

Third Quarter

2020 MARKET UPDATE



INSIDE THIS ISSUE

Gold

Gold up 5.9%

Silver

Silver up 27.62%

Platinum

Platinum up 7.71%

Palladium

Palladium down 18.9%

MARKET UPDATE

2020 THIRD QUARTER

Gold prices breached the \$2,000.00 mark for the first time ever in the third quarter of 2020. Gold prices soared to \$2,075.00 during their 8th straight quarterly advance. In Q3, prices went up \$105, or 5.90%, to settle at \$1,886.00 on September 30. Although silver prices were far from their record of \$50.00 (set in 2011), they shared the limelight on the back of an extraordinary rally. Silver's dual role in industry and investment intensified demand just as social distancing at the mines slowed output. Silver prices exploded in the third quarter, adding 27.62% to settle at \$23.24 on September 30. Other industrial metals also benefited from increased demand and optimism for an economic recovery from the covid pandemic. Palladium prices gained nearly 18.90% to \$2,311.00, platinum prices added 7.71% to \$893.20, while the LME copper price moved up 10.92% to \$6,672. The S&P 500 rallied 8.47% and the Russell 2000 added 4.60%.



For the first half of July, the gold market seemed like a battlefield. On one side, 'risk on' market participants were inclined to sell gold against a backdrop of stable to up-trending equity prices. On the other, market participants observing that real interest rates were becoming more negative were inclined to buy gold as a hedge against future inflation. Early in the month, gold prices fell below \$1,770.00 on the back of strong non-farm payrolls but recovered to break through \$1,800.00, a key level for market watchers. As the second half of July got under way, and concerns about a resurgence in covid in the US grew, the decline in the dollar began to pick up speed and gold prices began a 9-day tear of consecutive rallies that culminated with a new high of \$1,980.00. The previous record was \$1,921.00 and had been set in September 2011.

While the July 10.94% rally in gold price was indeed impressive—it was the gold price's best monthly gain in 8 years—it was the silver price rally that was truly exceptional. Silver prices soared nearly 34% in July. They began the month at \$18.21, traded to nearly \$26.00, and closed the month at \$24.39. Fanning the precious metals' move was the largest decline in the US Dollar Index (4.1%) since September 2010, as the greenback suffered from the resurgence in the pandemic across many states.

August began with both gold and silver prices continuing July's rally. Ten-year real interest rates fell below minus 1%. On August 7, gold prices traded a new all-time high of \$2,075.00 while silver prices approached \$30.00. Remarkably, in 16 trading days spanning the latter part of July and the beginning of August, gold prices rallied over 14% and silver prices over 46%. The following week, however, brought significant volatility and a sharp correction.

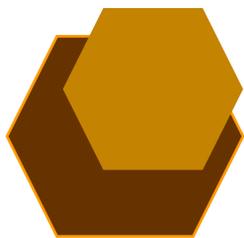
Prompts for the retracement included recent producer selling and general profit taking on an uptick in negative real interest rates. On the 11th, Gold prices fell through the \$2,000 level and did not stop until \$1,868.00. Silver cratered to \$23.40. Both markets recovered from their lows by the end of August. Buoyed by both investment and industrial demand, silver's bounce back significantly outpaced gold's on a percentage basis.

On the 28th of August, Federal Reserve Chairman Powell described the central bank's new policy, which it had well telegraphed: the Fed will seek to achieve its goals of maximum employment and price stability by seeking to achieve inflation that **averages** 2% over time. Thus, if the Fed can spark inflation, it would let inflation run higher than 2% in its effort to support economic recovery.

For the month of August, gold prices slipped \$8.00 or 0.4% to \$1,968.00 while silver prices soared \$3.76, adding 15.42% to close at \$28.15.

In September, gold and silver prices both fell. For reasons, analysts pointed to expectations for a more dovish outcome to the mid-month Fed meeting; a strong dollar on the back of a second wave of covid in Europe; and the decreasing likelihood of the passage of a stimulus package in Washington. Tensions inside the beltway were running high on the replacement for Supreme Court Justice Ruth Bader Ginsberg.

Gold prices relinquished \$82, or 4.17% in September to close the quarter at \$1,886.00. Silver once again had an outsized move, posting its biggest monthly decline in 9 years. Silver prices shed \$4.91, or 17.44%, to settle at \$23.24.



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