Liquidity Weighed On Gold Trumping Real Yields

A reader asked: ?*You have said many times that gold has a strong negative correlation with real yields. If that is true, why did precious metals get hammered (last Friday) when yields were lower on the day??*

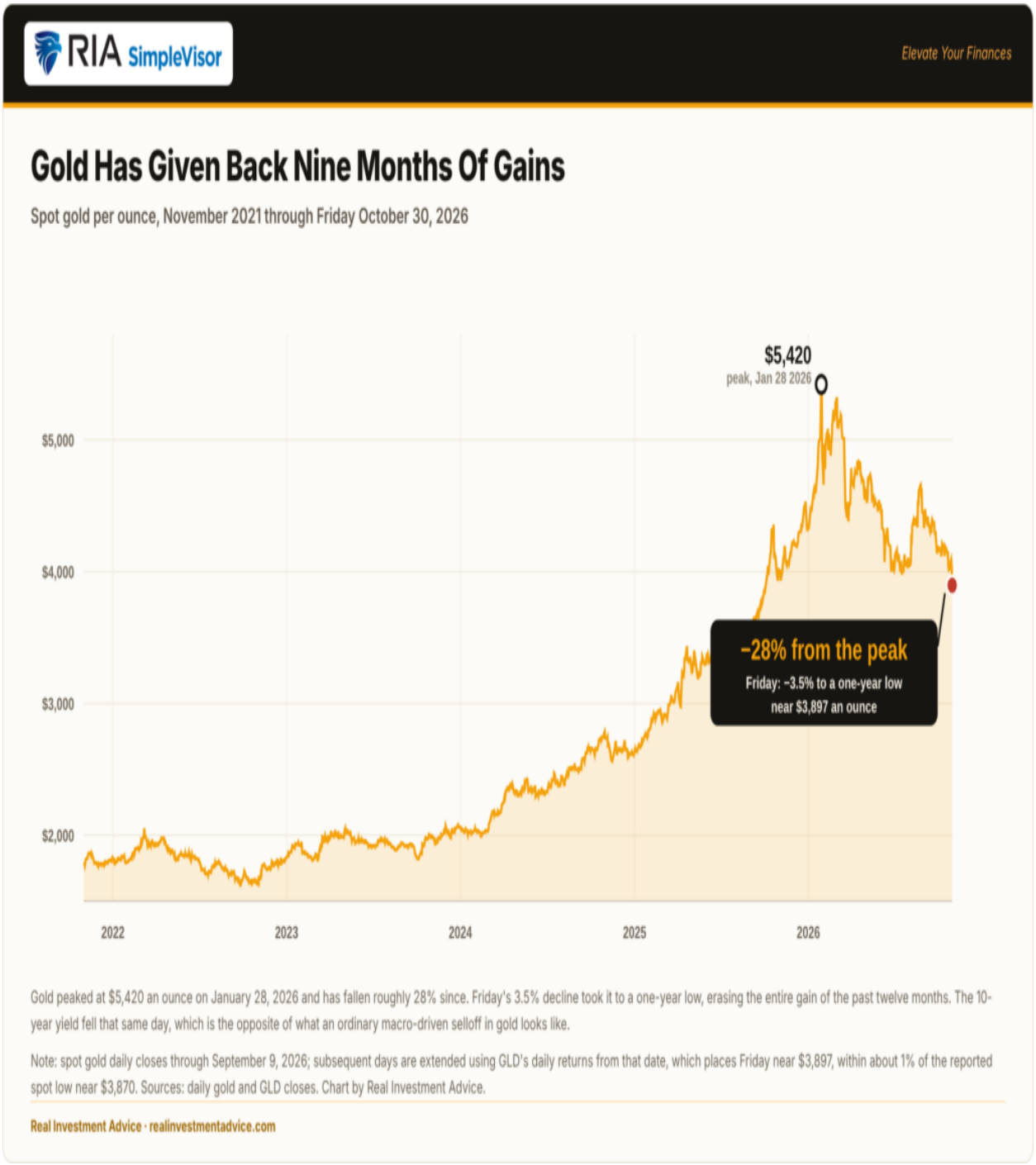
Our model shows that gold tends to trend opposite to real yields (the yield on TIPS) over long periods. One explanation is that gold pays no interest or dividend, so the real yield is the opportunity cost of owning it. When real yields rise, gold often struggles. When they fall, gold tends to do well. From 2003 through 2021, the correlation between the two was negative 0.84. Second, real yields indicate Fed policy. When they are high, as they are today, it signals that the Fed is running a restrictive policy to combat inflation. Conversely, when low or even negative, real yields signal policy that is too easy and inflationary. Many people buy gold to hedge against inflation; thus, Fed policy is crucial to that decision.

Gold rallied despite high real yields in 2024 and 2025 as central bank buying and geopolitics overwhelmed the traditional correlation. But as real rates kept climbing, the negative correlation reasserted itself.

All that said, Friday was an important lesson for gold investors. Friday was a liquidity story.

On Friday, the Nasdaq fell 2.86% on doubts about AI spending. Leveraged investors facing margin calls do not always sell what they want to sell. They sell what is most liquid. Gold is among the most liquid assets in the world and among the best collateral, so it often gets sold first. Bear in mind, last Friday was month-end, when liquidity is often compromised to some degree.

The takeaway: real yields explain Fed policy and thus heavily impact gold trends over years. Liquidity explains divergences from the trend. An asset you may consider insurance may also be somebody else?s margin call.



What To Watch Today

Earnings

COMPANY (TICKER)	TIMING	EPS EST.	REV. EST.
Pfizer (PFE)	Before open	$0.73	$15.9B
Eaton (ETN)	Before open	$3.55	$8.5B
Shopify (SHOP)	Before open	$0.47	$3.82B
Advanced Micro Devices (AMD)	After close	$1.94	$13.1B
Amgen (AMGN)	After close	$5.78	$10.1B
Arista Networks (ANET)	After close	$1.08	$3.3B

Fed speakers: none confirmed at press time.

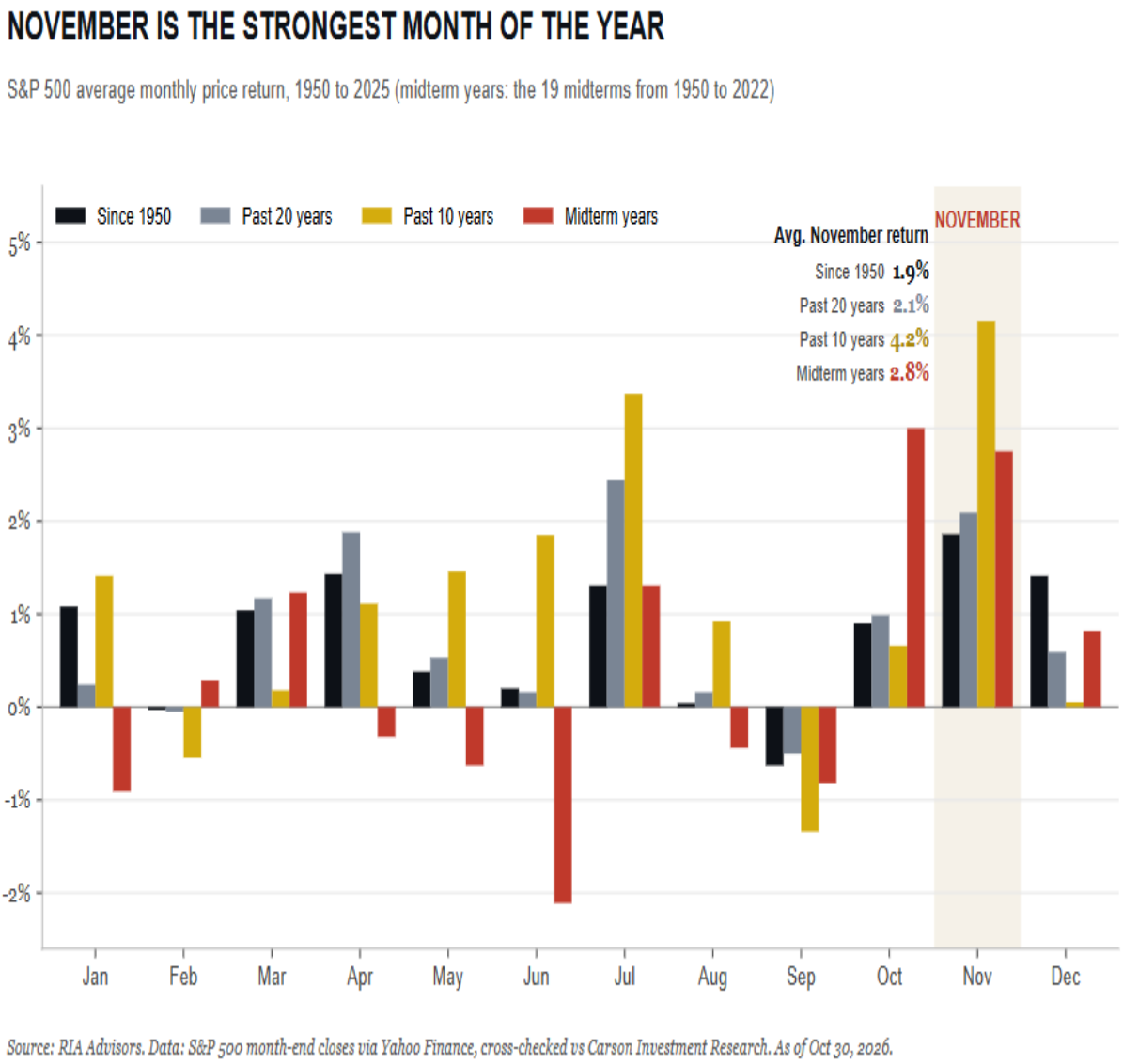
Economy

TIME (ET)	RELEASE (PERIOD)	PRIOR	CONSENSUS	FORECAST
10:00 a.m.	JOLTS Job Openings (Sep)	7.079M	7.13M	TBD
10:00 a.m.	Factory Orders MoM (Sep)	0.1%	1.2%	TBD

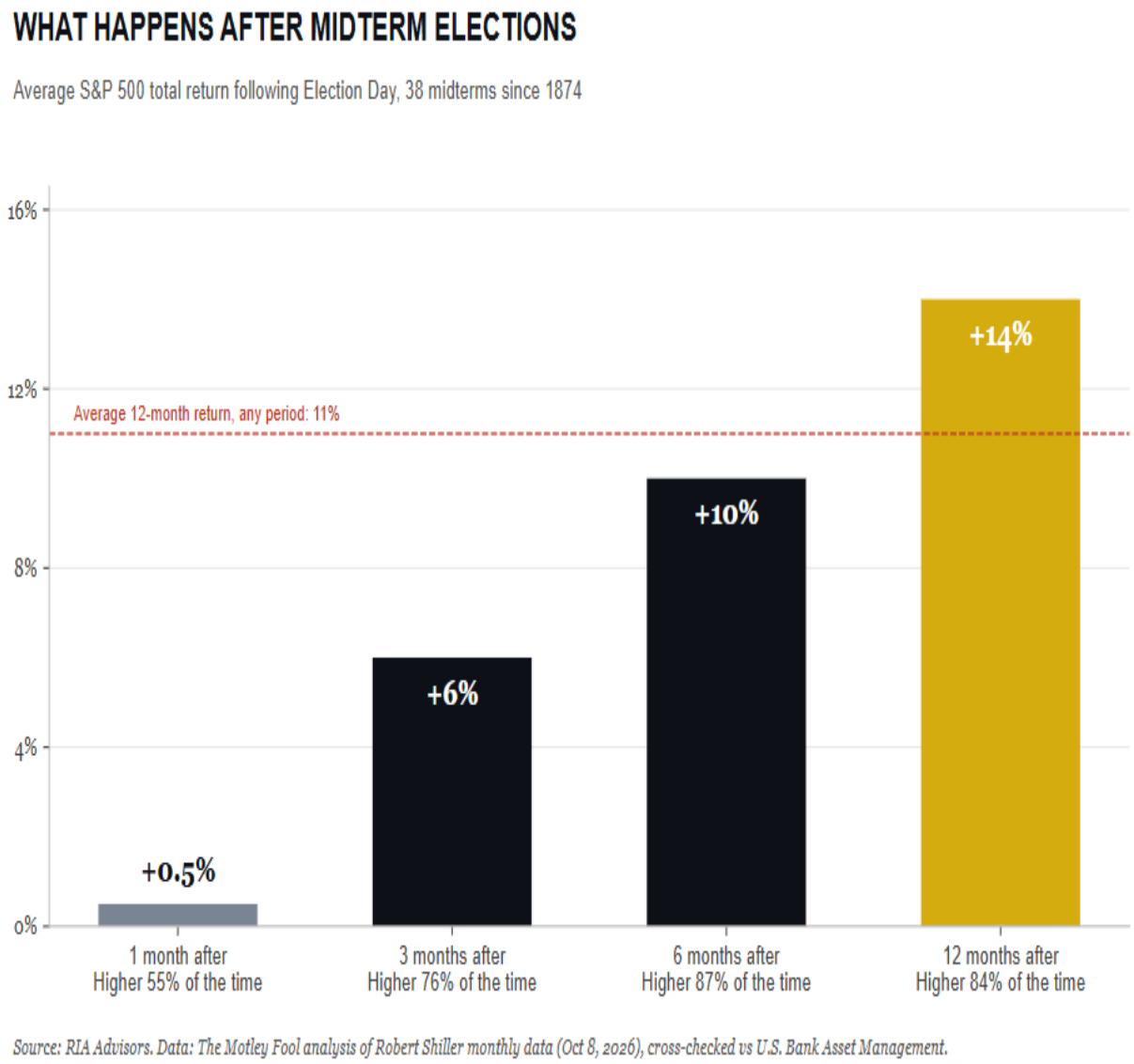
Market Trading Update

Yesterday, we walked through the technical damage after the S&P 500 closed Friday at 7,580, its first close below the 100-day moving average since April. Today, with voters heading to the polls, let?s look at what happens after midterm elections, starting with the calendar.

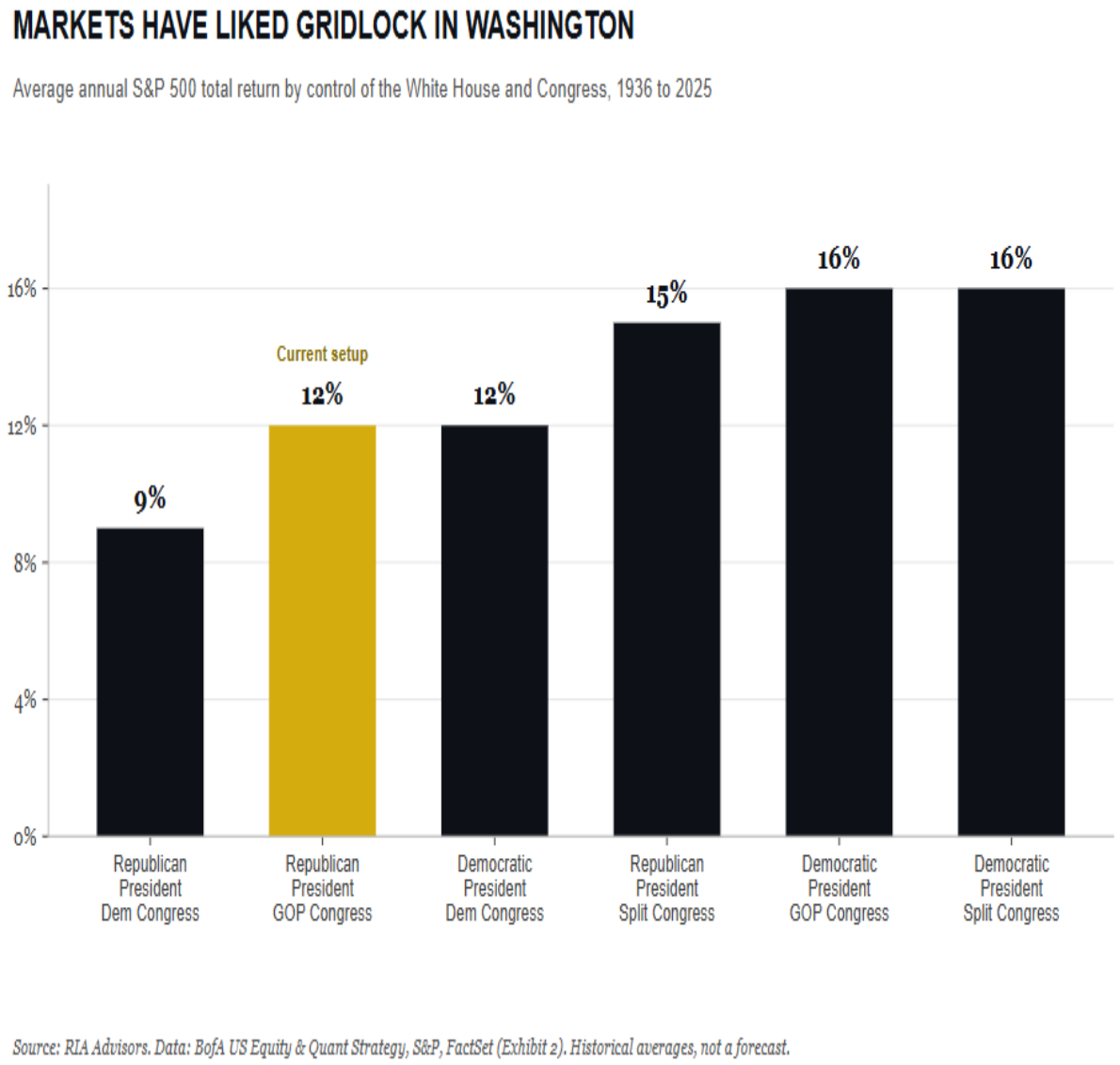
November has been the best month of the year, on average, since 1950. Notice in the chart below that the average gain runs close to 2% since 1950, just over 2% for the past 20 years, and above 4% over the past decade. In midterm years, November has averaged near 2.7%.



The reason isn?t magic. Midterm years are historically the weakest of the four-year presidential cycle, with an average peak-to-trough drawdown of roughly 18%. Once the vote clears, that uncertainty discount tends to unwind. To wit: since 1874, the S&P 500 has averaged a 6% gain in the three months after a midterm and 14% over the following year. It was higher 84% of the time.&#2013266080;**Since 1950, the year after a midterm election has been positive in all 19 cycles.**



Which party wins matters less than whether anyone wins outright. BofA?s data, dating back to 1936, show the best average annual returns occurred under divided government. The current setup, a Republican president with a Republican Congress, has averaged 12%. A Republican president facing a split Congress averaged 15%. Markets like ?gridlock? because it limits policy surprises.



This year?s midterm drawdown was only about 9% into the March 30 low, half the historical norm, and the index sits just 3% below the October 6 record of 7,819. There?s simply less pessimism to unwind this time.

So, what are we doing? Nothing dramatic. Seasonality is a tailwind, NOT a strategy. As we discussed ***in this past weekend?s newsletter,*** we are rotating from value back to growth but keeping core equity at target weights in the Equity Growth and Factor Rotation models, and yesterday?s levels still govern.&#2013266080;**A close back above the 100-day, near 7,615, lets us add growth exposure during the strongest stretch of the calendar.**&#2013266080;A close below 7,490 still means tightening stops and raising cash, regardless of what the history books say.

Such is the nature of base rates. They give you the odds, not the outcome. The calendar has never once paid for a stop that wasn?t honored.

Now?go vote.



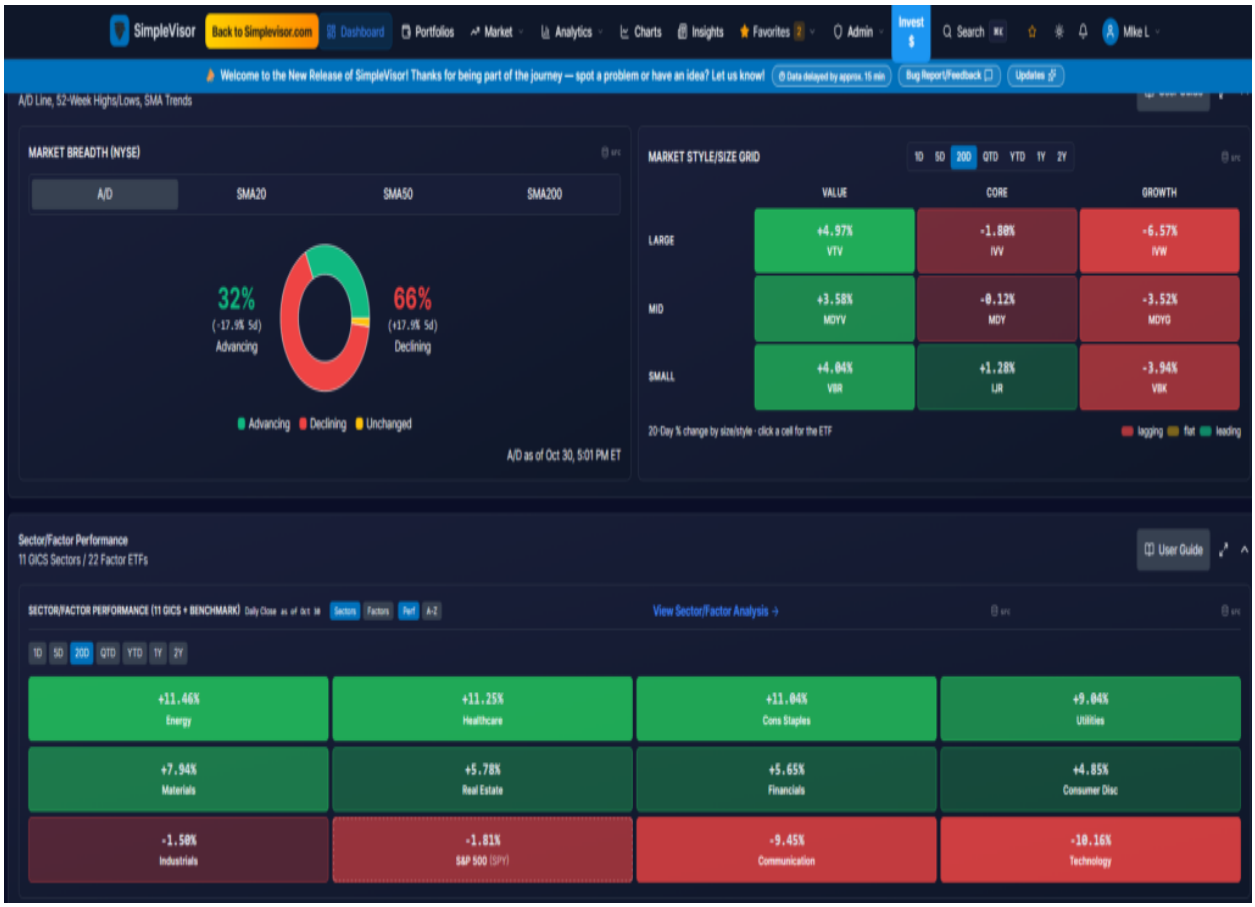
Have Value Run Its Course?

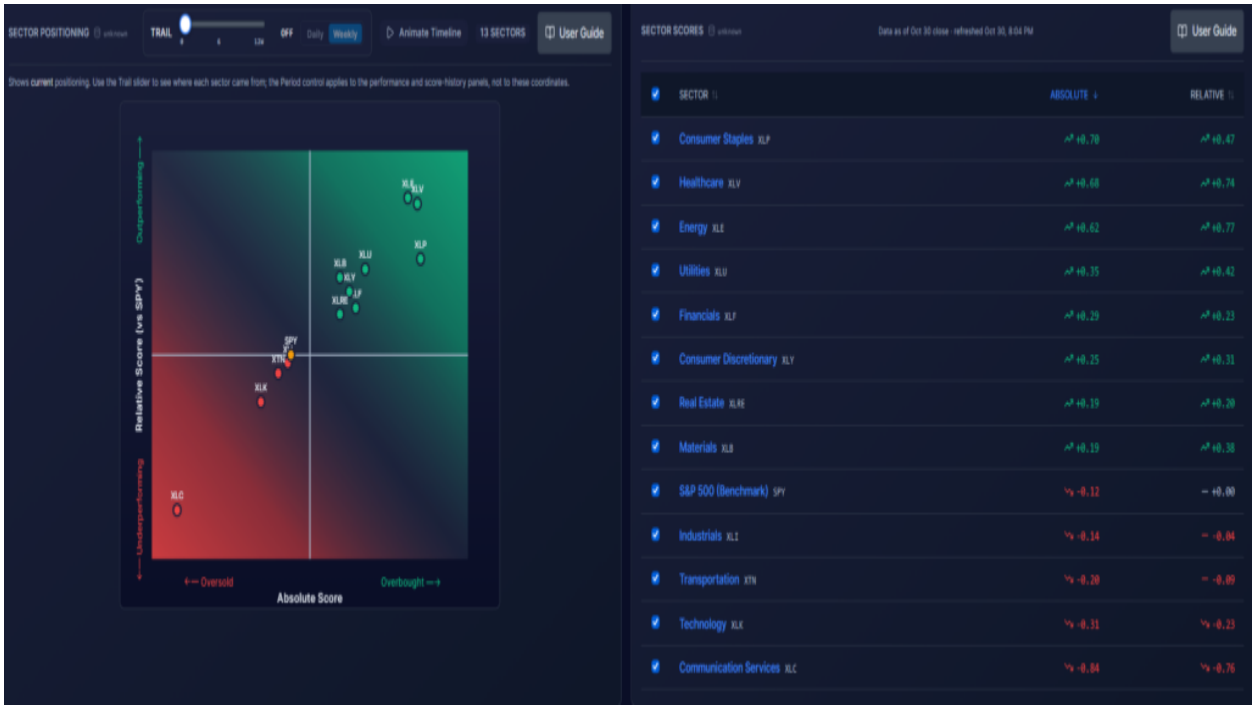
On September 22, our Factor Rotation model signaled that large-cap growth stocks were extremely overbought compared to large-cap value stocks. Accordingly, we adjusted our models to add weight in large-cap value stocks and reduce our exposure to large-cap growth. The model?s signal was prescient. As we share in the first graphic from the newly released version of SimpleVisor, over the last 20 trading days, the large-cap growth ETF (IVW) is down over 6%, while VTV, the large-cap value ETF, is up nearly 5%. Below it, sectors show an even more dramatic performance gap: technology is down about 10%, while many value sectors are up around 10%.

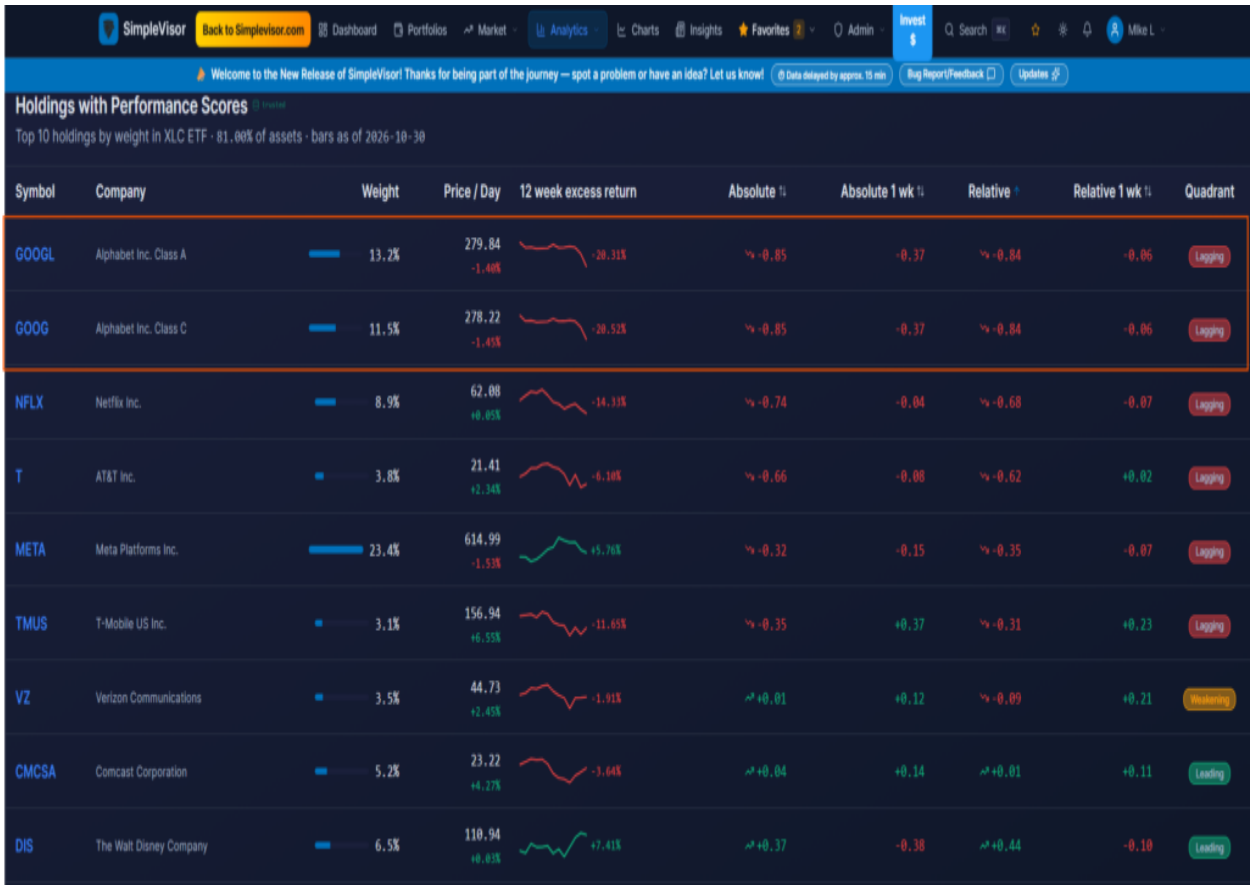
The key question is whether the Value-over-Growth rotation has run its course. To assess this, we can look at the sectors? absolute and relative scores, as shown in the second graphic. Clearly, value is now overbought, Communications is grossly oversold, and technology is oversold but not far from fair value. If we click on the communications sector in the table, we see a breakdown of its top ten holdings. Google (GOOG & GOOGL), which accounts for nearly 25% of the index, fell over 10% last week on earnings and is now grossly oversold. So how might we use this information to manage our portfolios?

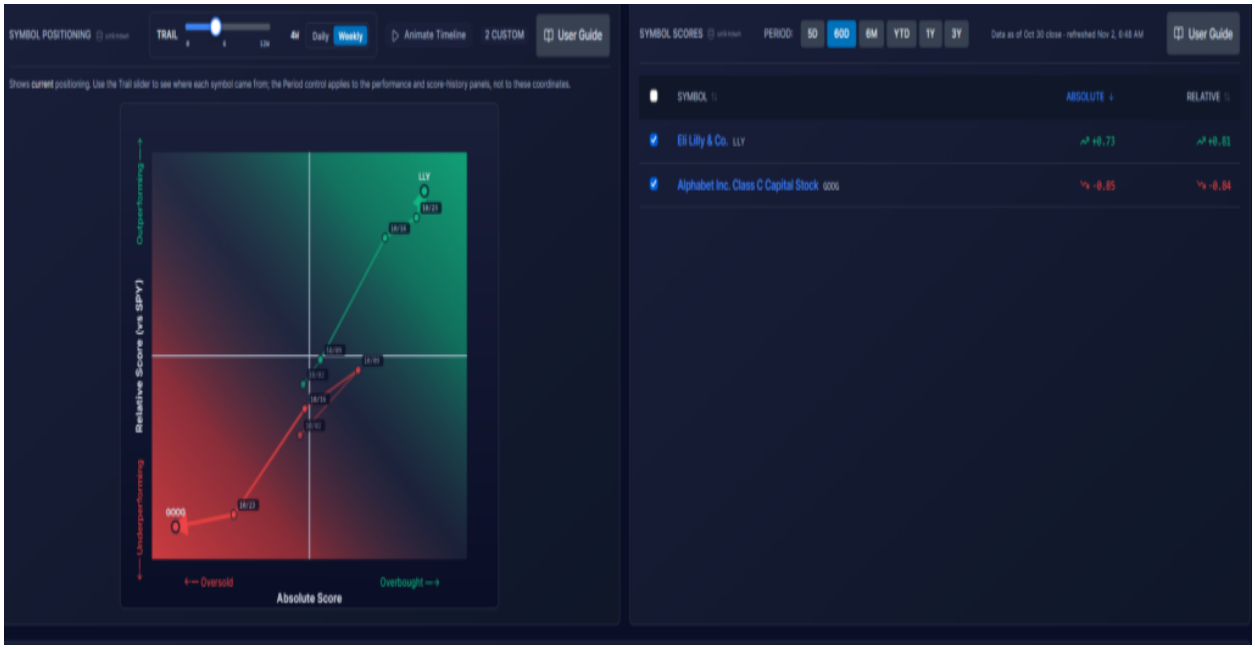
The last graphic is a custom-made two-stock rotation comparing LLY and GOOG. LLY is the most overbought stock in the healthcare ETF (XLV). It shows that since 10/2, LLY and GOOG have moved in opposite directions- LLY seeing its absolute and relative scores increase to very overbought levels and GOOG moving in the opposite direction. In our new version of SimpleVisor, we can animate the changes over the last few weeks and see how it played out. We can also save this custom view.

To answer our lead question, ?Has Value Run Its Course,? it?s hard to answer. However, the rotation toward value appears much closer to the end than the beginning. Election results and employment data may drive the market and the rotations over the next few days, but our models suggest investors could start favoring larger-cap growth stocks again.


SimpleVisor
Back to Simplevisor.com
Dashboard
Portfolios
Market
Analytics
Charts
Insights
Favorites
Admin
Invest
Search
Mike L
Welcome to the New Release of SimpleVisor! Thanks for being part of the journey — spot a problem or have an idea? Let us know!
Data delayed by approx. 15 min
Bug Report/Feedback
Updates
A/D Line, 52-Week Highs/Lows, SMA Trends
MARKET BREADTH (NYSE)
A/D
SMA20
SMA50
SMA200
32%
(-17.9% 5d)
Advancing
66%
(+17.9% 5d)
Declining
Advancing
Declining
Unchanged
A/D as of Oct 30, 5:01 PM ET
MARKET STYLE/SIZE GRID
1D
5D
20D
QTD
YTD
1Y
2Y
VALUE
CORE
GROWTH
LARGE
+4.97%
VTV
-1.88%
IVV
-6.57%
IVW
MID
+3.58%
MDYV
-0.12%
MDY
-3.52%
MDYG
SMALL
+4.04%
VBR
+1.28%
IJR
-3.94%
VBK
20-Day % change by size/style · click a cell for the ETF
lagging
flat
leading
Sector/Factor Performance
11 GICS Sectors / 22 Factor ETFs
User Guide
SECTOR/FACTOR PERFORMANCE (11 GICS + BENCHMARK)
Sectors
Factors
Perf
A-Z
View Sector/Factor Analysis →
1D
5D
20D
QTD
YTD
1Y
2Y
+11.46%
Energy
+11.25%
Healthcare
+11.04%
Cons Staples
+9.04%
Utilities
+7.94%
Materials
+5.78%
Real Estate
+5.65%
Financials
+4.85%
Consumer Disc
-1.50%
Industrials
-1.81%
S&P 500 (SPY)
-9.45%
Communication
-10.16%
Technology


SECTOR POSITIONING
TRAIL
OFF
Daily
Weekly
Animate Timeline
13 SECTORS
User Guide
Shows current positioning. Use the Trail slider to see where each sector came from; the Period control applies to the performance and score-history panels, not to these coordinates.
Outperforming →
Relative Score (vs SPY)
← Underperforming
XLV
XLP
XLU
XLB
XLY
XLRE
XLF
SPY
XTN
XLK
XLC
← Oversold
Overbought →
Absolute Score
SECTOR SCORES
Data as of Oct 30 close · refreshed Oct 30, 8:04 PM
User Guide
SECTOR
ABSOLUTE
RELATIVE
Consumer Staples XLP +0.70 +0.47
Healthcare XLV +0.68 +0.74
Energy XLE +0.62 +0.77
Utilities XLU +0.35 +0.42
Financials XLF +0.29 +0.23
Consumer Discretionary XLY +0.25 +0.31
Real Estate XLRE +0.19 +0.20
Materials XLB +0.19 +0.38
S&P 500 (Benchmark) SPY -0.12 +0.00
Industrials XLI -0.14 -0.04
Transportation XTN -0.20 -0.09
Technology XLK -0.31 -0.23
Communication Services XLC -0.84 -0.76





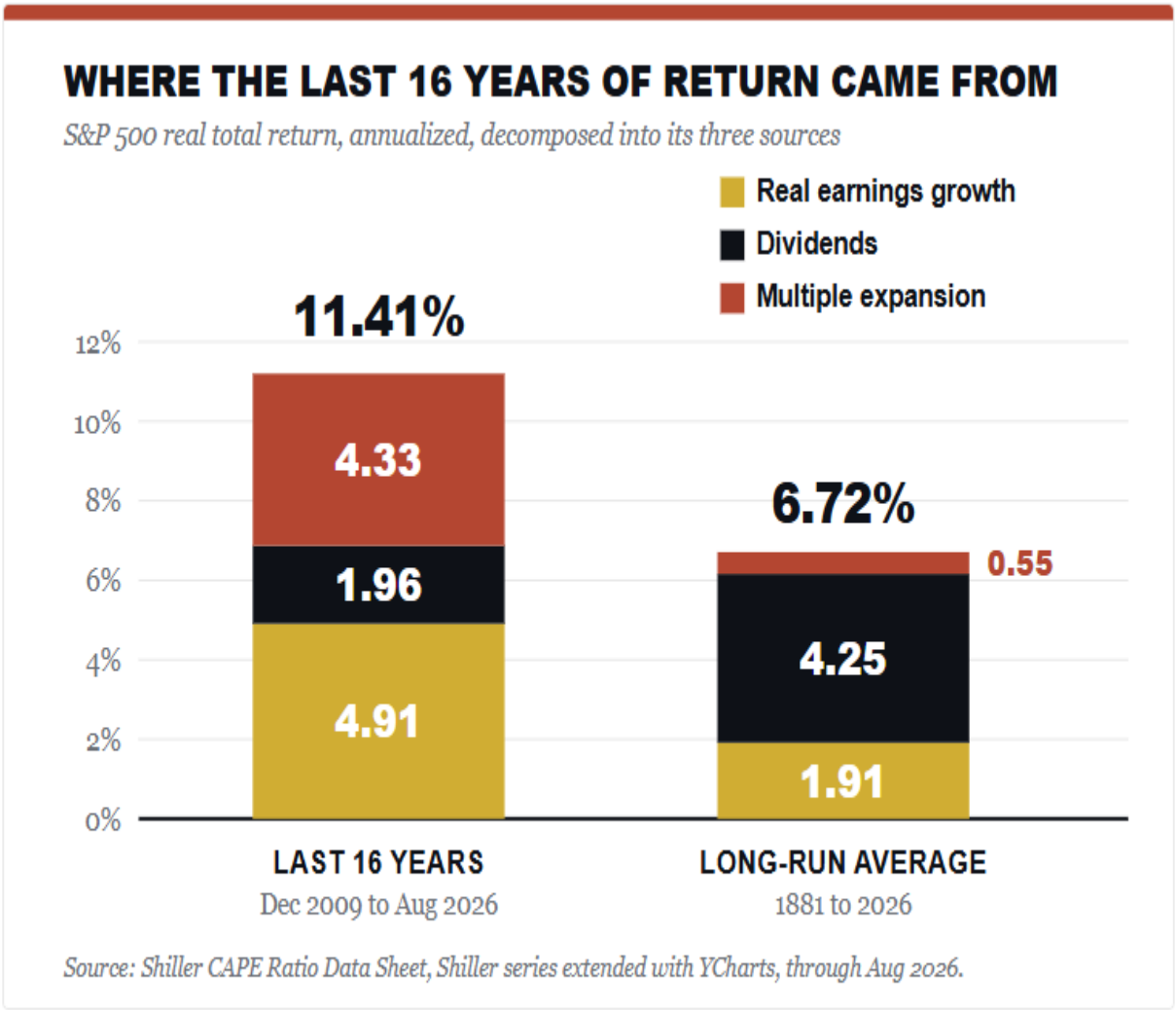
Above-Average Returns: Why The Next Decade Differs

In 2016, McKinsey warned that the *?golden era?* for investors had ended. Falling rates, fatter margins, and a rising multiple had done their work in creating above-average returns. Younger savers, the report said, would have to work seven more years or save nearly twice as much. Ben Carlson went back and&#2013266080;*graded that call*&#2013266080;this month. Since that spring, U.S. stocks have returned roughly 15% a year and more than tripled, European shares compounded near 10%, and a saver who took the advice and doubled their contributions now has a very comfortable problem. The call was wrong. Carlson?s verdict is blunt and correct. Sometimes the three most useful words in this business are *?I don?t know.?*

?Strip the multiple out and the last sixteen years were ordinary. Every point of excess came from investors agreeing to pay more for the same dollar of profit.?

I also have to take that same hit, as&#2013266080;I have previously published&#2013266080;my own versions of that caution, and the market ran anyway. Anybody claiming they called the last sixteen years of above-average returns is selling something.

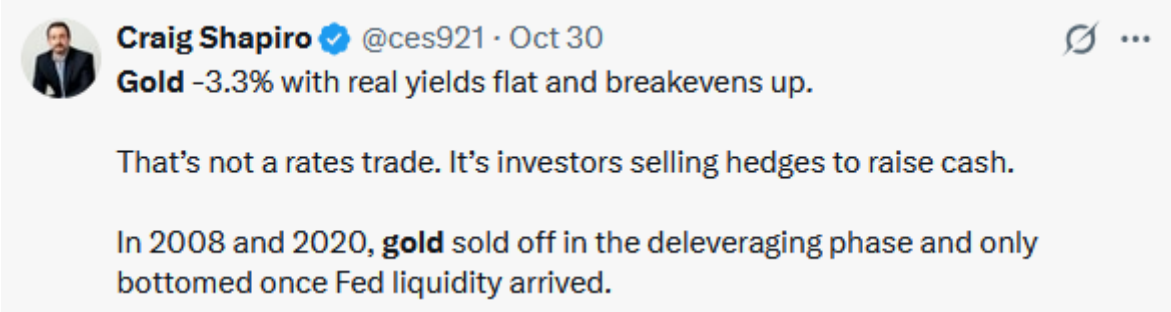
READ MORE?



Real total return decomposed. Multiple expansion contributed 4.27 points a year over the last 16 years against 0.34 across history. Source: Robert Shiller monthly dataset. Calculations: RIA Advisors, September 19, 2026.



Tweet of the Day



Trading Rules With Desktop Printout

?Want to achieve better long-term success in managing your portfolio? Here are our ***&#2013266080;15-trading rules for managing market risks.?***

Please subscribe to the daily commentary **to receive these updates every morning before the opening bell.**

> *If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*