

AUGUST 12, 2024



# PHILEQUITY CORNER

By Wilson Sy

## Olympics and Gold

Millions of Filipinos have been captivated by the Olympics for the past two weeks. I am one of those who stayed up late at night to follow the games and watch our athletes. From the lightning-fast sprints and graceful gymnastics to the power of weightlifting and the precision of archery, the pursuit of gold was evident in every event. Fast-paced badminton matches, intense tennis rallies, fierce boxing battles, gravity-defying pole vaults, and the scintillating soccer finals further showcased the diversity of Olympic sports.

Watching Olympic basketball games in the wee hours of the morning produced thrillers that were tight, close, and exciting. These games featured the crème de la crème of NBA stars - a reminder that even the world's top professionals and highest-paid athletes coveted Olympic gold.

## Yulo's golds, Philippines' Olympic moment

The Philippines celebrated a historic moment during the Olympics, with gymnast Carlos Yulo securing two gold medals, marking only the second and third gold medals in the nation's Olympic history. Yulo's triumphs filled Filipinos with immense pride as they witnessed the Philippine flag being raised and the national anthem being played on the global stage.

Our congratulations also to bronze medalists, boxers Aira Villegas and Nesthy Petecio, and to pole vaulter EJ Obiena for his heartbreaking but valiant and commendable 4th place finish. Kudos to the other Filipino athletes who competed with heart and determination, making our nation proud.

## Olympic gold - the ultimate prize for athletes

Few symbols throughout human history carry the weight and prestige of gold. From the golden crowns of ancient kings to the gleaming medals of modern Olympians, gold has long represented the pinnacle of success, achievement, and perfection in societies across the globe. While the Olympics dates back to ancient Greece, gold medals were introduced only at the 1904 St. Louis Olympic Games. The International Olympic Committee (IOC) established gold as the highest accolade, with silver and bronze for second and third places.

## US-China rivalry

The Paris Olympics was a microcosm of the intense US-China rivalry, reflecting their broader competition for global dominance in trade, technology, and influence. As expected, the two superpowers dominated the medal tally, with both countries far ahead of other nations in total medals and golds. As of the penultimate day, August 10, the US and China are neck-and-neck in the gold medals race at 33 apiece, while the US led the total medal tally 111 to 83. This Olympic showdown mirrored the larger geopolitical contest between these superpowers, played out on the world stage and, most recently, on the fields and courts of Paris.

## A prized asset

Beyond the Olympic stage, gold's allure as a financial asset continues to shine. It's value as a safe haven has propelled it to new heights, reaching a record-breaking \$2,483/oz last month. It currently stands at \$2,431/oz, up 18% year-to-date. Please see our past article "Gold's Stealthy Ascent to Record Highs" (March 18, 2024), where we forecasted the rise of gold to these levels and the reasons behind it.

## Nikkei's historic plunge and recovery

While Olympic events captivated the world, the Japanese stock market experienced significant turmoil. The Nikkei and Topix plunged 12% last Monday, their steepest drop since the Black Monday crash in 1987. Over three days, both indices fell 20%, erasing \$1.1 trillion in market value. Volatility reached extreme levels as markets rebounded 10% the following day.

## Extreme volatility rocks US markets

In the US, both the tech-heavy Nasdaq 100 and S&P 500 mirrored this volatility. From Thursday to Monday of last week, the Nasdaq 100 fell as much as 11%, while the S&P 500 dropped 7.3%. Both indices then staged a recovery, with the Nasdaq 100 rebounding by 6% and the S&P 500 recovering by 4.4%.

## Gold as a safe-haven

Amid the market turmoil, gold demonstrated its resilience, holding steady at just 2% below its all-time high. This stability, in stark contrast to the recent volatility and significant losses of major stock indices like the S&P 500, Nasdaq 100, and Japan's Nikkei, reaffirmed gold's status as a reliable safe-haven asset.

## Central bank buying

Central bank demand has been a significant driver of gold's performance, led by China, Turkey, and India, which added over 1,000 metric tons of gold annually in 2022 and 2023. This trend accelerated to a record 290-ton increase in global official reserves in 1Q2024. The Bangko Sentral ng Pilipinas (BSP) also participates by buying gold from our local producers. Currently, around 10% of BSP's reserves is in gold.

There are theories that China is selling US treasuries and buying up gold due to the Cold War and the freezing of Russia's \$300 billion reserves by the US and its allies. Other central banks are also rumored to increase their gold holdings as a precaution against geopolitical risks.

## Gold's mass-market moment

Men on the streets have caught the gold bug. Ordinary people are now buying gold bars at Costco. In Korea, bite-sized gold bars are selling like hotcakes in convenience stores and vending machines. Meanwhile, China's Gen Z is snapping up tiny "gold beans" - 1-gram gold pieces used for both jewelry and investment.

## Gold's enduring appeal

With the 2024 Paris Olympics now concluded, gold's dual roles as the ultimate athletic prize and a reliable financial asset are clear. From adorning the necks of champions to safeguarding wealth in turbulent markets, gold's value endures. Even as the Olympic flame is extinguished, gold in investors' portfolios continues to shine.