
CIO Allocation

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Going Tactical Overweight Gold

NPB's Investment Committee increases gold exposure from Neutral (5%) to Overweight (7.5%) in expectation of a blow-off top.

Our five percent exposure to precious metals, or more specifically Gold, has paid off well over the past twelve months, as the price of the yellow metal is up more than 40% over that period.

Hence, the question arises if our move to increase to a simply overweight (7.5%) is coming too late. We think no, with increasing chances of blow-off top occurring over the coming six to twelve months.

In our view, Gold has been "smarter" than the bond market over the recent past, e.g. anticipating the Fed's post-COVID policy panic and the injection of \$5 trillion of bank reserves or dropping 20% ahead of the brutal monetary tightening of 2022/2023 and then correctly predicting the Fed's needless September 2024 50 basis point cuts.

Asides the well-advertised gold buying of global central banks and the shortage of gold delivery at Comex a few weeks ago, we also think Gold is currently sniffing out a redesign of global monetary and military order. Add to this that retail investors, as derived via ETF flows, are not yet engaged in the long gold trade.

We increase our exposure via physical gold and/or ETFs with physical gold backing, financing the move from a reduction of the fixed income exposure.

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