Second Quarter

2020 MARKET UPDATE

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Gold

Gold up 12.94%

Silver

Silver up 30.35%

Platinum

Platinum up 13.04%

Palladium

Palladium down 18.85%

MARKET UPDATE

2020 SECOND QUARTER

Gold prices strode ahead for the seventh consecutive quarter, gaining in each month during the quarter ending June 30, 2020. In the battle to recover from the economic devastation brought on by coronavirus, the Federal Reserve continued its deployment of quantitative easing undertaken in March, expanding its balance sheet to a record $7 trillion plus while Congress authorized $3 trillion more in stimulus. The S&P500 chalked up a nearly 20% quarterly gain on these Washington actions. However, uncertainty over the pandemic remained high and gold prices benefited as a store of value and a hedge against financial turmoil. In the second quarter of 2020, gold prices gained 12.94% to close at $1,781.00. Silver prices, buoyed by both opportunistic investors and expectations of an economic turnaround, posted their best quarter since 2010 by soaring 30.35% to settle at $18.21. Platinum prices likewise benefitted, adding 13.04% to settle at $817.25 for their best quarter since September

Top Performer

Silver

2012. On the other hand, palladium prices had their worst quarter since September 2011, relinquishing 18.85% to close the quarter at $1,917.50 on the back of expected lower car sales.

In April, gold prices experienced their best month since 2016, tacking on $110 for a gain of 6.98%. Gold prices began the month trading at $1,577. The month's low of $1,570 occurred on the 1st. By the 14th, prices had touched $1,747.60, which turned out to be the April high. The first leg of the up move was to $1,673.50, which was reached on the 7th. The breakdown of the gold arbitrage was identified as contributing to upward price pressure. Gold usually flies in the bellies of planes; when planes were grounded, confidence in the New York – London arbitrage collapsed. Dealers were unable to roll their Comex shorts at normal prices.

The second leg up to the month's high occurred following Fed Chair Jerome Powell's speech on April 9. Regarding the use of the Fed's lending powers, Powell said "We will continue to use these powers forcefully, proactively, and aggressively until we are confident that we are solidly on the road to recovery." In other words, the Fed would continue to use quantitative easing as a tool to stabilize the financial system and support credit in the economy. At the end of April, the S&P 500 was up 33% from the March 23rd lows and up 12.68% for April. Gold prices ended April trading $1,687.00, as prices retraced from the high on expectations of the country reopening.

In May, the upswing in gold prices continued, although not at April's torrid pace. Gold prices added $43.50, or 2.58%. As in April, the low for May ($1,670.50) occurred on the first trading day. Prices trended higher through the 18th when the month's high of $1,765.70 traded. The May rally was spurred by several factors: woeful US employment, retail sales and industrial production data; friction between the US and China over both trade and the origin of the coronavirus; and Fed President Jerome Powell's call for more fiscal spending. Powell expressed concern that the United States could face an extended period of weak growth and stagnant incomes.

Prices retraced after the 18th. On the 19th, hopes for a vaccine helped a "risk on" attitude, taking the steam out of the gold rally. Although the vaccine optimism was short-lived, expectations for an economic recovery gained momentum and prices generally ticked down through the 27th, when prices traded as low as $1,694.00. Unrest in Hong Kong and US-Chinese political tensions at the end of the month served to bring gold back to settle at $1,730.50 at the of May.

In June, gold prices continued to rally, gaining $50.50, or 2.92%. The month began with a selloff and month's lows of $1,671.00 traded on the 5th. The backdrop to the decline was a surge in equities over increasing optimism on the recovery; the May unemployment figure was 13.3% compared to March's 14.7%. By the 8th, the NASDAQ had set a record high and the S&P 500 had erased its losses on the year. But then sentiment about the recovery shifted and volatility in equities increased. Gold prices began to move higher. On June 10th, Fed President Jerome Powell explained the central bank's commitment to "using our tools to do whatever we can—and for as long as it takes—to provide some relief and stability, to ensure that the recovery will be as strong as possible, and to limit lasting damage to the economy." The Fed forecast a 6.5% decline in GDP in 2020 and a 9.3% unemployment rate by year's end. This dour outlook, combined with increases in cases and the fear of the impact of a second wave, sparked a flight to safety; gold prices traded $1,786, the highest since October 2012. Gold prices settled the end of the quarter at $1,781.

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