Gold price rally reduces the impact of US-Government bonds

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The price of gold on 6th June has started to rise, which is due to the decrease of the value of the US Government bonds. At the same time, the markets are waiting for the start of the series of summits at some of the biggest central banks in the world. The figures show that the price of the August gold COMEX futures at New York stock exchange has increased by 0.43% or 8 US dollars, to 1,853.40 US dollars per troy ounce. At the same time at the spot market, gold is trading at 1,854.71 US dollars per ounce, informs Reuters.

The price of July futures for silver for instance, has increased by 1.78% to 22.29 US dollars per troy ounce. The yield on the ten-year US-Government bonds (US Treasury) fell to 2.95% compared to the previous close of 2.955%. The US government bonds are an alternative investment to gold, so their quotations, as a rule, are following a multifaceted dynamic. A negative correlation is clearly identifiable.

Market analysts note that the price of gold will continue to be influenced by factors related to the monetary policy of the world's central banks.

Following the very recent report on the official unemployment figures in the United States, the participants in the market will remain very sensitive to all kind of signals regarding the future policy of the central banks. The said report from the

Bureau of Labor Statistics (BLS) shows that total nonfarm payroll employment rose by 390,000 in May 2022, and the unemployment rate remained at 3.6%. Notable job gains occurred in leisure and hospitality, in professional and business services, and in transportation and warehousing. Employment in retail trade declined.

In May, the unemployment rate was 3.6% for the third month in a row, and the number of unemployed persons was essentially unchanged at 6 million. These measures are very slightly different from their values in February 2020 (3.5% and 5.7 million, respectively), prior to the coronavirus (COVID-19) pandemic. Signal sent is strong and relevant.

Among the major worker groups, the unemployment rate for Asians declined to 2.4% in May. The jobless rates for adult men (3.4%), adult women (3.4%), teenagers (10.4%), Whites (3.2%), Blacks (6.2%), and Hispanics (4.3%) showed little or no change over the month.

Among the unemployed individuals, the number of permanent job losers remained at 1.4 million in May. The number of persons on temporary layoff was little changed at 810,000. Both measures are immaterially different from their values in February 2020. In May 2022, the number of long-term unemployed individuals (those jobless for 27 weeks or more) edged down to 1.4 million. This measure is 235,000 higher than in February 2020. The long-term unemployed accounted for 23.2 percent of all unemployed persons in May.

The extreme granularity of the report clearly displays that U.S. employment increased more than expected in May, while the unemployment rate held steady at 3.6%, signs of a tight labor market that could keep the Federal Reserve's foot on the brake pedal to slow down the demand. The report also showed solid wage gains last month, sketching a picture of an economy that continues to expand, although at a moderate speed. The Fed is trying to dampen labor demand to manage inflation, without driving the unemployment rate too high. U.S are giving a certain example and it is very interesting how Europe will react, as per economists polled by Reuters this week.

This week was held the relevant summit of the European Central Bank, and the next week will be held similar ones at the Federal Reserve of the United States, England's Central Bank and Japanese Central Bank. It is expected that the world's central banks will be able to tighten the paper's policy, which traditionally supports the national currency. More concretely, the price of the US dollar will limit the value of gold, which in this case will be less accessible when it comes to transactions of it in other currencies.

Interest rates volatility and US dollar strength abridged gold's performance in April 2022

What are the observations?

- Despite equities and bonds falling amid spiking volatility, gold fell slightly in April as rates and the US dollar shot higher
- Inflows into gold ETFs totaled USD 3 billion in April, according to Bloomberg, less than 2% away from all-time tonnage highs, while US Mint coin sales were lower than the incredible growth of the first quarter of the year.

What would come next?

- US dollar strength and higher yields are generally headwinds for gold, but their movements could be exaggerated.
- Central banks' monetary policy – in particular – along with inflation and geopolitics are impacting gold in the current second quarter.

Rates volatility has hurt asset performance globally

Throughout the month of April, gold remained among the best performing assets in 2022 up 5% in US dollar terms – yet it ended the month 1.6% lower at 1,911 US dollars per ounce. April was marked by significant weakness across most assets, macroeconomists say, including equity and bond market, as well as heightened market volatility. All these events strengthen the position of the gold as a safe haven for investors keen to discover the commodities world, if not yet done. US dollar strength has been a detriment to the gold price in recent months. Although less persistent than in recent years, there is often a negative correlation between a stronger US dollar and the gold price.

It has been nearly two decades since the dollar index (DXY) has held above 100 for more than a few months, and additionally the trade-weighted nominal US dollar index is near all-time highs. Slightly lower than the brief period during the initial stages of the pandemic in the beginning of 2020 when it achieved a higher level. Given the challenges from rising rates and a strong US dollar, the fact that gold was only slightly lower on the month is quite compelling and restrictive.

All of us being part of the current ESG and green wave invading world markets and business, the evidence is that gold as a pure and simple investment asset is not sufficient anymore in numerous cases. What investors are looking for is a green certified, sustainably extracted and produced, free of war conflicts, gold bullion. Very rare are the producers who are able to follow a certain sustainable chart, complying with the requirements pension funds, family offices or other professional investors are ready to put on the table.

The GOLD FOR GOOD campaign is one of the events which will very likely transform the way investors and not only, are looking at the gold. It is not only an asset, but a way to impact the world level of poverty in a positive way. Stay tuned, changes are coming!