

6Σ RESEARCH

16 December 2025

WORTH ITS WEIGHT: GOLD AT

\$6,700

[upside risk to \$7,100]

Market Cap \$29.5T | Beta vs S&P: 0.74

THE 81-YEAR CYCLE



1944

CREATION

Bretton Woods
\$35/oz Fixed



1971

ABANDONMENT

Dollar Float
Fiat Era



2025

RETURN

BRICS
Gold Settlements

KEY DRIVERS:

USD debasement | FOMC cuts + QE5 | Central Bank buying | BRICS settlements |
Global Portfolio allocation | Escalating conflict zones: Venezuela, Ukraine, Moldova, Baltics

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EXECUTIVE SUMMARY – WORTH ITS WEIGHT

TARGET: \$6,700 (+58%) | BULL CASE: \$7,100 (+67%)

Gold is significantly undervalued at current levels given five converging macro catalysts that we estimate will drive 49-67% upside through 2026. This is not a tactical trade; we see gold entering a multi-year structural bull market driven by de-dollarization, monetary policy shifts and global portfolio re-allocation.

Figure E1: KEY CATALYSTS & QUANTIFIED IMPACT [fig 3-3]

Drivers	Probability	Base Case	Bull Case
De-dollarization & DXY weakness	94%	+9%	+13.5%
FOMC cuts (75-100bps) + QE5	94%	+26.3%	+35.1%
Central Bank reserve diversification	84%	+1.5%	+3%
BRICS trade settlement in gold	95%	+11.5%	+14.4%
Global portfolio allocation (ETFs)	69%	+0.4%	+0.8%
TOTAL IMPLIED UPSIDE	~70%	+49%	+66.7%
IMPLIED GOLD PRICE		\$6,319	\$7,086

Source: 6Σ

MID-POINT TARGET:

\$6,700

WHY NOW? THREE CRITICAL DEVELOPMENTS

1. U.S. Stagflation Risk Rising (70% probability) [fig 2-5]

- Unemployment accelerating toward 5% (Nov25 @ 4.6%)
- Inflation persistent above 3% with tariff feed-through pending
- GDP growth slowing but still positive
- **Historical context:** Gold returned +62% annually during 1970s stagflation vs. +2.6% in other cycles

2. "Back to Bretton Woods" – BRICS Gold Settlement [section 3-2-1]

- BRICS now 29% of global trade (\$34trn annually)
- Estimating 20-25% of intra-BRICS trade settling in gold (vs. USD)
- Implies \$3.4-4.2trn annual gold demand = 11.5-14% of total market cap
- China Central Bank resumed buying after 6-month pause (3Q25: +23 tonnes) [section 3-4-1]

3. QE5 Launches + Dovish Fed Pivot [section 3-3]

- Fed announced \$40bn/month QE program starting December 2025
- We forecast 75-100bps in rate cuts through 2026 (consensus: 50bps)
- Real yields compressing → gold holding cost declining
- DXY already down 5% from April highs; we expect additional 9-14% weakness in 2026F

UNREALIZED OPPORTUNITIES**Portfolio Allocation Gap: 5% vs. 0.4% Reality [section 3-4-2]**

- Global portfolios hold only **0.4%** in gold via ETFs (\$540bn AUM)
- Institutional recommendations: **5-20%** allocation (Morgan Stanley, Bridgewater, UBS)
- **If portfolio allocations moved up to 5%:** this translates into \$7.35trn demand = **+25% Gold's market cap**

Central Bank Buying Accelerating [section 3-4-1]

- 2025 run-rate: **845 tonnes/year** (+79% vs. Trump's first term)
- Survey data [fig 3-17]: 43% of central banks plan to **increase** gold reserves in next 12 months
- None plan to decrease
- 73% expect USD share of reserves to decline over next 5 years

RISKS TO INVESTMENT THESIS (30% PROBABILITY)**Downside scenario (\$4,250 → \$3,600)****Figure E2: Potential downside risks**

RISK	Est Impact	What we think
Trump policy reversal (tariffs removed)	-15%	Medium probability given rare earth dependency on China but Chinese likely to drag potential trade resolution beyond US mid-terms
Legal challenges to IEEPA tariffs	-5%	Alternative legal pathways exist (Section 122)
Unexpected fiscal discipline	-10%	2026 budget already locked in at \$41trn debt, low probability
Trump mortality/incapacity	-6%	Policy continuity likely even under cognitive decline
Putin's mortality	-10%	Putin's exit from world stage could hasten conclusion of Ukraine conflict and reverse global food inflation

GOLD INVESTMENT IMPLICATIONS

- ❖ **Potential Position Sizing:** 10-15% portfolio allocation vs. current 0.4% institutional holding [fig 3-21]
- ❖ **Timing:** we're only 35% into typical ETF gold accumulation cycle duration [fig 3-19]
- ❖ **RISK MANAGEMENT:** Gold beta = 0.74

Gold is entering a structural bull market driven by three mega-trends:

1. **Monetary debasement** (U.S. debt \$41trn → \$50trn+ by 2028) [fig 3-5]
2. **Reserve currency diversification** (Central banks buying at record pace) [fig 3-18]
3. **Geopolitical fragmentation** (BRICS trade settlements, other countries USD reserve substitution) [fig 3-7]

Unlike cyclical rallies, this move is backed by **quantifiable demand shifts** that can take years to play out. Current prices offer a rare opportunity to position ahead of mainstream institutional adoption.

RECOMMENDATION: BUY | EXIT: \$6,700

For detailed methodology, see Section 3.1. For BRICS analysis, see Section 3.2. For Central Bank trends, see Section 3.4.

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Contact gk@ssre.ai for full report

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