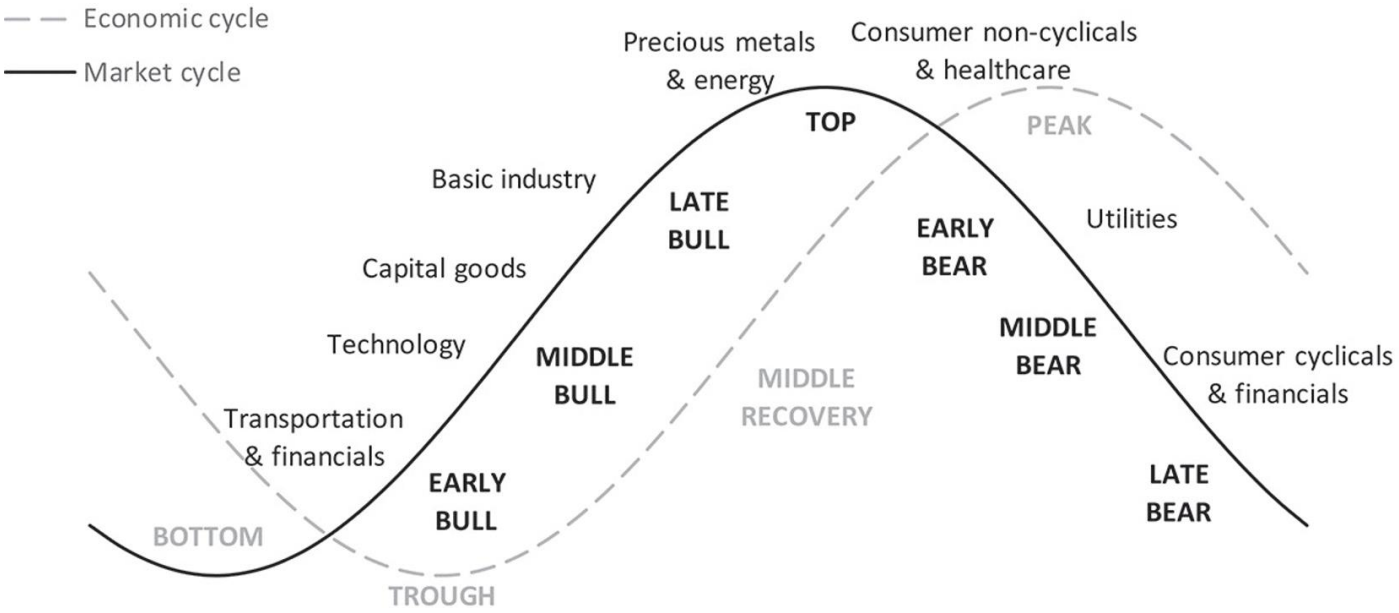


Gold’s Conundrum (21 Oct 26)

The reason for this article is a bigger financial markets picture unfolding that cannot be aptly described in Nexgro's Currency Videos.

Unknowingly, Intermarket Analysis has long been the basis of so-called macro or top-down investing, of which George Soros and Paul Tudor Jones have been prime exponents. As a discipline, John Murphy is the father of Intermarket Analysis, establishing it as an independent branch of technical analysis and authored three books on the subject. Murphy based his business cycle theory on two authors. One was Sam Stovall (*S&P Guide to Sector Investing*, 1995), presented below:



Two aspects are important:

First, it is obvious from the author's point of view that the world has passed the late bull market phase of the market cycle and is now hovering at the very top of the cycle. During 2025 and earlier this year, gold has pulled the business cycle from the late bull market to the top phase. The author's point of view was stressed for a reason: whenever any financial instrument is in a bull market like gold has been, opinions are rife that this is only the beginning. If you are of the opinion gold is going to $10,000 and $20,000, you will find somebody on *YouTube* confirming your opinion; China buying bullion under the radar (off balance sheet) is a favourite pet subject.

It is the view that gold is not an invulnerable commodity. The 2025 rise in gold was the result of a (probably deliberate) weakening of the USD after Trump's inauguration. By necessity this caused central banks worldwide to diversify out of their USD holdings buying gold – diversify does not mean dump. Net purchases of gold by central banks during the first eight months after the inauguration amounted to around 20 tons.

The World Gold Council is the authority on gold and all other pronouncement on gold probably speculation. For instance, it can be shown that China holds only 8% of its total reserves in gold bullion. A graph by Marissa Salim showing central bank's buying of gold is particularly important: it shows that net buying of gold started declining in Nov25 (yes, central banks are also selling), reached around 8 tons in Jan26 and was negative in Mar26 when the Iran war broke out, courtesy of a rapid strengthening USD and reverse-diversifying by central banks. The decline in central banks' net purchases of gold mirrors the decline in gold from the start of 2026 almost exactly.

What was most gratifying, was the drop in gold on 29 January 2026 as theories were vindicated: it was net central bank buying of gold on the back of a weakening USD that eventually created an irrational bullish atmosphere for gold speculators, reaching its crescendo on this day with hour-by-hour vertical increases. It is akin to throwing a stone in the air – through your own might the stone leaves your hand in vertical projection but eventually succumb to gravity. Unfortunately, for the gold speculators and doomsday prophets, the prop under gold, central bank buying, was gone and gold declined $914 in the day. Putting the intra-day decline in perspective, gold spent decades below $1000.

This was indeed the end of gold, which now finds itself in a probable sideways range between resistance at $4600 and support at $4000, as indicated:



Graph drawn on the LSEG platform.

The week of the extreme speculative rise is easily discernible by gold touching near $5600. For the next four weeks there was a pullback, but with the outbreak of the Iran war and a global RISK-OFF sentiment, the USD strengthened and gold declined rapidly, underscoring the vulnerability of gold to broader intermarket developments. Gold is not an untouchable island in the global investment sea.

Second, with gold rising through 2025 into 2026, the vital factor missing at the top of the bull market on Stovell's graphic was energy. This was suddenly resolved in Mar26 with the outbreak of the Iran war. One thing to keep in mind is that Iran has planned to close the Strait of Hormuz all along, already acquiring a flotilla of speedboats to drop sea mines at random, which now cannot be accounted for. So, with US WTI and Brent crude significantly above resistances at $88 and $92 respectively, the problem seems far from over.

Sky News military analyst, Sean Bell, is indeed of the opinion that the Iran war cannot be won on an arm's length and needs boots on the ground. In the process severe damage to global bond prices, especially at the long end, has been irreversibly done.

Why is this all important? It is clear from Stovell's graphic that precious metals are not carried through past the top into the early bear phase of the market cycle. If this is the case, one of many implications is a drastic decline in South Africa's growth rate and a weakening ZAR, the specific reasons (vis-s-vis typical generalised theories) to be discussed in a next article.

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