



The week in  
seven charts

Chart #2

The era of fiscal dominance

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Image source: AdobeStock/Andrii Yalanskyi

### The era of fiscal dominance

The U.S. Treasury is ramping up the issuance of Treasury bonds at an accelerating pace. Simultaneously, we are seeing gold prices and bond yields rise, while commodities are experiencing a resurgence. Each week, the Syz investment team takes you through the last seven days in seven charts.

**Charles-Henry Monchau**

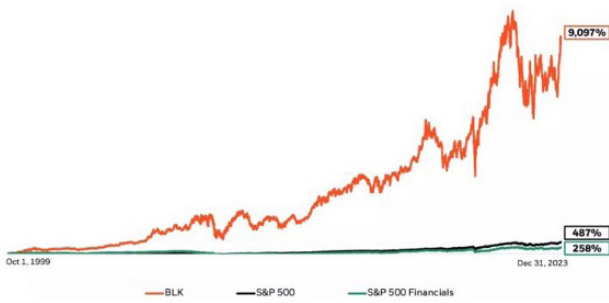
Chief Investment Officer

**Chart #1**

### The exceptional performance of Blackrock stock since its IPO

In his 2024 letter to investors, Blackrock Chairman and CEO Larry Fink wrote: "Our ability to adapt, evolve, and grow has generated a total return of 9,000% for our shareholders since our IPO in 1999. That is well in excess of the S&P 500 return of 490% and representative of a business model serving all our stakeholders".

**Total return since BlackRock's IPO through December 31, 2023**



Source: Blackrock, S&P Global

**Chart #2**

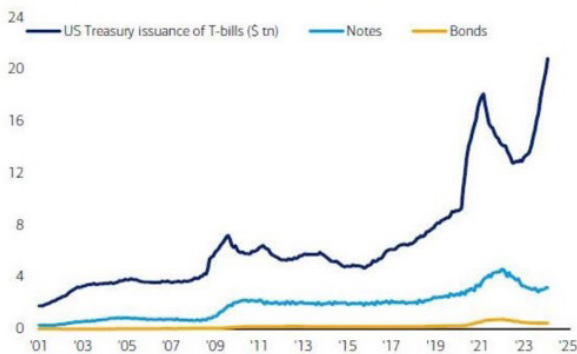
### The era of fiscal dominance

Fiscal dominance is a situation in which monetary policy is dependent on fiscal policy, the former conforming to the necessities imposed by the latter.

The U.S. Treasury is issuing more Treasury bonds, and at a rate that is accelerating. In a regime of fiscal dominance, the central bank is obliged to lower rates to help finance public deficits. And with the Congress Budget Office (CBO) forecasting US budget deficits in the 5-7% range for the next two decades, the only real option for the US is to lower interest rates on government bonds, as the government continues to borrow in the short term.

Against this backdrop, investors tend to seek refuge in so-called stores of value, such as precious metals (gold, silver) and digital gold (bitcoin). Indeed, lowering interest rates simply to support government borrowing should lead to a depreciation of the dollar and higher inflation over time. Stores of value should therefore appreciate against the dollar.

**Chart 4: \$21tn of T-Bill Issuance past 12 months**  
US Treasury issuance of debt securities by tenor (12-month cumulative, \$bn)



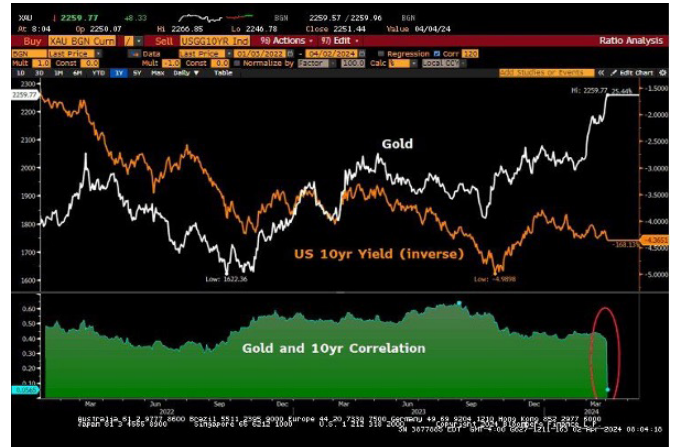
Source: BofA Global Investment Strategy, Haver. 12-month cumulative issuance

Source: LukeGromen, GraphFinancials, BofA, Craig Shapiro

**Chart #3**

### Negative correlation between gold and US Treasuries

We are witnessing a simultaneous rise in bond yields and gold. A similar scenario occurred in the 1970s, when gold and 10-year government bond prices diverged sharply. Gold is currently at all-time highs, while long-dated bonds continue to weaken. This, combined with rising commodity prices (particularly oil), could prove trouble for the Fed and the banks.



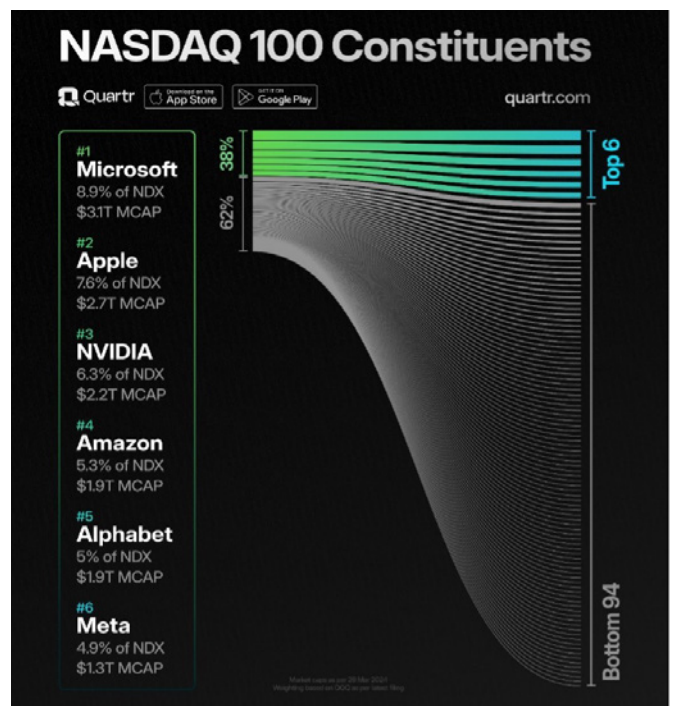
Source: Bloomberg

**Chart #4**

### The Nasdaq 100 index remains highly concentrated

Despite the rebalancing of NASDAQ 100 stock weights in mid-2023, the combined weight of Microsoft, Apple, Nvidia, Amazon, Alphabet and META still constitutes a substantial percentage of the index (38%).

Without this rare adjustment, the second of its kind in the last 25 years, these companies would currently represent 58% of the index.



Source: Strategas

Chart #5

### Tesla and the electric car industry run out of steam

Tesla delivered around 9% fewer vehicles in the first quarter of this year than in the previous year. This is the first time its quarterly sales have fallen since the 2020 pandemic-induced downturn.

Even so, the company delivered some 387,000 cars, enabling it to regain the title of "world's largest producer of electric vehicles", which it had previously lost to Chinese battery manufacturer BYD, now a carmaker, which recorded an even more spectacular drop in deliveries (-42%).

These figures sent Tesla's share price down by 5% on Wednesday, worsening the company's difficult start to the year. Indeed, the Elon Musk-led company posted the worst first-quarter performance of any S&P 500 stock.

Having pioneered the industry for so long, Tesla is now facing increased competition. It must rely on its aging ranges (Model Y and Model 3) to maintain sales momentum - while battling factory fires, shipping delays and labour disputes in Nordic countries. To revive demand, the company turned to (numerous) price reductions and even resorted to advertising for the first time, after years of resistance.

Ultimately, Tesla and BYD are fighting gravity as the market for all-electric vehicles weakens. Indeed, a recent YouGov poll suggests that the problem may run deeper, with Americans increasingly sceptical about the real environmental impact of going electric, while common concerns about range (especially in cold weather) and cost have not gone away.

Ironically, sales of hybrid vehicles (+65% by 2023) are growing faster than those of all-electric vehicles (+46%). Toyota, for example, has reported an upsurge in sales of its iconic hybrid series, the Prius.

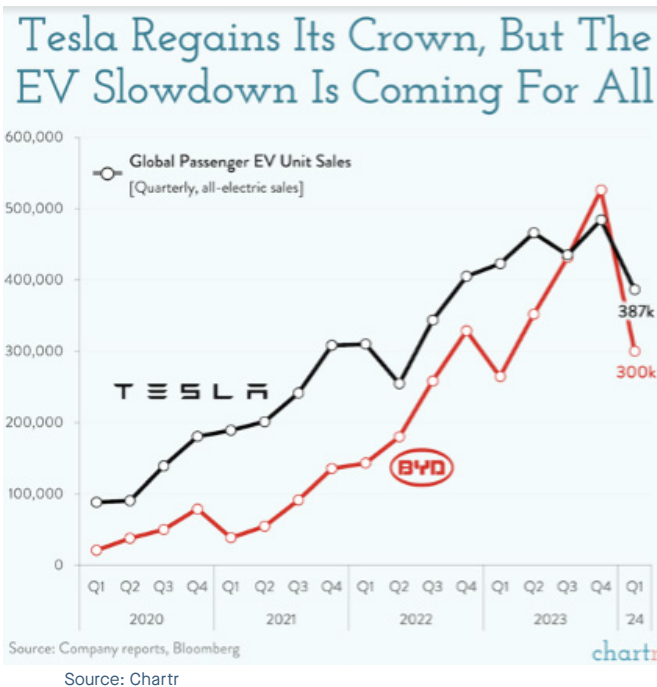


Chart #6

### Commodities are on a roll again

The Bloomberg Commodities index recently broke through significant resistance. Crude oil, copper, gold, silver, etc. are all up, indicating broad participation in the upside. Remarkably, neither gold, copper nor oil seem particularly affected by high interest rates or dollar strength. Gold speculators now have net long positions, but their aggregate exposure remains well below the extremes that marked the highs of mid-2016 or mid-2020. Copper's strength has been confirmed with big breakouts among the related equities.



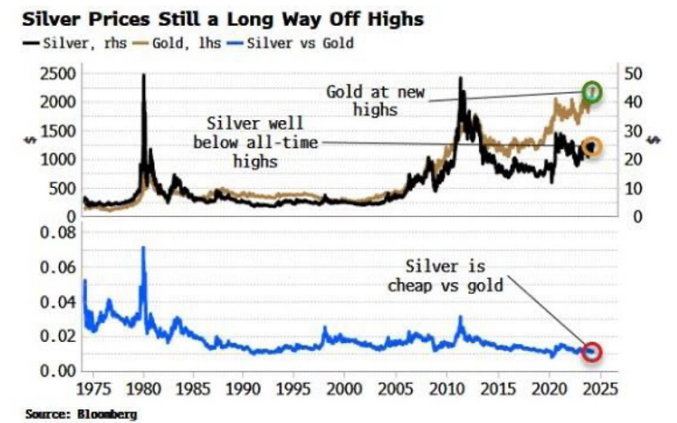
Source: Bloomberg

Chart #7

### Will silver catch up with gold?

Despite the recent price surge, silver remains relatively inexpensive compared to gold. On the other hand, the price of silver is a long way from its previous all-time highs.

While silver's previous rebounds have subsequently disappointed investors, the current context seems different. Industrial demand is on the rise, and so is investor interest... Could silver catch up with gold in terms of market performance?



Source: Bloomberg, Markets & Mayhem

## For further information

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