Gold's Price Relative to Mining Costs and Profitability
"Up, Up and Away"

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An extending stream of increasing earnings makes positioning Gold Stocks an investment. Further, it could be outstanding, as earnings will likely increase on Gold's Real Price going up—substantially. Creating a multi-year bull market. And not just going up, the GDXJ at times could outperform the S&P, making it the "only game in town". Relatively speaking.

This would supersede the old mantra of "Dollar-Down, Golds Up". Positioning on this has been in vogue since the 1960s. Essentially, it has been a speculation in foreign exchange fluctuations.

However, in previous Post-Bubble Contractions, the price deflated by the CPI typically increased by 1.7 times over some twenty years. That was on annual averages so the best price gain by this measure could be a double—when most industry and commerce could be suffering pricing pressures.

A more practical method is to deflate the bullion price by the CRB. This is a straightforward way of representing mining costs, which have been declining relative to gold and will likely continue.

The chart shows another Six-Month-Basing-Pattern successfully completing with the first rise above the 20-Week ema. That was accomplished a year ago late 2022. The Blue Arrow emphasizes the uptrend, that started in 2022.

The latest correction ran from May to last October, from which the overall rally has resumed. Recently rather sharp and related to talk about a "Fed

Cut!", which in financial history is a punctuation point on the way to a severe contraction.

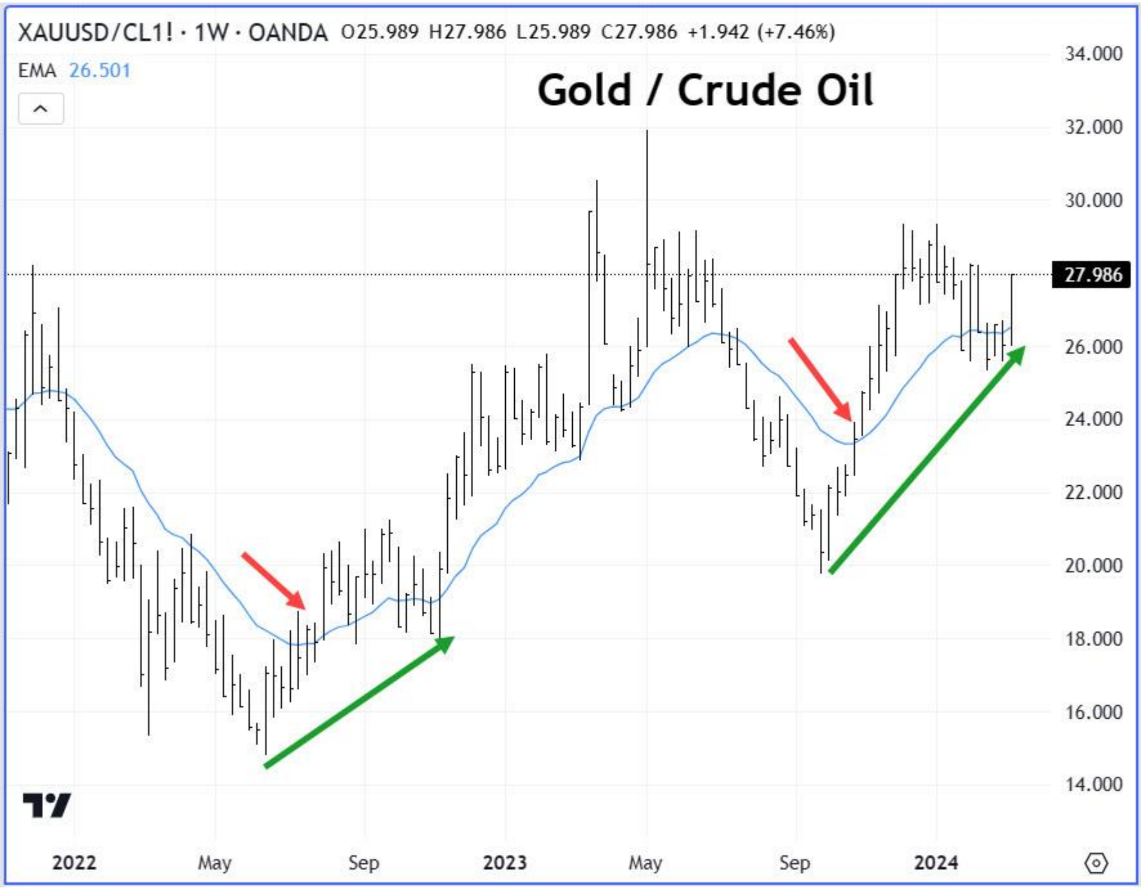
And by way of perspective, changes in the administrated rate typically follow changes in market-determined rates, such as T-Bills. The Federal Reserve Open Market Committee has twelve members. Desperately trying to impose their arbitrarily inclinations upon a world of a quad-gillion transactions every day.

We expect the trend of commodities weakening relative to gold will continue as a key feature of another Post-Bubble Contraction. From the base at 6.00 the plot has increased 33% to 8.00.

Further, we consider positioning Golds against a stream of rising earnings as investing.

Another way of covering it is through Gold/Crude. Energy makes up roughly 60% of mining costs and crude is a practical proxy. The main thing is that crude oil prices have been declining relative to gold, generally boosting profitability.

In round numbers, the Gold/Crude advance has doubled—from 15 to 30.



Wrap

Relative to CPI Inflation, a double over the next twenty years is possible, thereby enhancing mining profitability. Gold/CRB is another measure, and it is up 33%. And so far, Gold/Crude is up by 100%.

Although only in the early stages, the key feature of a rising real price for Gold during another Post-Bubble Contraction has been methodically working out.

The advice was to “Accumulate” Golds on weakness with the decline into the Fall. The advice now is to “Buy-the-Dips”, as financial history could be in the early stages of a multi-year bull market for the Sector. At times, the GDXJ could outperform the S&P. Thereby bringing in equity fund managers who may not normally position Gold Stocks.