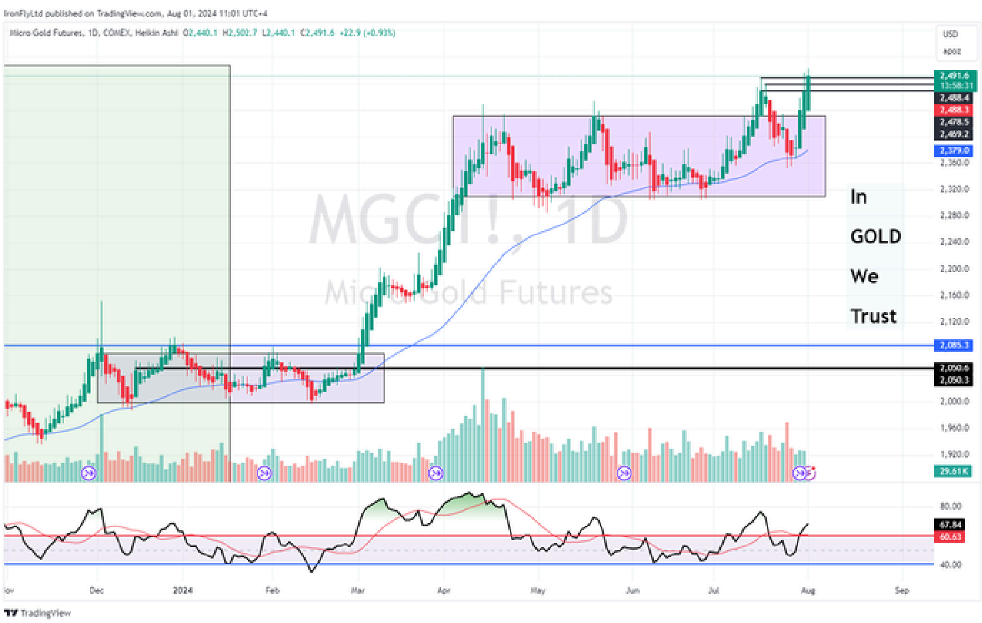
In GOLD We Trust...

Stuck in a narrow trading range for the past four months, reminiscent of the congestion in Dec'23-Mar'24, is breaking out to the upside following increased confidence in a FED easing cycle, especially post FOMC and recent FED statements. Often viewed as a hedge against inflation, gold bears a closer (inverse) correlation with interest rates rather than inflation, certainly in recent years.
The upside breakout in Gold has support from both a forward view on rates as well as the technical breakout.

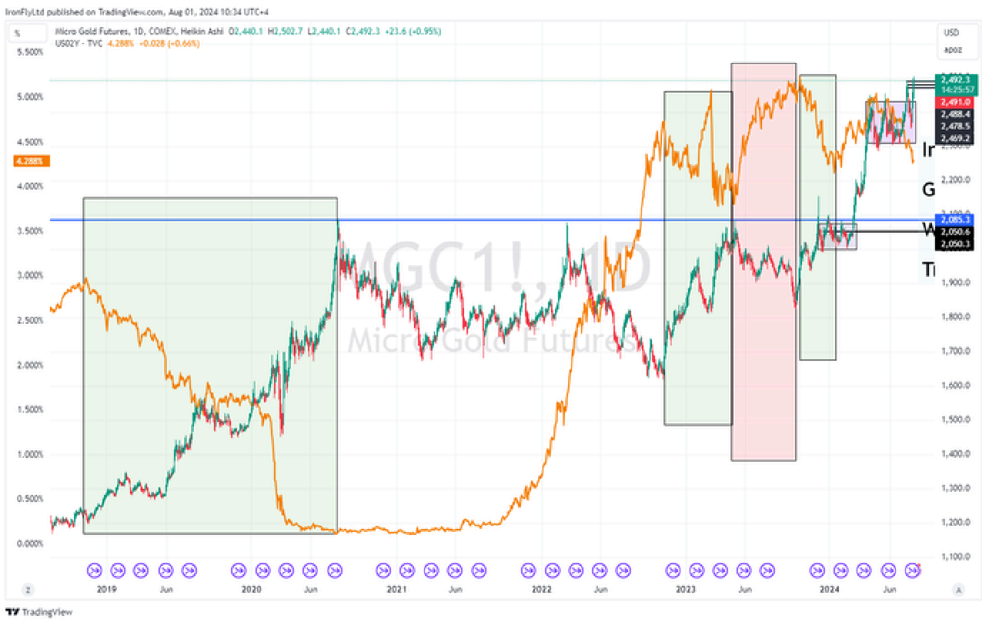
Fig 1- Breakout mid-July failed but has renewed momentum, with a close above recent swing-highs. Trading at 2488 (Futures), there is solid support in the 2425 area.
Fig 2- Directionally, Gold's inverse correlation with interest rates has been a dominant driver.
Fig 3- Chart shows Gold vs. SPX, plotted against US Core CPI (y/y), displaying limited directional linkage.

Fig 1 - Gold Is Breaking Out of a Congestion One.



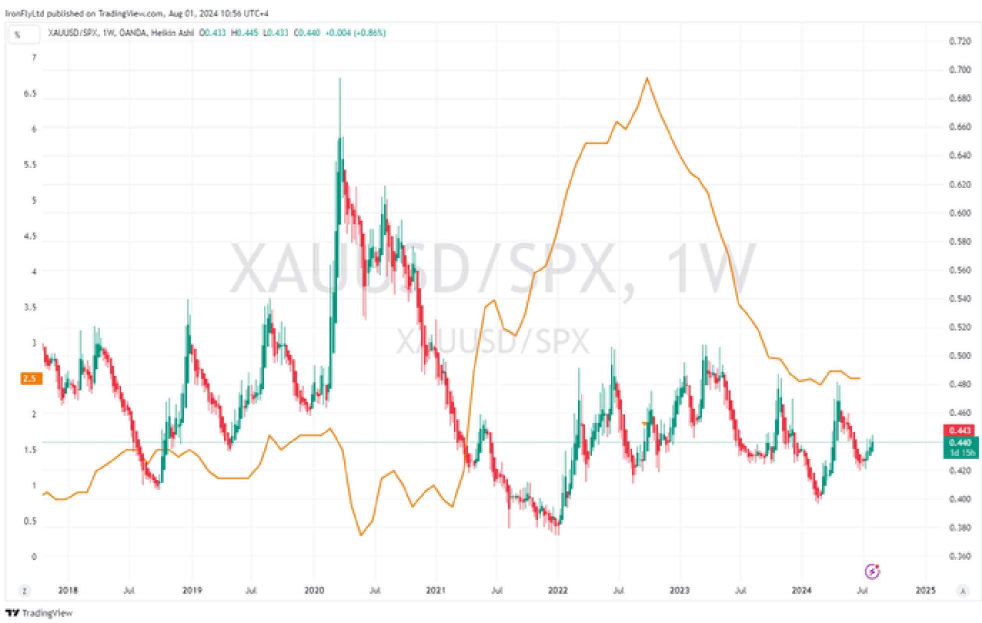
source: Tradingview.com

Fig 2 - Gold Reacts Positive to Interest Rates Coming Off.



source: Tradingview.com

Fig 3 - Gold (relative performance vs. SPX) not a Hedge Against Inflation.



source: Tradingview.com

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