

Georgia Elections and Gold

Scale of Further Stimulus Depends on Outcome

Precious Metals | Sector Review

- **Georgia runoff elections:** The closely watched Senate runoff elections in Georgia today will impact a number of sectors, including precious metals. As we mentioned in our previous election note ([here](#)), typically the result of US elections has only a transient impact on gold. That said, we mentioned a clean sweep by Democrats would be positive for gold because it would mean additional and more significant fiscal stimulus. This did not happen in November and as a result, gold fell ~7% in the month following the presidential election.
- **Seat specifics:** If Democrats win the two Senate seats in Georgia, the Senate will be evenly split (50/50) between Democrats and Republicans, with the tie-breaker vote going to Vice President-elect Harris. The Democrats already control the House. It is worth noting that an evenly split Senate does not mean the Democrats would be able to freely push through legislation, given Senate rules require 60 votes to move most major legislation. However, it certainly would be an easier path to approving more fiscal stimulus if the Democrats won both Senate seats.
- **Other, more structural factors supporting gold:** Aside from the possibility of additional fiscal stimulus, which would further increase inflation expectations and support higher gold prices, we see other, more structural macroeconomic factors supporting higher gold prices in 2021. As we noted in our 2021 gold preview ([here](#)), we see gold averaging \$2,100/oz in 2021 (vs. ~\$1,950/oz spot), supported by accommodative monetary policy (i.e., near-zero rates in the US through 2023), higher inflation, and a weaker USD. We continue to think the post-pandemic economic recovery will be gradual at best, meaning a low rate environment and an elevated gold price environment are here to stay at least for the next few years. Risks to our view are a quicker than expected US economic recovery, a more hawkish Fed (resulting from a quicker recovery), and lingering weakness in retail demand for gold (particularly in India/China).

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