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Gold Market Outlook: Expectations Trump Reality

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ICBC Standard – Commodities Strategy

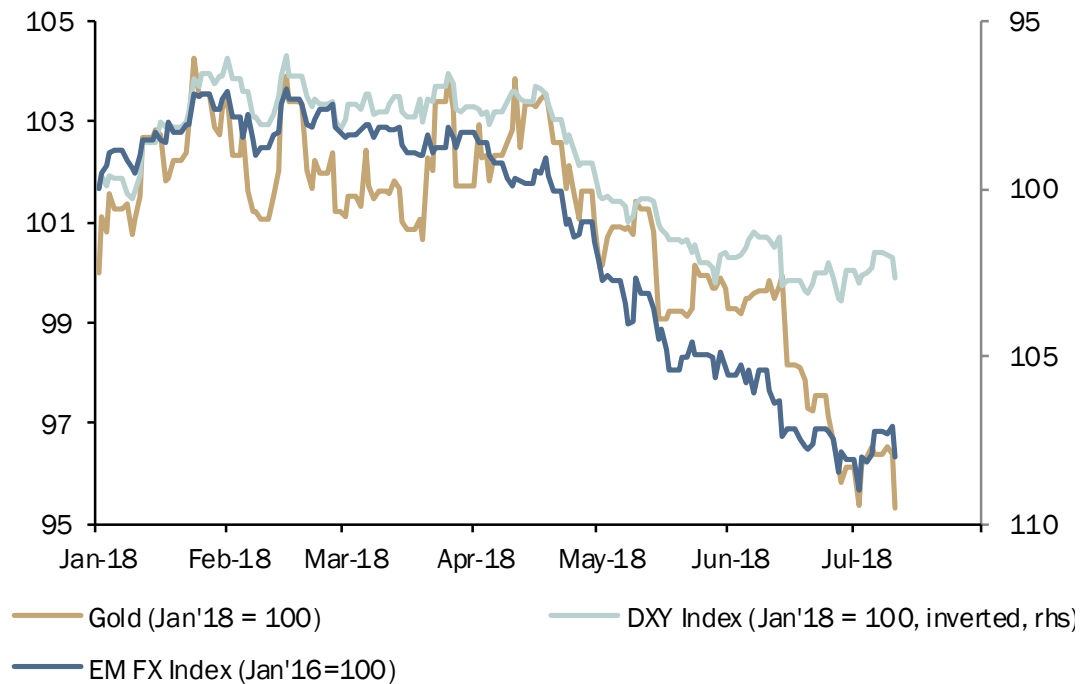
4th August 2018



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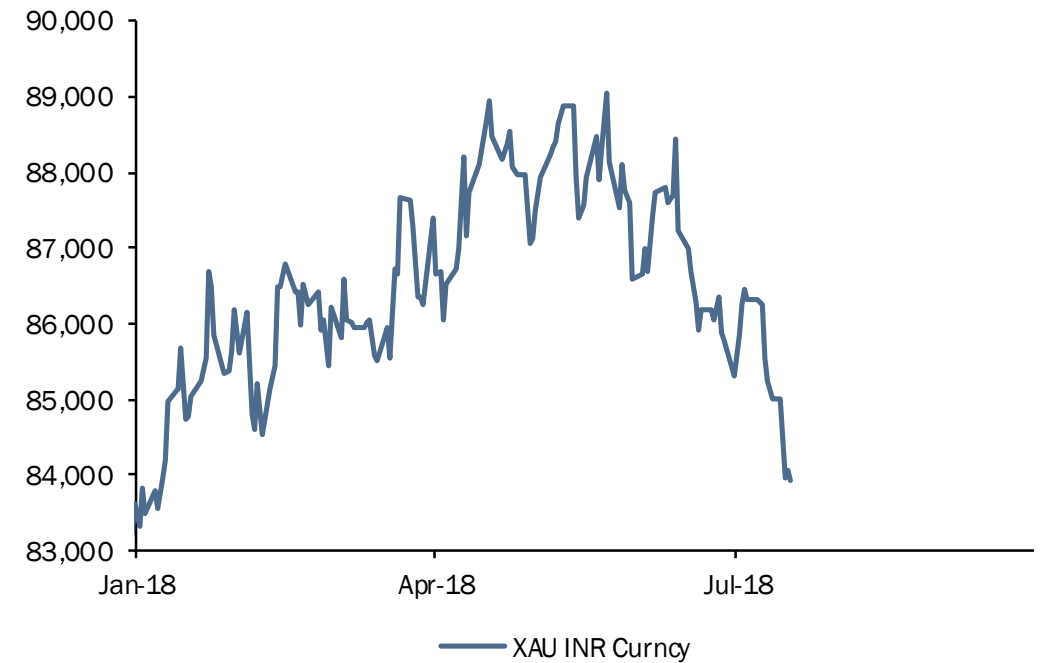
Gold gives back early gains

After initial outperformance, gold has caught down to EM Fx



Source: ICBC Standard, Bloomberg

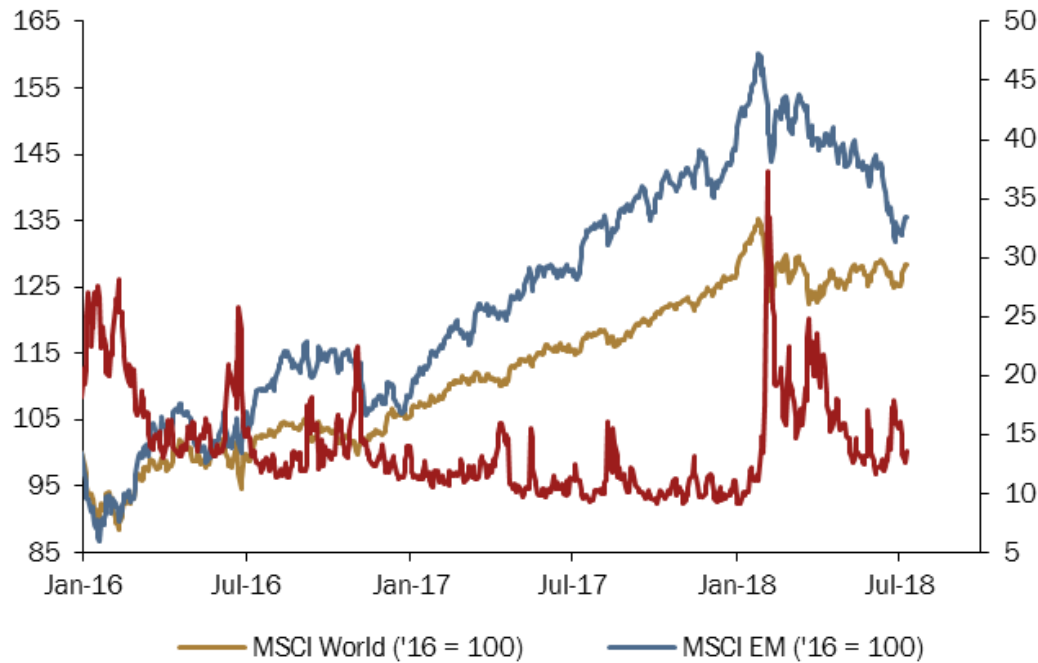
In Rupee terms, it's flat on the year



Source: ICBC Standard, Bloomberg

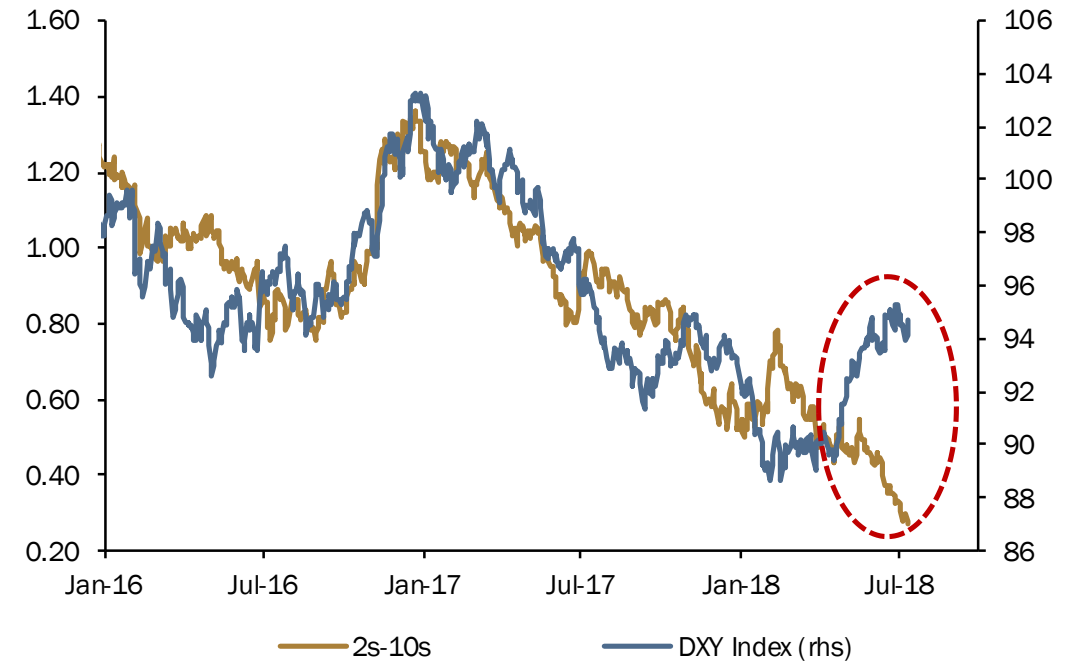
For all the noise, many markets have been remarkably calm

EM equities have suffered a correction but DM holding steady



Source: ICBC Standard, Bloomberg, MSCI, CME

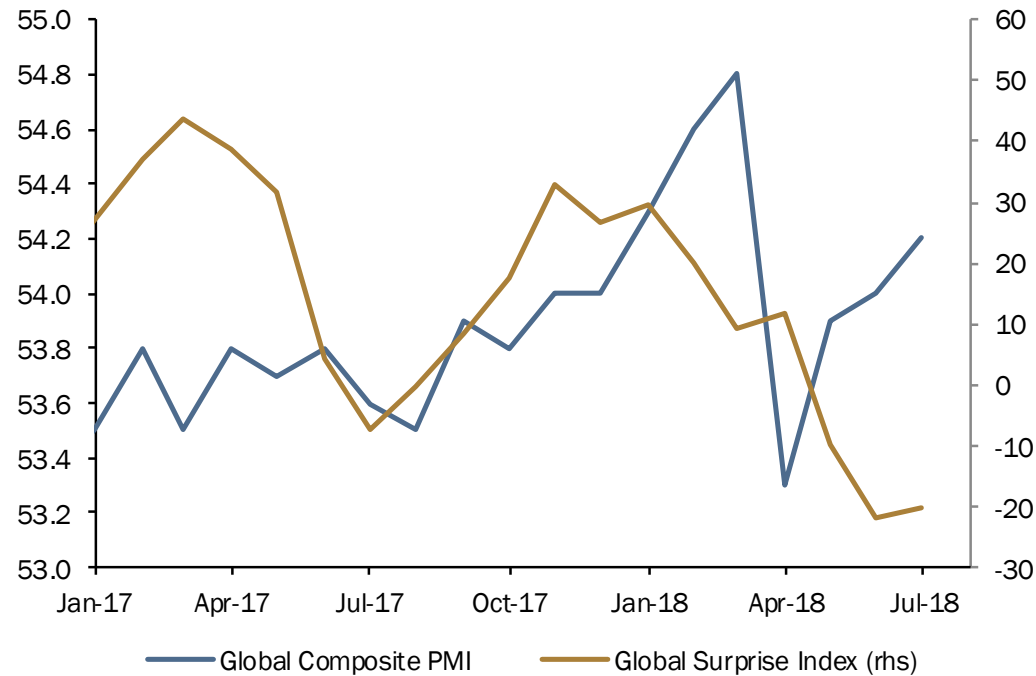
Further yield curve flattening runs counter to USD strength



Source: ICBC Standard, Bloomberg

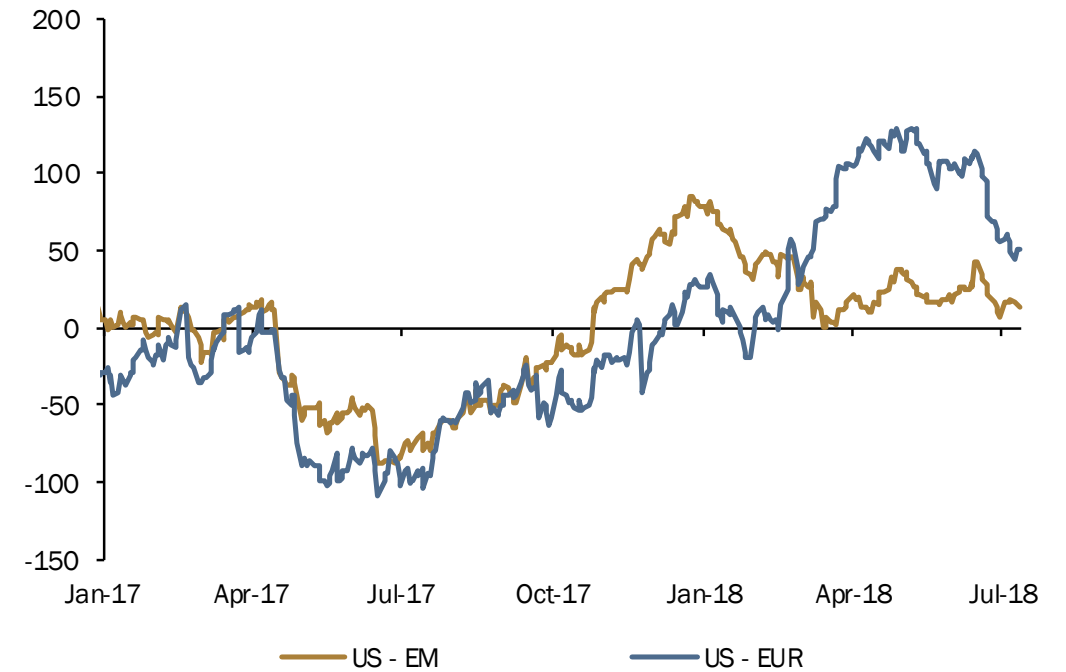
USD strength a function of relative growth performance

Growth has been steady but fallen short of expectations



Source: ICBC Standard, Bloomberg, Markit, Citi

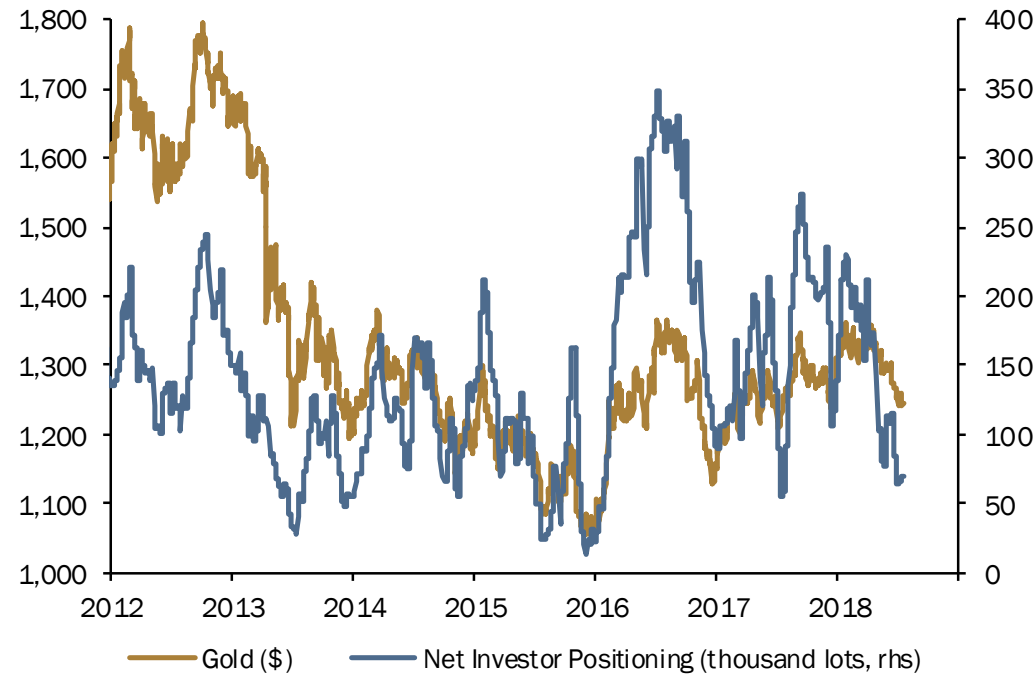
With the Eurozone and EM driving this underperformance



Source: ICBC Standard, Bloomberg, Citi

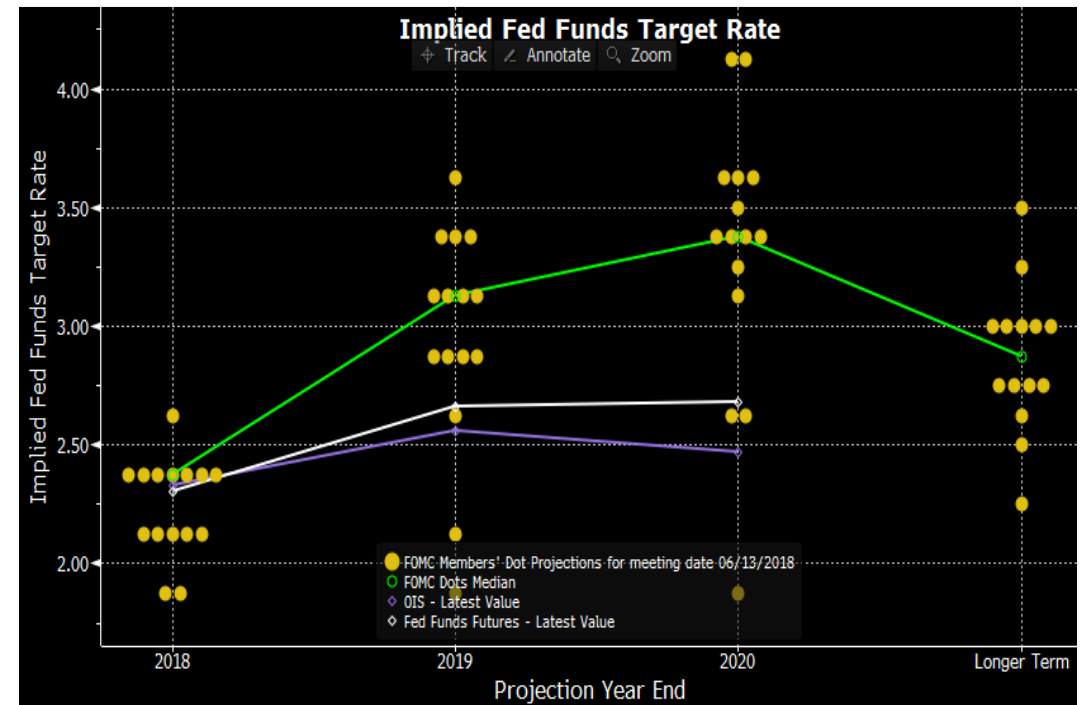
Investors have cut their dollar shorts

Net-length in gold futures significantly reduced



Source: ICBC Standard, Bloomberg, CFTC, CME

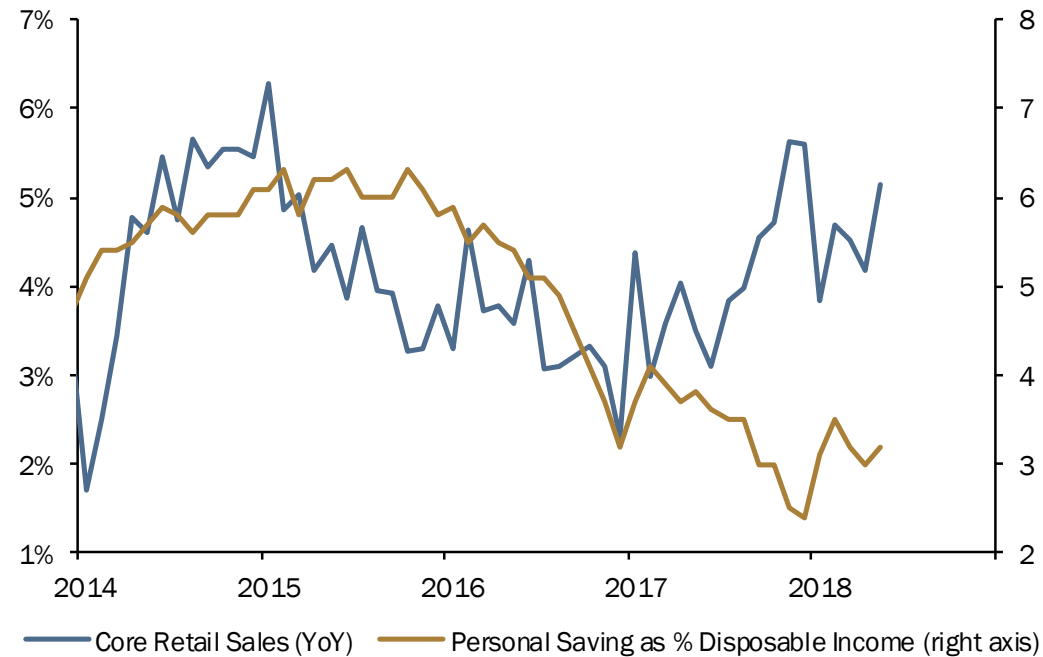
But Fed Funds Futures still discount the dot plot



Source: ICBC Standard, Bloomberg, FOMC

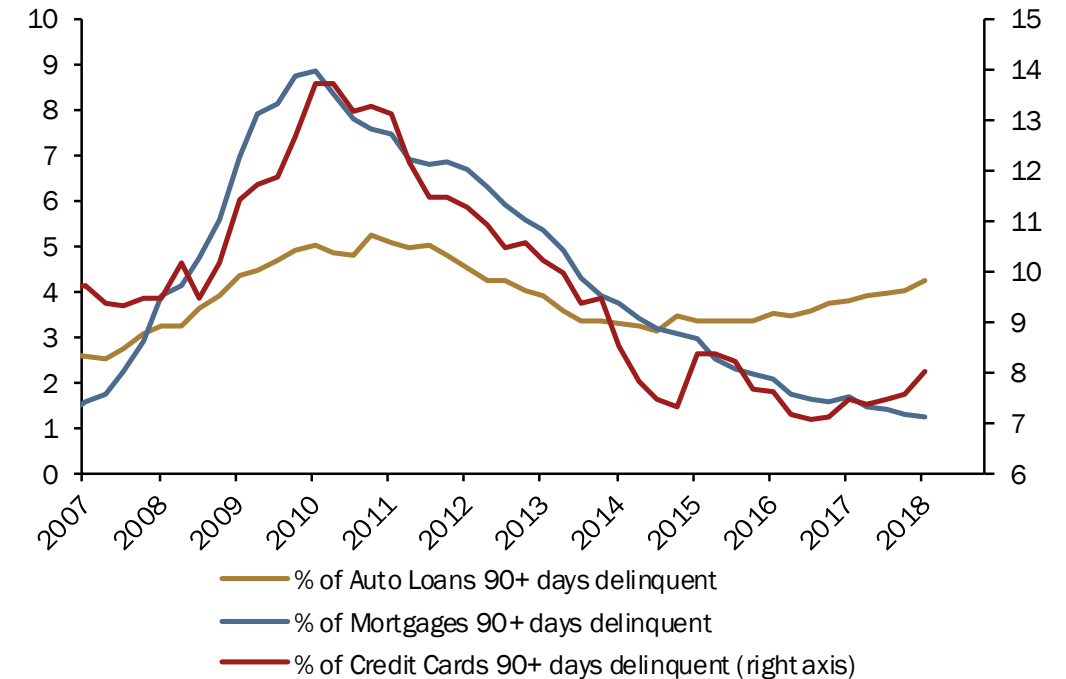
Can US outperformance continue?

Consumer dis-saving drives strong retail sales



Source: ICBC Standard, Bloomberg, US BLS, US BEA

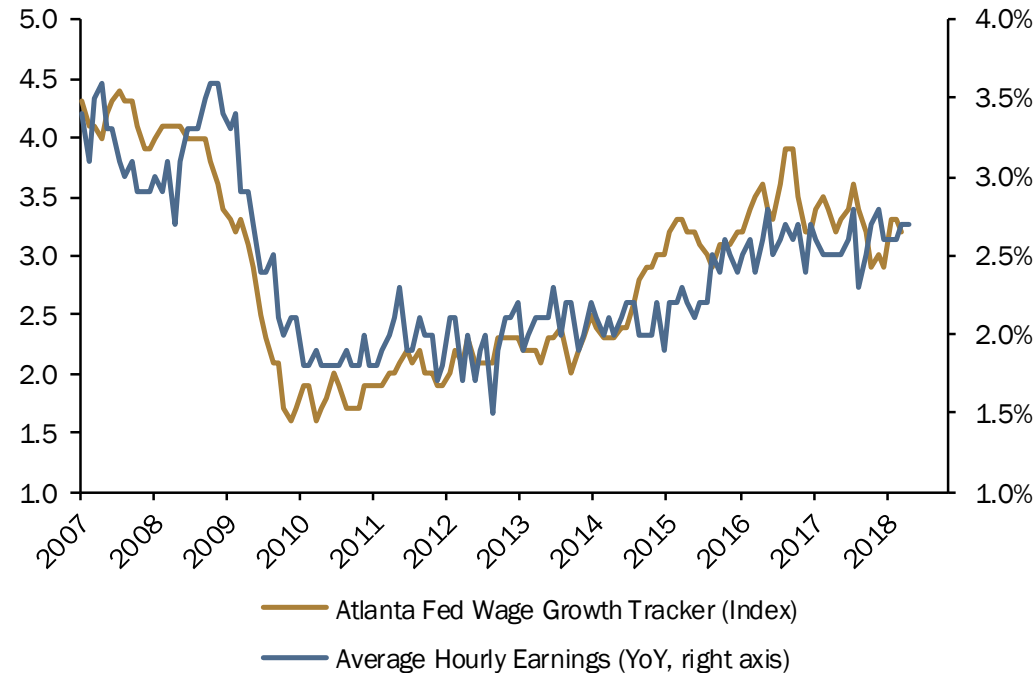
Credit card and auto loan delinquencies picking up gradually



Source: ICBC Standard, Bloomberg, US Federal Reserve

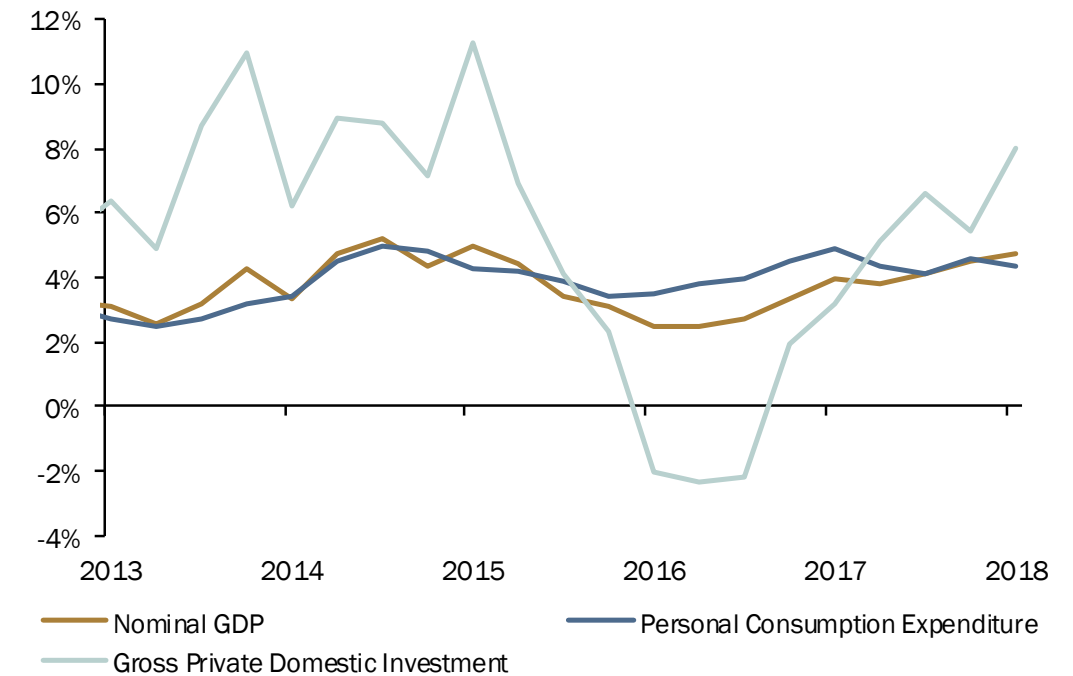
Risks appear balanced into 2019

Wage growth has failed to accelerate in recent years



Source: ICBC Standard, Bloomberg, US BLS, Atlanta Fed

US domestic investment has bounced back from 2016 weakness



Source: ICBC Standard, Bloomberg, US BEA

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