Gold

An investor’s perspective

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Disclaimer (cont.)

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Overview

Gold market drivers
How has monetary policy affected gold price and allocations?

Price discovery and market dislocation
How has Covid-19 disrupted the gold market?

Evolution of market participants
How has the investment trend changed for gold?
Gold market drivers

Stimulus the catalyst for gold's rally

Gold and real rates move in sync

Gold allocation is on the rise

Optimal allocation at 5%

Source: Haver, UBS. *US-domiciled funds
Price discovery and market dislocation

Drivers
- Swiss refineries ceased production in early April. Switzerland accounts for 70% of global bullion fabrication
- The breakdown of supply chains (Gold is typically shipped via commercial jets)
- Resulting unwind of the EFP carry trade
- VAR limits compromised, dislocation to remain for the foreseeable
- Migration of volumes to OTC

Post Covid migration from futures to OTC

**OTC spot vs Comex active futures, ounces**

- OTC spot
- Comex futures

Source: Bloomberg, CME, LBMA, UBS

EFP triggered jump in Comex stocks

Source: Bloomberg, UBS

UBS OTC eChannel Index

Source: Bloomberg, CME, UBS
Evolution of market participants

Trends

- 2020 has seen an acceleration in investor trends especially strategic and retail interest
- The meteoric shift in gold expression: record H1 in ETF demand – asset allocators and risk parity investors
- Official sector trends: the last decade swung the community from net sellers to buyers. We continue to see bias to buy on dips
- Greater retail participation helped by ETFs & online trading
- Undercurrent of sticky demand, key levels bring in Asian speculators and broad retail participation
- Disruptors: growth in technology enabled gold trading

Strong ETF demand in H1

Source: WGC, UBS

Pick up in media interest

Retail momentum accelerates

Source: Bloomberg, UBS

Gold ETF, moz
Gold news story count (RHS)

Gold price (USD/oz, LHS)
Robintrack popularity (# of investors, RHS)

Source: Bloomberg, UBS, Robintrack
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