March 22, 2021

Gold Miner relative performance: the Reality that few investors or analysts know or discuss

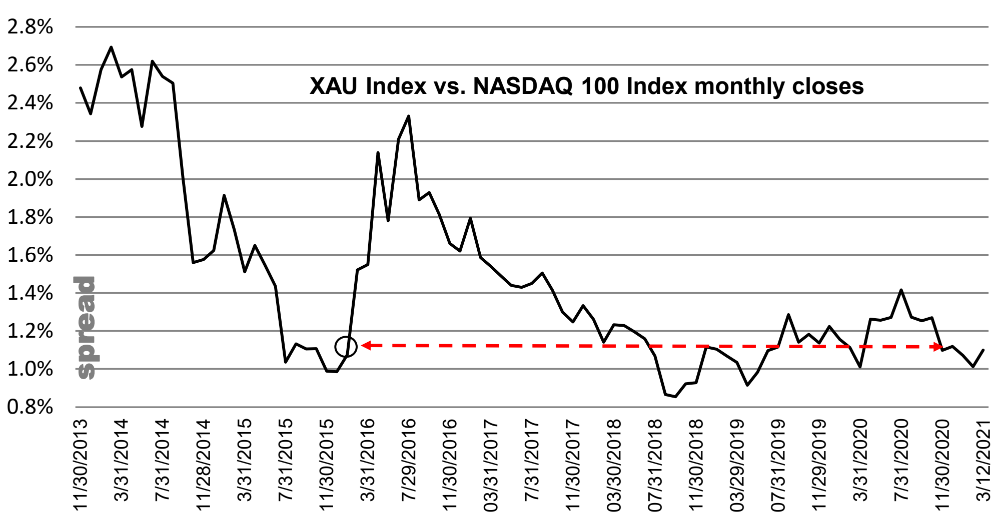
Spreads (i.e. relative performance) charts often reveal facts that most investors are totally unaware of. Realities beneath the veneer of superficial price charts.

We're going to start this set of pictures with one that would dumfound almost all investors and analysts.

By far the strongest index in the U.S., Europe, and Japan has been the **NASDAQ 100** (NDX). Fully loaded at the front end with the stellar performance tech stocks. Symbols that have left the planet relative to most stocks over the past half dozen years.

Well, MSA has been arguing that due to macro technicals and fundamentals—that are larger and far darker than even most gold investors realize—we favor owning gold and silver mining stocks and argue that the glory days of NDX and other U.S. indices are either ending or on a relative performance basis will be left behind by gold miners' future trajectory.

We all know that gold and related vastly outperformed the stock market from 2000 to 2011. But in late 2011 gold and related topped and entered a fully fledged bear trend, while the broader stock market advanced from its 2011 price levels for another decade. Obviously during their bear trend (from 2011 to 2015) gold miners sharply underperformed the stock market (S&P 500, NDX, etc.). Part of that spread collapse is seen on the left side of this chart. There was no issue that from 2011 to late 2015 that gold miners were to be avoided on a net trend basis and on a relative performance (spread) basis. Not a place to be.



But in the first week of February 2016 MSA declared the bear market for gold was over/bull trend commencing (price was then rising into a zone from $1140-$1160, up from its bear low in December

2015 at $1046). This was based on our annual momentum trend assessment of gold. That first surge by gold took it up to $1310 by July. The coincident upturn in gold miners and in their relative performance (spread chart) vs. the broader stock market spanned from February to July as well. We've circled on the spread chart where the spread was at the time of our buy signal. Gold miner performance also exploded during that time (here measuring miners vs. the NDX, arguably the strongest major index in the developed world).

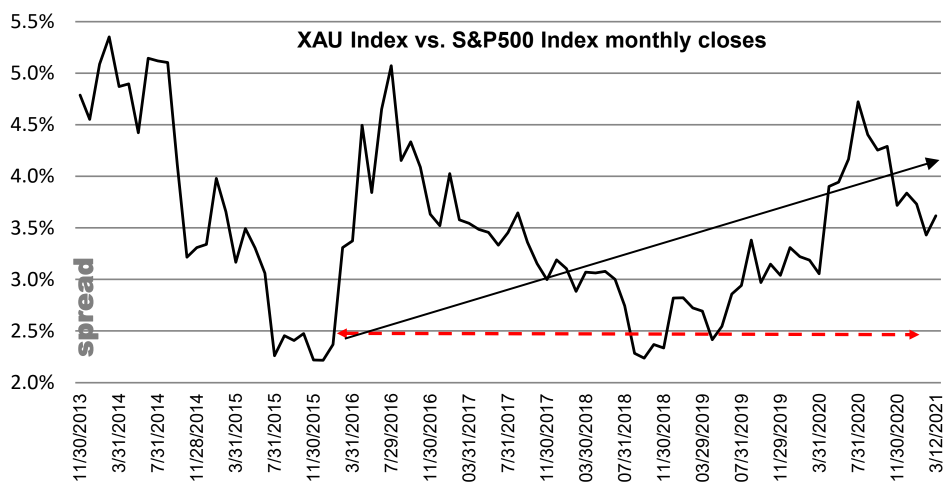
The relative performance of gold miners exploded during those months in the first half of 2016. But for gold miners that was only a **beginning statement**—that they had *enough* on the downside. A tantrum if you will. By summer 2018 the spread had gradually pulled back to that prior low and very marginally took it out (non-confirmed by all momentum charts at the time, those charts not shown here). It was then in late summer 2018 that gold was completing a secondary low, higher than its late 2015 low, and of course gold miners suffered along with gold during that pullback into the summer of 2018, enough for the XAU Index to make a new relative performance low vs. the NDX.

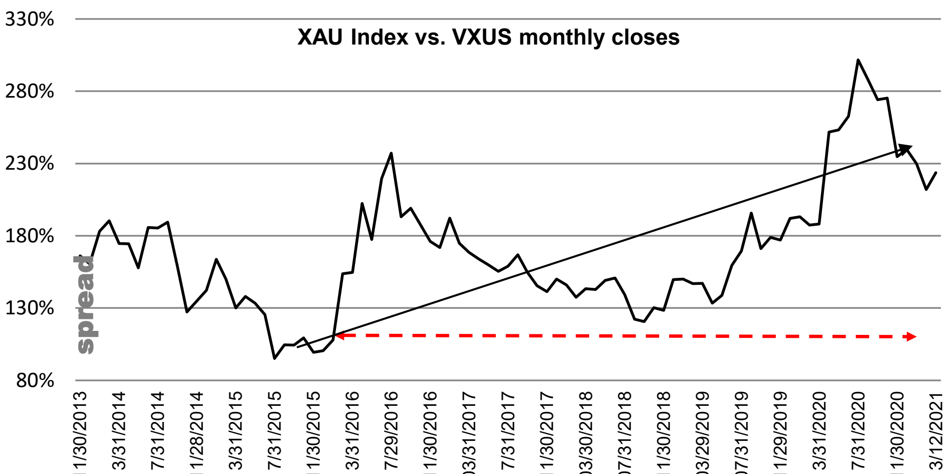
But from that summer 2018 low the XAU Index vs. NDX spread advanced from .86% to 1.4% at the summer high of 2020 (like buying a stock at $86 and having it go to $140). Yes, the spread has again pulled back and is now at 1.1%, which is to say almost to the decimal where its relative performance reading (spread) was in early February 2016. Meaning, even with the ups and downs (with 90% of the spread chart action being above that original level of early 2016) the XAU Index has **matched the gains of NDX for the past five plus years**!

We've plotted a horizontal arrow from the point where MSA declared gold a bull in February 2016 and run that line across the chart. And by the way, that was a fair point to begin our measure as it was in early 2016 that both gold miners and the broad stock market were making coincident major lows in price. Let's assume you took that annual momentum buy signal for gold and instead of buying gold futures you bought a basket of gold miners. As you can see, there have been a few clusters of performance readings since then that were *marginally* below that point and many times well above it. So what does this chart say?

What that objectively measures is the *fact* that gold miners have since 2016 onward been a par performer to the headline-gathering glorious advance in the NASDAQ 100. **Matched it to this date! Par performer to the NASDAQ 100 for now going on six years of massive price advance by the NDX. And yet no one acknowledges that gold miners have matched (been "par" to) NDX over those investor time-span years.**

So if you're at a cocktail party and hear some smiling investor, chest out, touting his gains over the past several years due to holding the strongest broad index in the U.S. (NASDAQ 100), try not to chuckle and spill your drink.





Again, the red arrow begins when the gold bull was born (by MSA'S annual metrics, in February 2016) and where the gold miner spread vs. broad stock markets was at that time. That red line carried across six years.

Sure, if you bought miners at inappropriate points along the way (at peaks when the headlines were blaring), then you would have suffered pullbacks. That is an eternal truth. Optimal entry is better than chasing.

But over the span of the past half dozen years, gold miners have matched the NDX (page 1) and clearly outperformed (black arrow) the S&P 500 and beaten Vanguard's "Total International Stock Index Fund" ETF (VXUS).