

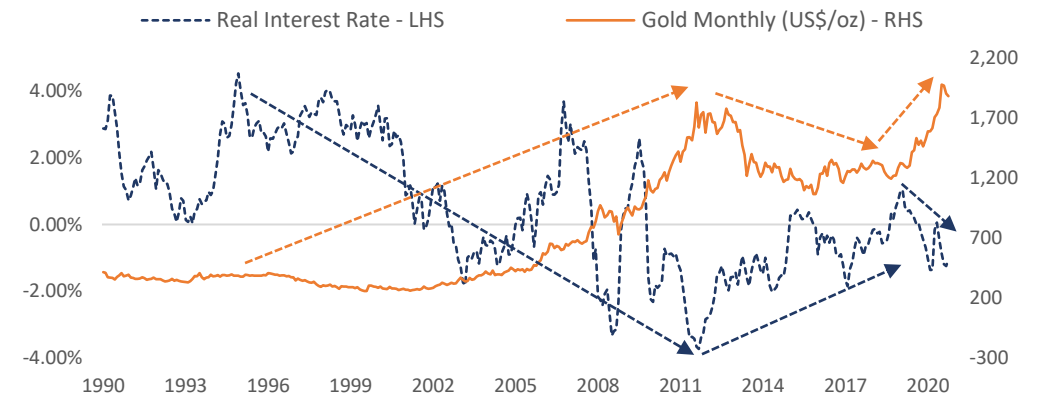
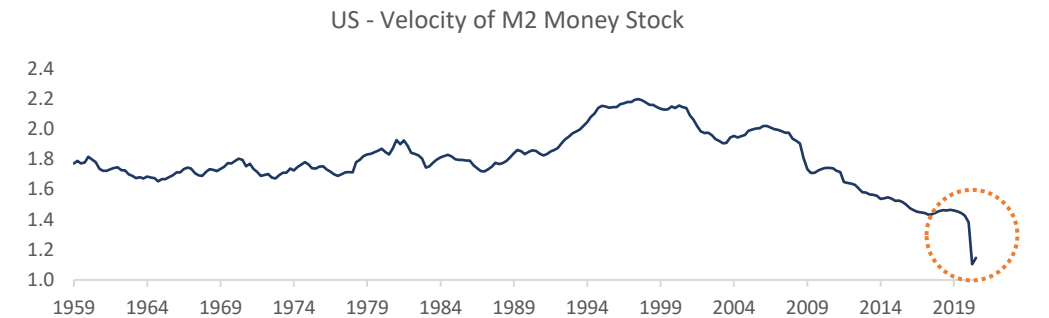
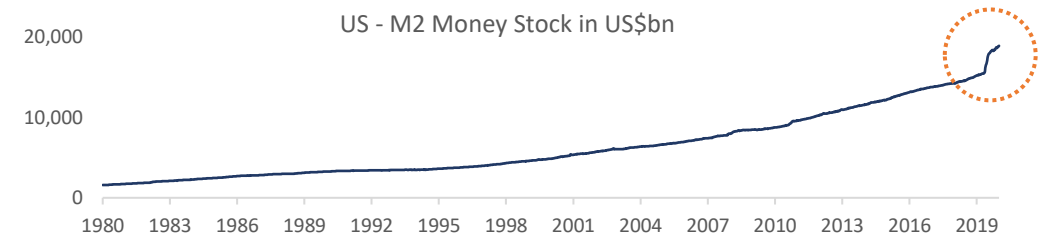
INCOMET RESEARCH

Money Stock and Velocity – increase of inflation and decrease (negative) real interest rates

M2 Money Stock (M) and Velocity of M2 (V) in the USA

- We continue to monitor velocity of M2 Money Stock (V) as this is the key variable that will ultimately drive inflation as M can be steered but V is largely influenced by the trust of people in their currency
- $Y * P (=GDP) = M \uparrow * V \downarrow$ - as long as $\downarrow V \geq M \uparrow$, inflation for consumer goods (CPI) will be limited; high valuation of stock and real estate markets are a first sign of inflation resulting from mistrust towards the Fiat-Money-System
- Real interest rates - Nominal interest rate of 1-year US T-bond minus US inflation rate (yearly percentage change of CPI) – have a strong influence on gold prices as demonstrated historically

Driven by an increase in Velocity of M2, we expect real interest rates to decrease further which is a crucial factor for the future gold price development



Source: Incomet Research; Federal Reserve Bank of St. Louis,