



CIO Insights

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Bullish on Gold When It Becomes Boring Again

Views on Alternative Assets When Liquidity is Less Abundant

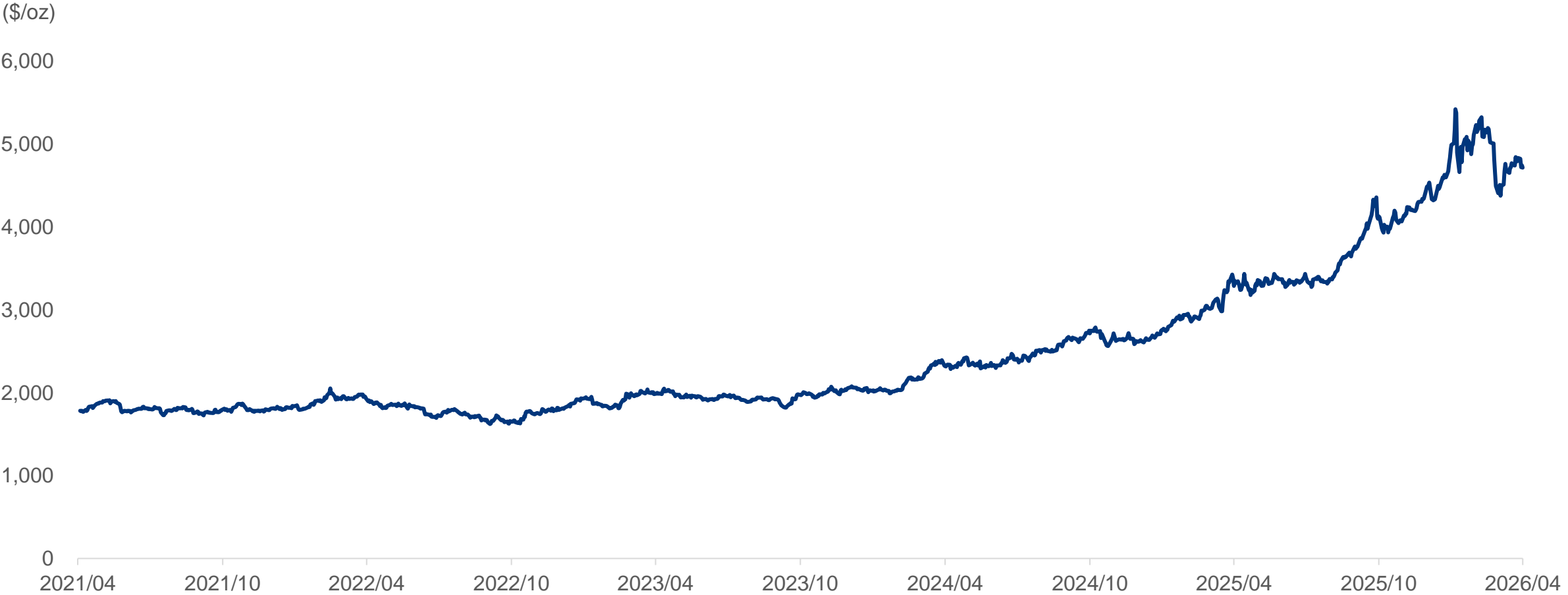
24 April 2026



Is Gold a Safe Haven or Risky Asset

The Illusion of Safety Is Deadlier Than Outright Risky

Gold Spot Price



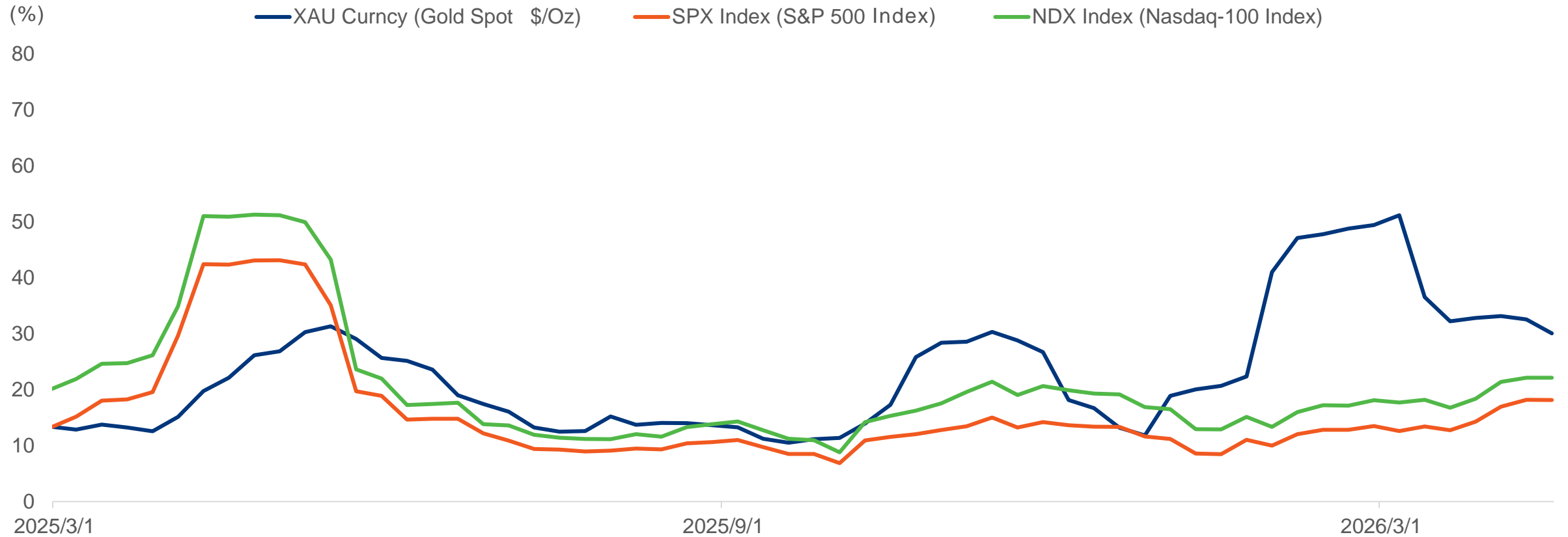
Source: Bloomberg, KGI



Gold Is Not Stable With 50% Higher Volatility Than Equity

There Has Been Increasing Speculative Demand in Gold

Volatility 30D



Source: Bloomberg, KGI

Gold's Correlation With Equity Has Been on the Rise

The Correlation With Equity Should Be Negative if It Is a Safe Haven Asset

Rolling Correlation 30D, Daily Return



Source: Bloomberg, KGI

Investment Demand From ETFs Offset Central Banks's Decline

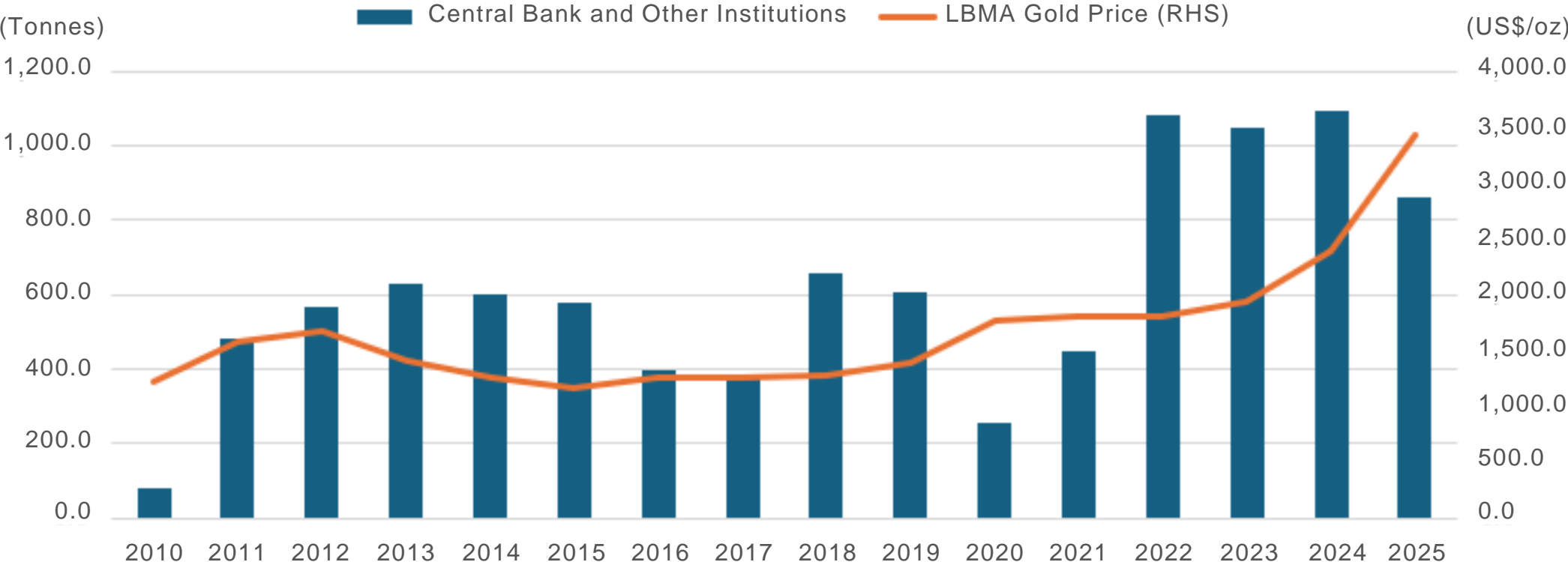
Demand Curve for Investment Products Is Upward Sloping

	2024	2025
Total Supply	4,961.9	5,002.3
Mine Production	3,650.4	3,671.6
Net Producer Hedging	-53.8	-73.6
Total Mine Supply	3,596.6	3,598.0
Recycled Gold	1,365.3	1,404.3
Total Demand	4,961.9	5,002.3
Jewellery Fabrication	2,026.6	1,638.0
Jewellery Consumption	1,886.9	1,542.3
Jewellery Inventory	139.6	95.7
Technology	362.2	322.8
Electronics	270.8	270.4
Other Industrials	46.5	44.2
Dentistry	8.9	8.2
Investment	1,185.4	2,175.3
Total Bar and Coin	1,188.3	1,374.1
Bars	862.8	1,068.2
Official Coins	199.9	170.5
Medals Imitation Coins	125.6	135.4
ETFs & Similar Products	-2.9	801.2
Central Bank and Other Institutions	1,092.4	863.3
Gold Demand	4,630.6	4,999.4
OTC and Other	331.3	2.9
LBMA Gold Price (US\$/oz)	2,386.2	3,431.5

Source: KGI

Demand From Central Banks Decline When Gold Price Is High

Central Banks Will Regain Confidence if Price Can Consolidate at Current Level



Source: KGI

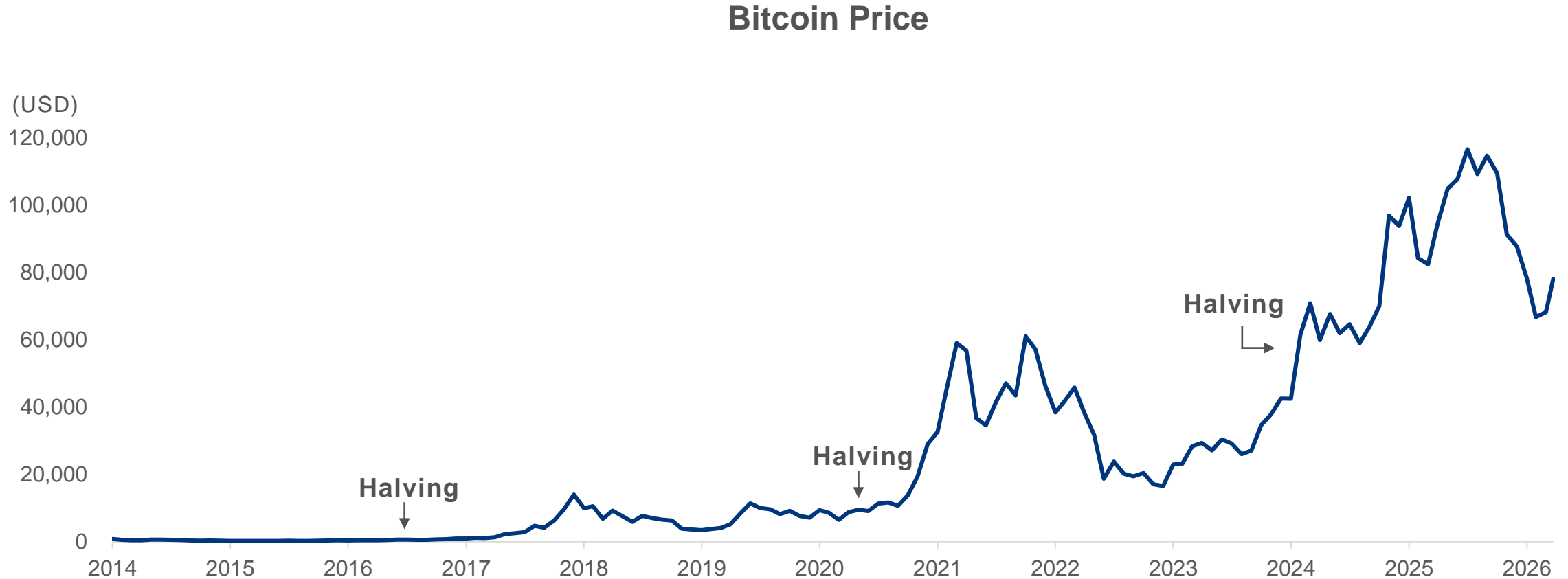
The Transition From Risky Back to Safe Haven Asset

Bullish Signal: When Market Sentiment Shifts From Excitement to Indifference

- **Rise in Correlation Driven by Retail Participation:** The increasing involvement of retail investors in both gold and equity markets is considered the primary driver behind the rising correlation between these two asset classes. This trend is further evidenced by a significant surge in demand for gold ETFs.
- **Challenging Liquidity Outlook:** In the short term, the liquidity environment is viewed as unfavorable, as Federal Reserve interest rate adjustments remain heavily dependent on persistently high oil prices.
- **Long-Term Value in Diversification:** Gold remains a vital long-term investment for mitigating U.S. dollar debasement risks. It continues to be an essential asset class for global central banks seeking to diversify their reserves. However, before this demand fully resurfaces, the following conditions must be met:
 1. **Restoration of "Safe Haven" Status:** Gold must transition back to being a defensive safe-haven asset rather than a risky asset; this requires a marked reduction in both its price volatility and its correlation with other risk assets.
 2. **Strategic Patience for Central Banks:** Time remains on the side of central banks. While the desire to diversify away from the U.S. dollar is universal, it is a prolonged, strategic process. Central banks are less concerned with whether current prices are "high" and more focused on price stability; a sustained period of lower volatility would signal that current levels are sustainable.
- **The Bullish Signal:** Paradoxically, the most reliable signal to turn bullish on gold is when market sentiment shifts from excitement to indifference—in other words, when gold becomes "boring" again.

Bitcoin as the Proxy for Investment in Crypto Currencies

If the Rally Is Driven by “Halving”, the Next “Halving” Catalyst Will Be in April 2028

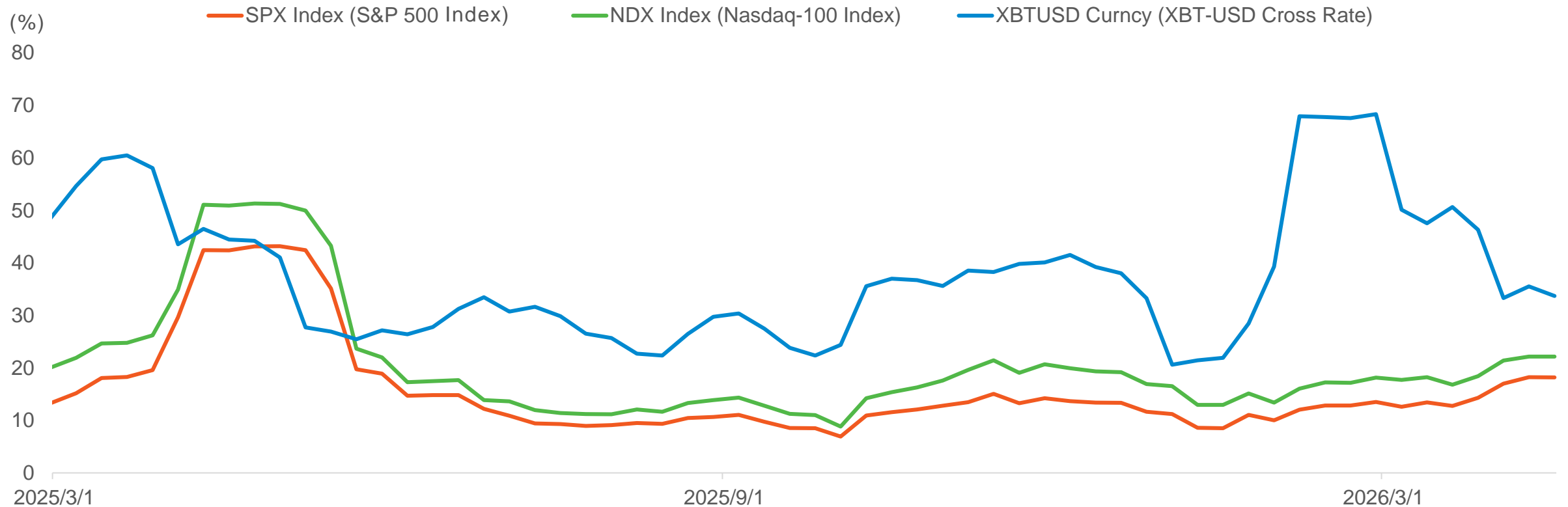


Source: Bloomberg, KGI

The Volatility of Bitcoin Has Come Down Substantially

This Makes Gold More a Risky Asset Than Bitcoin Considering the Wider Use Cases of the Latter

Volatility 30D

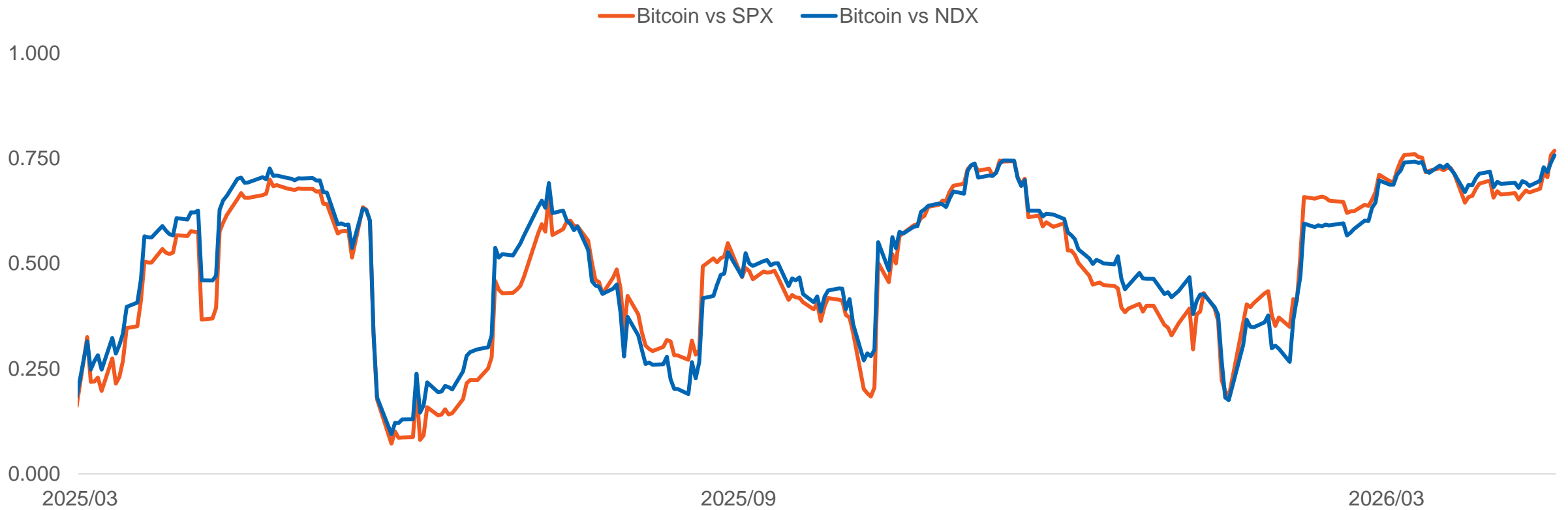


Source: Bloomberg, KGI

Same as Gold, Bitcoin Correlation With Equity Is Also Rising

Liquidity Is the Common Driver for Gold, Bitcoin and Equity

Rolling Correlation 30D, Daily Return



Source: Bloomberg, KGI

Lack of Catalyst Until 1Q2027

Accumulation Better Achieved Through Long-Dated Structure Note at Discounted Strike

- **The Bitcoin Halving Cycle:** Bitcoin's "four-year cycle" is fundamentally rooted in its halving mechanism, which reduces miner rewards by 50% every four years. Historically, long-term investors have used the year leading up to a halving to strategically "buy the dip" in anticipation of future gains.
- **The Post-2024 Market Shift:** The bull run following the April 2024 halving lasted only 18 months, making it notably shorter than previous cycles. In the current 2026 environment, the four-year cycle is facing a significant test; the post-halving year has seen a decline rather than a surge. This suggests that Bitcoin's price action is now more sensitive to Federal Reserve interest rates and institutional ETF flows than to the halving schedule alone.
- **Sensitivity to Macro Liquidity:** Bitcoin has historically thrived during periods of "easy money" and quantitative easing. For example, the 2021 bull run was directly fueled by massive, pandemic-era stimulus measures.
- **Outlook for 2027 and Beyond:** We anticipate a return to monetary easing in 2027 as high oil prices begin to normalize. Furthermore, as we enter 1Q27—twelve months prior to the 2028 halving—we expect to see investors begin accumulating Bitcoin once again in anticipation of a new bull cycle.
- **Valuation Dynamics:** Similar to gold, Bitcoin lacks a traditional absolute valuation model. Ultimately, its sustainability as an asset class is reinforced by its ability to maintain current price levels over the long term.

Implied Volatility From the Structured Product Issuer

FCN Structures on Gold May Now Present a Compelling Tactical Opportunity

- **Volatility Analysis and Pricing Experiment:** The 90-day annualized volatility for Gold and Bitcoin currently stands at 49% and 53% respectively, with a combined average of 51%. In a recent pricing experiment, we requested issuers to quote a 3-month Fixed Coupon Note (FCN) on a Gold and Bitcoin basket with a 49% strike. The resulting coupon was quoted at 0.6% (approaching 0%), leading to several key observations:
 1. **Issuer Sentiment:** From the issuer's perspective, this structure represents a "Long Put, Long Volatility" exercise. The fact that the FCN is being quoted near a 0% coupon implies an issuer expectation of a stable but high volatility outlook for these instruments moving forward.
 2. **Strategic Opportunity in Gold:** Historically, Gold has attracted limited investor interest as an underlying asset for FCNs due to its status as a stable safe-haven. However, given the recent rise in Gold's volatility, utilizing it within FCN structures may now present a compelling tactical opportunity.
- **Constructive Outlook on Gold:** We maintain a positive stance on Gold, supported by two primary drivers:
 - ◆ Its role as a hedge against U.S. dollar debasement.
 - ◆ Sustained long-term accumulation demand from global central banks.
- **Conclusion:** Investors should look to take advantage of the current high-volatility environment, as we anticipate these volatility levels will mean-revert and compress over time.

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