NIA

National Inflation Association

2022 Gold Educational Report

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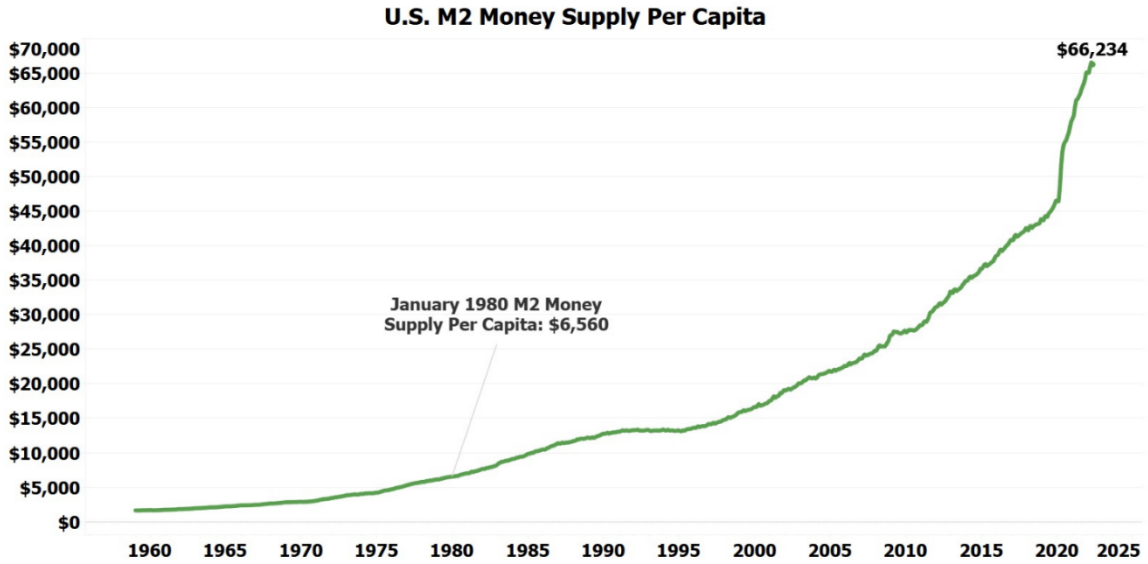
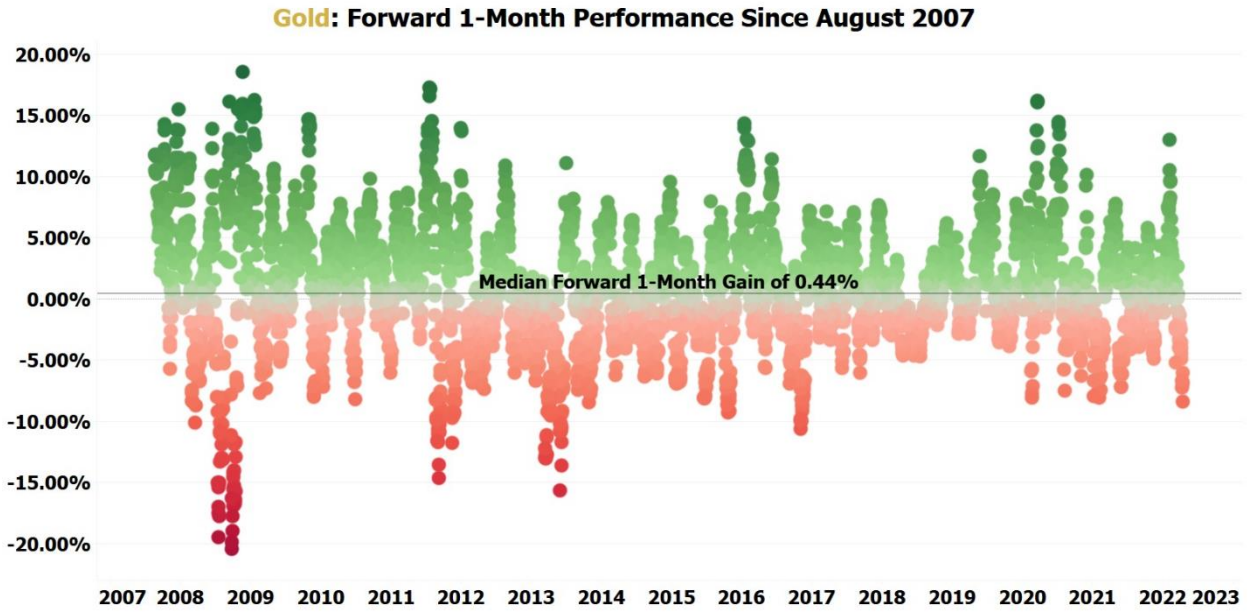
THE #1 MOST IMPORTANT LONG-TERM INDICATOR FOR DETERMINING THE PRICE OF GOLD IN U.S. DOLLARS IS U.S. M2 MONEY SUPPLY PER CAPITA.



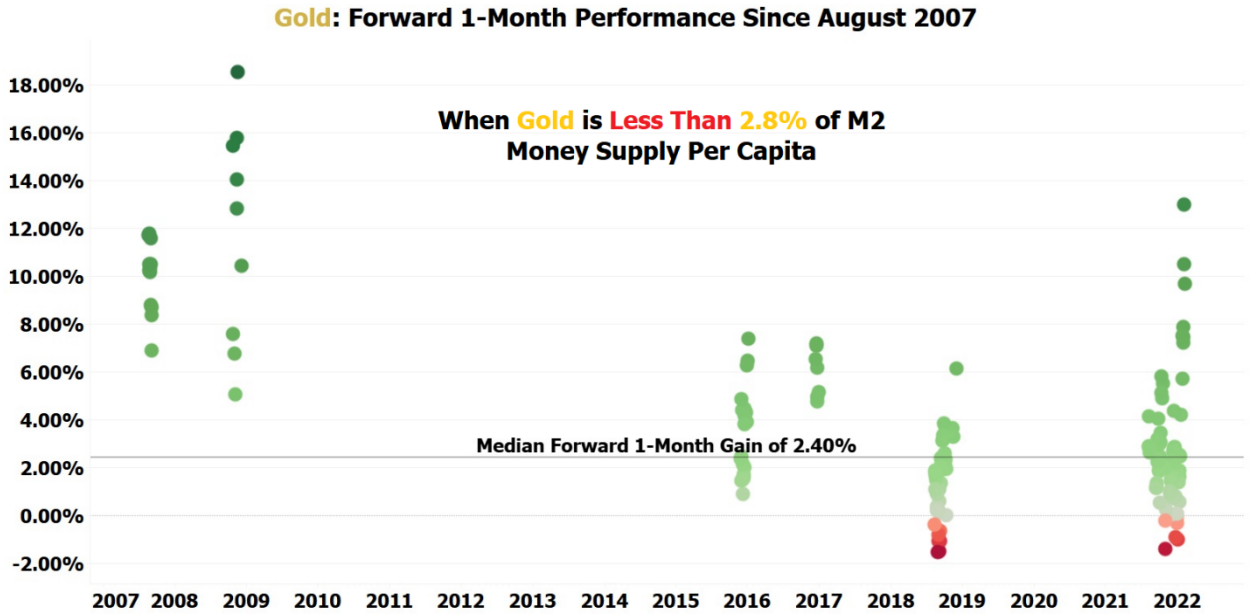
In January 1980, when the U.S. last experienced a price inflation crisis, gold peaked at a secular bull market high of **$850 per oz**. U.S. M2 money supply per capita at the time was only **$6,560**. Today, with M2 money supply per capita of **$66,234** we could potentially see the price of gold in U.S dollars surpass **$8,500 per oz** in the years ahead.

For the past 15 years straight, gold always bottoms at the same exact price as a percentage of U.S. M2 money supply per capita of 2.7%.

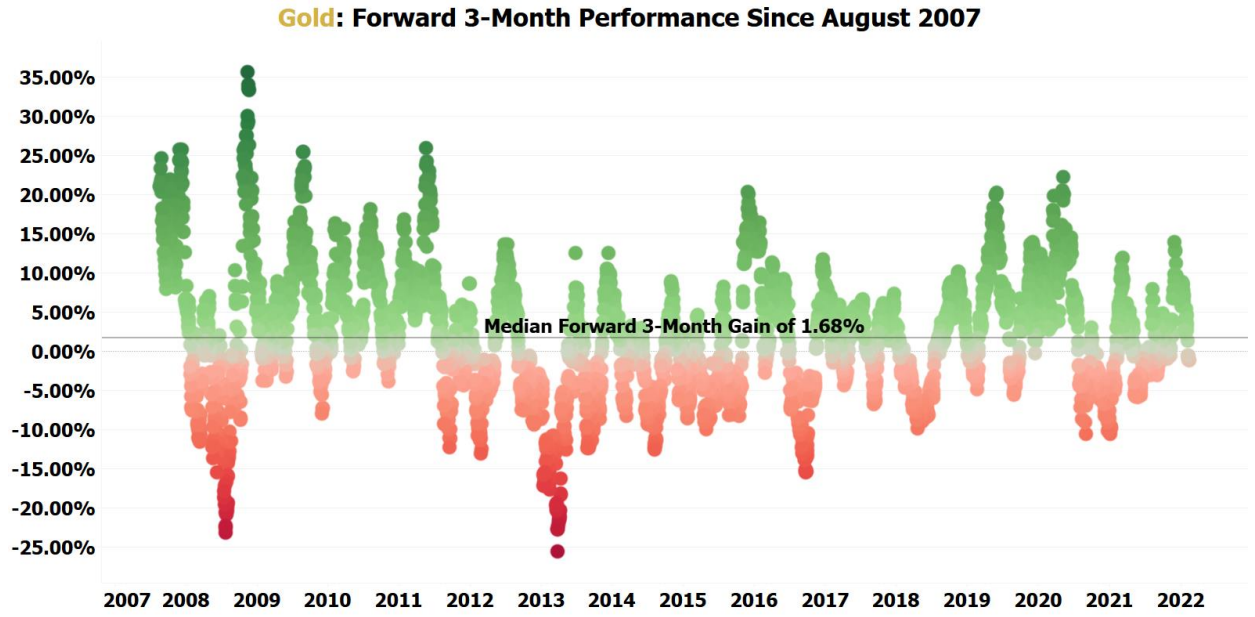
SINCE AUGUST 2007, GOLD HAS ACHIEVED A MEDIAN FORWARD 1-MONTH PRICE INCREASE OF 0.44%.



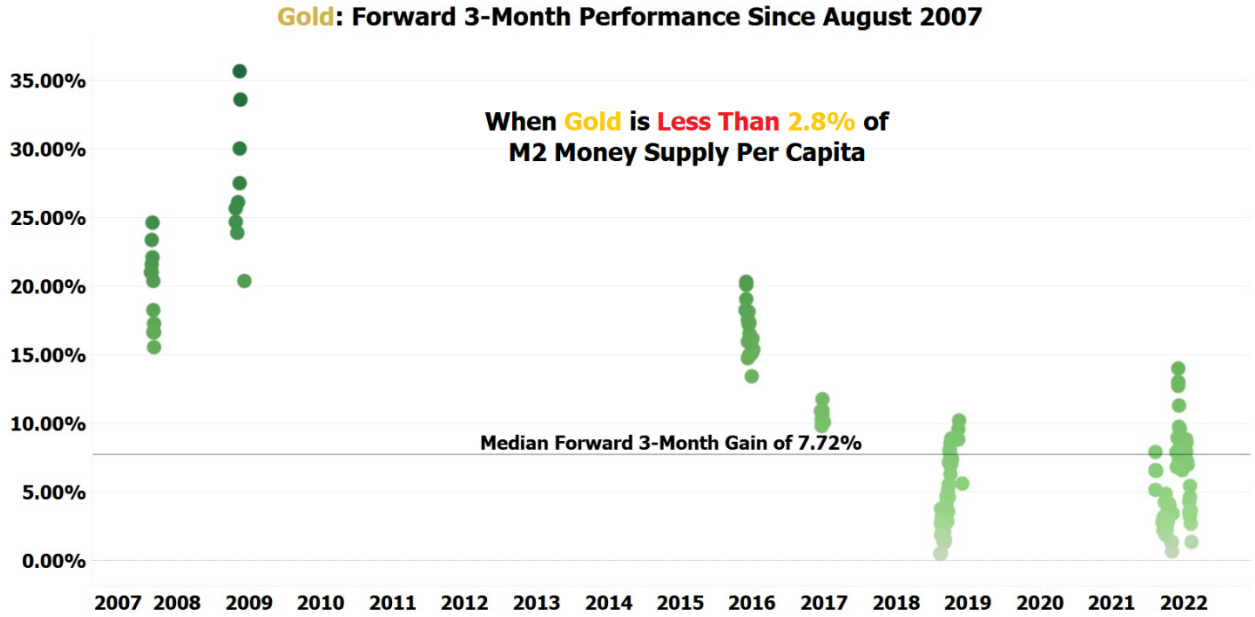
When gold is less than 2.8% of M2 money supply per capita like it is today, gold achieves a median forward 1-month price increase of 2.4% or 5.45X higher than normal.



SINCE AUGUST 2007, GOLD HAS ACHIEVED A MEDIAN FORWARD 3-MONTH PRICE INCREASE OF 1.68%.

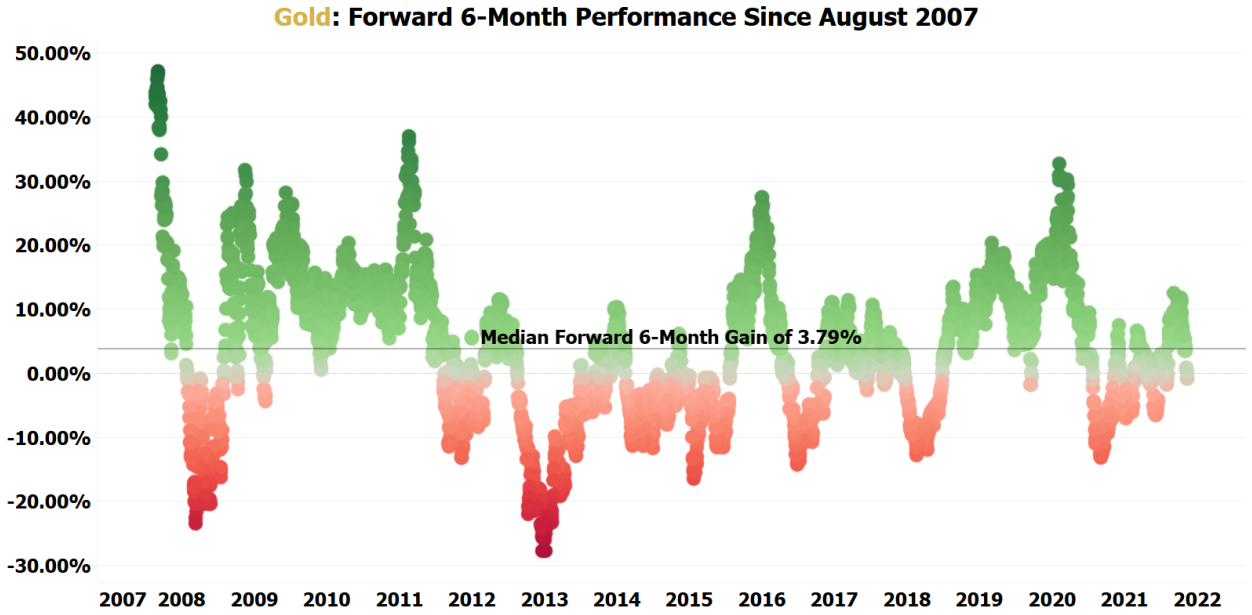


When gold is less than 2.8% of M2 money supply per capita like it is today, gold achieves a median forward 3-month price increase of 7.72% or 4.6X higher than normal.

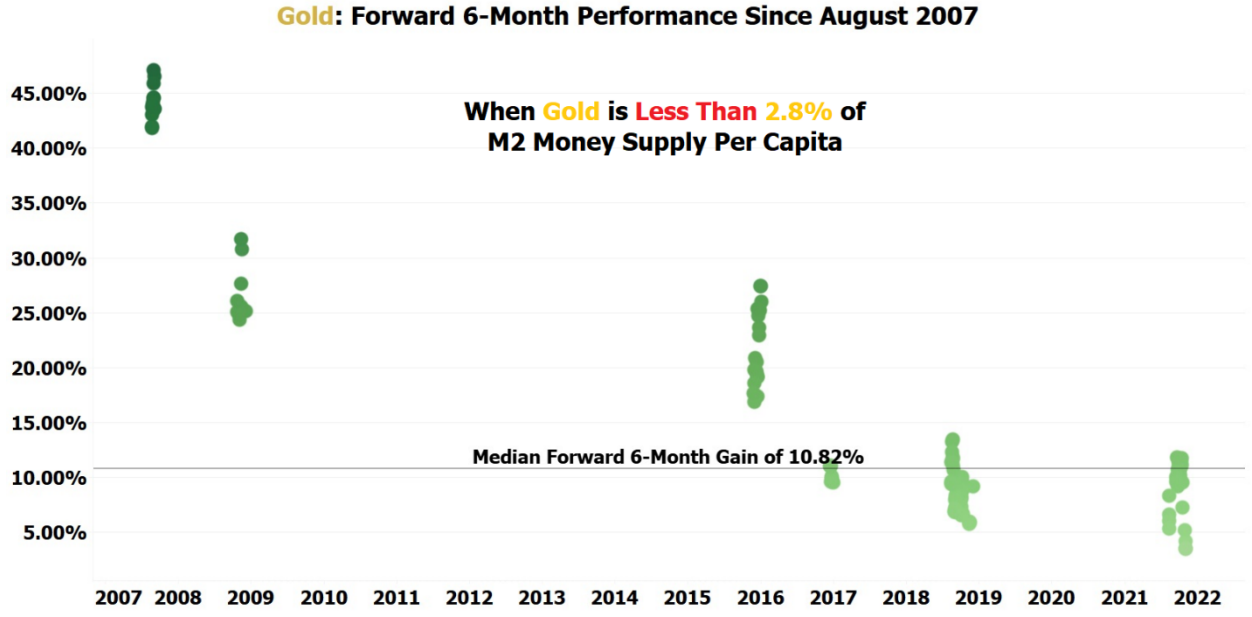


Gold gains 100% of the time in this situation!

SINCE AUGUST 2007, GOLD HAS ACHIEVED A MEDIAN FORWARD 6-MONTH PRICE INCREASE OF 3.79%.

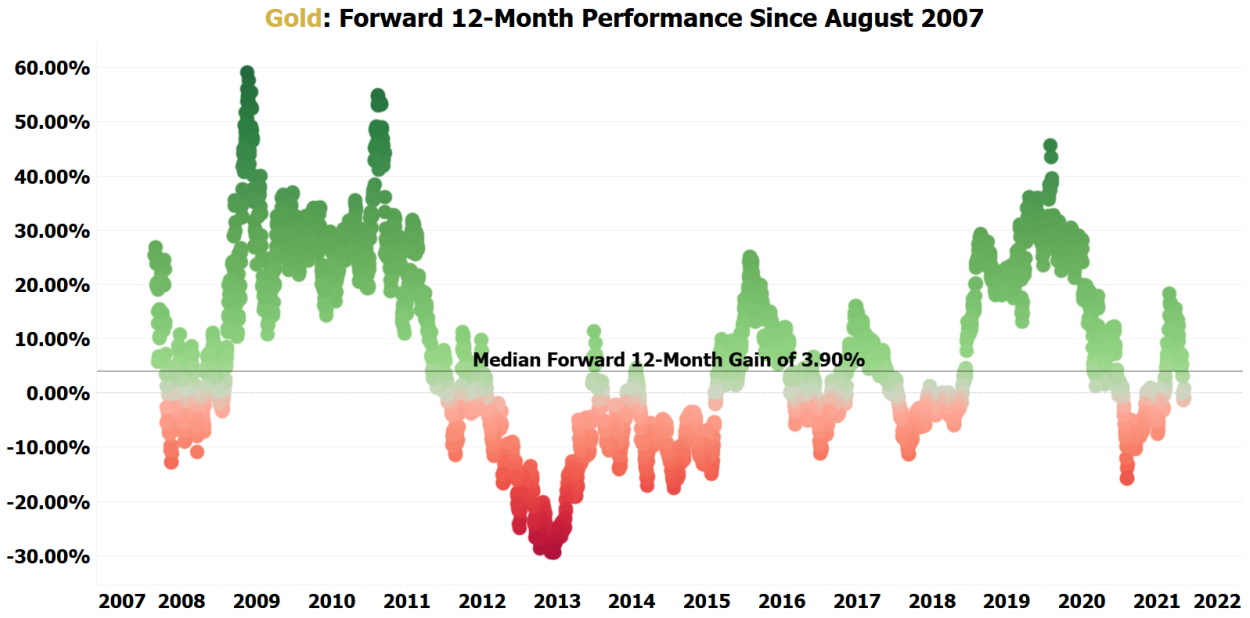


When gold is less than 2.8% of M2 money supply per capita like it is today, gold achieves a median forward 6-month price increase of 10.82% or 2.85X higher than normal.

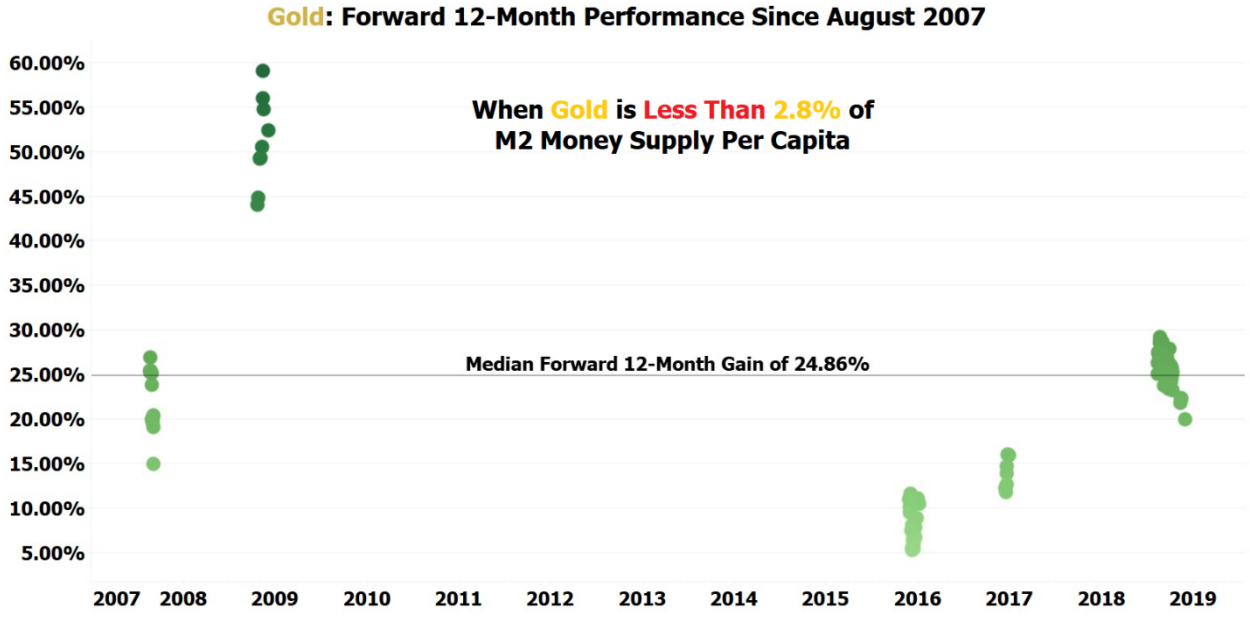


Gold gains 100% of the time in this situation!

SINCE AUGUST 2007, GOLD HAS ACHIEVED A MEDIAN FORWARD 12-MONTH PRICE INCREASE OF 3.9%.



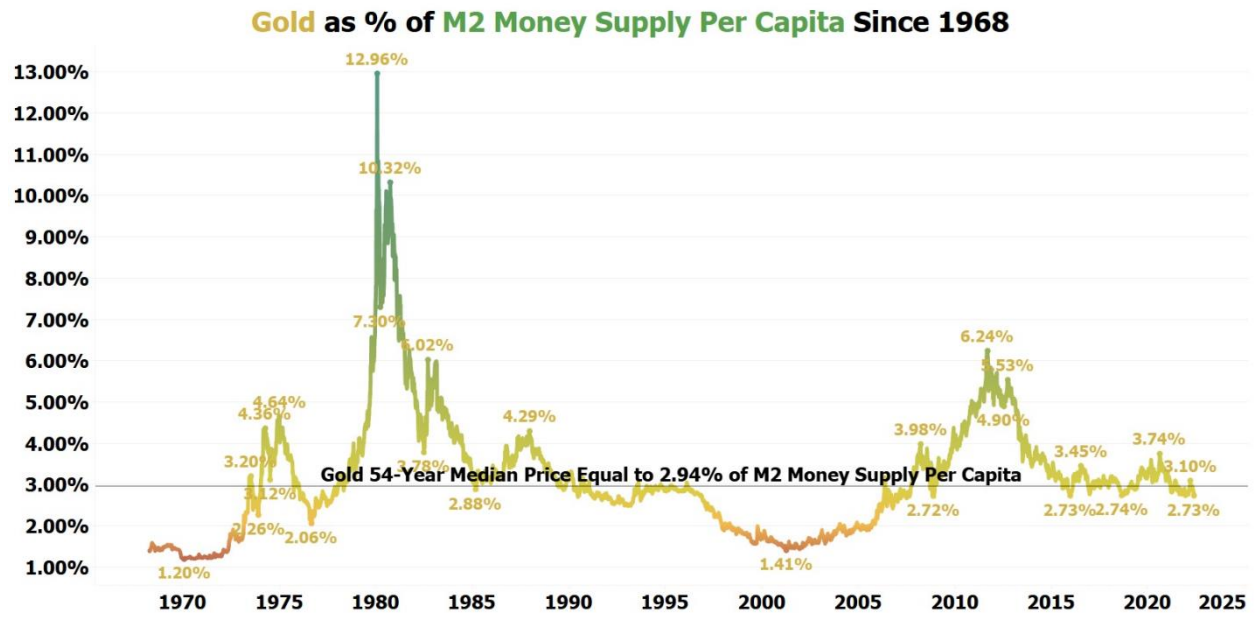
When gold is less than 2.8% of M2 money supply per capita like it is today, gold achieves a median forward 12-month price increase of 24.86% or 6.37X higher than normal.

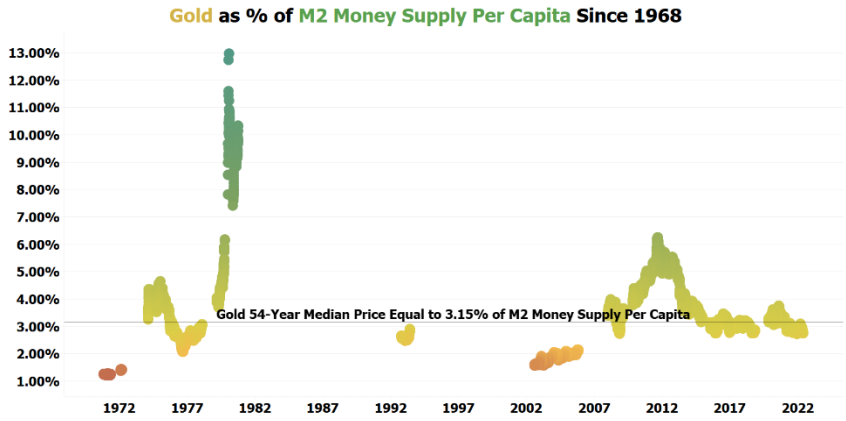


Gold gains 100% of the time in this situation!

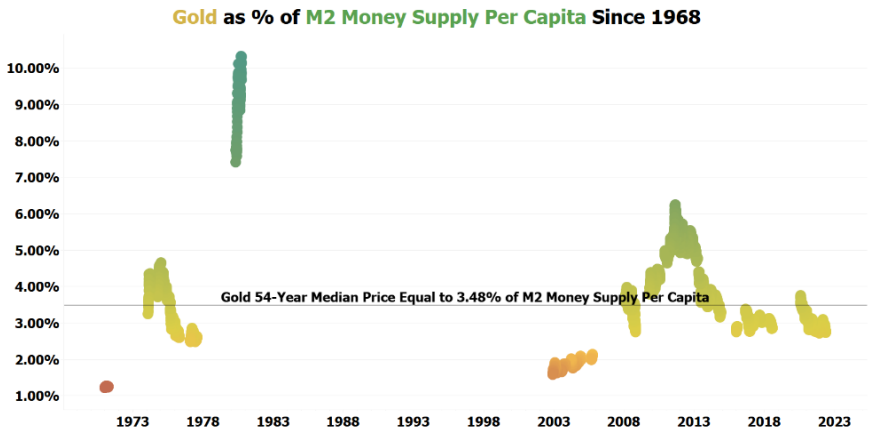
PRIOR TO AUGUST 2007, GOLD HAS TRADED BEFORE AT PRICES OF BELOW 2.7% OF M2 MONEY SUPPLY PER CAPITA, BUT IT WAS DURING ECONOMIC CONDITIONS THAT WERE MUCH DIFFERENT THAN TODAY.

Since 1968, gold's long-term median price as a percentage of M2 money supply per capita has been 2.94%.

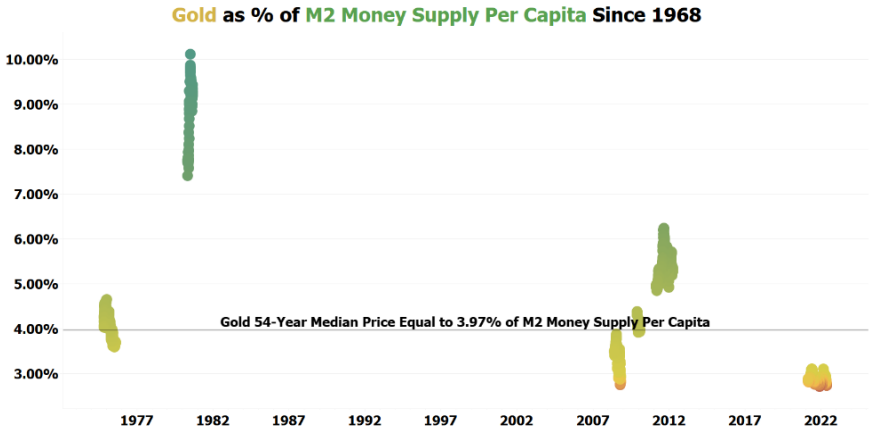




When **U.S. price inflation** is **above** the **Federal Funds Rate** (**Negative Real Federal Funds Rate**), **gold's** median price as a percentage of M2 money supply per capita has been **3.15%**.

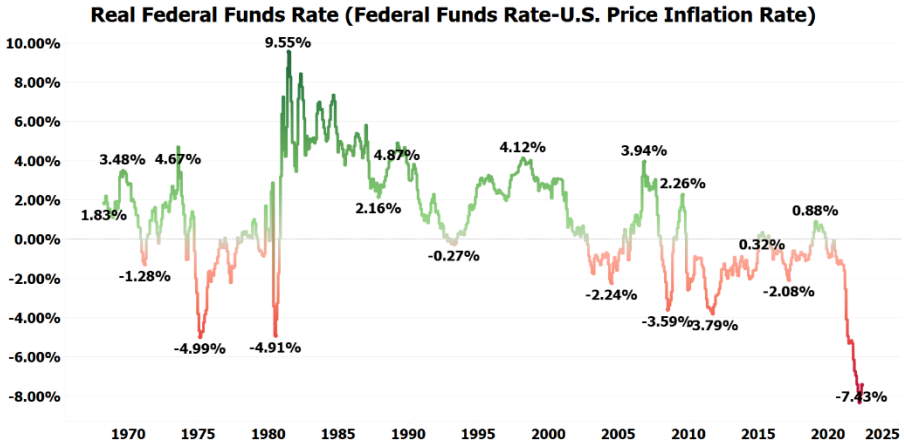


When **U.S. price inflation** is **above** the **Federal Funds Rate** by **100 basis points** or **more**, **gold's** median price as a percentage of M2 money supply per capita has been **3.48%**.



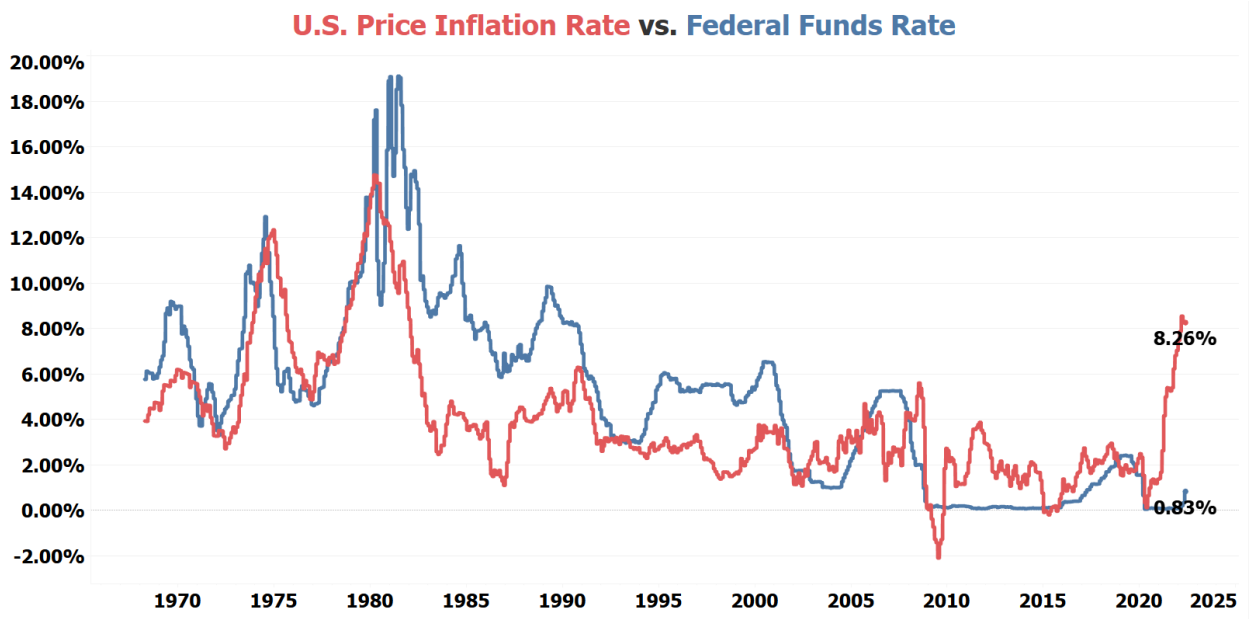
When **U.S. price inflation** is **above** the **Federal Funds Rate** by **250 basis points** or **more**, **gold's** median price as a percentage of M2 money supply per capita has been **3.97%**.

Not once in history has gold settled a trading day below 2.7% of M2 money supply per capita when the Real Federal Funds Rate is negative by 250 basis points or more!



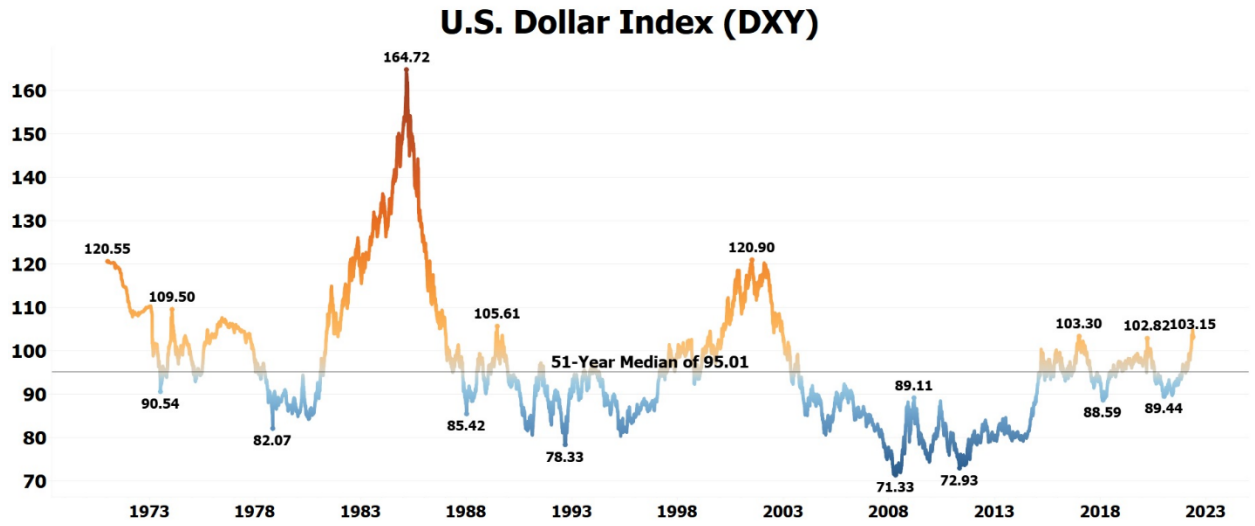
The Real Federal Funds Rate is currently negative by 743 basis points.

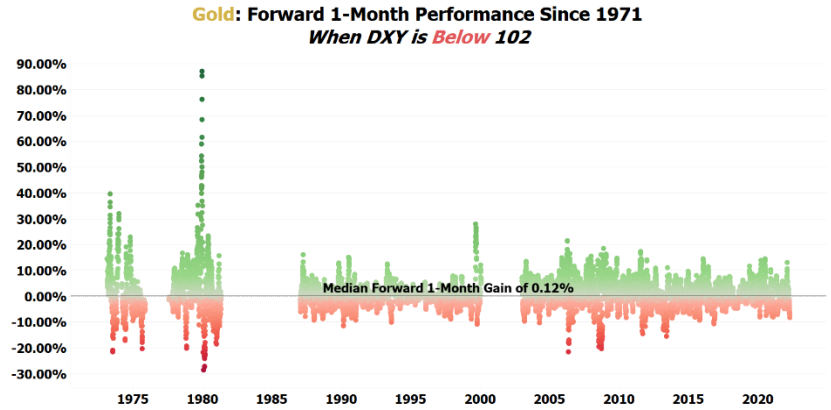
Although Fed Chairman Powell may be talking tough about raising the Federal Funds Rate to battle America's price inflation crisis and prevent hyperinflation, it is **extremely unlikely** that the **Federal Reserve** will be able to **raise** the **Federal Funds Rate** to a level that **exceeds U.S. price inflation**. Until the **Federal Reserve** can **prove its ability** to get the **Federal Funds Rate** to at least within 250 basis points of **U.S. price inflation**, **gold** has almost **no downside risk**.



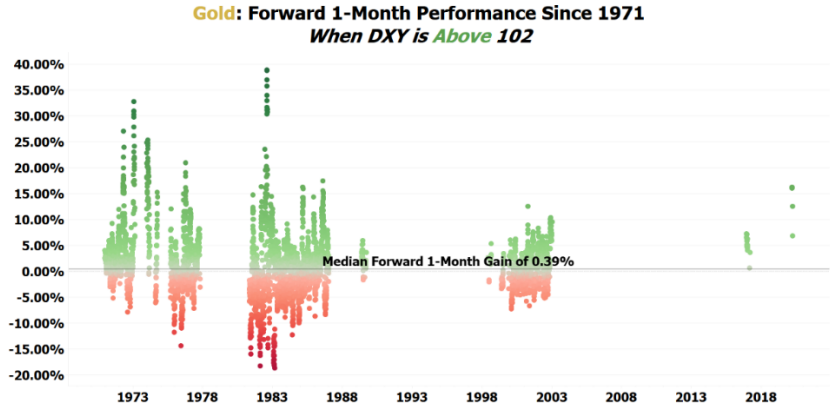
Another important long-term indicator for determining exactly when to invest into gold and for estimating the future performance of gold priced in U.S. Dollars is the **U.S. Dollar Index (DXY)**. The **higher** the **DXY** is trading, the **better it is for future gold price appreciation** in U.S. Dollars. Over the long-term, the **DXY** tends to **trend downward**, but it can have temporary short/medium-term rallies due to certain economic situations such as when the **Federal Reserve begins the hike** the **Federal Funds Rate** at a time when the **European Central Bank** and **Bank of Japan** are **not yet hiking rates**, which is what we are currently experiencing at this exact moment, but it **won't remain** like this for long.

The **DXY** is trading near a **19+ year high** and appears to be **extremely overbought** with a lot of short-term downside risk. Any time that the **DXY corrects downward** from **artificially high levels**, it tends to **add significant upward pressure** to the price of **gold** in U.S. dollars.

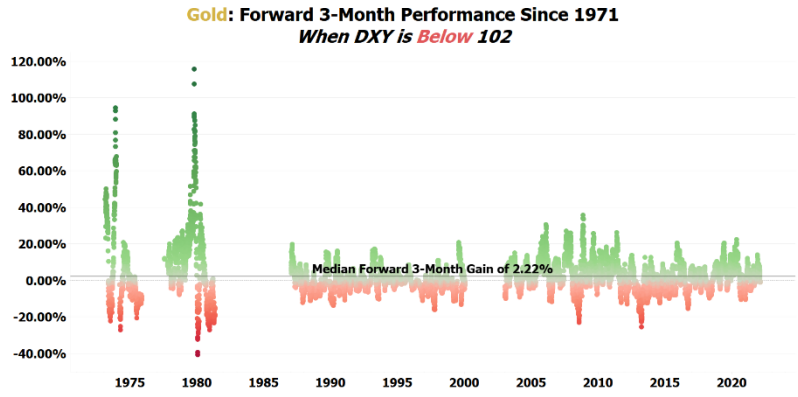




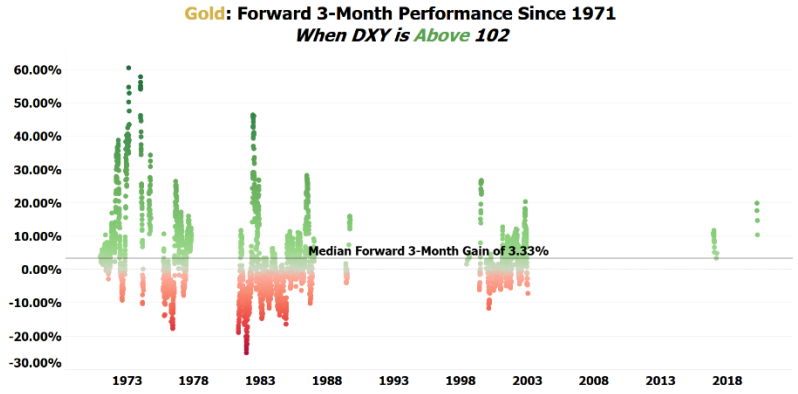
Since 1971, when the DXY is below 102, gold achieves a median forward 1-month gain of 0.12%.



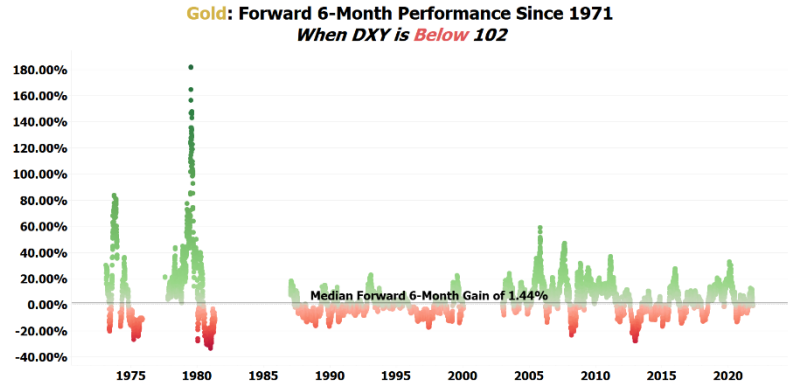
When the DXY is above 102, gold achieves a median forward 1-month gain of 0.39% or 3.25X higher.



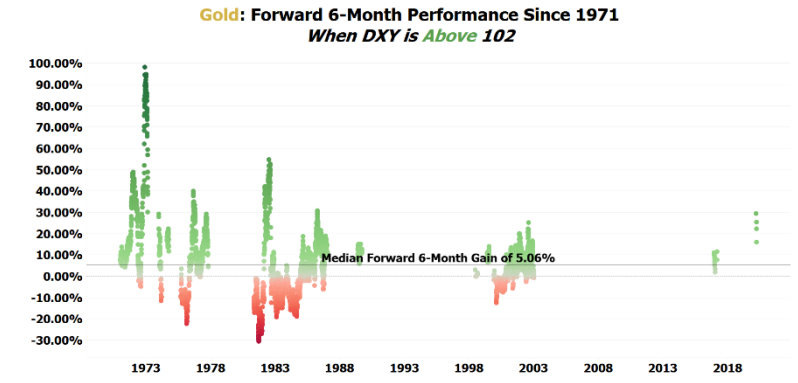
Since 1971, when the DXY is below 102, gold achieves a median forward 3-month gain of 2.22%.



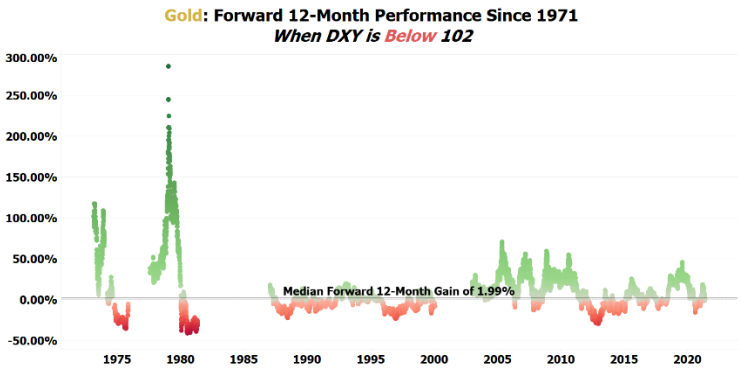
When the DXY is above 102, gold achieves a median forward 3-month gain of 3.33% or 1.5X higher.



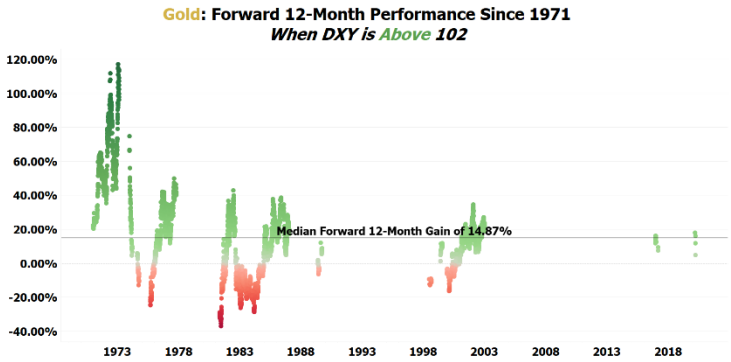
Since 1971, when the DXY is below 102, gold achieves a median forward 6-month gain of 1.44%.



When the DXY is above 102, gold achieves a median forward 6-month gain of 5.09% or 3.53X higher.

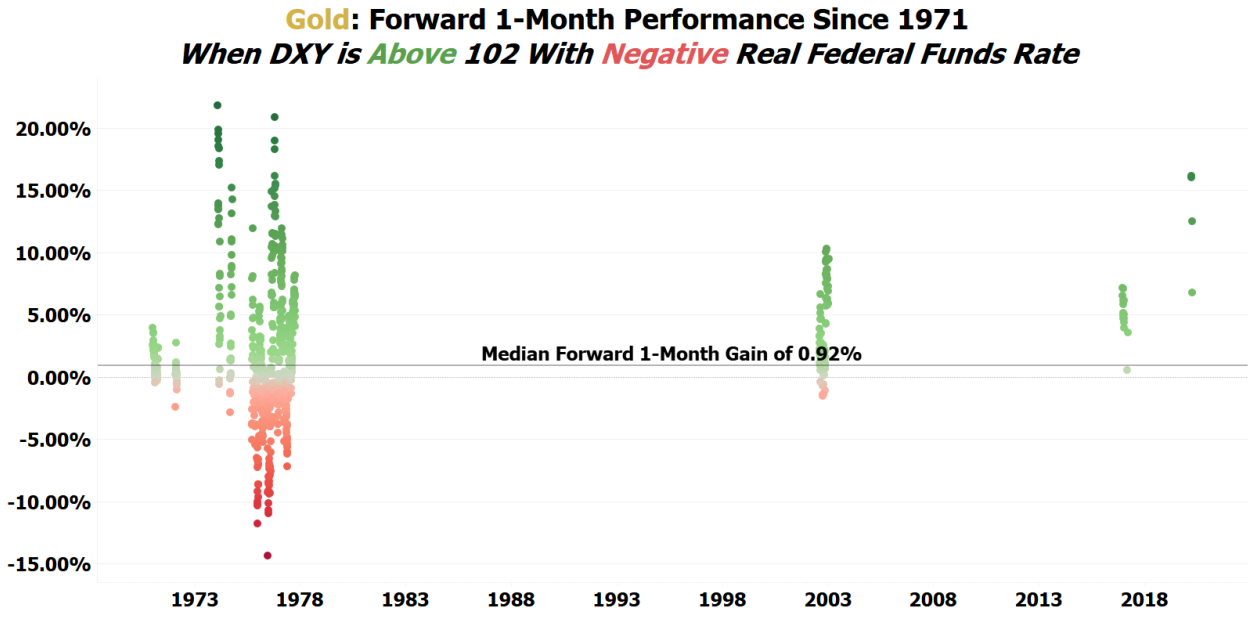


Since 1971, when the DXY is below 102, gold achieves a median forward 12-month gain of 1.99%.

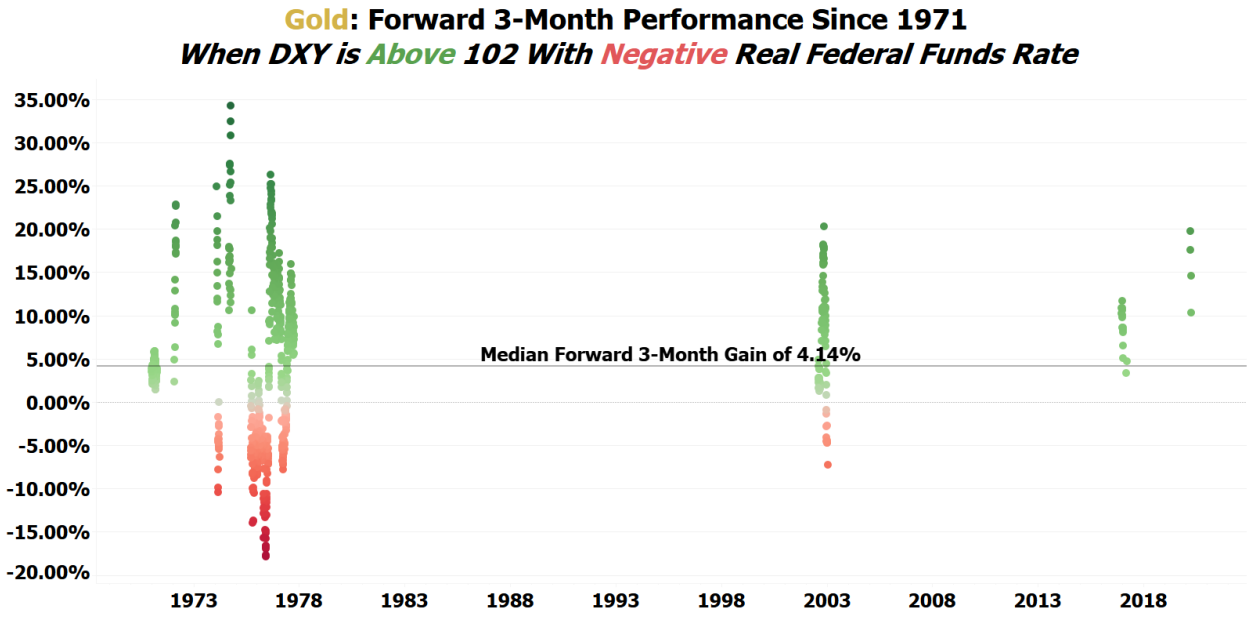


When the DXY is above 102, gold achieves a median forward 12-month gain of 14.87% or 7.47X higher.

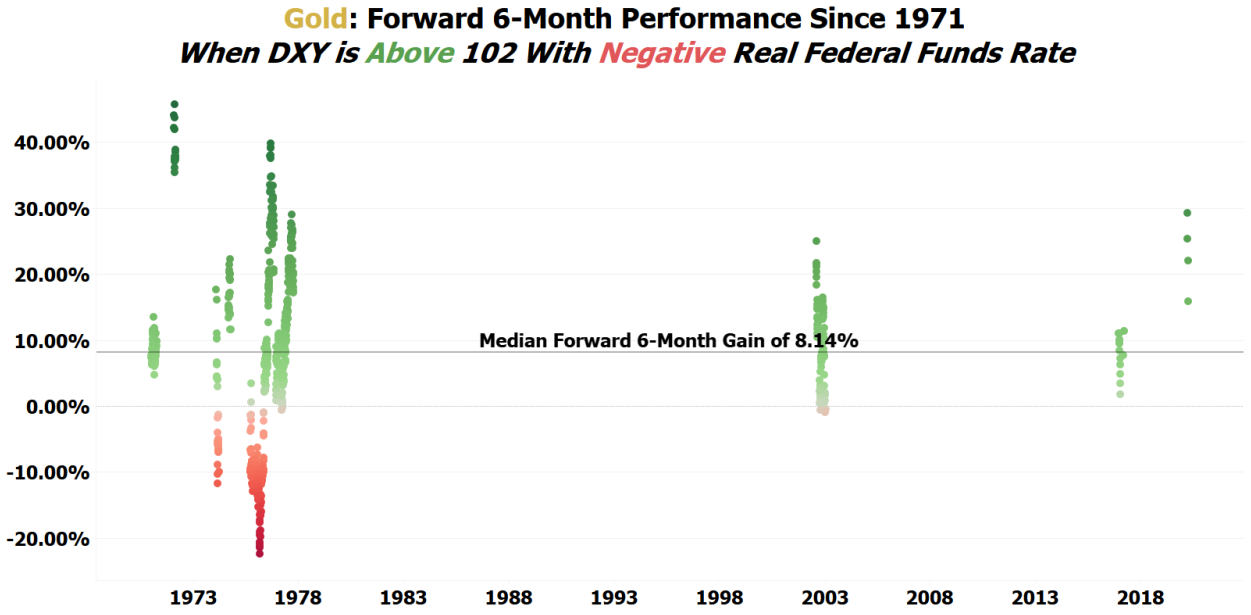
Since 1971, when the DXY is above 102 and the Real Federal Funds Rate is negative, gold achieves a median forward 1-month gain of 0.92%.

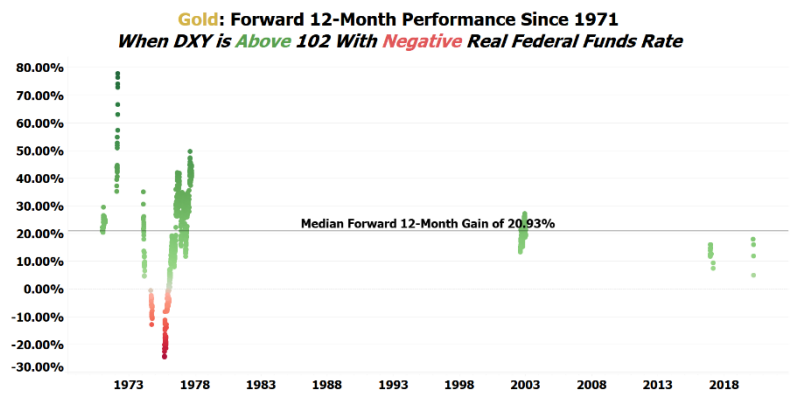


Since 1971, when the DXY is above 102 and the Real Federal Funds Rate is negative, gold achieves a median forward 3-month gain of 4.14%.



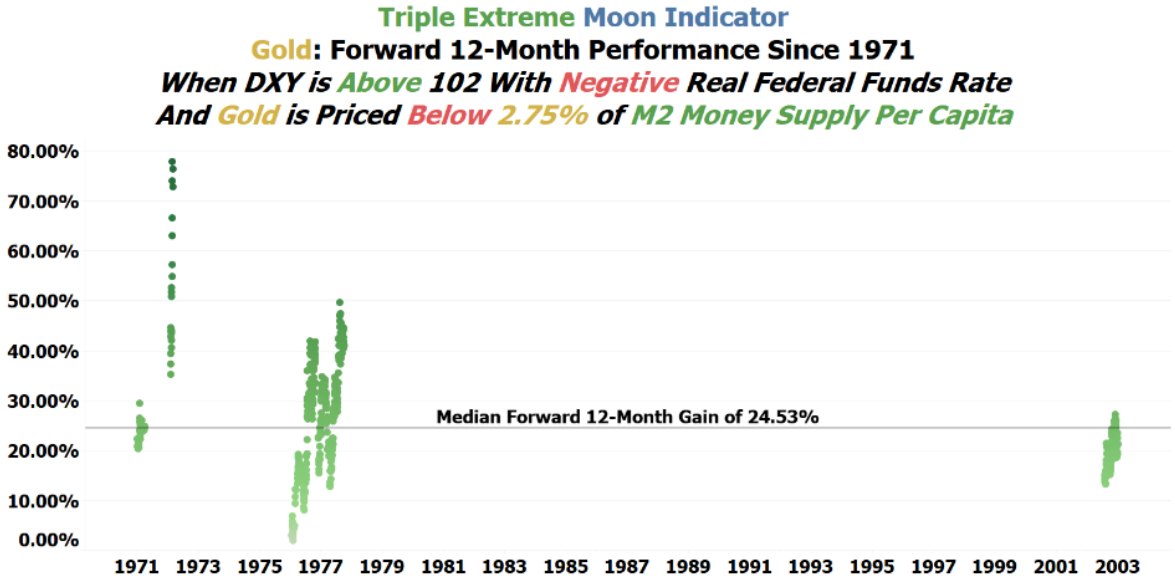
Since 1971, when the DXY is above 102 and the Real Federal Funds Rate is negative, gold achieves a median forward 6-month gain of 8.14%.



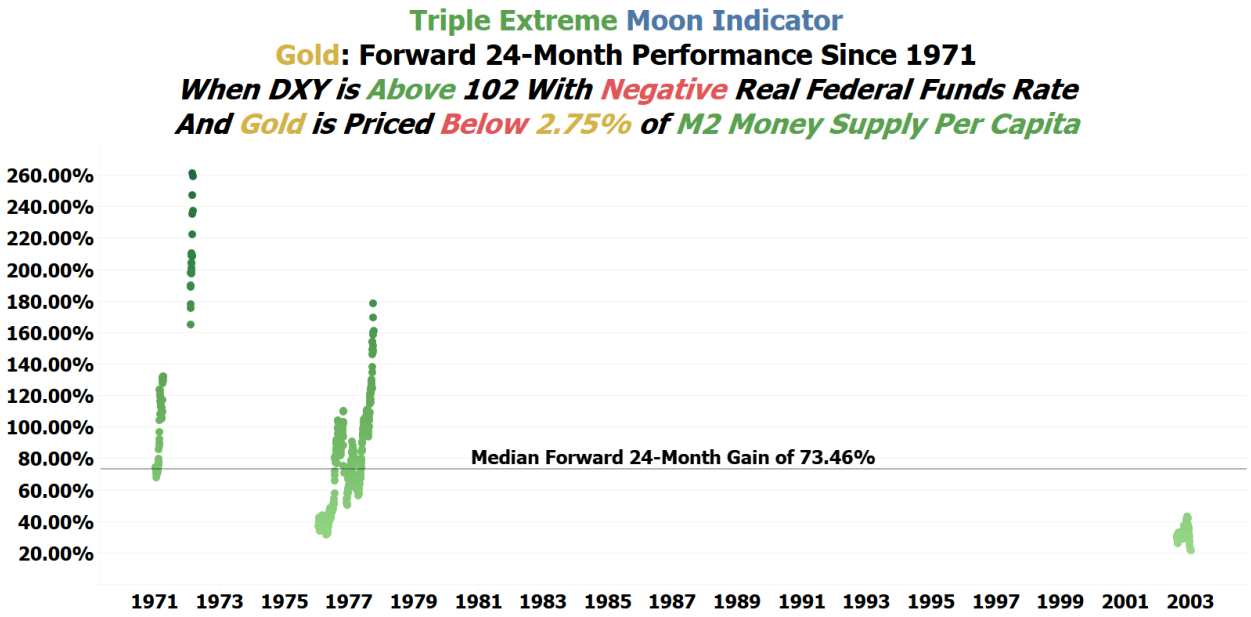


Since 1971, when the DXY is above 102 and the Real Federal Funds Rate is negative, gold achieves a median forward 12-month gain of 20.93%.

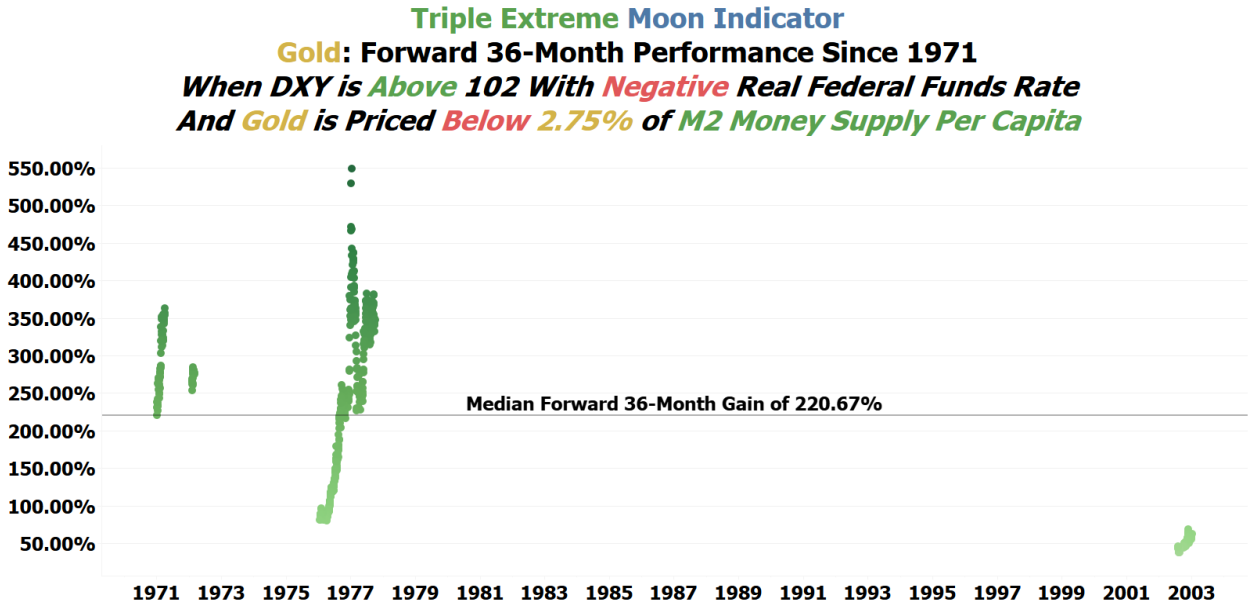
A **best-case scenario** for **gold** is called its **Triple Extreme Moon Indicator**, which is when the **DXY** is **above 102** and the **Real Federal Funds Rate** is **negative** with **gold** priced **below 2.75%** of **M2 money supply per capita**. Since 1971, when **gold meets all three conditions** of its **Triple Extreme Moon Indicator**, **gold gains** over the following 12 months **100% of the time** and achieves a median forward 12-month price **increase of 24.53%**.



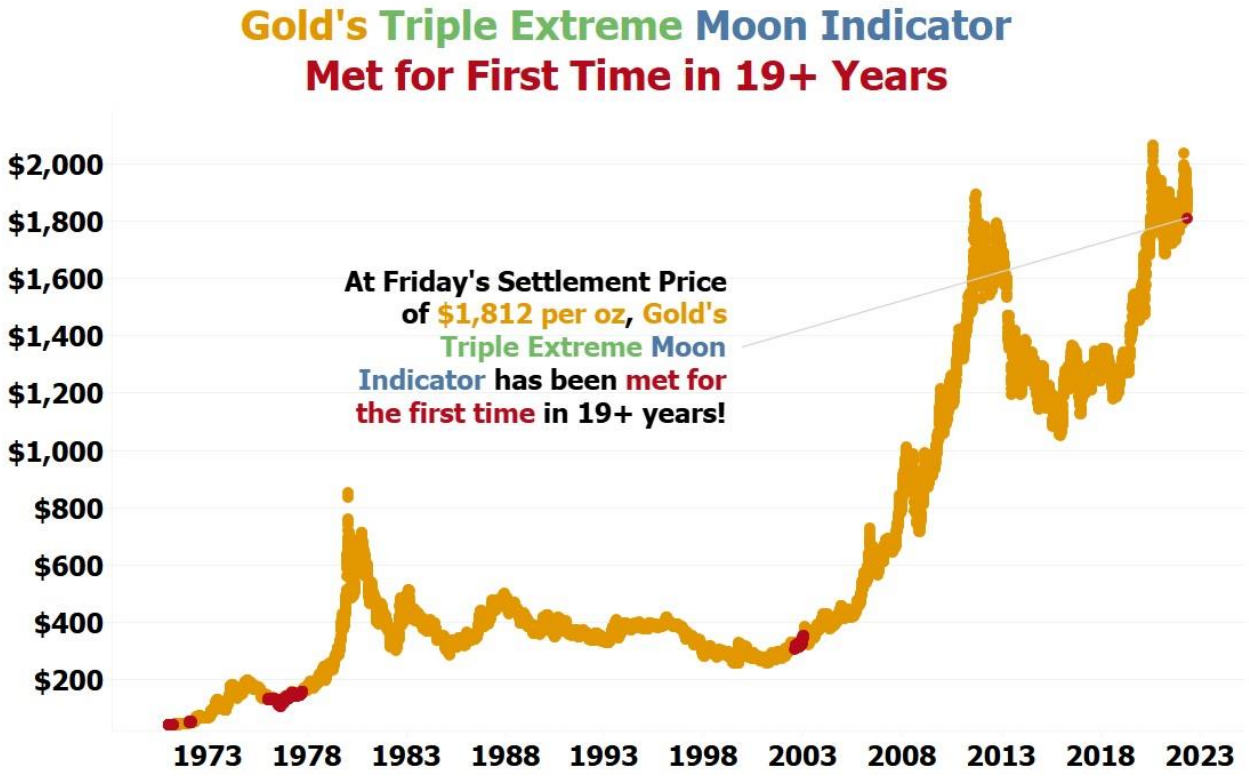
Since 1971, when **gold meets all three conditions** of its **Triple Extreme Moon Indicator**, **gold gains** over the following 24 months **100% of the time** and achieves a median forward 24-month price **increase of 73.46%**.



Since 1971, when **gold meets all three conditions** of its **Triple Extreme Moon Indicator**, **gold gains** over the following 36 months **100% of the time** and achieves a median forward 36-month price **increase of 220.67%**.

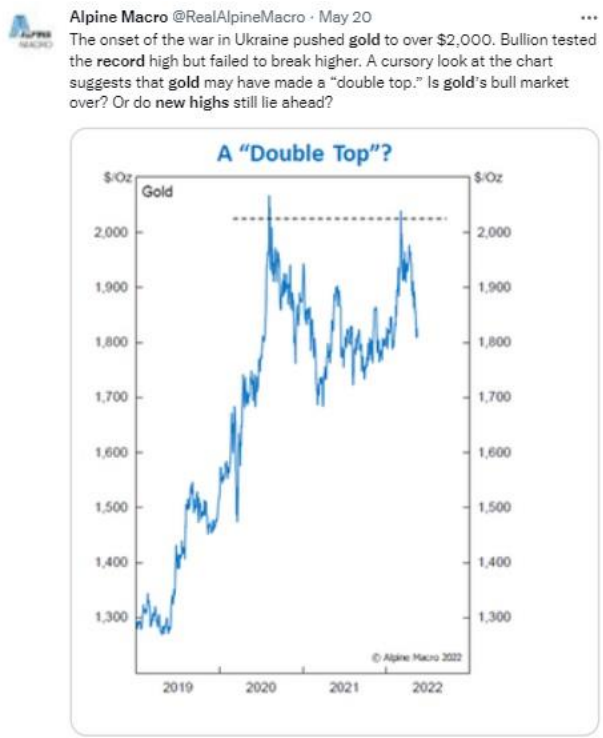


On Friday, May 13, 2022, when gold settled at $1,812 per oz, its **Triple Extreme Moon Indicator** was met for the first time in 19+ years. NIA sent out this following chart to its members on May 14, 2022:



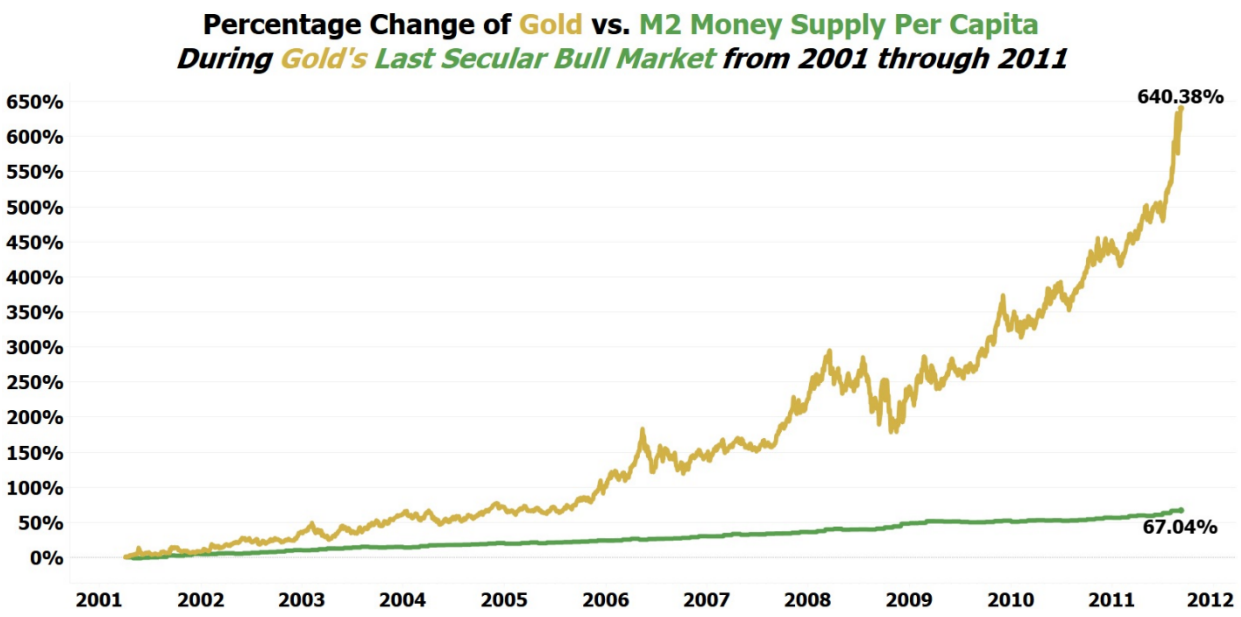
Gold on a nominal basis in U.S. dollars **entered a new secular bull market** on December 17, 2015, which it remains in today.

The average investor **mistakenly** believes that **gold** hit a **double-top** on March 8, 2022, when it settled at $2,039.05 per oz, which was just short of its **all-time high** settlement price from August 6, 2020, of $2,067 per oz.



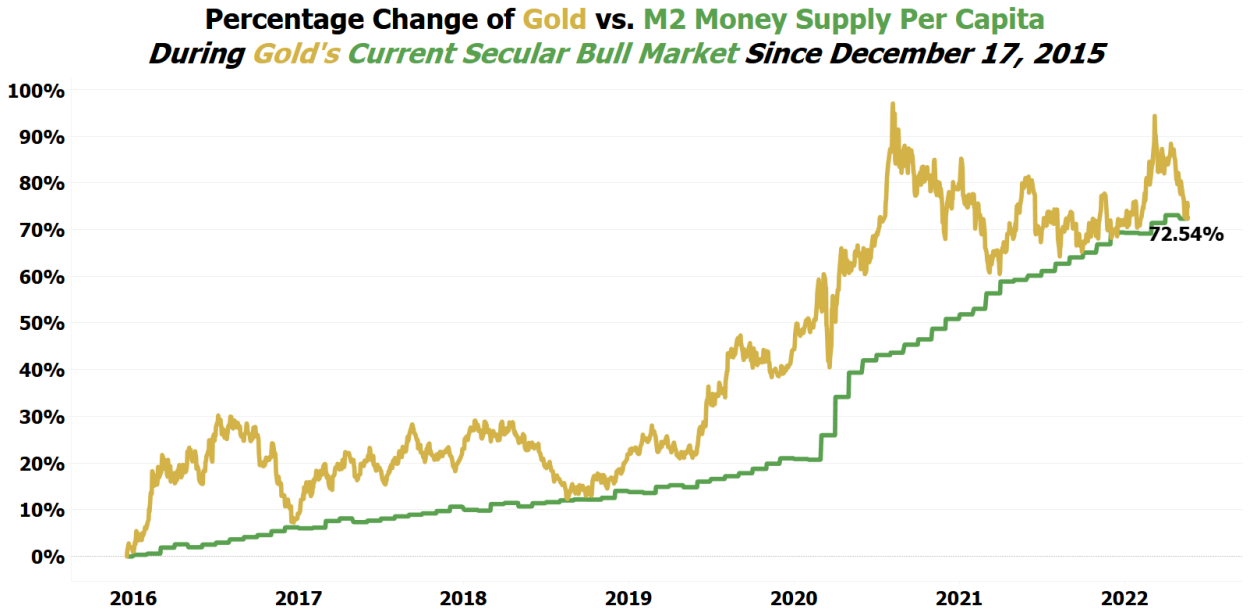
Until the **Federal Reserve raises** the Federal Funds Rate to a level that **exceeds U.S. price inflation**, the current **gold secular bull market** is nowhere close to being over and **gold** is about to **enter its ramp up phase** where it **achieves its largest gains** of the current bull market.

Gold's last **secular bull market** lasted for **10+ years** from 2001 through 2011 when **gold increased by 640.38%** or **9.55X more** than growth in **M2 money supply per capita** during the same period.



During **gold's** current **secular bull market** over the last **6+ years**, **gold** has **increased** by almost the **exact same percentage** as **M2 money**

supply per capita. **Gold** has **not** in any way experienced anything close to bubble like demand and has no where to go but **higher** from its current price. **Gold** is likely to **ramp up** and become a bubble over the next 3-4 years. The average investor currently believes that gold is in for a bear market like between September 2011 and December 2015, but there simply is **no downside risk** for gold because it has not yet made a **significant run** during its current cycle.



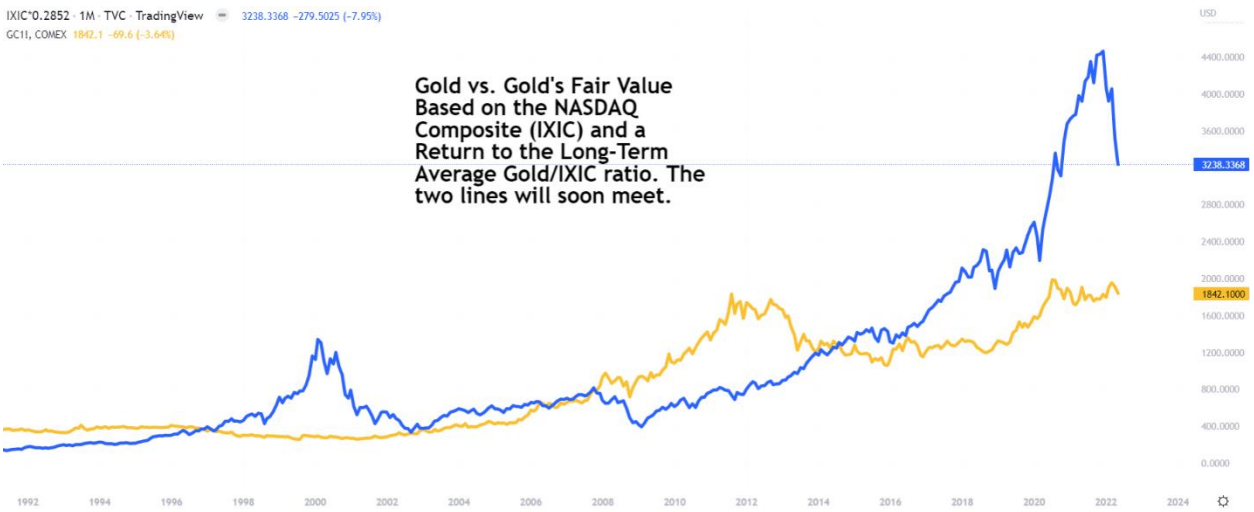
Gold rises at a pace that **far exceeds growth** in **M2 money supply per capita** when **safe-haven** demand for **gold increases**. With both U.S. monetary and price inflation being significantly higher than during gold's last secular bull market, we expect **gold's upcoming rally** to be **very extreme** in nature to the **upside**.

One of the reasons that **gold** is currently at such **artificially low** prices is due to the false belief from recent years that practically all assets including high risk money losing NASDAQ technology stocks are a good hedge against U.S. price inflation. With the NASDAQ technology bubble beginning to collapse, the **Gold/NASDAQ Composite (IXIC) ratio** has been **breaking out big** over the last six months from an extreme **November 2021 bottom** of **0.1116**, which was the lowest Gold/IXIC ratio in nearly 21 years. When the **Gold/IXIC ratio** begins to **trend higher** from an **extreme bottom**, it signals the beginning of a **risk-off** environment that is likely to **favor gold** as an investment over NASDAQ technology stocks

for a period of many years. The current **Gold/IXIC ratio** of **0.1622** may already be **up by 45.34%** from its **November 2021 bottom**, but it needs to **increase by another 75.83%** just to return to its **long-term average** from March 2000 through May 2022 of **0.2852**.

After returning to its long-term average of 0.2852, the Gold/IXIC ratio is unlikely to stop there. History tells us that when a bubble as big as the recent NASDAQ technology bubble bursts, **technology stocks** will at some point **overcorrect to the downside** and **remain** there for several years to balance out the many years of **technology stocks** being propped up at **artificially high valuations**. It's very possible that the **Gold/IXIC ratio** could return to its **August 2011 high** of **0.8066** sometime within the next few years.

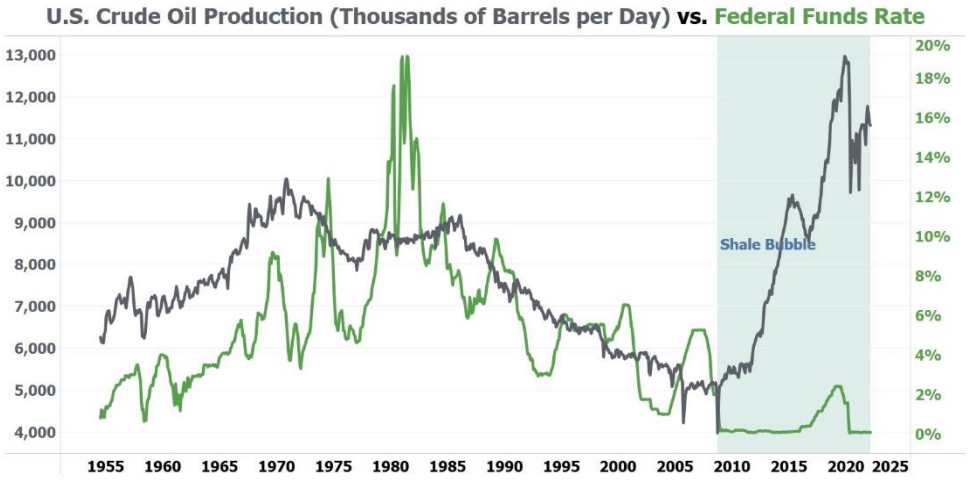
The following chart shows you the price of **gold** vs. **gold's fair value** based on the current level of the **NASDAQ Composite (IXIC)** and the historical long-term average **Gold/IXIC Ratio** of **0.2852**. Either the **gold line must rise** to the **blue line**, the **blue line must fall** to the **gold line**, or a combination of both must occur for the Gold/IXIC ratio to return to its long-term average. Most likely, a combination of both will cause the **two lines** to **meet** in the very near-future. The current level of the IXIC gives **gold** a **fair value** of **$3,238 per oz**. After the two lines meet, gold is likely to become a bubble and the gold line will rise to a level that far exceeds the blue line.



The NASDAQ is nowhere near its bottom. The **largest** remaining **bubble** is **Apple (AAPL)**, which continues to trade at an **artificially high enterprise value/revenue ratio** of 5.994. **AAPL's enterprise value/revenue ratio** has just **fallen to below** its 3-year median of 6.842 and will soon **decline to below** its 5-year median of 4.398.

Energy is the Main Cost of Producing Gold

For many years, the **Federal Reserve's artificially low Federal Funds Rate** helped to keep **U.S. price inflation low** because it allowed for the financing of **unprofitable U.S. shale companies**, which created **America's shale bubble** and allowed for an extended period of **artificially high levels** of **U.S. crude oil production**.



As the **Federal Reserve raises** the **Federal Funds Rate**, **money losing shale companies** will **go bust** and **America's crude oil production** will **decline dramatically** from today's levels, which will keep **U.S. price inflation high** and **drive strong investor demand** for **gold** as a **safe-haven asset**.

America's Drilled but Uncompleted (DUC) wells that can be brought online without large capital expenditures have **collapsed to a new 8-year low**, which will make it **impossible** to **maintain current levels** of **U.S. crude oil production** in a rising rate environment.