on a new world monetary order to a new level in 2022 with his article "Bretton Woods III," against the backdrop of sanctions on Russian currency reserves. He concluded his remarks with the following forecast: "From the Bretton Woods era backed by gold bullion, to Bretton Woods II backed by inside money (Treasuries with unhedgeable confiscation risks), to Bretton Woods III backed by outside money (gold bullion and other commodities)."[2]

There is no question in our minds that we are irrevocably on a journey toward a new global (monetary) order. It will require an internationally recognized anchor of confidence. For several reasons, gold appears to be predestined for this role:

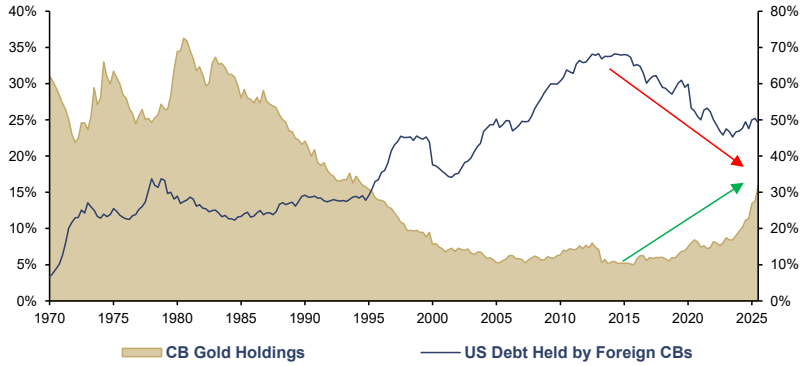
- **Gold is neutral** – it knows neither flag nor ideology and is thus free from geopolitical manipulation.
- **Gold has no counterparty risk** – unlike any claim or digital account entry, it exists independently, without relying on the promise of a third party.

1 *See* the chapter "The Six Vectors of Gold Remonetization" in this *In Gold We Trust* report
2 *See* also "Exclusive Interview with Zoltan Pozsar: Adapting to the New World Order," *In Gold We Trust* report 2023

- **Gold is liquid** – with a daily trading volume of around USD 330bn, it ranks among the world's most liquid assets.
- **Gold cannot be multiplied at will** – gold reserves have been growing steadily by around 1.8% per year for decades. This geologically determined supply discipline is the fundamental difference from any fiat currency.

The composition of global currency reserves shows how far remonetization has already progressed. For decades, US Treasury bonds formed the backbone of official portfolios. Since the global financial crisis, the trend has reversed: The share of US bonds held by foreign central banks is declining, while gold is gaining significantly again. Despite significant purchases, emerging markets still hold considerably less gold than Western institutions.

US Debt Held by Foreign CBs (lhs), as a % of Total Debt, and CB Gold Holdings (rhs), as a % of Currency Reserves, Q1/1970–Q3/2025



Source: Crescat Capital, Federal Reserve St. Louis, World Gold Council, Incrementum AG

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The shadow gold price

If an asset is to remain money, public opinion must not believe that a rapid and unstoppable increase in its supply is to be expected.
Ludwig von Mises

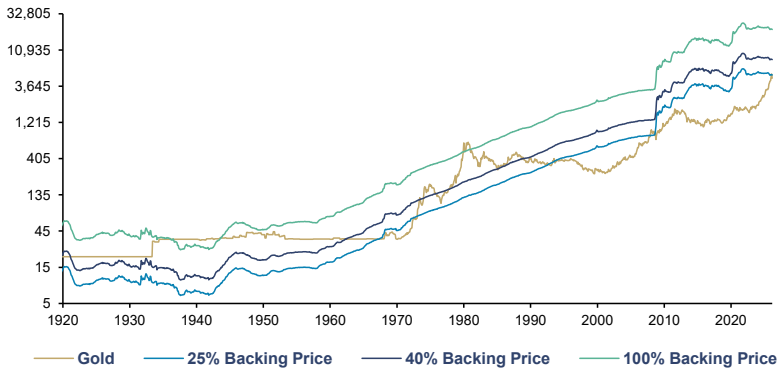
Should gold return to the center of the monetary system, the question of price consequences inevitably arises. An exact valuation is, by nature, impossible, but analytical approximations at least give us an idea of possible orders of magnitude. The best-known concept is the so-called shadow gold price.

The shadow gold price refers to the theoretical gold price at which the base money supply would be fully backed by gold. In other words: The shadow gold price is the price level at which a return to a fully backed gold currency would be mathematically possible. We do not consider such 100% backing of M0, as is sometimes advocated, to be necessary; it would currently imply a gold price of USD 20,900 per ounce. During the era of the gold standard, the market forced central banks to maintain coverage ratios between one-third and one-half, which corresponds to a current gold price between USD 7,000 and USD 10,400 per ounce.

Historically, various forms of fractional reserve were the norm. For example:

- Federal Reserve Act of 1914: 40% minimum coverage → today USD 8,350/oz
- Bretton Woods era (1945–1971): 25% minimum coverage → today USD 5,200 per ounce – a level that the gold price has already reached at one point in 2026.

Gold Price to Back Monetary Base (log), in USD, 01/1920–03/2026



Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

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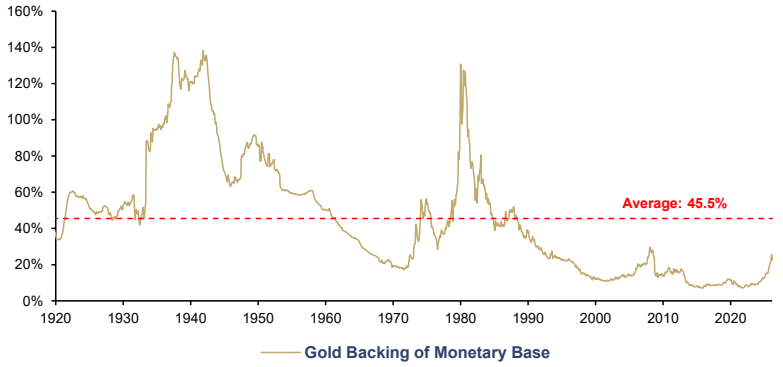
The shadow gold price reveals two things: first, the enormous expansion of the money supply relative to the available amount of gold, and second, the long-term appreciation potential of gold should it – as described in the vectors outlined above – gradually regain monetary functions. The shadow gold price thus serves as a compass for investors who view gold not as a commodity but as the anchor of a future monetary order.

> *In the shadows we find the truth.*
> The Dark Knight

The reciprocal of the shadow gold price, based on current market prices, yields the gold coverage ratio of the monetary base. During the gold bull market of the 2000s, this ratio tripled from 10.8% to 29.7%. In the 1930s and 1940s, as well as in 1980, the gold coverage ratio was even above 100%. The record high of 131% from 1980 would correspond to a gold price of around USD 27,000. **Currently, the gold coverage ratio of the US dollar equals just 22.4%.** To put it bluntly: Less than a quarter of every US dollar is backed by gold – the remaining three-quarters are worthless.

> *Gold is... the trust anchor for the financial system. If the entire system collapses, the gold stock provides collateral to start over.*
> DNB

Gold Backing of Monetary Base, in %, 01/1920–03/2026



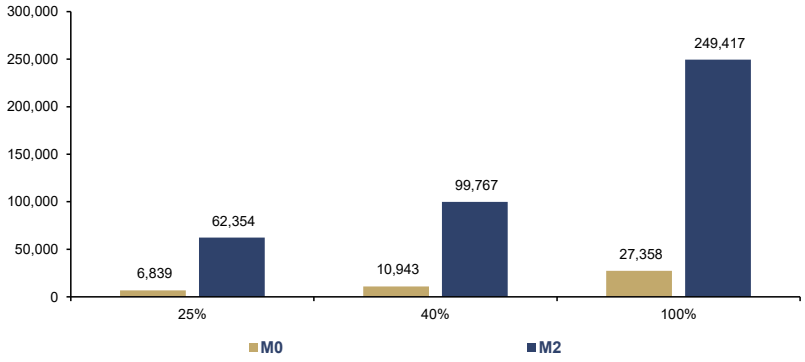
Source: Nick Laird, Federal Reserve St. Louis, LSEG, Incrementum AG

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Let's take it a step further and look at the global level. The international shadow gold price corresponds to the gold price that would result if the central bank gold reserves were to cover the money supplies of the leading currency areas – the US, the euro area, the UK, Switzerland, Japan, and China – weighted by their share of GDP. The result reveals the extent of monetary expansion: With 100% coverage of the broad money supply M2, the gold price would be just under USD 250,000; even at a moderate 25%, it would be over USD 60,000.

> *Gold is the bottom of Exter's Pyramid. In times of crisis, everything moves down the pyramid toward gold. It's not gold that changes – it's everything else that deflates.*
> John Exter

International Shadow Gold Price (SGP)* at Different Gold Backing Levels, in USD, 2025



Source: World Gold Council, LSEG, Incrementum AG, *SPG = Monetary Aggregate/Official Gold Reserves (in troy ounces)

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The Bear Case for Gold

Despite our structurally bullish base scenario, downside risks also exist. Gold is not a one-way street – corrections, consolidations, and even prolonged sideways phases are inherent to every bull market. The key risk factors can be summarized as follows:

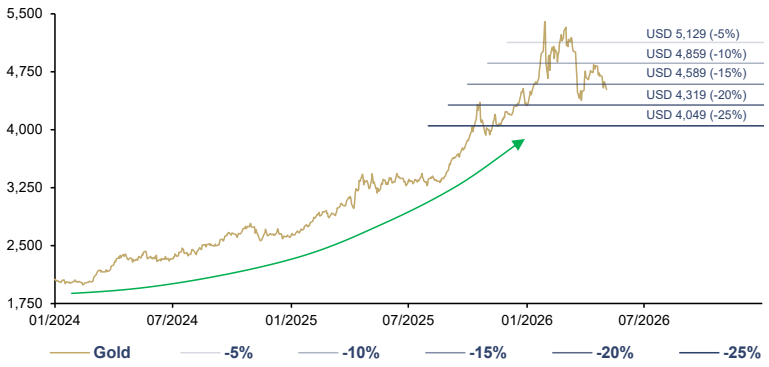
- **Restoration of monetary policy credibility:** Should the politicization of the Federal Reserve fail and Kevin Warsh credibly position himself as an inflation hawk, the US dollar debasement trade would lose momentum.
- **Central bank demand:** A sustained decline in central bank demand – which has been structurally elevated since the outbreak of the war in Ukraine – would remove a key pillar of demand.
- **Geopolitical easing:** A ceasefire in Ukraine, stabilization in the Middle East, and de-escalation with China would erode the risk premium.
- **Economic outperformance:** Robust US expansion driven by an AI-fueled productivity surge could redirect capital back into risk assets.
- **Liquidity paradox:** In a deleveraging event, gold becomes a source of funding for margin calls – as was briefly observed in the fall of 2008 and in March 2020.

When you know that you're capable of dealing with whatever comes, you have the only security the world has to offer.
Harry Browne

How do we assess these risks? Viewed individually, most are manageable. The decisive factor is whether multiple bearish catalysts trigger simultaneously. Such a scenario, however, requires a degree of political coherence that currently seems rather unlikely, for the structural forces behind de-dollarization and monetary disorder are the product of decades of accumulated imbalances. Neither a personnel decision at the top of the Federal Reserve nor a handshake in Geneva or Islamabad will reverse them. Our base scenario remains constructive, even if setbacks cannot be ruled out. To quote Harry Browne: "Whatever preparation you make, don't assume you know the future."

A temporary sideways phase is entirely plausible as part of a price consolidation and would, in fact, be healthy for the bull market. This would in no way jeopardize the medium- to long-term case for gold.

Gold, in USD, 01/2024–05/2026



Source: LSEG, Incrementum AG

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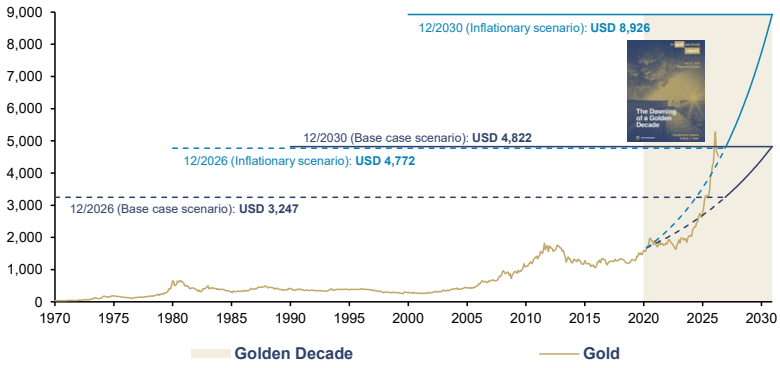
Quo Vadis, Aurum?

Having considered these points, let us now return to the hard reality of the investment world. In our *In Gold We Trust* report 2020, "The Dawning of a Golden Decade," we presented our proprietary Incrementum gold price model. Within this model, we used historical data to model various scenarios regarding money supply growth and the implied gold coverage ratio, weighting them by their probabilities of occurrence.

The base-case target of USD 4,800 for the end of 2030 was reached five years ahead of schedule. Should a second wave of inflation follow in the West, this decade is likely to go down in history as an inflationary decade. Against the backdrop of the tensions described, we consider such a scenario entirely plausible and therefore continue to focus on the inflationary alternative scenario with a decade-end target of USD 8,900.

> *I'm not a gambler. I'm a guy who sees numbers and patterns and bets on them.*
> Michael Burry

Intermediate Status of the Gold Price Projection until 2030: Gold, in USD, 01/1970–12/2030



Source: LSEG, Incrementum AG

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As of April 30, gold is trading only slightly below the calculated interim target of USD 4,772 for the end of 2026. To achieve the inflationary scenario by 2030, an annualized rate of 14.5% would be necessary – ambitious, but by no means unrealistic. **After all, since the start of the "golden decade," the realized CAGR has been 19.7%, already exceeding the required pace.**

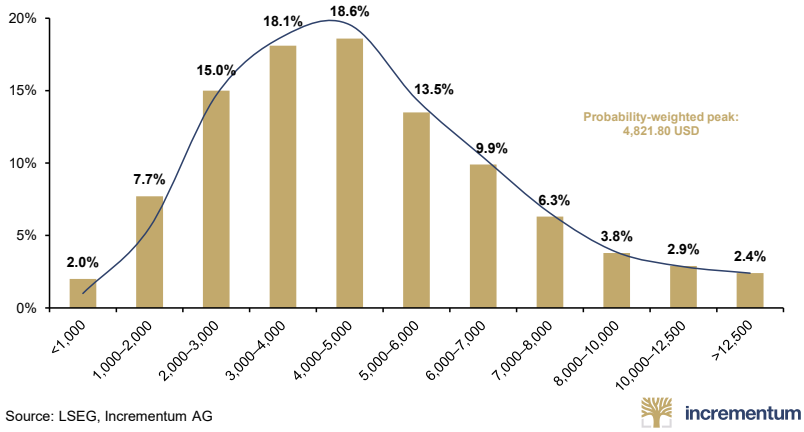
> *There is no point in being confident and having a small position.*
> George Soros

If the previously outlined remonetization of gold does indeed proceed, significantly higher price levels are also conceivable. **Our model has always accounted for this possibility – through a deliberately right-skewed probability distribution.** While

A fiat currency can tend toward zero. A tangible asset like gold has no arithmetical upper limit.

the majority of scenarios fall between USD 3,000 and USD 6,000, the right tail of the distribution extends far: With a cumulative 25.3% probability of price levels above USD 7,000, the upside risk is quantitatively much more significant than the downside risk. The reason is quite simple: A fiat currency can tend toward zero, whereas a tangible asset like gold has no arithmetical upper limit. Extreme upward movements were therefore already an integral part of our model in 2020 – the past decade provides the empirical data to support this.

Approximated Gold Price in 2030, by Probability Distribution, in USD



Source: LSEG, Incrementum AG

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The remonetization of gold as a catalyst for Bitcoin?

> *Gold represents belief in the past, Bitcoin belief in the future. When both rise together, it means the present has collapsed – faith in fiat time preference is gone.*
> SightBringer

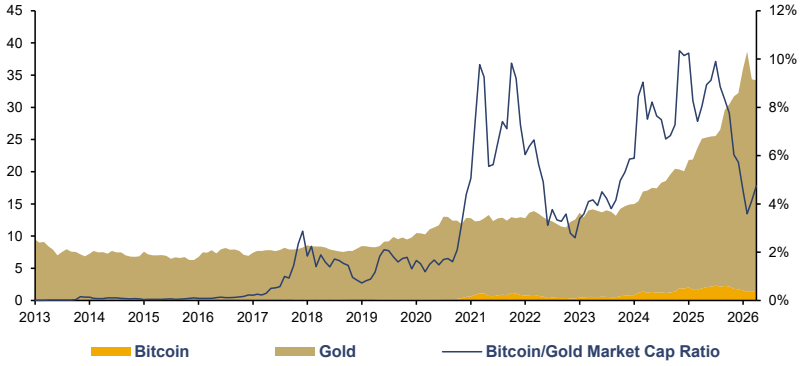
Having discussed the future of gold at length, the following question arises: What role could Bitcoin play in an emerging new world order? The advantages of a decentralized, state-independent, and cross-border transferable currency are obvious. With the introduction of a strategic Bitcoin reserve, the US has also entered the race for digital gold.

A progressive remonetization of gold could prove to be a catalyst for Bitcoin. For if the price of gold rises significantly in the wake of growing monetary demand, the relative attractiveness of a digitally scarce, easily transferable, and still significantly smaller sister asset also increases. What returns to gold in terms of monetary recognition can thus also boost Bitcoin's value. Sooner or later, it seems plausible that the first central banks will build up at least small strategic Bitcoin positions alongside gold.

> *I'm a bit of a dinosaur, but I've come to accept that Bitcoin could be an asset class with significant appeal as a store of value.*
> Stanley Druckenmiller

A productive competition could emerge between the two assets: In the event of very sharp price increases in gold, additional inflows might be directed toward Bitcoin because its relative upside potential appears greater. Conversely, during phases of excessive Bitcoin euphoria, some capital is likely to rotate into gold to secure stability and liquidity. Gold and Bitcoin are therefore not only rivals but also mutual reference points within the same monetary asset class.

Market Capitalization of Bitcoin and Gold (lhs), in USD trn, and Bitcoin/Gold Market Cap Ratio (rhs), 01/2013–04/2026



Source: coinmarketcap.com, World Gold Council, LSEG, Incrementum AG

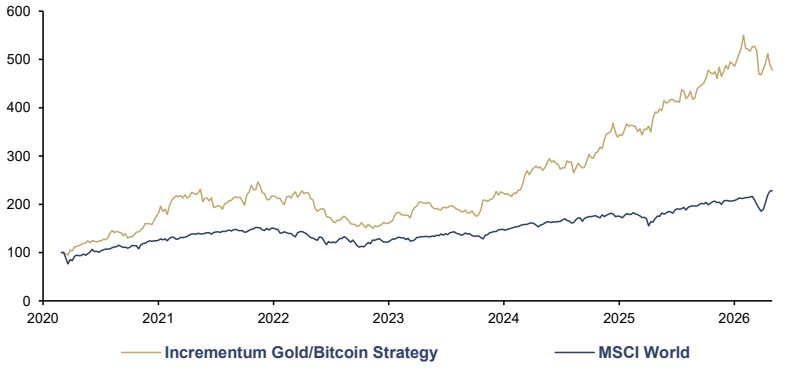
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The fact that gold has gained a competitor in the universe of noninflationary assets is not a disadvantage – on the contrary. More and more investors are realizing that a combined investment in both assets is superior, on a risk-adjusted basis, to investing in either asset alone. In September 2025, Cantor Fitzgerald launched the *Gold Protected Bitcoin Fund* – a vehicle that combines Bitcoin's upside potential with gold-based downside protection. Since January 2026, 21Shares has listed the BOLD ETF on the London Stock Exchange. It is thus the first regulated product in the UK to combine both assets in a risk-weighted portfolio.

> *Bitcoin and gold are the two most liquid alternative assets in the world. They are not in competition, play different roles [...] and come together as an all-weather inflation hedge.*
>
> Charlie Morris

With a touch of pride, we should mention that we were likely among the very first to translate a combined gold-Bitcoin strategy into an investable concept. For more than six years now, we have been managing our portfolio according to the credo "Gold and Bitcoin – stronger together".[3]

Incrementum Gold/Bitcoin Strategy, and MSCI World, in USD, 100 = 02/2014, 02/2020–05/2026



Source: LSEG, Incrementum AG

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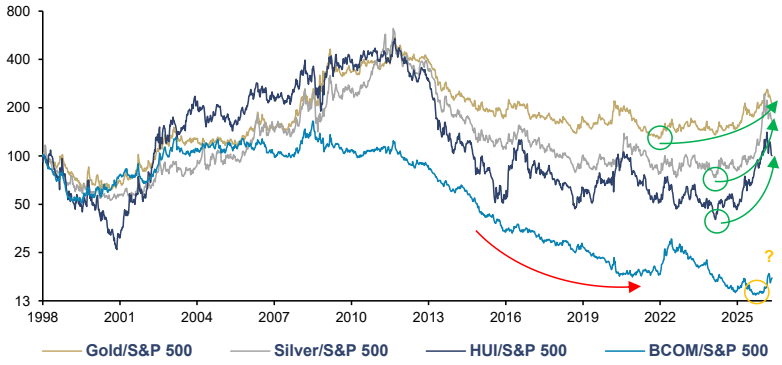
3 *See* "Crypto: Friend or Foe?," *In Gold We Trust* report 2018, our quarterly Bitcoin Compass as well as our investment solutions.

How Brightly Will Performance Gold Shine?

Gold paved the way; silver and mining stocks followed. Now the commodity catch-up we predicted in the *In Gold We Trust* report 2025, "The Big Long" is beginning.

The chart below shows gold, silver, mining stocks (HUI), and the commodity index (BCOM), each relative to the S&P 500. After nearly fifteen years of underperformance – marked by the red downward trend line – all four ratios now signal relative strength. Gold leads the way, with silver and mining stocks following with a lag; and even the BCOM is breaking away from the bottom. A sustained breakout in these ratios would be more than just a technical signal: It would mark a fundamental shift in capital flows, away from US stocks and toward an asset class that has been in the shadows for over a decade.

Gold, Silver, HUI and BCOM vs. S&P 500 (log), 100 = 01/1998, 01/1998–05/2026



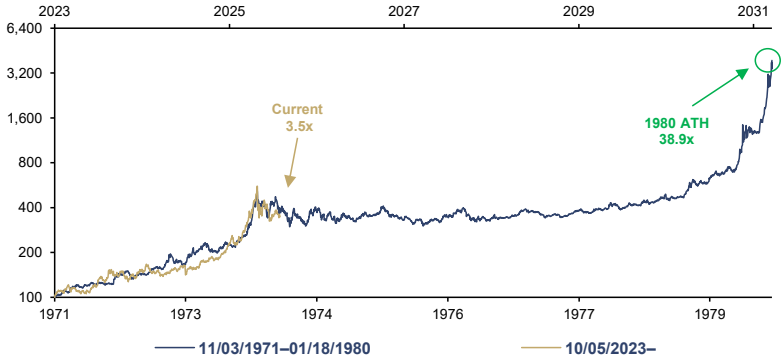
Source: LSEG, Incrementum AG

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Silver: The little brother grows up

In 2025, silver delivered its strongest annual performance since 1979, with a gain of 146.8%, and broke through the USD 100 mark for the first time in January 2026. The fact that the price corrected to around USD 75 in the wake of the Iran war does nothing to change our fundamentally optimistic outlook. After all, silver has since the start of the year only been down slightly.

Silver (log), in USD, 100 = 11/03/1971, and 100 = 10/05/2023, 11/1971–05/2026



Source: FactSet, LSEG, Incrementum AG

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Fundamentally, everything seems to be in place for gold's little brother. In 2025, the silver market recorded a supply deficit for the fifth consecutive year. For 2026, the Silver Institute forecasts a deficit of 46.3moz, marking the sixth consecutive year of deficit. Cumulatively, this amounts to a deficit of 762moz, which is nearly an entire year's worth of mine production.

Skepticism. Underweighting. Indifference. The classic hallmarks of an early bull market in mining stocks.

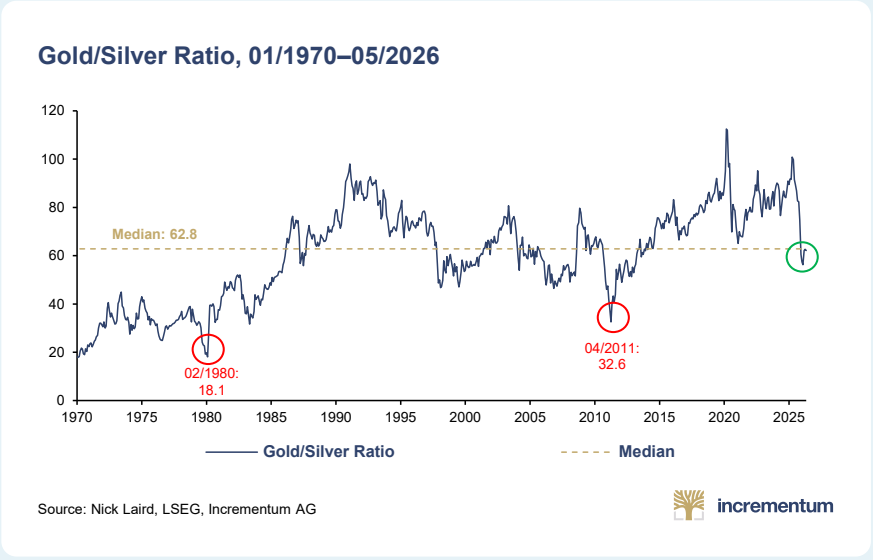
More decisive than the deficit itself is its consequence: Above-ground stocks have left buffer mode. What had been dismissed for years as a theoretical construct suddenly materialized in October 2025: Lease rates exploded from 1% to over 30%, at times reaching 200% overnight. **The market provided proof of an old adage: *Deficits don't matter – until they do.***

> ***Silver is the investment of the decade. There isn't enough physical silver to meet investment demand if even a small percentage of money were to flow into it.***
> Eric Sprott

The structural peculiarity of the silver market exacerbates the situation: Since 74% of silver is produced as a byproduct of copper, lead/zinc, and gold mines, even record prices barely trigger any supply response. **On the demand side, a structural triad is at play: The green transition, military buildup, and remonetization are all competing for the same scarce supply.** Silver has been officially classified as a "critical mineral" in the US; Russia is adding the metal to its state reserve fund; and India has allowed silver to be used as collateral with a 90% loan-to-value ratio since 2025 – thereby effectively monetizing the silver hoarded in Indian households. The creeping remonetization that we have been documenting for years with gold has now taken hold of its little sister metal.

The gold-silver ratio (GSR) has already reflected this shift: From 107:1 in April 2025, it plummeted to nearly 46:1 by the end of February – the lowest level since fall 2011. With the outbreak of the Iran war, the GSR corrected sharply and has since fluctuated around 60.

The key point is this: Secular bull markets do not end at the median, but at the extreme. The median is a milestone, not a target—the history of secular silver bull markets teaches us that the ratio typically overshoots far to the downside in the final acceleration phase.[4] At the secular peaks of the silver market, the ratio stood at 18.1 (1980) and 32.6 (2011) on a monthly closing basis. Assuming the gold price remains constant, reaching these levels again would imply a silver price potential of around USD 260 and USD 150 per ounce, respectively.



4 *See* the chapter "Silver After the Surge: 'Stairway to Heaven' or 'Highway to Hell'?" in this *In Gold We Trust* report

Mining stocks: from problem child to model student

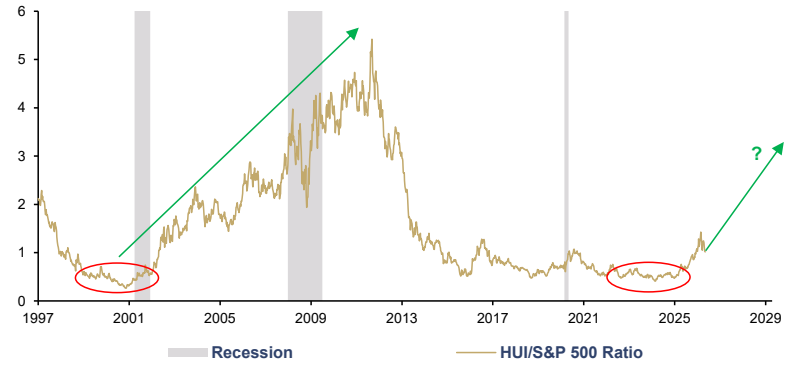
Money is being made on the spread between price and value.
Rick Rule

Gold mining stocks have staged a technical breakout relative to the S&P 500 over the past few months. The chart below shows the HUI/S&P 500 ratio since 1997: The lows marked in red in 2000 and 2022 bear a striking resemblance to one another – both marked the beginning of multi-year outperformance cycles for mining stocks.[5]

When you're hunting elephants, don't get distracted chasing rabbits.
T. Boone Pickens

The classic hallmarks of an early bull market phase are unmistakable among mining stocks: widespread skepticism, structural underweighting, and defiant indifference from the mainstream. The strongest gains do not occur when everyone is invested, but precisely when the majority is still on the sidelines. **As is well known, the profit lies in the purchase.**

HUI/S&P 500 Ratio, 01/1997–05/2026



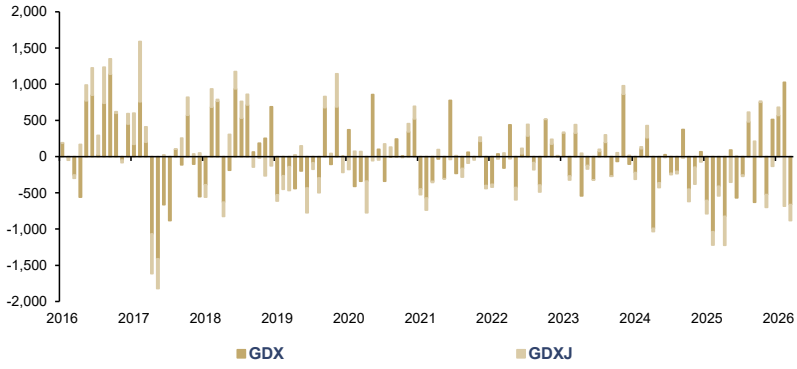
Source: LSEG, Incrementum AG

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The intelligent investor is a realist who sells to optimists and buys from pessimists.
Benjamin Graham

A single data point illustrates this discrepancy impressively: Despite a cumulative price gain of 167% for the GDX in 2024 and 2025, the outstanding shares of the world's largest gold mining ETF fell by 28% over the same period. So investors not only failed to buy more – they *actively* sold while prices were rallying. This is not a sign of a mature bull market, but rather the opposite: a sector delivering record returns yet ignored by the broader investor community. By comparison, during the 2010–2013 bull market, GDX shares rose by around 400%.

GDX and GDXJ Fund Flows, in USD mn, 01/2016–03/2026



Source: FactSet, Incrementum AG

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5 *See* the chapter "Mining Stocks – Fundamental and Technical Outlook" in this *In Gold We Trust* report

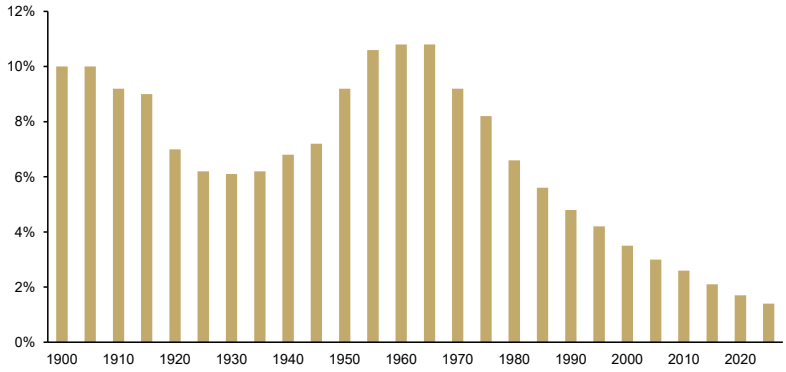
Even in the first four months of 2026, mining stocks lagged behind their historical leverage despite respectable performance. The often-cited 3:1 leverage relative to the gold price was not even close to being realized – or to put it positively: **The catch-up potential of mining stocks remains substantial.**

> *If you can't handle a 50% drop, you deserve a mediocre result.*
> Charlie Munger

A look at the mining industry's share of global stock market capitalization confirms its decline in importance: While its weight was still around 10% at the beginning of the 20th century and reached its peak of about 11% in the 1950s and 1960s, it stands at just 1% today – the lowest level since 1900. **Marginalization is not too strong a word.**

> *A solid foundation is buying at a low valuation.*
> Ian Cassel

Share of Mining Industry, as a % of Global Equity Market Capitalization, 1900–2025



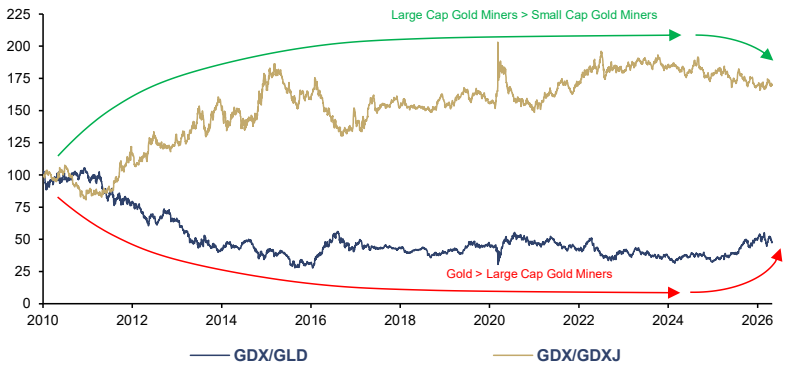
Source: Crescat Capital LLC, Tavi Costa, Incrementum AG

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Within the gold sector, there is also a striking divergence between large and small caps – primarily a reflection of cautious risk appetite. Should the upward trend in the gold price draw greater attention to the valuation and performance potential in the mining sector, this could usher in a new phase of relative strength as part of a risk-on move – especially for small and mid caps. The valuation gap that has existed since 2011 could close rapidly in such a scenario.

> *Contrarian investing is inherently painful. It goes against human nature, and it's deeply uncomfortable. That's why it works for the patient investor.*
> Rob Arnott

GDX/GLD and GDX/GDXJ, 100 = 01/2010, 01/2010–05/2026



Source: LSEG, Incrementum AG

incrementum

Energy and materials together account for 6% of the S&P 500. Even marginal institutional reallocations toward real assets will trigger outsized price gains.

Commodities: back to the future of hard assets

Gold has led the way – now the commodities catch-up process follows. The latest US *National Security Strategy* makes it unmistakably clear: The era of "boundless globalism" is over. Free trade has been strategically downgraded, US power defined in transactional terms, and access to critical commodities explicitly treated as a matter of national security. Commodities are no longer mere production inputs; **they are becoming a strategic insurance policy in a world of bilateral deals and newly formed alliances.**

Bear markets give rise to bull markets, and bull markets give rise to bear markets!
Rick Rule

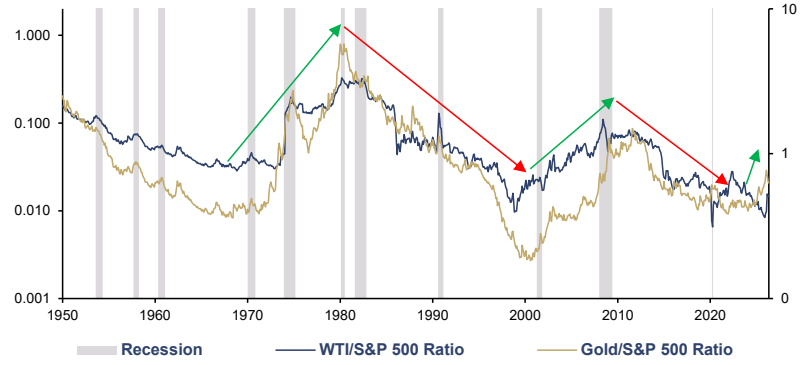
Yet the geopolitical realignment is merely the surface of a deeper shift. **The world is undergoing a macroeconomic regime change.** While demand-side constraints dominated in past decades – growth driven by consumer spending and credit expansion – supply-side constraints are now taking the lead. It is no longer "wanting" but "having" that determines growth. **The economy is returning from the cloud to the ground of commodity reality.**

For the commodities market, this dual shift means we are convinced that the bull market is on track. Two factors support this view. First, structural underinvestment: After a decade of radical capex cuts – driven by low prices, shareholder pressure, ESG divestment, and Covid – the project pipeline is historically thin, while declining ore grades further increase capital intensity. Second, secular demand drivers: electrification, the AI-driven hyperscaler boom, and geopolitical fragmentation that is making resource nationalism and friend-shoring the new normal.

I'm scared as hell about AI… but it's going to be the greatest wealth creator of all time.
Stanley Druckenmiller

The AI revolution illustrates the paradox with almost poetic irony. Its dynamics are reminiscent of the 19th-century railroad boom: Capital flows into transformative infrastructure, many companies go under in the wake of creative destruction – yet the tracks remain in place. Data centers, semiconductors, and energy infrastructure are ultimately dependent on geological realities. The valuation anomaly has reached historic proportions: Both the WTI/S&P 500 and the gold/S&P 500 ratios are trading at historically low levels. Commodities are as cheap relative to stocks as they were last around the turn of the millennium.

WTI/S&P 500 Ratio (lhs, log), and Gold/S&P 500 Ratio (rhs, log), 01/1950–05/2026

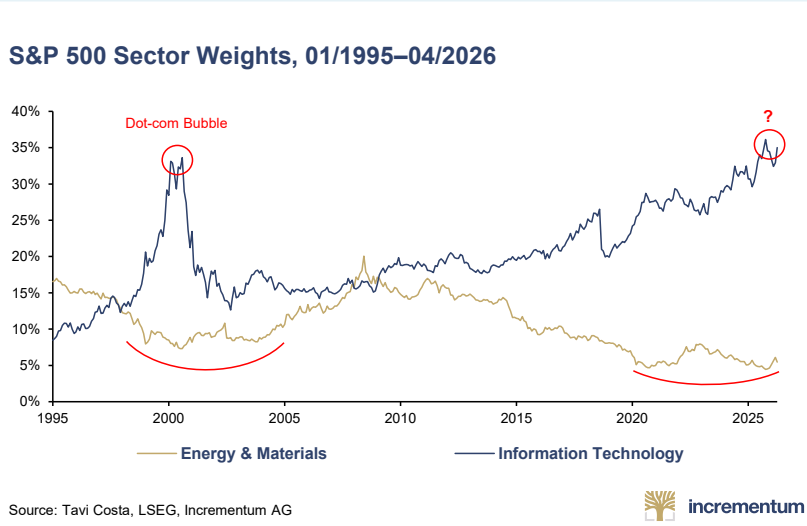


Source: Nick Laird, LSEG, Incrementum AG

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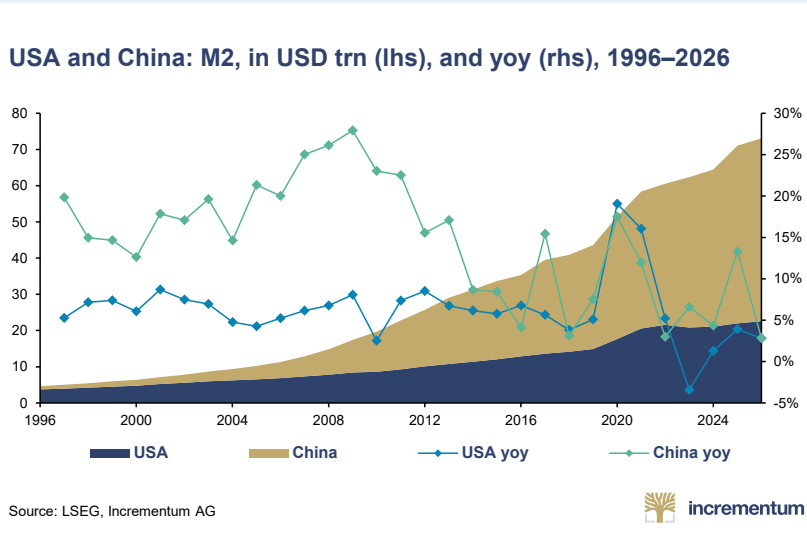
The key point is: **The rally has not yet gained broad-based momentum.** Gold and silver have led the way, but the broad-based rally across the entire commodities complex, as seen in the middle phase of the 2000s supercycle, has yet to materialize. Energy and materials together account for less than 6% of the S&P 500. Even marginal institutional reallocations toward real assets would trigger disproportionate price gains.

> *In commodities, you need a stomach of steel and a horizon of decades.*
> Jim Rogers



Moreover, China provides the monetary fuel for the commodities cycle. China's M2 money supply grew by 8.5% in yuan and 13.3% in US dollars in 2025, significantly faster than nominal GDP. At just under 50trn, M2 in China is already more than twice as large as that of the US – and this in an economy whose nominal GDP is only about two-thirds of that of the US economy.

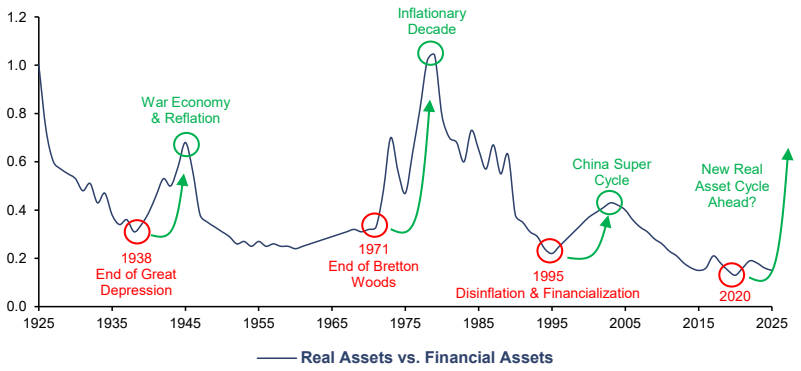
> *The Chinese economy is an ocean, not a small pond.*
> Xi Jinping



The relationship between real assets and financial assets unfolds over decades, not quarters. The chart below tells this story over the course of a century: Each significant low was followed by a phase of pronounced outperformance by real assets – in 1938 with the war economy and reflation, in 1971 with the end of Bretton Woods and the inflationary decade of the 1970s, and in 1995 with the China supercycle. In 2020, the ratio reached a new historical low. **Since then, the signs of a bottoming process have multiplied. Is the next real-asset cycle now upon us?**

The coming years will determine whether the fiat experiment remains a permanent deviation from the historical norm or is an episode that ends with the rediscovery of monetary principles. History clearly points to the latter.

Real Assets vs. Financial Assets, 1925–2025



Source: Bloomberg, Incrementum AG

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In the medium term, the commodities market will reflect the new geopolitical landscape: As the US steps back from its leadership role, Europe, China, and the Global South are upgrading their defense and energy infrastructure. The consequence is foreseeable: **Nations and corporations will compete for strategic resources as if there were no tomorrow.** In the short term, additional bullish catalysts are emerging: a globally synchronized easing of monetary policy, a weaker US dollar, and expansionary stimulus from Beijing.

Back to the Monetary Future: The Conclusion

> *What makes gold compelling are the risks we don't take by owning it.*
> Michael Weeks

Michael Weeks sums up the case for gold – and in doing so, turns the usual valuation logic on its head: The value of the precious metal lies not in what it promises but in what it spares its owners. His *via negativa* approach is fascinatingly clear: Gold carries no duration risk, no credit risk, and no liquidity risk. No balance sheets imploding, no cash flows drying up, no management misallocating capital. Gold requires neither the trust nor the goodwill of a counterparty. Gold requires only a secure storage location. In a world where government bonds are increasingly becoming *certificates of confiscation* and the fiat money experiment is entering its late-cycle phase, it is precisely this absence of risk that constitutes the decisive competitive advantage.

From our point of view, gold will not be remonetized through an ideological return to the gold standard, but through the pragmatic restoration of its monetary and balance-sheet functions. This process will originate in the Global South. Western governments and central banks will only openly reassess the monetary relevance of gold once

fiscal and balance sheet pressures have become significant enough. **For investors, this means the question is no longer whether gold belongs in the portfolio, but in what amount and form.**

The coming years will determine whether the fiat experiment remains a permanent deviation from the historical norm or is an episode that ends with the rediscovery of monetary principles. History clearly points to the latter.

To get to *Back to the Monetary Future*, you don't need to accelerate the DeLorean to 88 miles per hour like in the Back to the Future film trilogy – this development has long since gained momentum. Marty McFly needed the flux capacitor to travel through time; investors need only the oldest store of value in the periodic table, not merely supposedly safe assets like government bonds. What we need is that monetary anchor that humanity has trusted for five millennia – not as a political instrument of power but as a neutral, debt-free basis for trade, exchange, and trust.

> *Your future hasn't been written yet. No one's has. Your future is whatever you make it. So make it a good one.*
> Doc Brown, Back to the Future III

We have been charting this path for twenty years. Our compass still points in the same direction:

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About us





Ronald-Peter Stöferle, CMT

Ronnie is managing partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied business administration and finance in the USA and at the Vienna University of Economics and Business Administration, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the research department of Erste Group, where in 2007 he published his first *In Gold We Trust* report. Over the years, the *In Gold We Trust* report has become one of the benchmark publications on gold, money, and inflation.

In 2014, Ronnie co-authored the international bestseller Austrian School for Investors, and in 2019 The Zero Interest Trap. He is a member of the board of directors at Tudor Gold Corp. (TUD), and Goldstorm Metals Corp. (GSTM). Moreover, he is an advisor to *Von Greyerz AG*, a global leader in wealth preservation in the form of physical gold stored outside the banking system. He is also a Member of the Advisory Board at *Monetary Metals.*

Mark J. Valek

Mark is a partner of Incrementum AG and is responsible for Portfolio Management and Research.

While working full-time, Mark studied business administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of philoro Edelmetalle GmbH. Since 2024, he has been a Member of the Advisory Board at *Monetary Metals.* In 2014, he co-authored the book Austrian School for Investors.



Incrementum AG

Incrementum AG is an owner-managed and FMA-licensed investment and asset management company based in the Principality of Liechtenstein. Our core competence is the management of investment funds and asset management. We evaluate investments not only on the basis of the global economic situation, but also always see them in the context of the current global monetary system. Independence and self-reliance are the cornerstones of our philosophy, which is why the five partners own 100% of the company.

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We would like to thank the following people for their outstanding support in creating the *In Gold We Trust* report 2026:

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Cerro de Pasco Resources
Cerro de Pasco Resources Inc. is advancing its El Metalurgista project in central Peru through the recovery of residual mineral value from historic mining waste while supporting environmental remediation.
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First Mining Gold

First Mining is a gold developer advancing two of the largest gold projects in Canada, the Springpole Gold Project in northwestern Ontario and the Duparquet Gold Project in Quebec.
www.firstmininggold.com

Fortuna Mining

Fortuna Mining is a Canadian precious metals company with three operating mines and exploration projects in Argentina, Côte d'Ivoire, Mexico, Peru, and Senegal, where Diamba Sud is advancing toward a potential mid-2026 construction decision.
www.fortunamining.com

Harmony

Harmony, South Africa's largest gold producer, operates in South Africa, PNG and Australia. FY26 guidance is 1.4 to 1.5Moz gold and 17 500 to 18 500t copper. Reserves are 36.8Moz.
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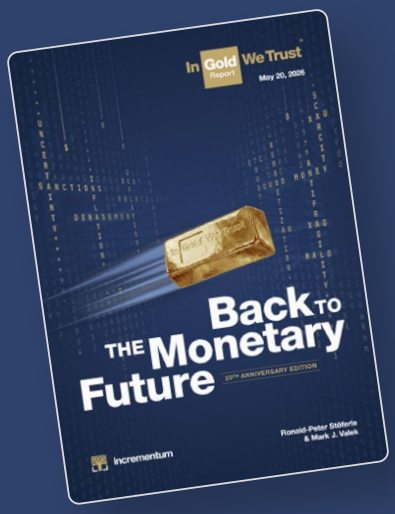
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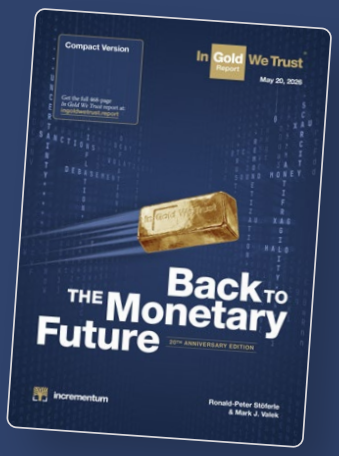
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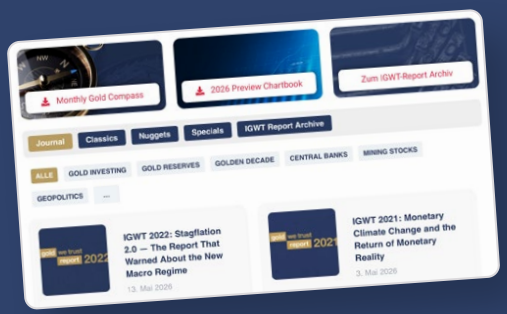
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