SEABRIDGE GOLD

GOLD MARKET UPDATE

December 17, 2024

A TALE OF TWO GOLD MARKETS

How Western Investors View the Gold Market	How the East Views the Gold Market
Gold is a passive (dead) asset	Gold is an active asset that cycles like the dollar
Gold earns no interest so gold falls as real rates rise	Gold does not depreciate like the dollar
Bonds are better than gold when rates fall	Gold is no one's liability and can't be sanctioned
Deficits are good for stocks	Deficits are inflationary
Debt levels are manageable (a non-issue)	Debt is destabilizing
The exceptional U.S. economy will always attract capital	Capital is leaving the U.S. due to a negative NIIP
The Fed is cutting rates to avoid a hard landing	The Fed is cutting rates due to fiscal pressures
Gold ETFs have net sold 2100 tonnes since 2022	**Third world central banks net add 2500+ tonnes since 2022**
The west is driven by monetary policy	***The east is focused on fiscal policy***

THE TRUMP ECONOMY: REBALANCING TRADE

- Tariffs and a much weaker dollar to reshore manufacturing for national security
- Markets think tariffs will strengthen the dollar
- None of Trump's objectives are consistent with a strong dollar
- Scott Bessent's Three Arrows: Trade balance, budget deficit and the dollar need to be addressed simultaneously in a "new calculus"
- Policy will now drive markets

"President Trump's very fixated on reserve currency, U.S. keeping its reserve currency status, and he's publicly said he likes a weak dollar, which aren't mutually exclusive."
Scott Bessent, November 17, 2024

TRUMP’S CHALLENGES

1. The U.S. economy generates negative savings. Foreigners are no longer financing the shortfall. New credit sources are needed. Fed compliance.
2. Reshoring will be inflationary. U.S. labor costs plus tariffs will elevate prices
3. Inflation is needed to manage the debt: to reduce the Debt/GDP ratio and restore negative real interest rates

THE NEXT MOVE

Conclusions	When will Western investors join the party?
▸ Gold stocks are trading for less than a third of historical levels. They need Western investors to increase their gold exposure. ▸ Western investors have been buying bonds when they should be buying gold like Eastern/Asian investors ▸ When Western investors decide government economic policy outweighs Fed monetary policy… **Gold will run through US$3,000/oz and gold stocks will more than triple**	In our opinion, when one or more of these occur: ▸ When the U.S. dollar starts falling ▸ When the Fed Funds Rate falls to less than 2.5% (real rates = 0%) ▸ When 10-year Treasury yield rises to 5% ▸ When annualized U.S. interest expense hits US$1.6 trillion (50% of tax revenue) ▸ When the Fed starts increasing its balance sheet again ▸ When U.S. headline inflation hits 4%