



## GORDON T LONG

### Advanced Technical Analysis



**Gordon T Long**  
Global Macro Research |  
Macro-Technical Analysis



**Technical Analysis**  
Market Road Maps | HPTZ  
Methodology



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## **NOTE**

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A large warehouse filled with gold bars stacked on blue metal shelves. The gold bars are arranged in neat rows on multiple levels of shelving, creating a sense of depth and abundance. The lighting is warm, highlighting the metallic sheen of the gold.

# WHY ARE CENTRAL BANKS BUYING GOLD?

*“Expect the best. Prepare for the worst. Capitalize on what comes!”*

# AGENDA

## KEY MESSAGES

### CENTRAL BANKS

HOW MUCH DO THEY HOLD?

WHO IS BUYING GOLD?

HOW MUCH ARE THEY BUYING?

### WHY ARE THEY BUYING GOLD?

RATIONALE OF BUYERS

FX RESERVE GROWTH

PRODUCTION COSTS

### DEMAND v SUPPLY

INSTITUTIONAL DEMAND

PUBLIC DEMAND

### GOLD BACKED MONEY

IS IT A REAL POSSIBILITY?

### CONCLUSION

CURRENCY DEBASEMENT IS A GIVEN

REGULATORY & TAXATION RISKS

## Why Are Central Banks Buying Gold?



# KEY MESSAGES

## GEO-POLITICS

- Multi-Polar v Uni-Polar World
- Emergence of BRICS-11 (Energy & Commodity Dominance),

## SHIFT IN BUYERS

- Cultural Values: East v West,
- FX Reserves: The Chinese are using swap lines to settle international trade accounts. This is a fundamentally different approach from the dollar reserve framework and would mean that trade can occur in renminbi without nations needing to hold vast reserves of the currency.

## SHIFT IN CONTROL

- The London Bullion Market is losing its dominant gold pricing power (monopoly) to the SGE
- If the East (BRICS-11) is able to continue pushing up the price of gold it will weaken the West's control over the price, allowing gold to break free of being a "Dollar Derivative"

## VALUATION & PRICING

- Gold is becoming less sensitive to Real Rates (tracks closely as measured by the US 10Y TIPS),

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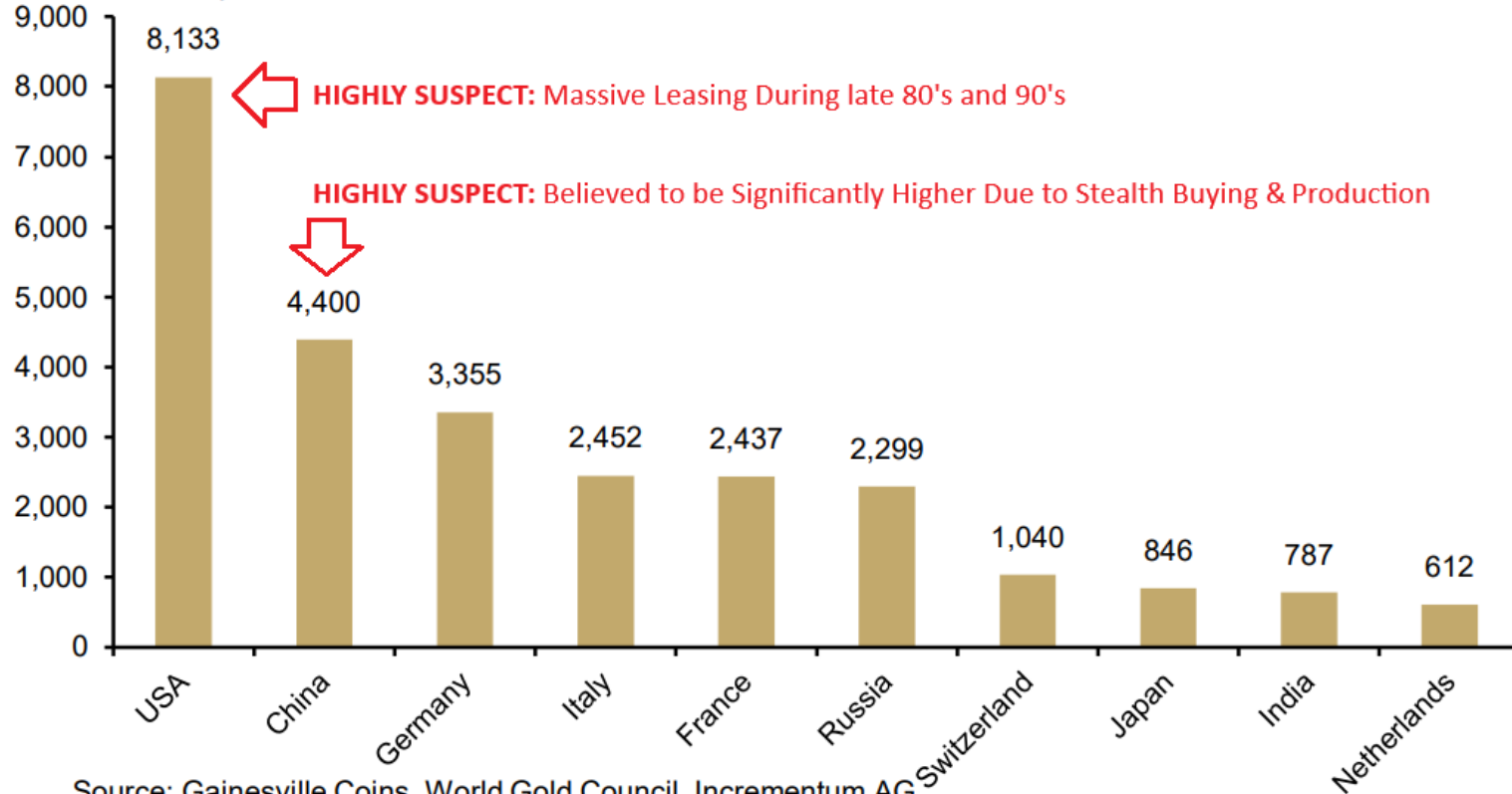
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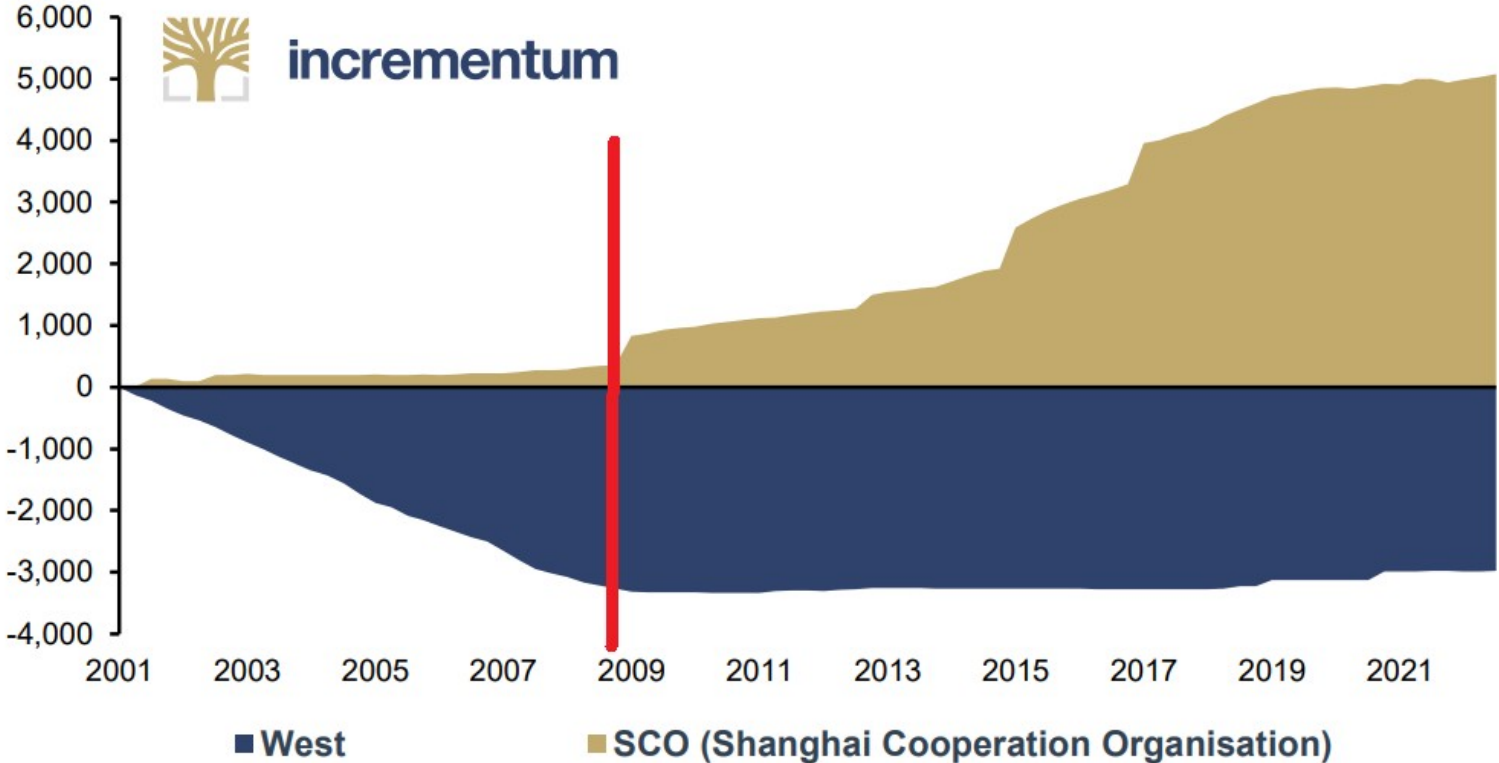


## Top 10 Countries by Gold Reserves (China is an Estimate), in Tonnes, Q4/2022



Source: Gainesville Coins, World Gold Council, Incrementum AG

# Cumulative Gold Purchases since Q2/2001, in Tonnes, Q2/2001-Q4/2022

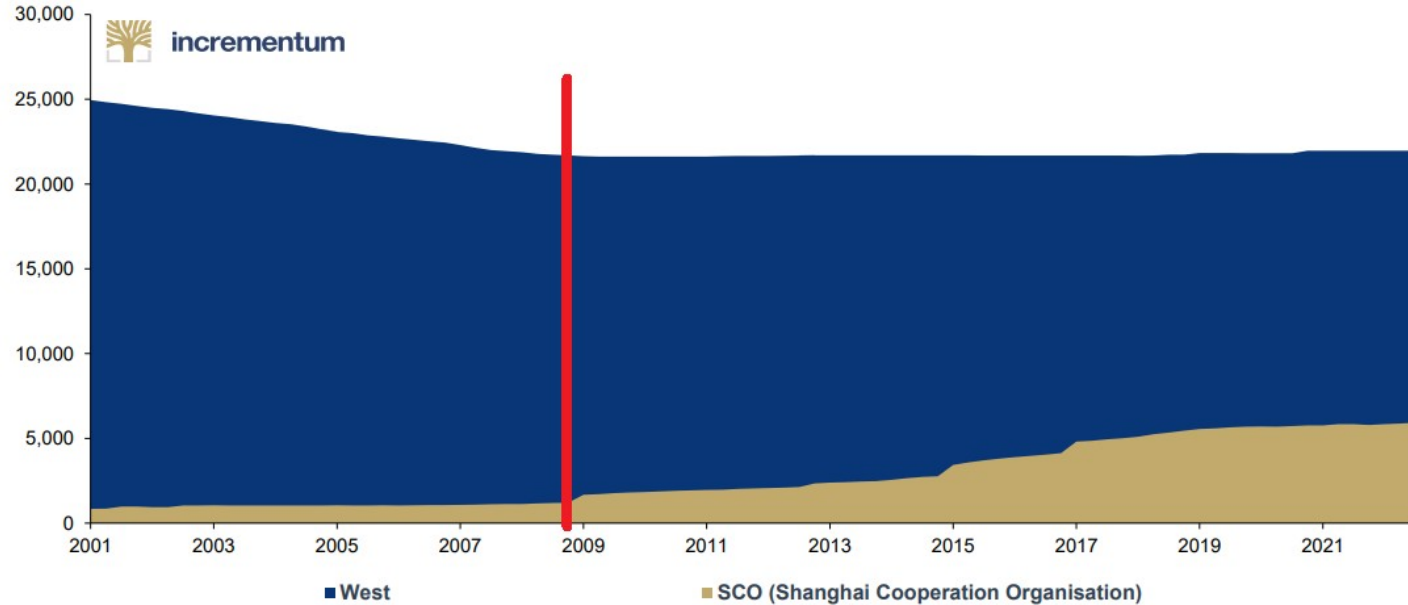


Source: World Gold Council, Incrementum AG



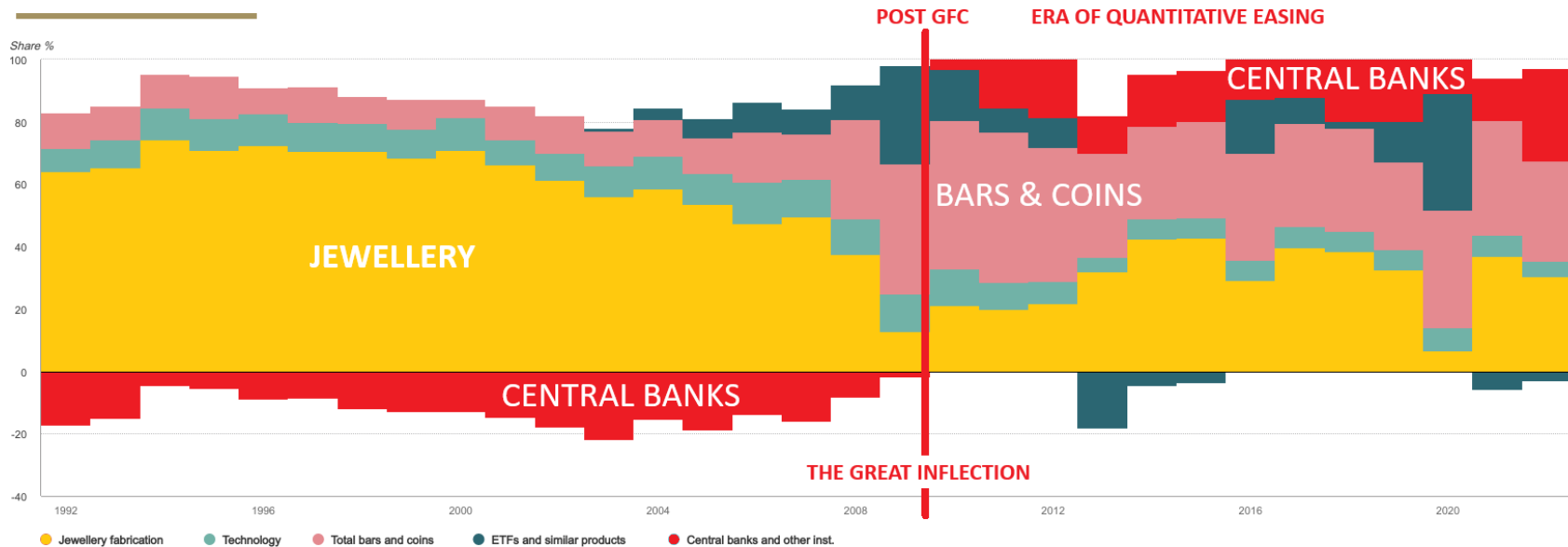
# (1/3) Western Nations Own Most of the Gold...

## Central Bank Gold Reserves, in Tonnes, Q2/2001-Q4/2022



Source: World Gold Council, Incrementum AG

# The changing structure of the gold market since 1992\*

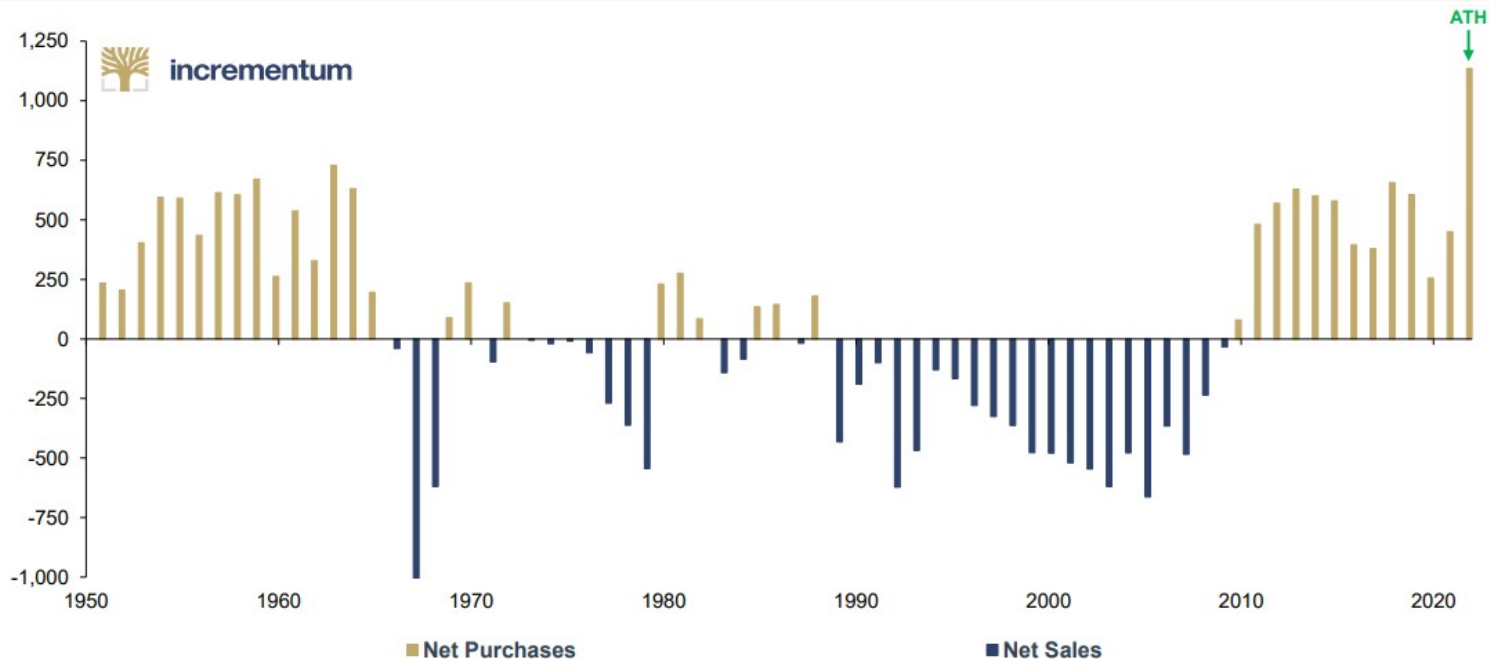


\*Data as at 31 December 2022.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

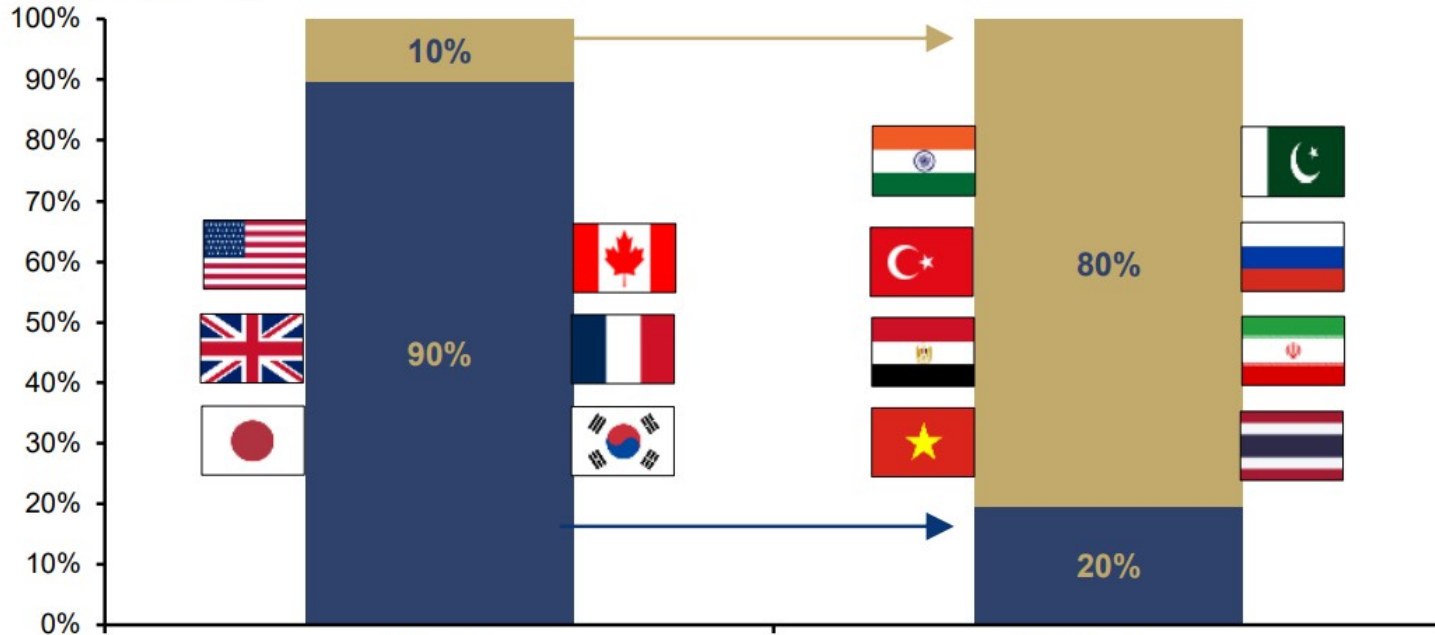
# ATH: Central Banks Are Rediscovering Gold!

Global Central Bank Gold Purchases, in Tonnes, 1950-2022



Source: World Gold Council, Incrementum AG

# Wealth, and Gold Coins, Bars and Jewelry Purchased from 2010-2022, in %

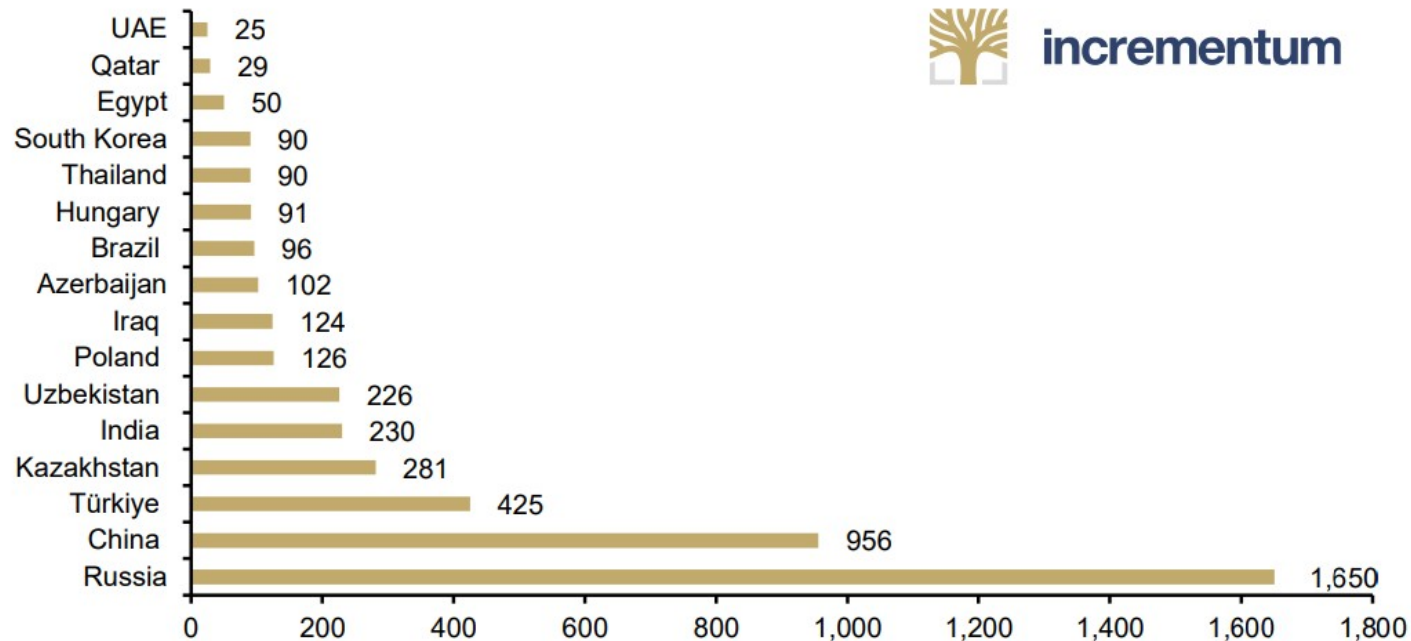


■ India, Pakistan, Türkiye, Russia, Egypt, Iran, Vietnam, Thailand  
■ USA, Canada, UK, France, Japan, South Korea

Source: Quantinvestor, World Gold Council, Incrementum AG

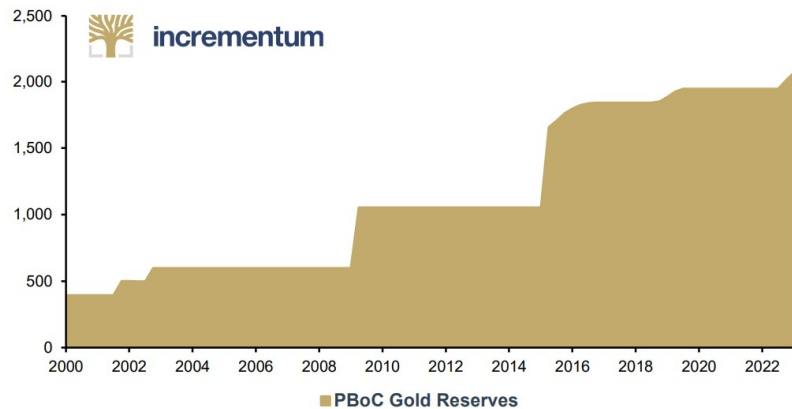


## Largest (Reported) Gold Buyers, in Tonnes, 2010-2022

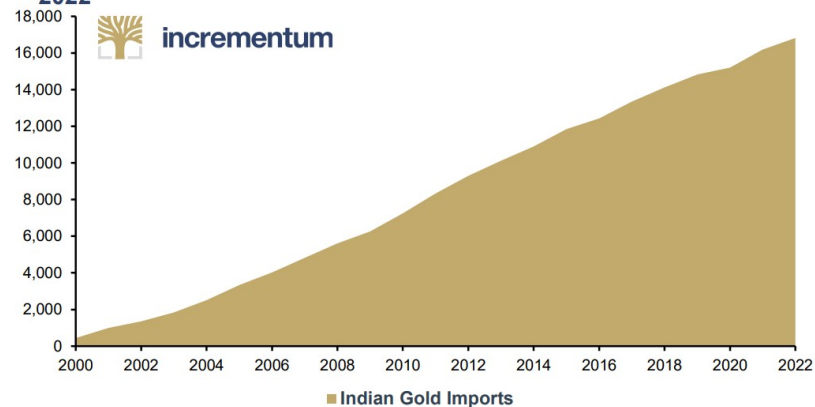


Source: World Gold Council, Incrementum AG

### PBoC Gold Reserves, in Tonnes, Q1/2000-Q1/2023



### Indian Gold Imports since 2000 (Cumulative), in Tonnes, 2000-2022



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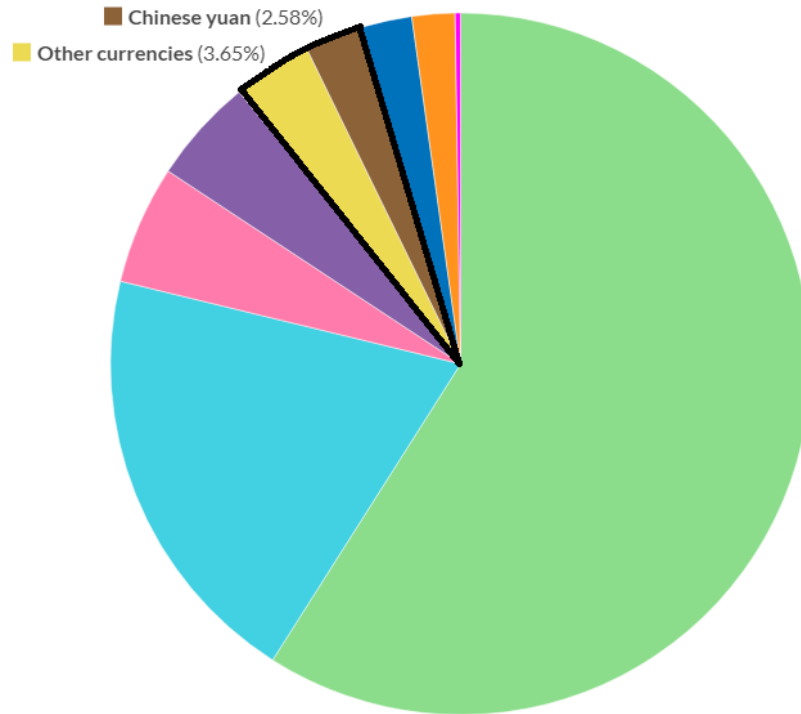
CURRENCY DEBASEMENT IS A GIVEN

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## World foreign exchange reserves by currency, Q1'2023

U.S. dollars (59.02%) Euro (19.77%) Japanese yen (5.47%) Pounds sterling (4.85%)  
Other currencies (3.65%) Chinese yuan (2.58%) Canadian dollars (2.43%)  
Australian dollars (1.98%) Swiss francs (0.25%)



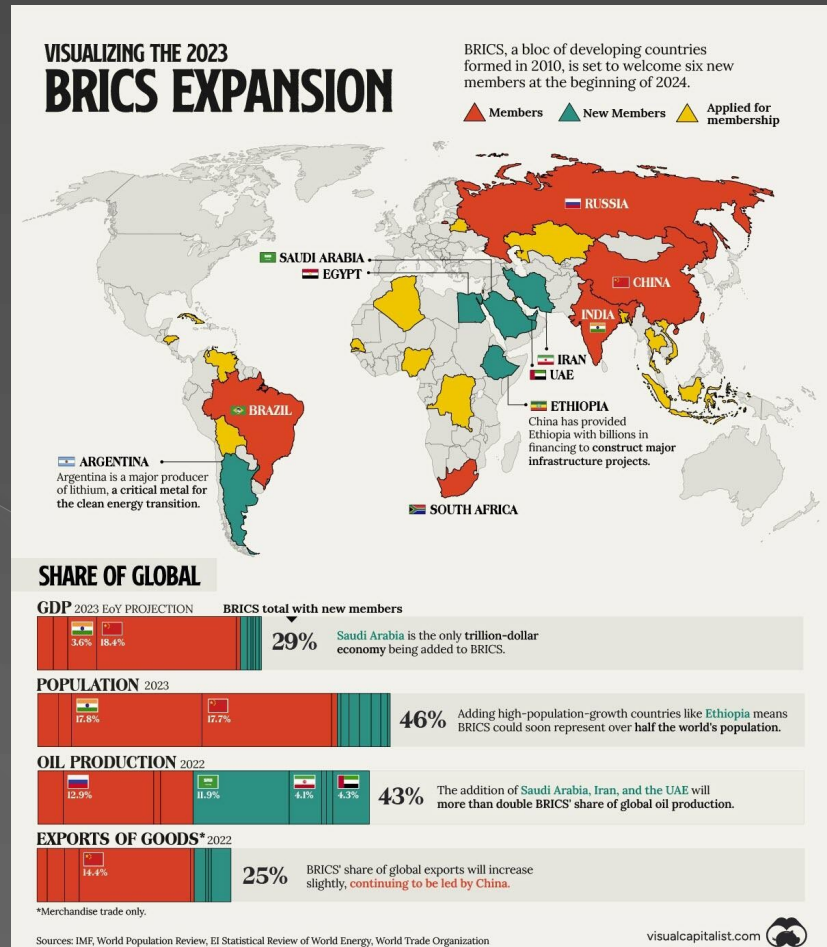
If China sees economic growth and institutional reforms, the yuan could gradually overtake the British pound and the Japanese yen in terms of payments, transactions and reserves. In the not-too-distant future, it could become the third-largest international currency after the U.S. dollar and the euro.



# WHY ARE CENTRAL BANKS BUYING

## A SPECIFIC SET OF BANKS WITH A SPECIFIC SET OF CIRCUMSTANCES

- Dominantly BRICS-11 & SCO Members,



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## DRIVERS

- **Cultural Values:** East v West:
  - East Value Gold as Wealth, West Does not (seeks Interest Yield or Shorter Term Capital Gains,
- **Crisis Preparation:** See an Economic Crisis and are preparing -- Gold performance as an FX holding under difficult Financial Conditions,
- **Domestic Gold Pricing:** Gold Pricing in “East” Currency Rising (Weakening Currency),
- **US Foreign Policy:** Protection of US Weaponization of US\$: Sanctions and Russia CB assault over Ukraine,
- **Bi-Lateral Trade Agreements:** Increasing Bi-Lateral trade within BRICS-11 & SCO,
- **FX Reserves:** The Chinese are using swap lines to settle international trade accounts. This is a fundamentally different approach from the dollar reserve framework and would mean that trade can occur in renminbi without nations needing to hold vast reserves of the currency
- **PetroDollar:** End of PetroDollar Era Real Rates (tracks closely as measured by the US 10Y TIPS),

# How to Prepare for a Recession?

## Gold Works Brilliantly as a Recession Hedge!

IGWT  
Report

Summary: Performance of the S&P 500 and Gold, in USD and EUR, in % 1970-2020

		S&P 500				Gold in USD				Gold in EUR			
Recession Duration		Phase 1	Phase 2	Phase 3	Phase 4	Phase 1	Phase 2	Phase 3	Phase 4	Phase 1	Phase 2	Phase 3	Phase 4
1st Recession	Q1/1970 - Q4/1970	-1.8%	-4.6%	-7.0%	7.0%	-8.9%	-6.6%	0.0%	5.9%		4.6%	11.1%	3.0%
2nd Recession	Q1/1974 - Q1/1975	-8.0%	0.3%	-15.0%	16.6%	-10.9%	58.5%	89.7%	-1.1%	7.2%	51.8%	51.0%	-6.2%
3rd Recession	Q2/1980 - Q3/1980	7.1%	-2.1%	7.7%	10.0%	70.1%	-22.8%	-5.9%	21.8%	27.5%	0.5%	20.2%	-1.6%
4th Recession	Q4/1981 - Q4/1982	-7.4%	2.9%	12.8%	15.9%	-14.6%	0.8%	1.2%	14.2%	2.6%	-4.8%	21.0%	10.4%
5th Recession	Q4/1990 - Q1/1991	-10.7%	-0.1%	13.8%	13.9%	7.1%	-3.3%	-7.9%	-4.7%	4.6%	-9.3%	-12.2%	-3.6%
6th Recession	Q2/2001 - Q4/2001	-5.7%	1.3%	-8.1%	0.5%	-1.5%	3.8%	5.4%	1.3%	-0.8%	8.3%	5.5%	-4.4%
7th Recession	Q1/2008 - Q2/2009	0.5%	-10.2%	-50.4%	-18.0%	21.6%	14.3%	16.3%	24.0%	2.2%	12.2%	31.4%	19.8%
8th Recession	Q1/2020 - Q2/2020	8.5%	-20.0%	-4.0%	20.0%	3.1%	3.6%	17.4%	13.3%	0.2%	5.3%	17.1%	11.2%
<b>Average:</b>		<b>-2.2%</b>	<b>-4.1%</b>	<b>-6.3%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>6.0%</b>	<b>14.5%</b>	<b>9.3%</b>	<b>6.2%</b>	<b>8.6%</b>	<b>18.1%</b>	<b>3.6%</b>

Source: Reuters Eikon, Incrementum AG



incrementum

# Gold Shines When Equities Struggle!

## Performance of the S&P 500 vs. Gold During Equity Bear Markets

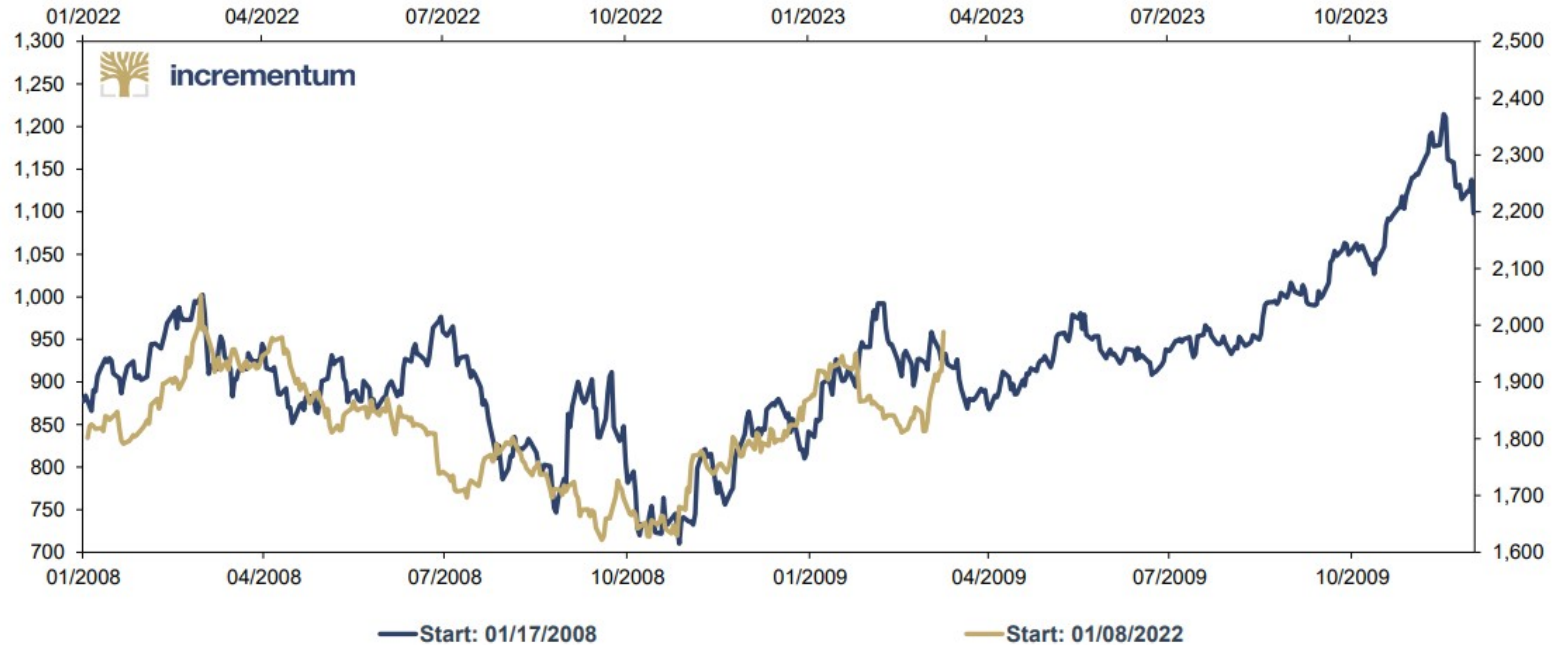
Date of the Market High	Date of the Market Low	S&P 500 Return	Gold Return	Gold Relative to S&P500
09/16/1929	06/01/1932	-86.19%	0.29%	86.48%
08/02/1956	10/22/1957	-21.63%	-0.11%	21.52%
12/12/1961	06/26/1962	-27.97%	-0.06%	27.91%
02/09/1966	10/07/1966	-22.18%	0.00%	22.18%
11/29/1968	05/26/1970	-36.06%	-10.50%	25.56%
01/11/1973	10/03/1974	-48.20%	137.47%	185.67%
11/28/1980	08/09/1982	-27.27%	-45.78%	-18.51%
08/25/1987	10/20/1987	-35.94%	1.38%	37.32%
07/16/1990	10/11/1990	-20.36%	6.81%	27.17%
07/17/1998	10/08/1998	-22.29%	1.71%	24.00%
03/24/2000	10/10/2002	-50.50%	11.18%	61.68%
10/11/2007	03/06/2009	-57.69%	25.61%	83.30%
09/21/2018	12/26/2018	-20.21%	5.59%	25.80%
02/19/2020	03/23/2020	-35.41%	-3.63%	31.78%
01/03/2022	<b>10/12/2022*</b>	-25.43%	-7.08%	18.35%
	<b>Mean</b>	<b>-35.82%</b>	<b>8.19%</b>	<b>44.01%</b>
	<b>Median</b>	<b>-27.97%</b>	<b>0.29%</b>	<b>27.17%</b>

Source: Cornerstone Macro, Bloomberg, Reuters Eikon (\*Lowest closing price since 01/03/2022), Incrementum AG



# “History never repeats itself, but it does often rhyme.”

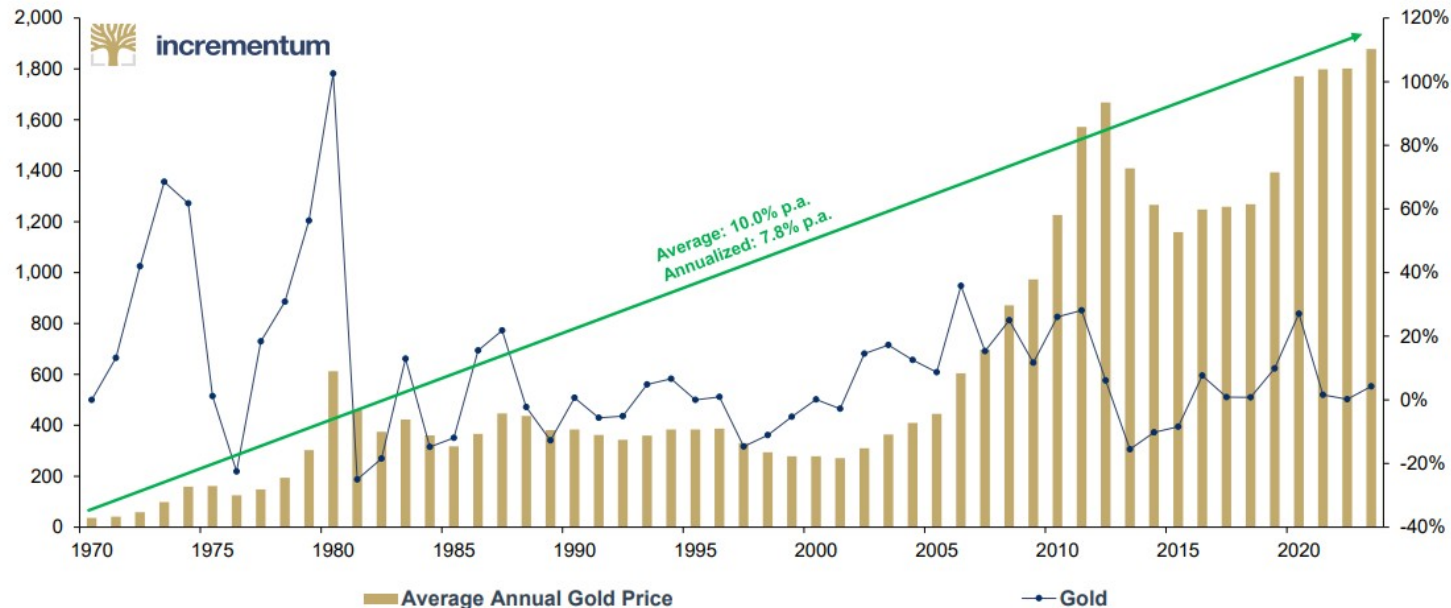
Gold Bear Markets, 01/2008-12/2009 (lhs), and 01/2022-12/2023 (rhs)



Source: Reuters Eikon, Incrementum AG

# Amazingly, Gold has Returned 10% on Average and 7.8% Annualized Since 1970

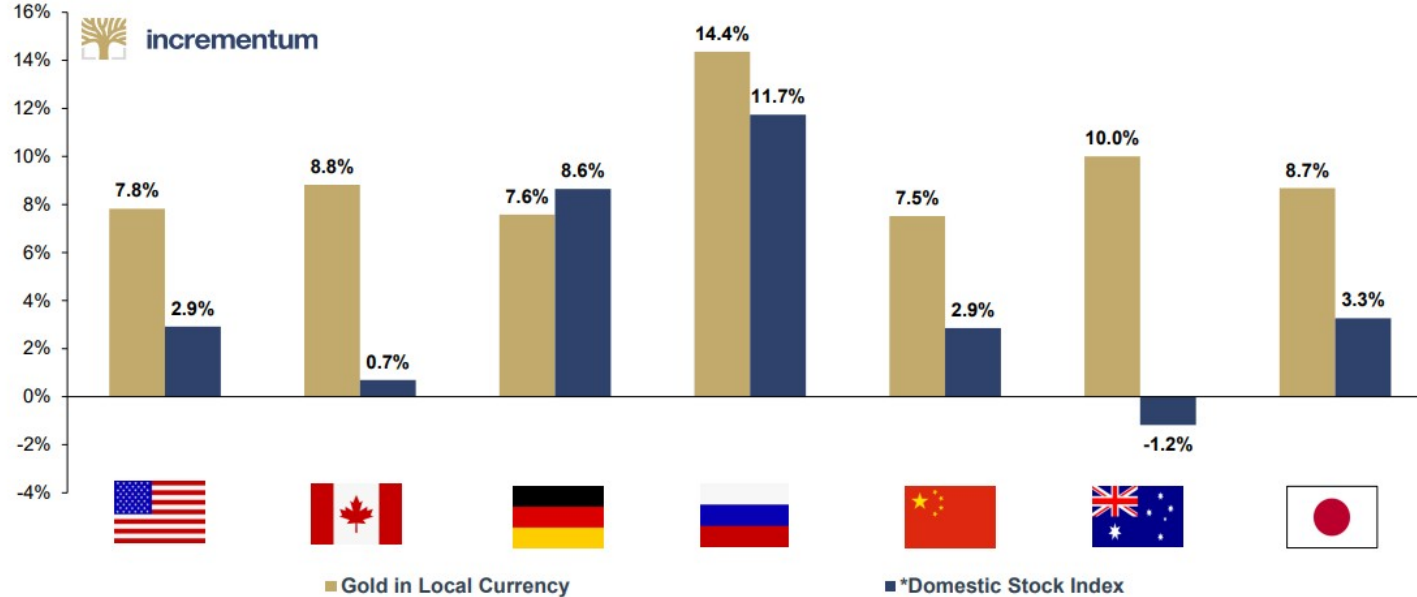
Average Annual Gold Price (lhs), in USD, and Gold (rhs), yoy, 1970-03/2023



Source: Reuters Eikon, Incrementum AG

# Gold Is Up YTD in every Currency and Outperforms Most Domestic Stock Indices

Gold in Local Currency, and Domestic Stock Index, Annual Performance in %, 2023 YTD



Source: Reuters Eikon (as of March 20<sup>th</sup>, 2023), Incrementum AG

\*US = S&P 500, CA = TSX Comp., DE = DAX, RU = MOEX, CN = SCI 300, AU = ASX 200, JP = Nikkei 225

# CENTRAL BANK BUYING

The leaders of the BRICS group of emerging economies – Brazil, Russia, India, China and South Africa convened a summit in Johannesburg in August where the BRICS was officially expanded to become BRICS-11

Across Southeast Asia, Africa and the Middle East, there are now concerted efforts to diminish the influence & weaponization impact of the United States dollar. As the world's largest trading nation, China has championed the internationalization of the yuan for several years. The Russia-Ukraine conflict appears to have elevated the status of the Chinese currency...

However, the yuan has many drawbacks.

- Lack of convertibility remains an obstacle for many global investors.
- The ability to control capital flows remains extremely important for Chinese authorities. Without it, large amounts of capital will flow out of China in search of safety.
- A fully internationalized yuan is unlikely to happen unless Beijing allows greater currency freedom and both inward and outward investment, and fully establishes the rule of law.



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## Why Are Central Banks Buying Gold?

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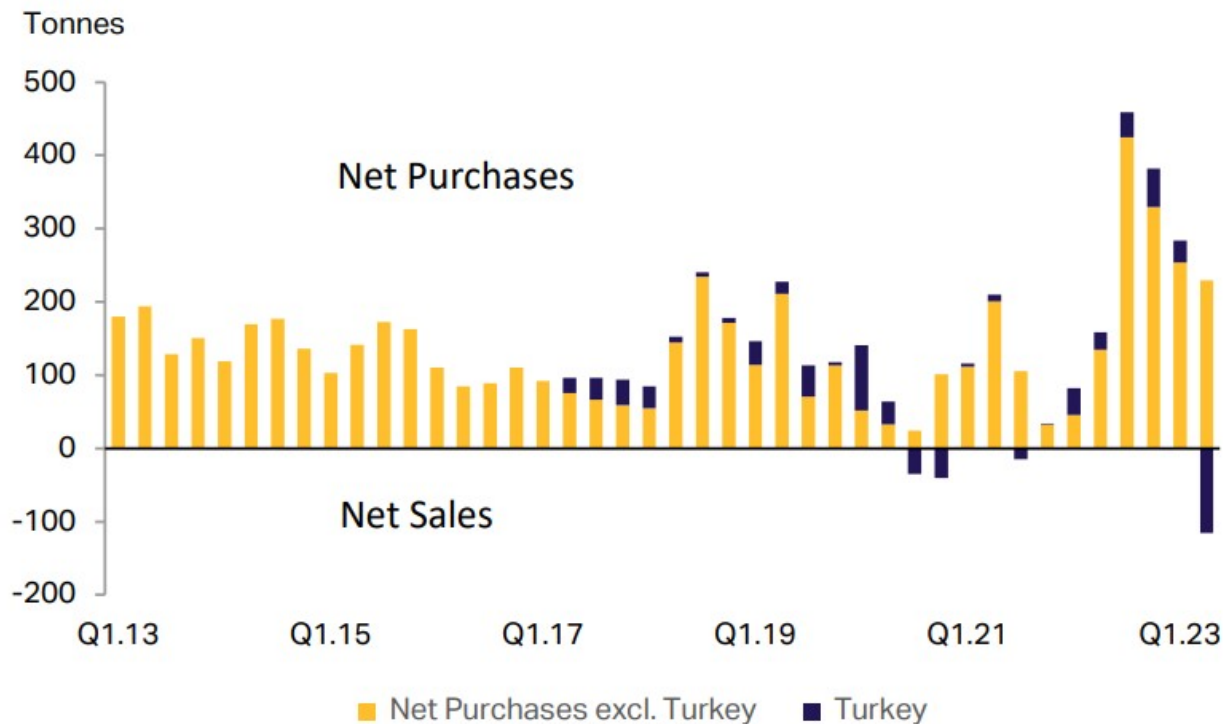
## GOLD SUPPLY

Tonnes	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	y/y change
<b>Supply</b>						
Mine production	889.3	950.4	948.5	857.1	923.4	▲ 4%
Net producer hedging	2	-26.5	-13.3	36.1	9.5	▲ 383%
Total mine supply	891.3	923.9	935.2	893.2	932.8	▲ 5%
Recycled gold	285.3	268.6	290.7	311.7	322.3	▲ 13%
<b>Total Supply</b>	<b>1,176.6</b>	<b>1,192.5</b>	<b>1,225.9</b>	<b>1,204.9</b>	<b>1,255.2</b>	<b>▲ 7%</b>

## GOLD DEMAND

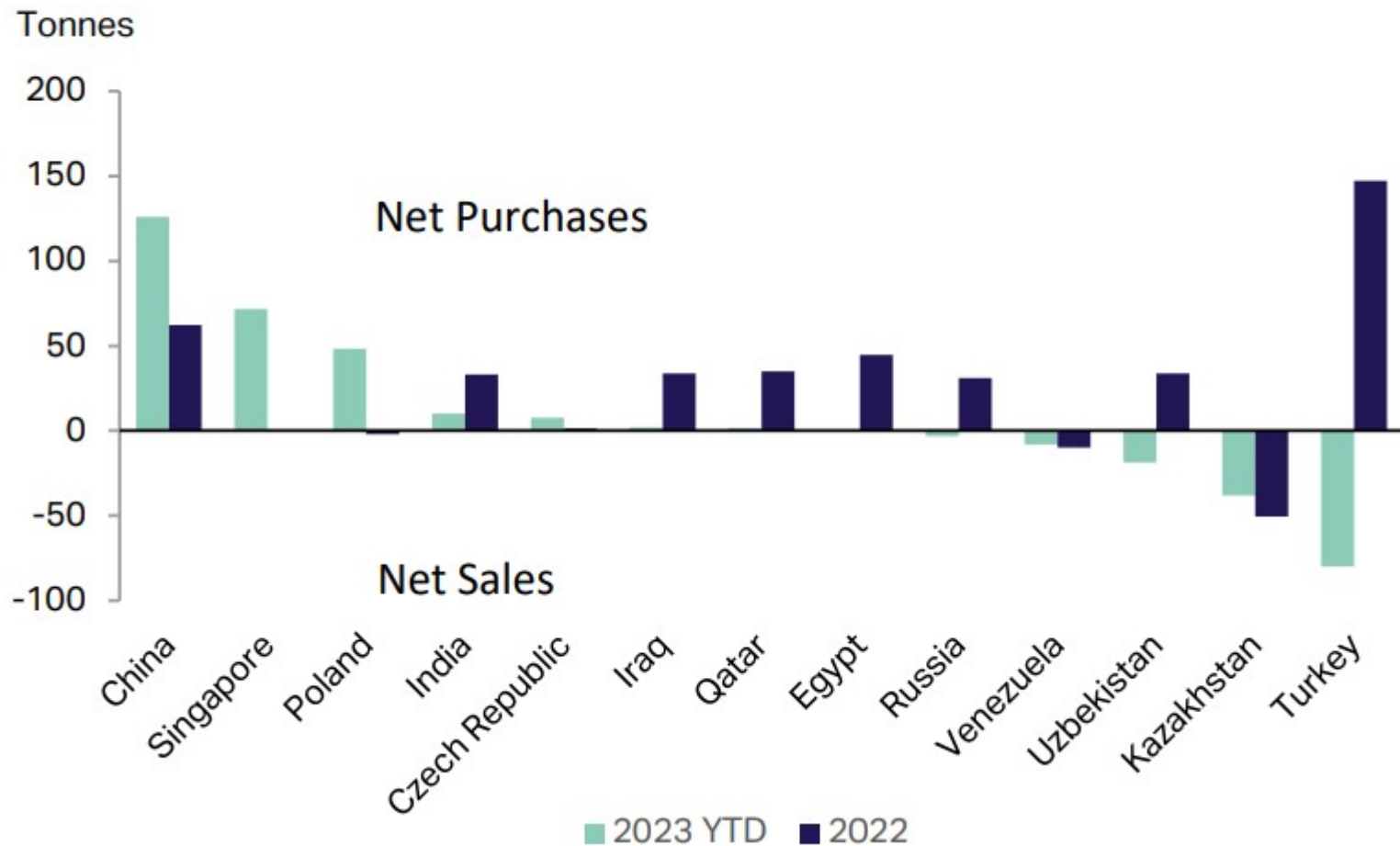
Tonnes	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	y/y change
<b>Demand</b>						
Jewellery fabrication	493.5	582.6	601.9	511.5	491.3	▼ 0%
Jewellery consumption	461.7	525.6	628.5	474.8	475.9	▲ 3%
Jewellery inventory	31.8	57.1	-26.7	36.7	15.4	▼ -52%
Technology	78.3	77.3	72.1	70.1	70.4	▼ -10%
Electronics	64.3	63.5	57.9	56.1	56.4	▼ -12%
Other Industrial	11.4	11.3	11.7	11.6	11.6	▲ 1%
Dentistry	2.6	2.5	2.4	2.4	2.4	▼ -10%
Investment	213.8	103.8	250.8	275.9	256.1	▲ 20%
Total bar & coin demand	261.2	347.9	340.4	304.5	277.5	▲ 6%
Physical Bar demand	172.7	225.5	222.6	183.4	162.9	▼ -6%
Official Coin	70.8	89.4	89	96.4	88.9	▲ 25%
Medals/Imitation Coin	17.6	33	28.9	24.7	25.8	▲ 47%
ETFs & similar products	-47.4	-244.1	-89.6	-28.7	-21.3	-
Central banks & other inst.	158.6	458.8	381.8	284	102.9	▼ -35%
<b>Gold demand</b>	<b>944.2</b>	<b>1,222.5</b>	<b>1,306.6</b>	<b>1,141.5</b>	<b>920.7</b>	<b>▼ -2%</b>
OTC and other	232.5	-30.1	-80.7	63.4	334.5	▲ 44%
<b>Total Demand</b>	<b>1,176.6</b>	<b>1,192.5</b>	<b>1,225.9</b>	<b>1,204.9</b>	<b>1,255.2</b>	<b>▲ 7%</b>
<b>LBMA Gold Price, US\$/oz</b>	<b>1,870.6</b>	<b>1,728.9</b>	<b>1,725.9</b>	<b>1,889.9</b>	<b>1,975.9</b>	<b>▲ 6%</b>

# Net Official Sector Purchases & Sales



Source: IMF, Metals Focus

# Major Reported Official Buyers & Sellers in 2022-23



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# GORDON T LONG 2019 THESIS

## **DE**DOLLARIZATION



**GLOBAL TRADE CRATERING**

**WEAPONIZATION OF THE US\$**



**NO MORE "RISK FREE"**

**UNSTABLE GLOBAL FINANCIAL SYSTEM**



Available at the [MATASII.COM](http://MATASII.COM) web site

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## Why Are Central Banks Buying Gold?



# WHY GOLD?

1. The US government can't repay its debt. Default is inevitable.
2. It will not be an explicit default.
3. The debt will continue to grow at an accelerating pace.
4. Foreigners are not buying as many Treasuries.
5. The US government cannot allow interest rates to rise much further.
6. The Federal Reserve is the only big buyer of Treasuries stepping up, which means currency debasement.
7. The US government will use financial repression to debase the currency in a controlled fashion, though it could spiral into out-of-control inflation.
8. Treasuries will no longer be the "go-to" store-of-value asset as people look for alternatives.
9. Gold is the top store-of-value alternative to Treasuries. As demand for Treasuries falls, demand for gold will soar.

In short, we are on the verge of a paradigm shift in international finance as gold replaces Treasuries as the world's premier store-of-value asset.



Year	U.S. Debt (Millions USD)	Gold Price (USD t oz)
1970	\$372,007	\$35
1980	\$863,451	\$653
1990	\$3,051,958	\$415
2000	\$5,773,392	\$283
2010	\$12,773,123	\$1,078
2020	\$23,223,813	\$1,584
2023	\$31,457,820	\$1,982

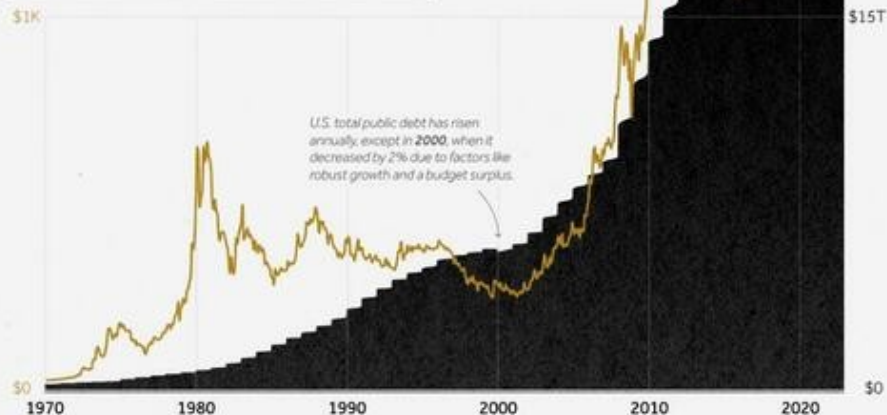
# GOLD PRICE & U.S. DEBT

1970-2023

Gold is often seen as a store of value and a hedge against economic uncertainty. As a result, when concerns about U.S. debt and economic stability arise, investors tend to flock to gold, driving up its price.

In 2021, U.S. public debt surged as the government allocated over \$5 trillion to fiscal stimulus and relief packages in response to the COVID-19 pandemic.

▲ GOLD SPOT PRICE ▲ U.S. TOTAL PUBLIC DEBT\*

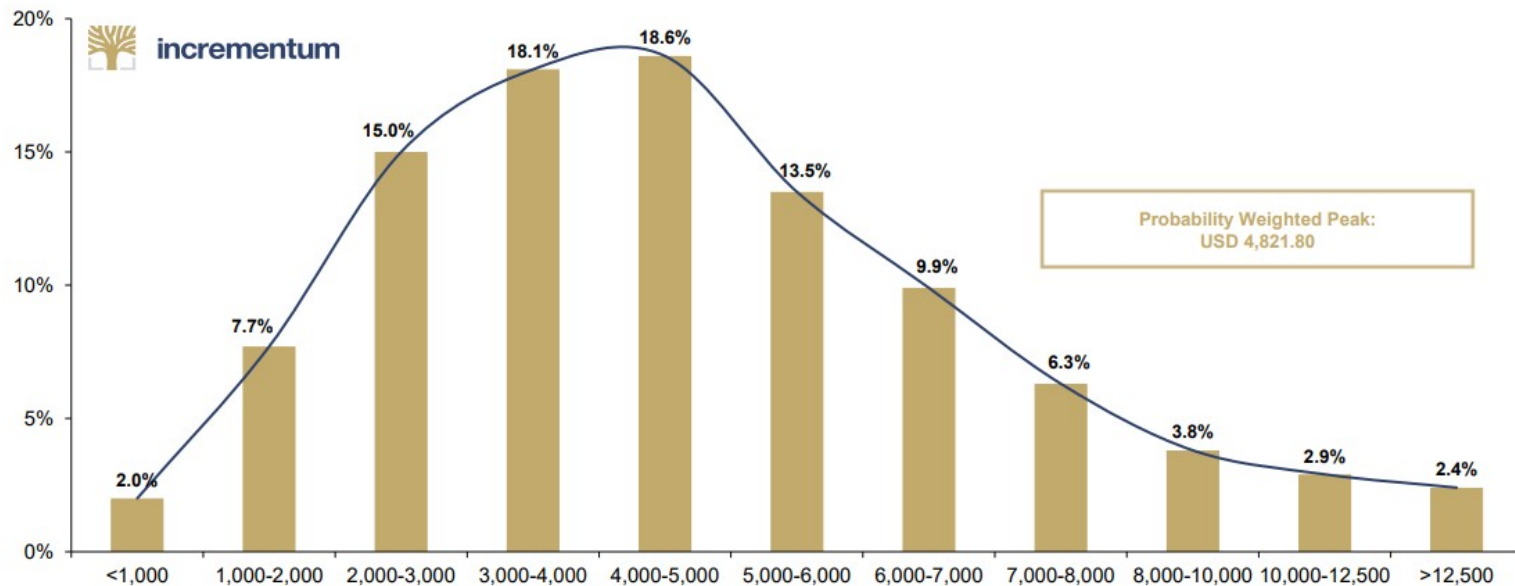


Sources: Gold We Trust, Federal Reserve Bank of St. Louis, Statista

\*Quarterly, Not Seasonally Adjusted

# We See the Price of Gold Significantly Higher at the End of the Decade!

## Approximated Gold Price in 2030 by Distribution



Source: Incrementum AG (For a detailed presentation of our proprietary gold price model, see [In Gold We Trust Report 2020, p. 348](#))



incrementum

**ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES ....**

**DON'T WORRY, THEY WILL PRINT THE MONEY!**

**EVERYONE IS NOW IN PLACE & READY!!**



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FEEDBACK THAT WILL IMPROVE OUR  
RESEARCH ANALYSIS



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CHANNEL & WE VALUE HEARING  
FROM YOU!

IT IS THE ONLY PAYMENT WE ACCEPT  
FOR POSTING THIS FREE YOUTUBE  
CONTENT