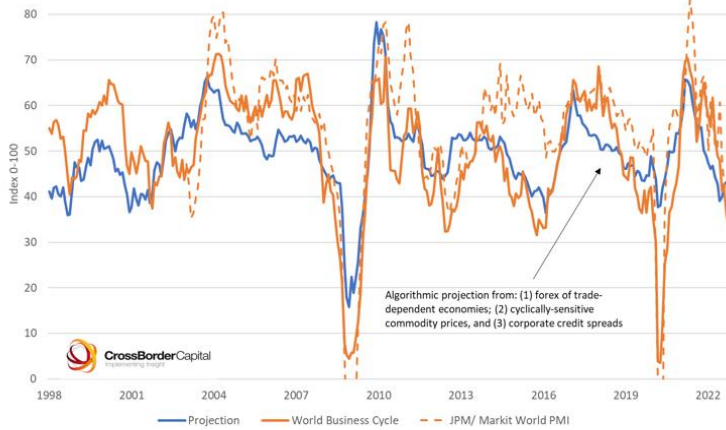


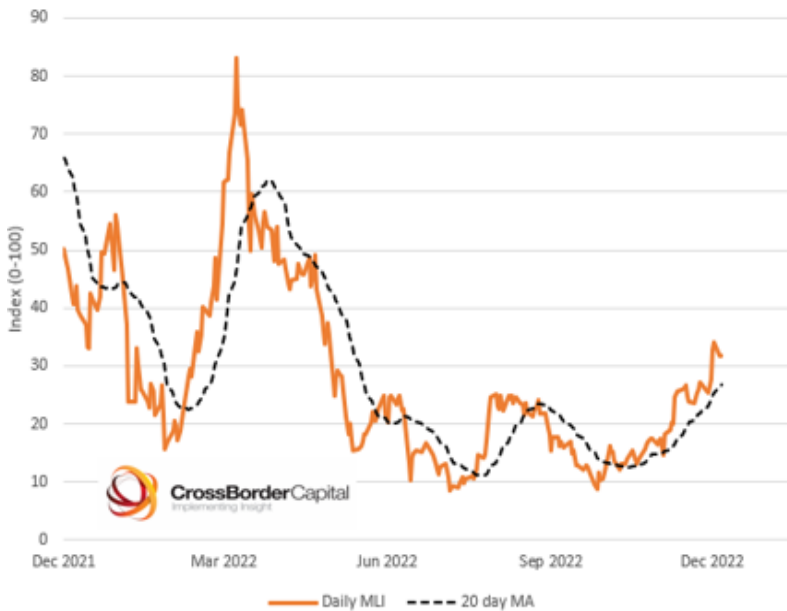


World Business Cycle: Surveys Vs AI-Model



Source: CrossBorder Capital, US Federal Reserve

Market Liquidity Index: 2022



We might be walking into the most expected and telegraphed recession in 2023.

The view or hope is that the economy cools down by next year which leads to the Fed pivot.

However, the business cycle seems to have troughed, and liquidity also seems to be recovering.

Hence, the chances are that the economy may not slow down by mid 2023 is rising and that leads to the possibility that the Fed is forced to keep monetary conditions tight for longer.

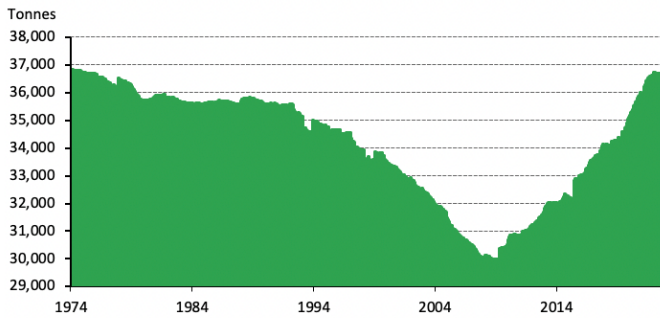
This is driven by the fact that the Bureau of Labor Statistics maybe using flawed methods of measuring jobs created along with inflation remaining high due the fact that past housing price increases make into CPI in a lagged manner.

So, the real bear case is that the economy still holds up enough for the Federal reserve to overtighten or hold rates higher for longer. Hence, there a lot of tactical trades to be made considering this trend.

US economy may hold up against high interest rates for longer than anticipated which is the real bear case scenario to be monitoring.



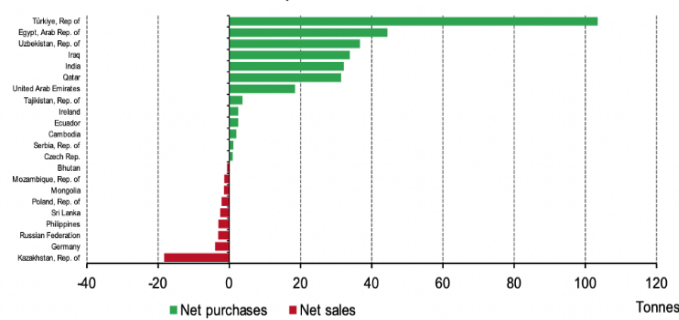
Global central bank gold reserves are back to mid-1970s levels*



*Data to 31 October 2022 based on available data and WGC calculations.

Source: IMF IFS, Respective Central Banks, World Gold Council

Year-to-date central bank net purchases and sales*



*Data to 31 October 2022 where available. Note: chart includes only purchases/sales of 0.5t or more.

Source: IMF IFS, Respective Central Banks, World Gold Council

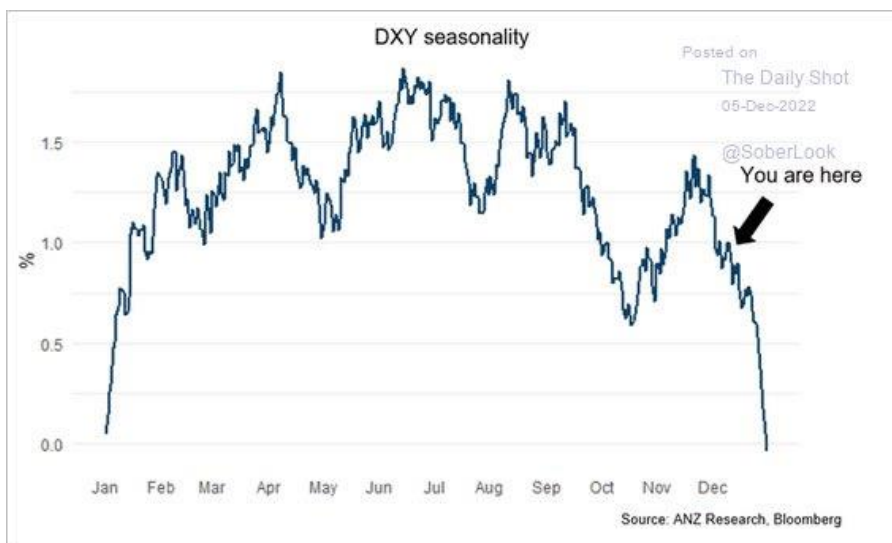
The increase in gold buying YTD was driven mainly by Turkey, Egypt, Uzbekistan, Iraq and India. Along with this the Chinese for the first time reported an increase of gold by 32 tons this November and now their total gold tally starts at 1980 tons. This may or may not represent their true holdings of gold as back in 2019 an Ex-Chinese Mayor of Danzhou was found to have stashed 13.5 tons of Gold.



We maybe at the start of the Federal Reserve lowering magnitude of rate increases to 50 basis points and now there is a probability that it may lower to 25 basis points too. However, this time when the Federal Reserve Pivots it would slash interest rates after a lag and would slash it to 2% and not revert to 0%.



Gas storage levels have been falling since last week in Germany from 98.8% a week earlier. The much-predicted mild winter seems to be underway and it is not certain that the winter will be mild. However, it should be noted that German storage capacity when it drops down due to usage this time will face significant infrastructure based bottlenecks in being able to refill it at will have to do it on the spot market.



The rise of DXY will now be limited for the coming months taking into account the Federal Reserves new stance that interest rate hikes will be lower in magnitude and will lead to pause.