Market Commentary Blog

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10/1/24

Gold, Silver, and the Miners

Gold & Silver Miners Index TR vs. Price Change of Gold, Silver, U.S. Dollar & CPI Rate

Year	Philadelphia Gold & Silver Index	Gold (Spot)	Silver (Spot)	U.S. Dollar Index (DXY)	CPI (YoY)
2024 YTD (9/30)	27.82%	27.24%	30.90%	-0.55%	2.5%
2023	6.00%	13.45%	-0.66%	-2.11%	3.4%
2022	-6.86%	-0.13%	2.77%	8.21%	6.5%
2021	-6.62%	-3.44%	-11.54%	6.37%	7.0%
2020	36.04%	24.40%	46.88%	-6.69%	1.4%
2019	51.32%	18.31%	15.21%	0.22%	2.3%
2018	-17.13%	-1.56%	-8.52%	4.40%	1.9%
2017	8.13%	13.53%	6.34%	-9.87%	2.1%
2016	74.08%	8.14%	15.02%	3.63%	2.1%
2015	-34.14%	-10.41%	-11.86%	9.26%	0.7%
2014	-18.27%	-1.44%	-19.31%	12.79%	0.8%
2013	-49.18%	-28.28%	-35.83%	0.33%	1.5%
2012	-8.33%	7.06%	9.02%	-0.51%	1.7%
2011	-20.28%	10.10%	-9.94%	1.46%	3.0%
2010	34.67%	29.57%	83.16%	1.50%	1.5%
2009	35.85%	24.37%	48.03%	-4.24%	2.7%

Source: Bloomberg. TR = Total Return. YTD Consumer Price Index (CPI) as of 8/31/24. **Past performance is no guarantee of future results.**

View from the Observation Deck

Today's blog post highlights the disparities that often exist between the equity returns posted by mining companies and the spot price performance of physical gold and silver. Since precious metals tend to be priced in U.S. dollars, we also included a column that tracks the relative strength of the U.S. dollar against a basket of other major currencies.

- Precious metals have historically been considered potential inflation hedges by investors. From 1926-2023, the 12-month rate of change on the Consumer Price Index (CPI) averaged 3.0%, according to data from the Bureau of Labor Statistics. It stood at 2.5% at the end of August 2024, down from its most-recent high of 9.1% set in June 2022.
- The price of gold has been trending upward. The spot price of one ounce of gold stood at a record $2,670.40 on 9/26/24. It closed at $2,636.10 on 9/30/24, representing an increase of 27.24% year-to-date (YTD), according to data from Bloomberg.
- The spot price of silver also increased over the same time frame. The spot price of one ounce of silver surged by 30.90% YTD thru 9/30/24. That said, unlike gold, the spot price of silver has not recovered to its all-time high. The price of one ounce of silver stood at $31.15 on 9/30/24, below its all-time high of $49.45 set on 1/18/80.
- The spot price of the U.S. Dollar Index declined by 0.55% YTD through 9/30/24.
- From 2009 through 2023, the Philadelphia Stock Exchange Gold & Silver Index posted a positive total return in seven of the 15 calendar years. Five of them occurred from 2016 through 2023. It is solidly in positive territory YTD.

Takeaway

In some ways the data presented today may seem counter intuitive. If the CPI is down 6.6 percentage points from its most-recent high, then why are these traditional inflation hedges trending higher? From our perspective, there are several catalysts at play. First, many investors view the U.S. dollar, gold, silver, and other precious metals as safe havens during times of economic turmoil. In last week's post, we noted that weaker than expected employment data may foreshadow softer U.S. economic activity in the coming quarters. Second, geopolitical tensions such as the ongoing war between Russia/Ukraine and continued escalation in the Middle East pose significant risks to near-term growth. Finally, investors may be utilizing these commodities as a haven against a possible resurgence in inflation. This threat has the potential to build over time should the world's central banks continue to embark on more accommodative policies. We expect the recent surge in the valuations of safe haven assets may continue if these risks remain elevated.