GOLD'S SHINING MOMENT

Is the Rally

JUST BEGINNING?

In the past few months, we've seen gold take off like a rocket.

This took a lot of the market by storm, but for anyone who's been paying attention, it was practically bound to happen.

Last year around this time, Tom Busby and I had been discussing how gold was poised for a breakout, and here we are, watching that prediction come to life.

Why is Gold Surging?

Gold is often called the "safe-haven" asset for a good reason.

When the economy starts looking shaky, people flock to gold as a way to protect their wealth. But what's driving this latest surge?

Let's look at the forces at play:

- **Inflationary Pressures:** Inflation has been rearing its ugly head, and while the Fed has been doing its best to keep it in check, the reality is that inflation erodes purchasing power. When people feel their dollars won't stretch as far, they turn to gold. Gold has historically been a hedge against inflation, and we're seeing that play out now.

- **Economic Uncertainty:** The global economic climate is anything but stable. Between geopolitical tensions, supply chain disruptions, and fluctuating markets, there's a lot of uncertainty. And uncertainty drives people to seek out stability — something gold has consistently offered over time.

- **Long-term Trends:** This latest rise in gold isn't a short-term blip. The trends we're seeing could suggest a longer-term bull market for gold. This isn't just about the next few weeks or months — this could be a multi-year run.

- **Rate Cuts:** When rates go down, gold typically goes up. While the Fed has been hinting at rate cuts for most of the year, it wasn't until the September FOMC that they actually cut rates. A super-sized 50 basis point cut sent gold surging. And with the Fed hinting at further cuts, this will only benefit gold.

So, where does gold go from here? Well, if you're expecting this rally to fizzle out soon, you might want to reconsider.

Gold's recent acceleration is building momentum, and while no one has a crystal ball, the indicators suggest this could be the beginning of a sustained uptrend. The economic factors pushing gold higher aren't likely to disappear overnight.

Gold's role as a safe-haven asset means it will always have a place in the market, but right now, it's front and center.

So, what should you do? Keep an eye on gold prices, watch how the economic landscape evolves, and be prepared to jump in if you see an opportunity.

As much as I dislike all the attention being paid to the Fed's rate cut campaign, it's one of the important things to watch when it comes to gold, as further rate cuts will continue to help push gold higher.

The rally may just be getting started.

A Year in the Making:
Why Gold's Rally Isn't Just a Blip

If you've been following along, you'll know that gold's current acceleration didn't come out of nowhere. In fact, it's been in the works for over a year. So, what's been brewing behind the scenes? Let's break it down.

1. The Fed Battles Inflation

It's no secret that the Federal Reserve has been grappling with inflation. But here's the thing: the Fed has a dual mandate — keep inflation in check and maintain maximum employment. Over the past year, they've been caught between a rock and a hard place, raising rates to cool down inflation, but at the same time, risking a slowdown in economic growth.

The Fed's approach has been aggressive, to say the least, with the fastest rate hike campaign in history. But the reality is, these rate hikes have been slow to tame inflation.

And as I mentioned before, we've already seen how gold reacted with the Fed's first cut in four years. The market is expecting further cuts, and that's one of the key reasons why gold is surging. When rates go down, gold goes up — simple as that.

2. Inflation's Persistent Bite

Inflation has been more stubborn than many expected, and it's gnawing away at purchasing power. Despite the Fed's best efforts, we haven't seen a significant drop in inflation. Instead, it's more like a slow burn — a fire that's still smoldering under the surface.

And remember, unless inflation goes negative (which it rarely does), it's still going up — just slower than before.

For savvy investors, this means one thing: a continued flight to gold. Inflation erodes the value of paper money, but gold?

It's tangible, it's real, and it's held its value for centuries. That's why, even when inflation is just simmering, people flock to gold as a hedge.

3. The Long Game: Why This Gold Rally Could Be Just the Beginning

Here's where it gets interesting. It's not just just about the Fed's rate decisions or today's inflation numbers. What we're seeing is a convergence of long-term trends that could keep gold on the rise for years to come.

Think about it: global uncertainty, persistent inflation, and a Fed that's stuck in a tight spot — all these factors create a perfect storm for gold.

And as we look ahead, it's hard to see any of these forces fading away anytime soon.

That's why I believe this gold rally is more than just a short-term trend. We could be at the start of a multi-year surge in gold prices, driven by factors that aren't going away overnight.

What's Next?

As always, it's essential to keep your eyes on the data and be ready to adjust your strategy as the market evolves.

But right now, all signs point to gold being in the early stages of a long-term rally. The nearly 30% rise we've seen so far this year is just the start.

Capitalize on Gold's Momentum with This Long-Term Trade Idea

From the persistent inflation that's been eroding purchasing power to the Fed's aggressive rate hikes, the factors pushing gold higher have been building for over a year.

Add in global uncertainty, and it's clear that gold's rally is far from over.

But today, I want to move beyond the "why" and get into the "how."

Here's a trade idea I'm considering to capitalize on this ongoing rally:

- **Buy a 20 Jun 2025 $30 call on SLV (iShares Silver Trust)**
  OR
- **Buy a 20 Jun 2025 $300 call on GLD (SPDR Gold Trust)**

As of the time of this writing, the SLV options are around $2.40 and the GLD options are around $2.80 and offer over 250 days to expiration, giving you ample time to ride the wave of this long-term trend.

If you're confident that gold's momentum will continue — and I am — then this could be a way to position yourself for what could be significant gains.

As always, all trades carry risk. You should never trade with money you can't afford to lose.

While I believe gold will continue its rise, no one can guarantee what happens in the future, so bake that into your plans if you decide to take this trade.

— Geof Smith
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