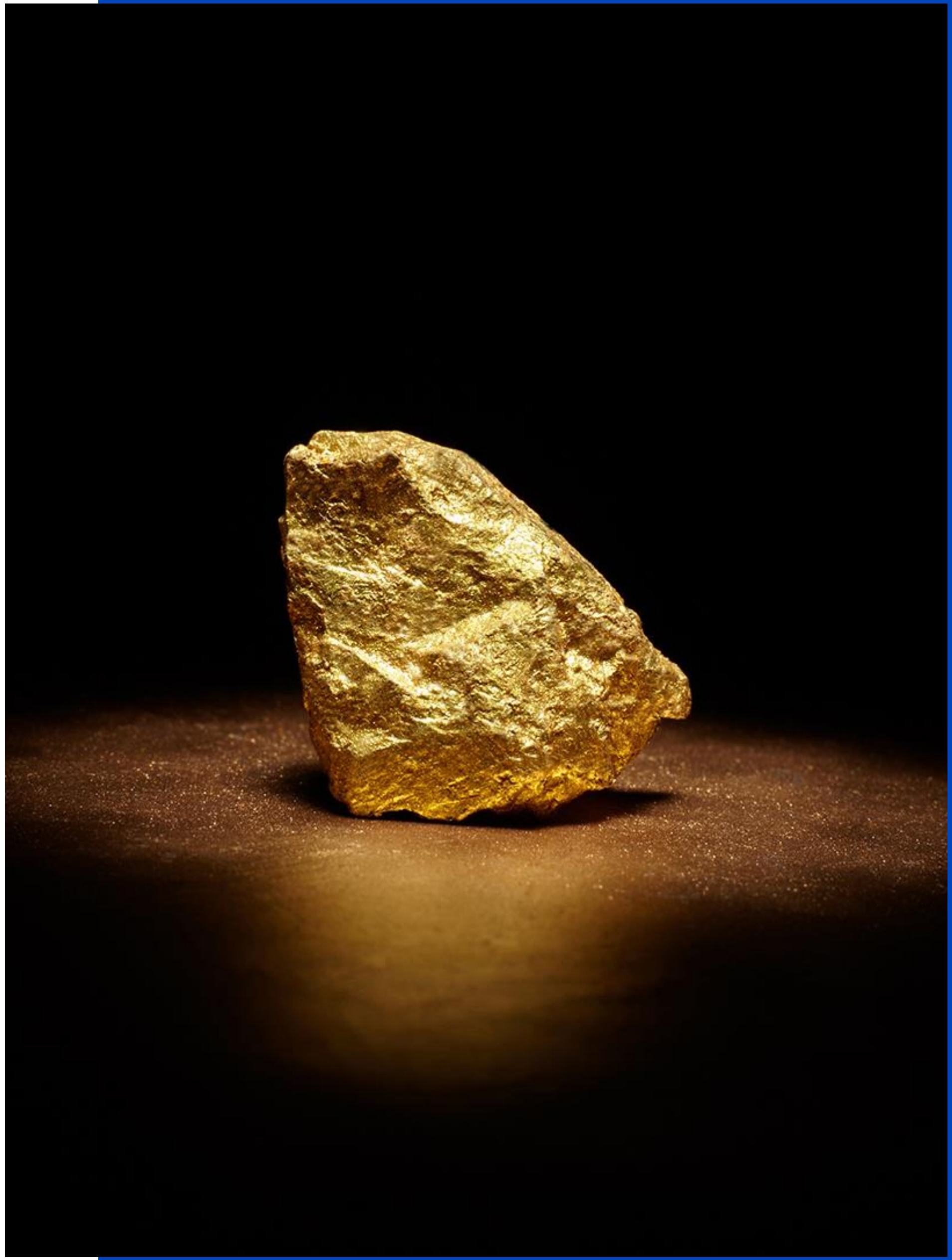
April 2024

Gold outlook to Q1 2025

Breaking new records



For Financial Professionals Only

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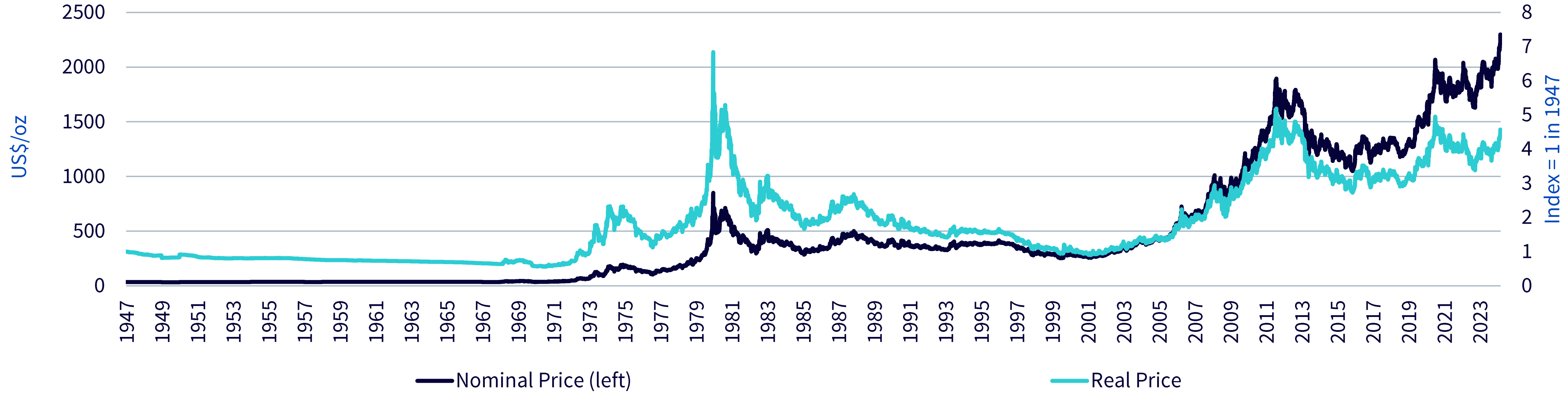
Gold update

Gold hits multiple new highs

Breaking prior records

- Gold in nominal US$ terms hit a new high on 08/04/2024 at $2,349/oz
- In real terms that is still below the 6/8/2020 level during the height of the COVID crisis
- Both are below the 18/1/1980 real high
- In real terms gold prices are not far out of sample

Gold in nominal and real terms



Source: WisdomTree, Bloomberg. Nominal is LBMA PM fixing. Real deflated by US CPI index. January 1947 to April 2024. Gold data daily. CPI data monthly.
Historical performance is not an indication of future performance and any investments may go down in value.

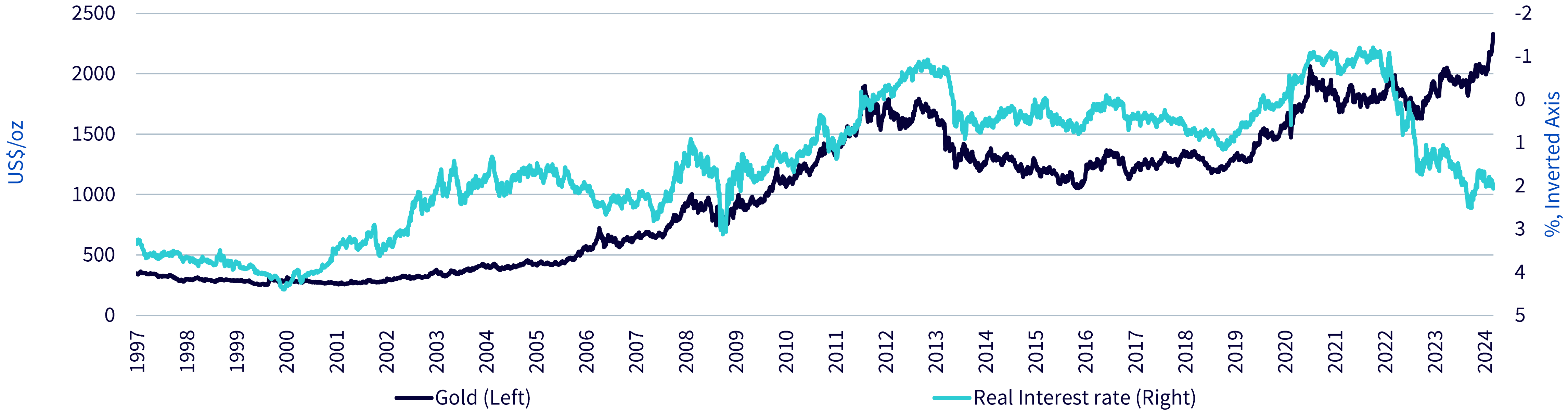
Gap between gold and real yields widen

Gold has significantly outperformed bonds in 2024

WisdomTree®

- What appeared to be a long-standing relationship between gold and Treasury Inflation-Protected Securities seems to have broken down in recent years

Gold vs real rates (Treasury Inflation-Protected Securities yield)



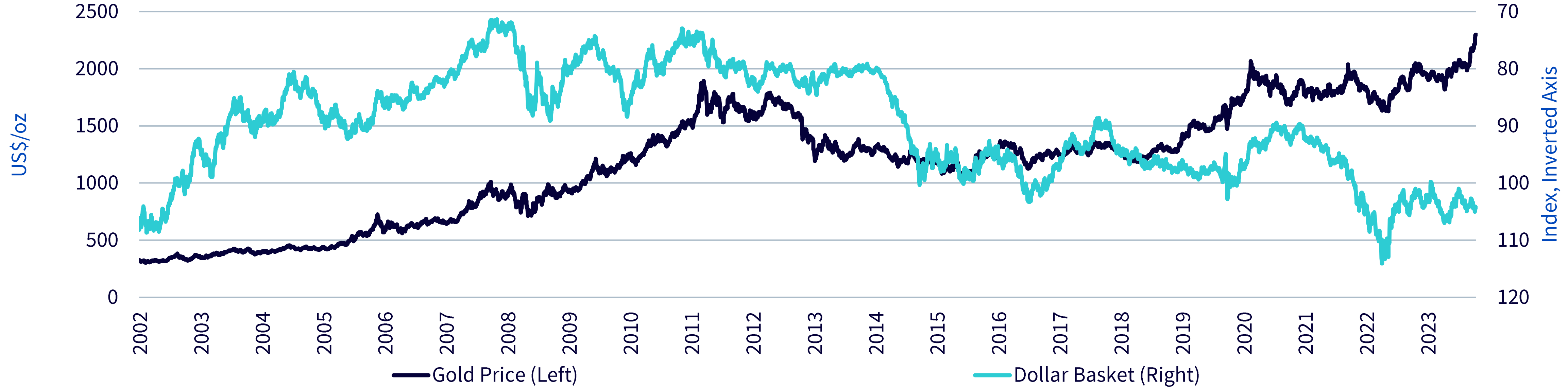
Source: WisdomTree, Bloomberg. January 1997 to April 2024. Daily data
Historical performance is not an indication of future performance and any investments may go down in value.

Gold is also defying Dollar headwinds

Dollar and gold relationship also appears to have weakened

- Gold had been defying the US Dollar strength for some years due to elevated inflation
- US Dollar deprecation following the Fed pivot helped gold rise in Dollar terms

Gold and US Dollar basket



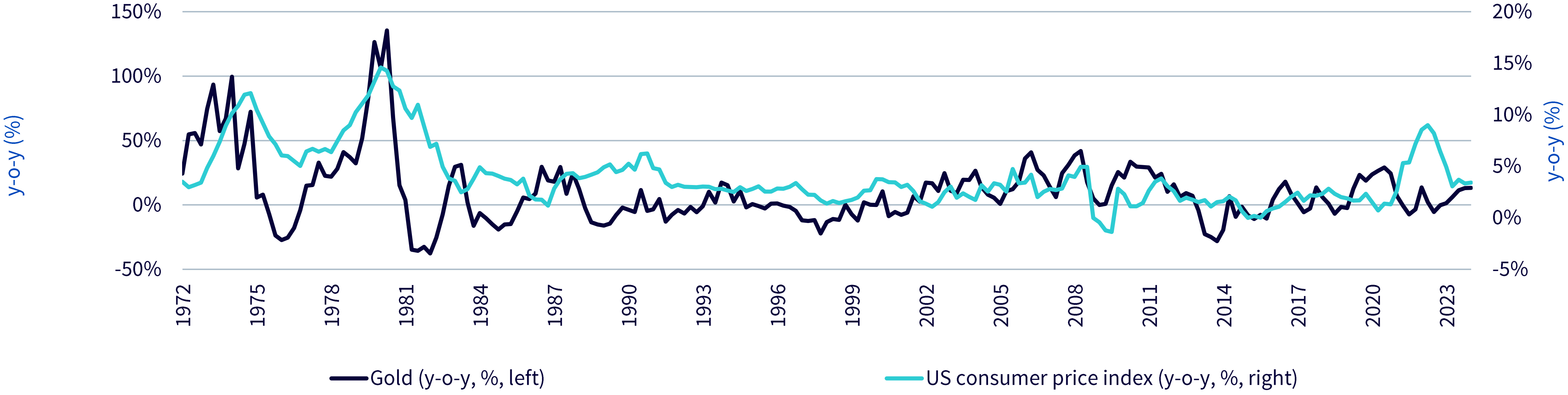
Source: WisdomTree, Bloomberg. June 2002 to April 2024. Daily data
Historical performance is not an indication of future performance and any investments may go down in value.

Gold and inflation back in line

Gold has historically been an excellent inflation hedge

- In 1970s and 1980s, there were very few assets that rose as much as gold to hedge against inflation
- Gold did not rise as much in response to the 2021-2022 post-COVID inflation episode as it was facing headwinds from rising bond yields and an appreciating US Dollar
- Since 2023, gold and inflation relationships appear to have been reestablished

Gold price and inflation



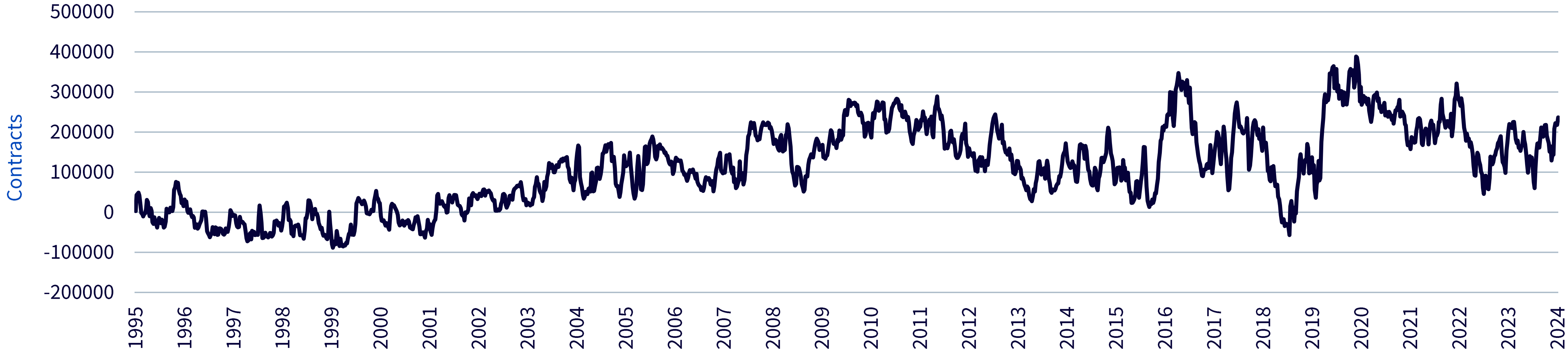
Source: WisdomTree, Bloomberg. Quarterly data from Q1 1972 to Q1 2024
Historical performance is not an indication of future performance and any investments may go down in value.

Gold futures market sentiment rebounding

Net speculative positioning in gold futures has risen to highest level since May 2022

- …after dipping to depressed levels in October 2023.
- The rebound coincided with the gold price rally in Q1 2024

Net speculative positioning in gold futures



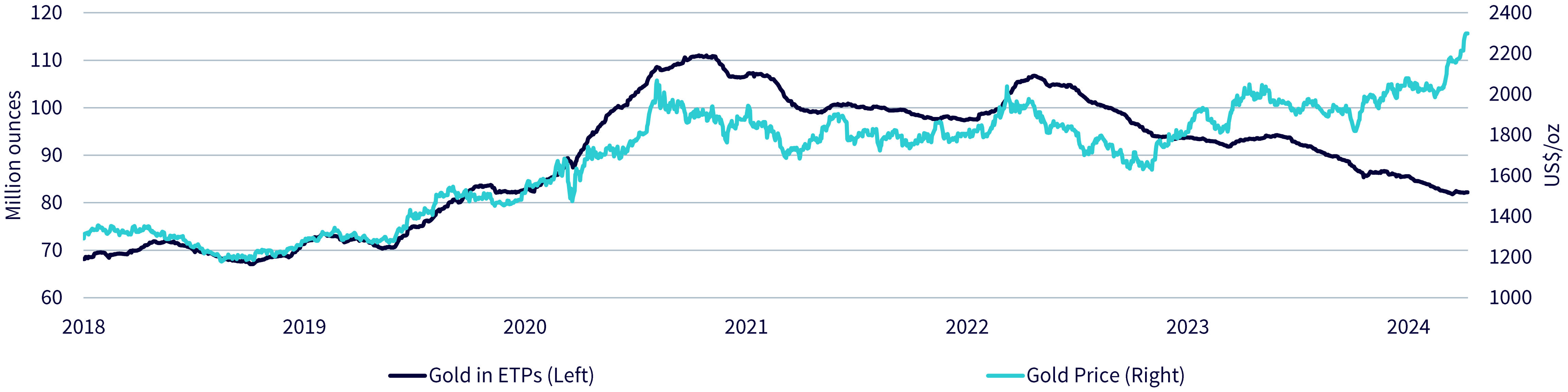
Source: WisdomTree, Bloomberg. Weekly data from March 1995 to April 2024.
Historical performance is not an indication of future performance and any investments may go down in value.

Gold ETP buying however, has not followed

ETP investors continue to shy away from gold

- Gold held in exchange-traded products (ETPs) has historically tracked gold prices
- Outflows from gold ETPs that started in 2022 continued into 2023 and 2024 despite the strong rebound in gold prices

Gold price and ETP holdings



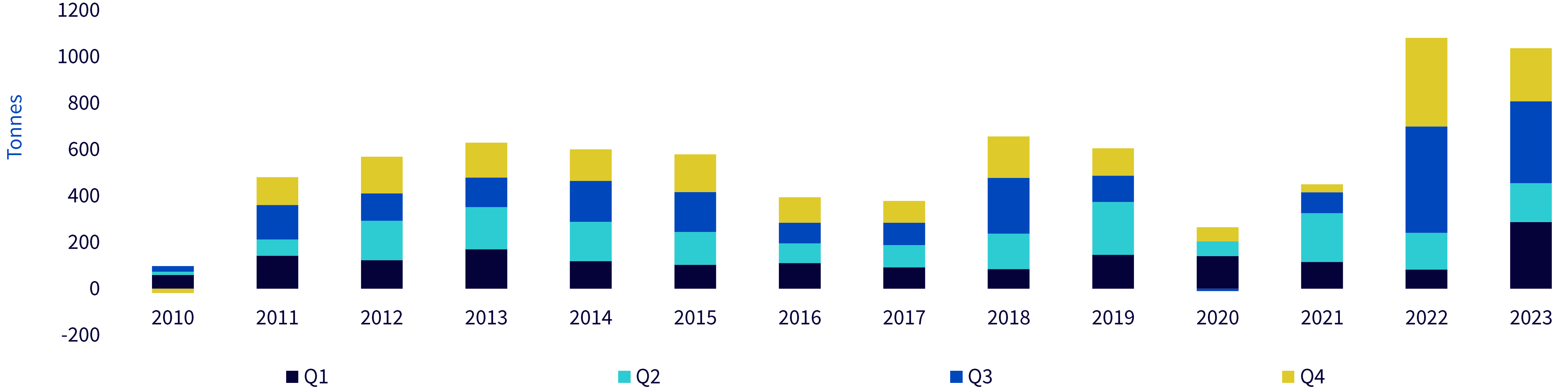
Source: WisdomTree, Bloomberg. Daily data from November 2023 to April 2024.
Historical performance is not an indication of future performance and any investments may go down in value.

Central bank demand for gold is strong

Central bank demand for gold was at a historic high in 2022…

- …and came very close in 2023
- World Gold Council data points to 64 tonnes of net purchases in January and February 2024, marking nine consecutive months of purchase

Central Bank Demand for Gold



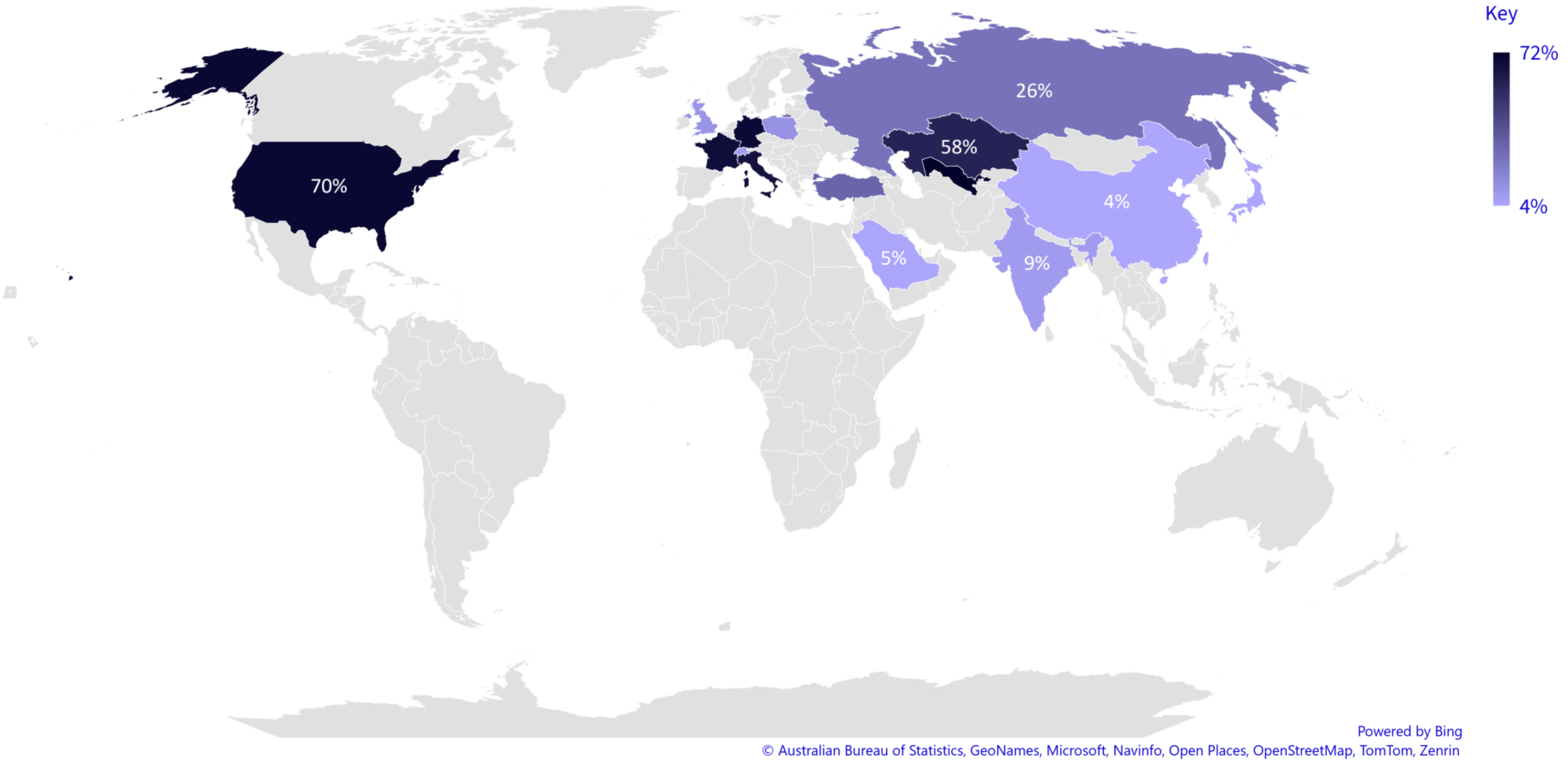
Source: WisdomTree, World Gold Council, Q1 2010 to Q4 2023.
Historical performance is not an indication of future performance and any investments may go down in value.

Central banks are likely to keep buying large amounts of gold

Central banks to continue to buy

- Looking at some of the biggest central bank purchasers of gold in recent years – China, Poland, Turkey - they have still a relatively low amount of gold as a proportion of total foreign exchange.
- We believe that these central banks could keep buying gold at the current pace for many years and still not reach the levels held by the US, France, Germany, Italy.

% of foreign reserves in gold



Sources: WisdomTree, World Gold Council, IMF, as of March 2024. Historical performance is not an indication of future performance, and any investments may go down in value.

Gold as a geopolitical hedge

	Event date	Gold Price Change 1 year forward	Equity Price Change 1 year forward	Relative gold outperformance
Yom Kippur War	06/10/1973	47.4%	-42.0%	89.4%
Nixon's Resignation	09/08/1974	14.9%	4.4%	10.5%
9/11 Terrorist Attack	11/09/2001	16.9%	-15.1%	32.0%
Paris Bombings	13/11/2005	33.5%	17.6%	15.9%

Depending on the event, Gold returned from slightly more to a lot more than the S&P 500 in the year following large geopolitical events.

Gold can typically be used tactically to generate returns during market downturns

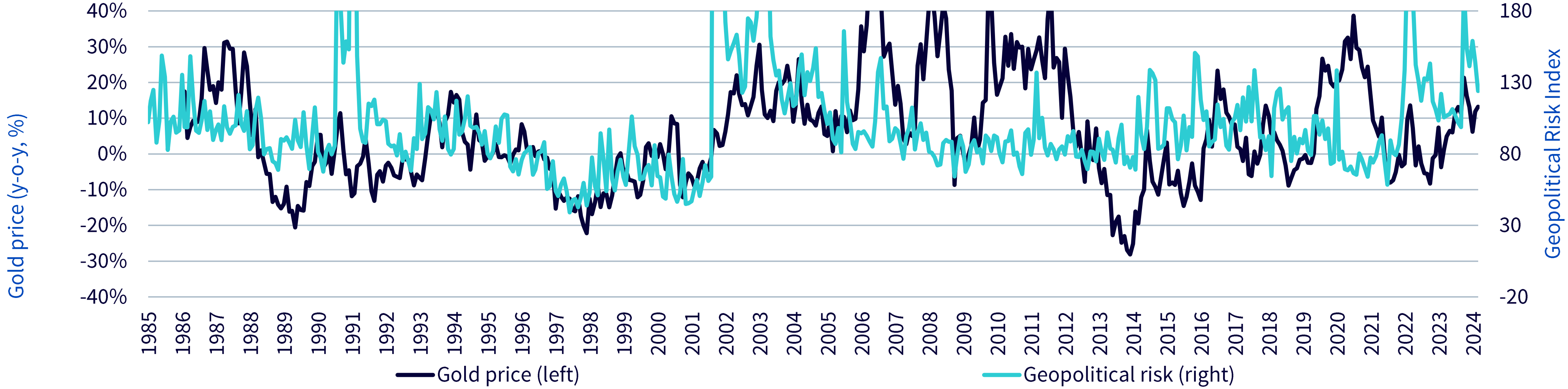
Source: WisdomTree, Bloomberg. Gold is based on Bloomberg spot prices and Equities are based on the S&P 500 Index
Historical performance is not an indication of future performance and any investments may go down in value.

Geopolitical risk remains elevated

The Israeli-Hamas war has been escalating

- Houthi rebel attacks on shipments in the Red Sea
- Iran and Iranian proxy attacks and counter-attacks increase
- Drone attacks on Ukrainian nuclear facilities mark a new phase of war escalation
- 40+ countries, representing more than 40% of global population will hold national elections this year (source: Guardian)

Gold and Geopolitics



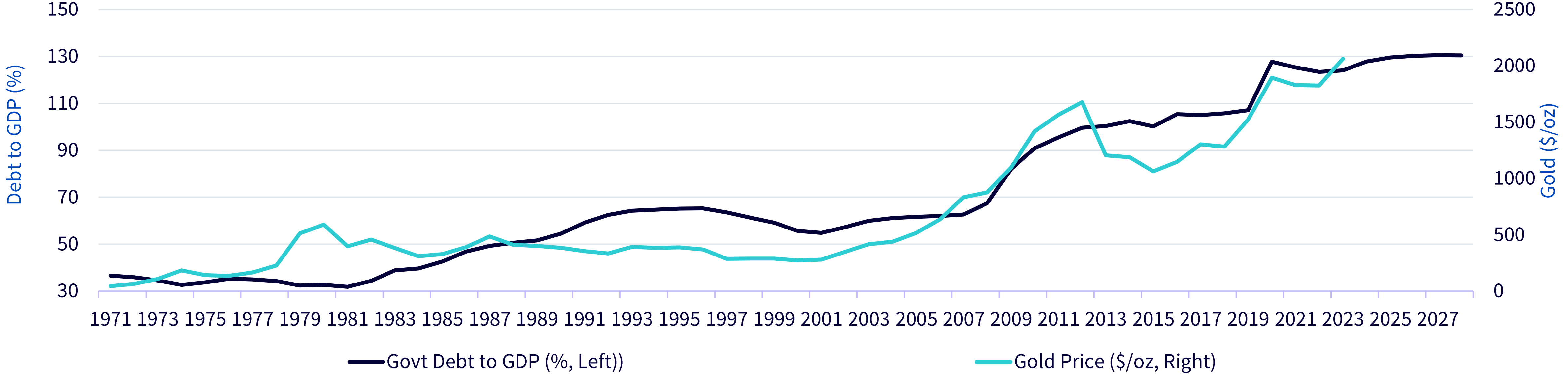
Source: Dario Caldara and Matteo Iacoviello's Geopolitical Risk Index based on a tally of newspaper articles covering geopolitical (war) tensions, Bloomberg, WisdomTree. January 1986 – March 2024.
Historical performance is not an indication of future performance and any investments may go down in value.

Rising indebtedness

Gold could rise as indebtedness increasingly becomes a concern

- White House projections look for Federal debts relative to GDP to continue to rise after dropping between 2020 and 2022 (the drop was mainly driven by GDP improving). In 2023, debt to GDP rose and the pace of that gain could increase in coming years.

US Government Debts and Gold Prices



Source: WisdomTree, Bloomberg, White House Office of Management and Budget (Federal plus other agency debt estimates). 1971 – 2022 Actual, 2023 – 2028 forecast. GDP = Gross Domestic Product
Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties

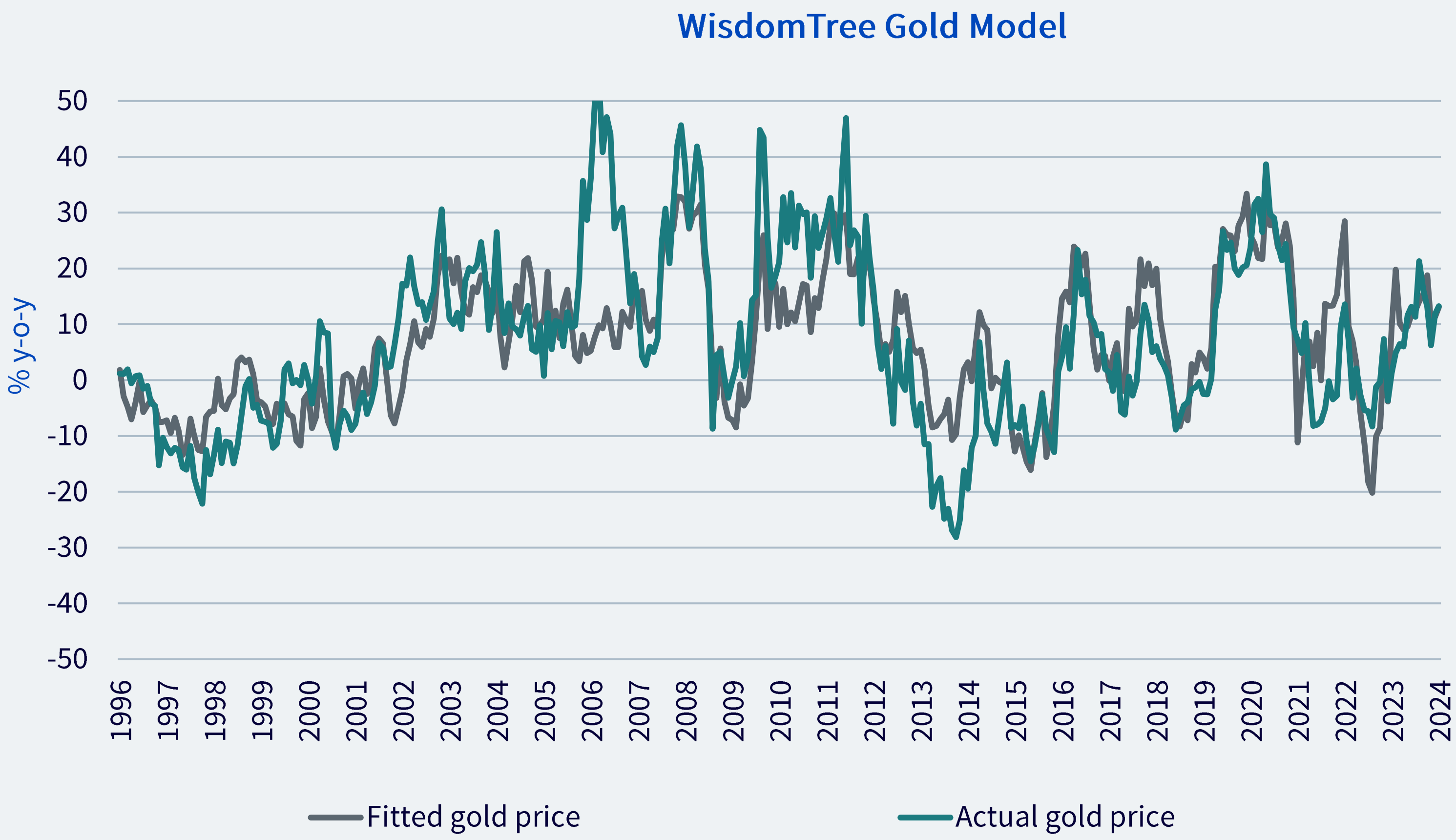
2.

Gold model and forecasts

WisdomTree Gold Model

We have built a model that demonstrates that changes in gold price (in US Dollars) are driven by (direction in parenthesis):

- Changes in US Dollar (-)
- Consumer Price Index (CPI) inflation (+)
- Changes in nominal yields on 10-year US Treasuries (-)
- Investor sentiment (measured by speculative positioning in the futures market) (+)

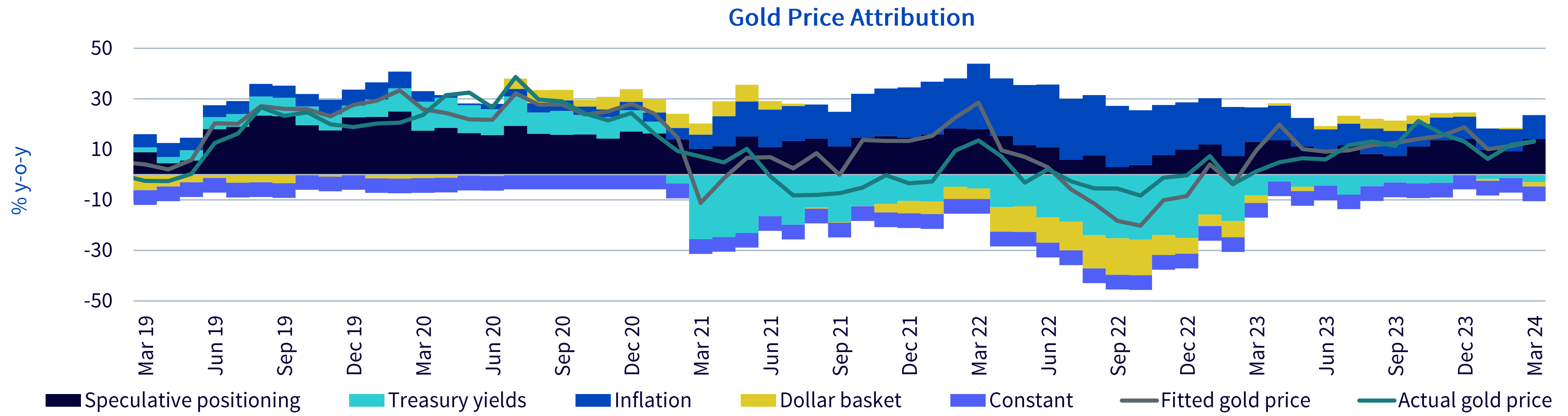


Source: Bloomberg, WisdomTree price model. March 1996 to March 2024
Historical performance is not an indication of future performance and any investments may go down in value.

Gold model and actual prices have been close

Our model illustrates why its important to look at gold in a multivariate fashion

- As shown earlier, univariate relations between gold and bonds or gold and Dollar or gold and inflation appear to have broken down when looked at in isolation
- When looking at all relevant drivers of gold together in a multivariate fashion, we get a better picture of gold
- Model and actual gold price movements are very close at end-March 2024



Source: Bloomberg, WisdomTree price model, data as of March 2024
The fitted gold price is the price the model would have forecast. The constant does not have economic meaning, but is used in econometric modeling to capture other terms. It can be thought of as how much gold prices would change if all other variables are set to zero (although that would be unrealistic).
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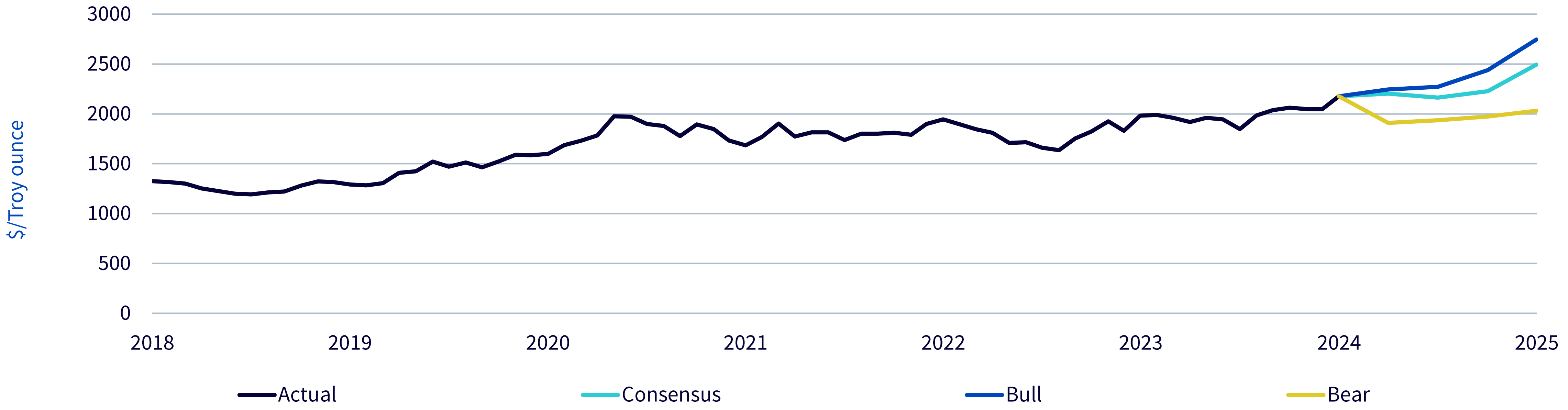
WisdomTree Gold Forecasts

In Consensus and Bull scenarios, gold could reach new nominal highs

In bear case, gold could fall to October 2023 levels

Gold Price Forecast



Source: WisdomTree Model Forecasts, Bloomberg Historical Data, data available as March 2024.
Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties

Consensus

Consensus based on Fed rate cuts coming soon

Consensus is looking for inflation to continue to decline (although to remain above the central bank target), Dollar to depreciate and bond yields to fall. Consensus is based on Fed rate cuts commencing in July 2024. Fed Fund futures have recently pared down their expectations for a June rate cut.

	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Inflation forecast	3.0%	2.8%	2.7%	2.5%
Nominal 10-year yields forecast	4.03%	3.93%	3.87%	3.82%
US$ exchange rate forecast (DXY)	102.8	101.9	100.9	100.6
Speculative positioning forecast	200,000	150,000	100,000	100,000
Gold price forecast	US$2,200/oz	US$2,165/oz	US$2,230/oz	US$2,500/oz

Source: WisdomTree. Bloomberg Survey of Professional Economists, March 2024
Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties

Bull

Bull case with gold sentiment riding higher

In this scenario inflation remains stuck at a higher setting. The Federal Reserve nevertheless commences its cutting cycle. Meanwhile a combination of elevated geopolitical risks and fears of policy errors keeps sentiment towards gold higher (expressed in speculative positioning).

	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Inflation forecast	3.1%	3.1%	3.1%	3.1%
Nominal 10-year yields forecast	3.90%	3.80%	3.70%	3.50%
US$ exchange rate forecast (DXY)	100	100	99	98
Speculative positioning forecast	200,000	200,000	200,000	200,000
Gold price forecast	US$2,245/oz	US$2,275/oz	US$2,440/oz	US$2,750/oz

Source: WisdomTree. April 2024
Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties

Bear

Fed is reluctant to cut rates

With a Federal Reserve reluctant to cut interest rates, inflation falls faster, US Dollar appreciates and bond yields do not fall as much as consensus currently expects. In this scenario, we also reduce the speculative positioning in gold to reflect a decline in geopolitical risks.

Bear	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Inflation forecast	2.0%	2.0%	1.0%	1.0%
Nominal 10-year yields forecast	4.60%	4.35%	4.25%	4.15%
US$ exchange rate forecast (DXY)	104	105	106	107
Speculative positioning forecast	50,000	50,000	50,000	50,000
Gold price forecast	US$1,910/oz	US$1,935/oz	US$1,975/oz	US$2,030/oz

Source: WisdomTree. April 2024
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WisdomTree.eu
+44 (0) 207 448 4330

Thank you.

Nitesh Shah

Head of Commodities & Macroeconomic Research, Europe

nshah@wisdomtree.com

+44 20 7448 4339

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