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Gold

- The recent sell-off has in Gold has happened while Qi model value has continued to trend higher. That divergence has opened up a Fair Value Gap of almost -1σ or -3.3% .
- The traditional macro patterns that explain the variance in [Gold](#) prices have not worked over the last 6 months. Qi's model remains out of regime today but model confidence is creeping higher.
- If we were in regime that would be a significant level. There have been **13 instances of gold being this cheap since 2009** – so once a year on average - with a 62% hit rate & $+1.0\%$ average return.
- The caveat is we need to get model confidence over our 65% threshold, & Qi's [momentum indicator](#) which points to a new downtrend. Watch & wait for now. RETINA™ clients - ask @QiTradeBot to track so you get real time alerts.



- In terms of drivers, the traditional **relationship with real yields has broken**. Gold's relationship with real yields has flipped from negative to positive. The more influential driver of gold are risk appetite & credit spreads. The LT model emphasises **gold's role as a safe haven play** – risk off & wider credit spreads equate to higher gold.
- The same two drivers feature prominently on Qi's ST model but gold's role as an **inflation hedge** also appears with rising positive sensitivity to US inflation expectations.
- And that squares the circle. Today's levels of inflation removes government bond's role as an effective haven. A world characterised by uncertainty & price pressures, arguably **make gold a more effective hedge than US Treasuries**. One that, at one sigma cheap to model, is starting to look interesting.

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Quant Insight Limited
42-46 Princeslet Street
London E1 5LP
United Kingdom
Tel: +44 203 9941310
www.quant-insight.com