

Fourth Quarter

2020 MARKET UPDATE



INSIDE THIS ISSUE

Gold

Gold up .66%

Silver

Silver up 14.76%

Platinum

Platinum up 19.79%

Palladium

Palladium down 6.2%

MARKET UPDATE

2020 FOURTH QUARTER

Gold prices posted a small gain during the fourth quarter of 2020 against the backdrop of 2 monumental events: the fastest rollout of a vaccine ever and the US “election week.” This was the eighth consecutive quarter that yellow metal prices advanced. The gains occurred in December, when a second COVID-19 stimulus bill became law. For the final quarter of 2020, gold prices added \$12.00, or 0.66%, to close at \$1,898.50. Metals with industrial applications fared much better. Silver prices gained \$3.43, or 14.76%, to close the quarter at \$26.67; platinum prices gained \$177, or 19.79% to settle at \$1,070, while palladium prices moved up \$143, or 6.2%, to close the fourth quarter at \$2,454. For the year, gold prices moved up \$381.00 for a 25% return. Silver benefits from both investment and fabrication demand, and in 2020 prices went up \$8.77, or 48.99%. Platinum and palladium prices were in step with the annual gains in gold prices, and added 25.96% and 26.4%, respectively.



Gold prices began October by moving higher as investors anticipated COVID-19 relief legislation, with its baked in inflationary impact down the line. Having closed the third quarter at \$1,886, on October 1 gold prices quickly tested \$1,900. But there was no substantive progress on legislation and by the 7th President Trump (who we learned had COVID-19 on the 2nd) halted negotiations. Gold prices slipped to \$1,874. Prices for the rest of the month continued to react to the status of the relief bill talks. Compared to other months, October's gold price range of \$74 made it a relatively muted month; traders and investors reduced activity ahead of election day on November 3. In October, gold prices fell \$7.00 to \$1,879, for a modest loss of 0.37%, marking a third consecutive monthly decline. The S&P 500 relinquished 2.77% and the US Dollar Index was essentially unchanged. For perspective on COVID-19 in October, the daily US infection rate doubled to 84K from September while the daily death rate dropped 14% to 838.

As November began, many polls showed former Vice President Joe Biden in the lead, but that the race was extremely close in several battleground states. Perhaps in anticipation of a Blue Wave's outsized stimulus package, the US dollar fell. On election night, the race was too close to call. In the days that followed, market participants anticipated Biden would win. On November 5, gold prices rallied as high as \$1,921. On November 7, several major news organizations called the election for Biden. On the 9th, prices traded as high as \$1,965 but then the Pfizer news broke, and prices swooned to \$1,850 the same day.

Pfizer announced successful late-staged COVID-19 vaccine trials. The equity rally that had begun shortly before the election gained steam at the prospect of both a stable president and an economic recovery. Investors were looking beyond the fact that a second wave of coronavirus infections were spiraling out of control; US infections stood at 11 million in the middle of November (compared to 7.1 million at the end of September) and states were increasing their restrictions. In Washington, Democrats attempted to revive stimulus bill negotiations, but to no avail. On the 16th, more good vaccine news came from Moderna. By the 24th, when the General Services Administration granted the Biden team the ability to begin the transition process, gold prices were in danger of breaking below \$1,800. President Trump had been protesting and litigating the election outcome, but these efforts would not bear fruit. The Dow topped 30,000 for the first time ever. In November, optimism caused many speculators to sell gold in favor of risk assets. By the end of the month, gold prices had touched a five-month low of \$1,764. Despite the US dollar sitting at a 2.5 year low, gold prices experienced their largest monthly loss since 2016. Gold prices for November posted a decline of \$102, or 5.4%, to close at \$1,777 —nearly \$300 below the August 2020 all-time high. In terms of US coronavirus statistics, in November compared to October, the daily infection rate doubled to 167.8K and the daily death rate grew 51% to nearly 1.3K.

December saw an upswing in gold prices. Starting on the 1st, prices added 2% as stimulus talks were back on the table. On the 6th, weak jobs data added a reason to be positive about the passage of stimulus. By the 7th, gold prices had traded as high as \$1,868, over \$100 above October's low.

In their mid-December meeting, the Federal Reserve telegraphed that their monetary policy would remain highly accommodative. The fed funds overnight lending rate remained at a record low range of 0% to 0.25%. The FOMC expressed commitment to maximum employment and price stability. Inflation could run higher than the targeted 2% in the near term if needed and the commitment to quantitative easing was affirmed.

On the 16th, we learned that November's retail sales were weak (down 1.1%) -- another reason for Congress to act on a stimulus package. On the 20th, gold prices touched \$1,906 and the \$900B stimulus package finally passed Congress. President Trump signed it into law on the 27th. In December, gold prices added \$121.50 to settle the month, the quarter, and the year at \$1,898.50. In terms of coronavirus in

Connect With Us!

<https://twitter.com/FideliTrade>

<https://www.linkedin.com/in/fidelitrade-incorporated/>

