#16 MONTHLY COMMENTARY
NOVEMBER 2026

SHARPS PIXLEY
A MEMBER OF
Degussa GROUP

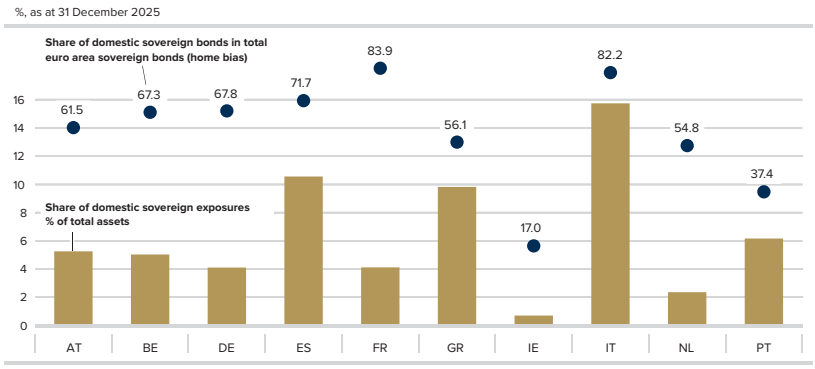
UNITED KINGDOM

Market Report

Developments in Financial and Commodity Markets

Growing concerns over the sustainability of debt-financed AI growth triggered sharp corrections across technology and AI-related equities. This included stocks from semiconductor companies, despite their strong underlying financial performance over the last quarter. Nevertheless, the recent equity corrections may present new investment opportunities. As investors grow increasingly impatient with the lack of tangible returns from AI investment, capital appears to be rotating towards companies demonstrating sustainable profitability. Meanwhile, rising sovereign borrowing costs across Europe, particularly in France, are exposing mounting fiscal vulnerabilities and increasing pressure on credit markets. Finally, London's push towards tokenised gold reflects intensifying competition from Asian financial centres. While tokenisation could potentially expand investor participation and improve market efficiency, it simultaneously raises questions over gold's traditional role as an independent asset.

Exposures of selected countries' banking systems to domestic sovereigns



The 2008 Great Financial Crisis and European sovereign debt crisis exposed the risks created by strong links between banks and governments. This sovereign-bank nexus can create a chain reaction in which sovereign weakness puts pressure on banks, which may then require government support. Such bailouts can worsen public finances, further undermine sovereign creditworthiness, and place additional strain on banks, potentially constraining lending and slowing economic activity. Recent Bundesbank research revealed that despite post-2008 reforms aimed at mitigating this risk, euro area banks still hold large amounts of domestic sovereign debt, with 43% of the institutions under review having home-country sovereign exposures exceeding their CET1 capital. Overall, home bias remained high across major euro area countries, however, domestic sovereign exposure as a percentage of total assets varied from just over 4% in Germany and France to over 10% in Spain and almost 16% in Italy.

Highlights

- **AI Investment Concerns Trigger Equity Sell-Off**

  Waning AI investment hype sparked a correction across tech stocks, despite strong underlying performance in parts of the sector.

- **Sovereign-Bank Nexus Remains a Systemic Risk**

  Despite reforms, euro area banks retain substantial domestic sovereign debt exposure, leaving them vulnerable to deteriorating government finances.

- **Physical Scarcity Supports a Commodity Upcycle**

  Chronic underinvestment, rising energy demand, and supply constraints are tightening commodity markets, with potential dollar weakness providing an additional tailwind.

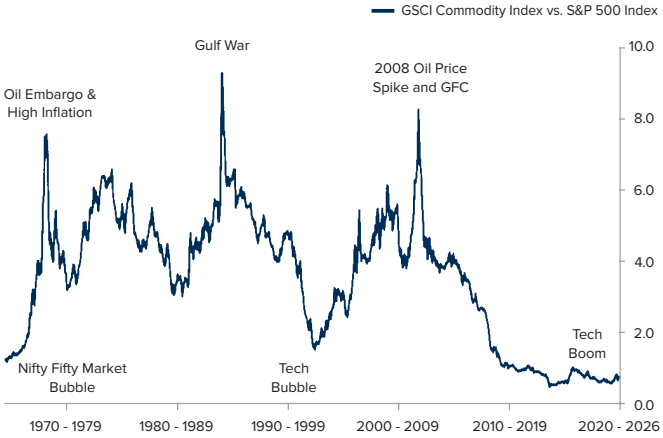
- **Gold Highlights Sovereign Debt Burdens**

  Government debt priced in gold highlights the scale of fiscal imbalances and potential pressures towards inflationary debt management.

- **Market Risk Signal Favours Liquidity**

  Portfolio allocations are favouring cash and income, with reductions in precious metals and global macro.

Ratio of Commodity Prices to the S&P500



A growing consensus among leading financial institutions sees physical scarcity driving a new commodity upcycle across energy, metals, and agriculture. Commodities remain historically cheap relative to US equities, while rising power consumption and geopolitical supply constraints amidst chronic underinvestment are tightening markets and pushing critical raw-material prices higher. The 10-year rolling change in the dollar suggests a long-term weakening trend which, if sustained, could provide an additional tailwind for commodities, particularly by supporting demand from buyers using non-dollar currencies.

Precious Metals and Commodities

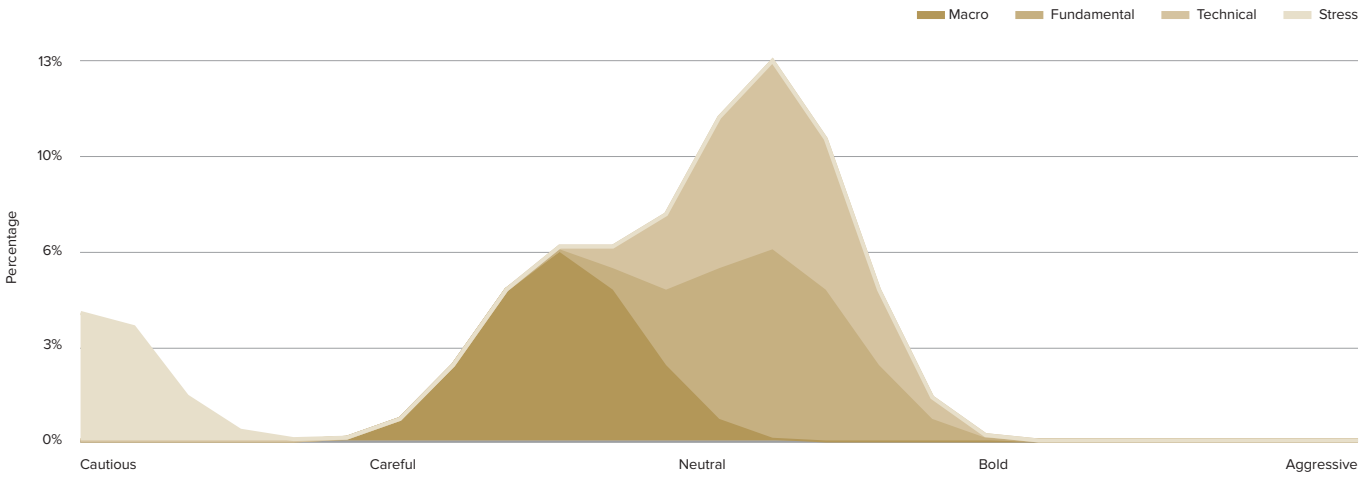
In the short term, oil and copper prices are expected to remain range-bound, while precious metals and agricultural commodities may see a modest recovery. Over the medium term, the outlook is bullish across commodities and precious metals, with copper being the exception. Looking further ahead, as multiple cycles converge, heightened market volatility is expected to weigh on commodity prices, resulting in a predominantly sideways trend before resuming their upward trajectory.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	↗	↗	→	→	↗
Outlook	↗	↗	→	↗	↗
Trend	→	→	→	→	→

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Market Risk Signal

Market risk signal

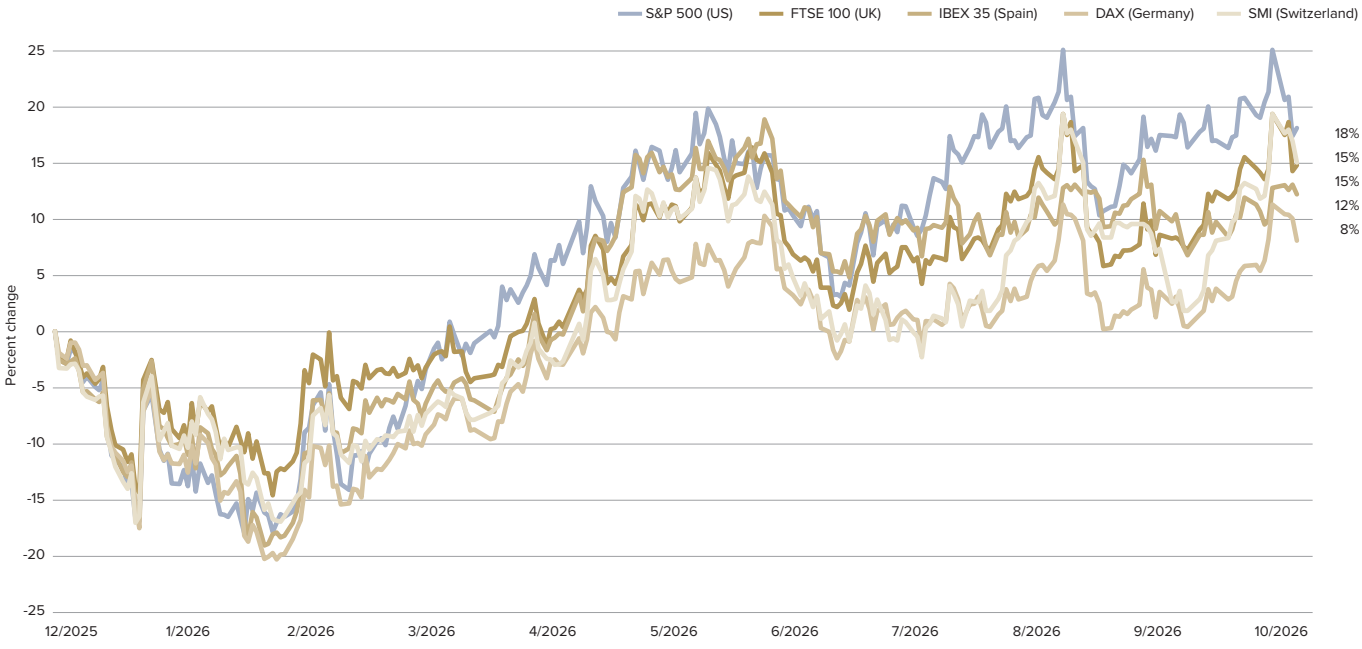


Index Performance in Gold Terms

Measuring equities in gold terms strips out currency debasement and monetary distortion, revealing whether gains truly increased purchasing power or merely reflected inflation and FX effects. Performance is calculated using gold priced in each index's native currency.

Year-to-date performance of equity benchmarks in gold terms:
US: S&P 500: +18.22%
UK: FTSE 100: +14.91%
Spain: IBEX 35: +12.28%
Germany: DAX: +8.12%
Switzerland: SMI: +15.14%

Equities performance priced in gold (Jan–Nov 2026)



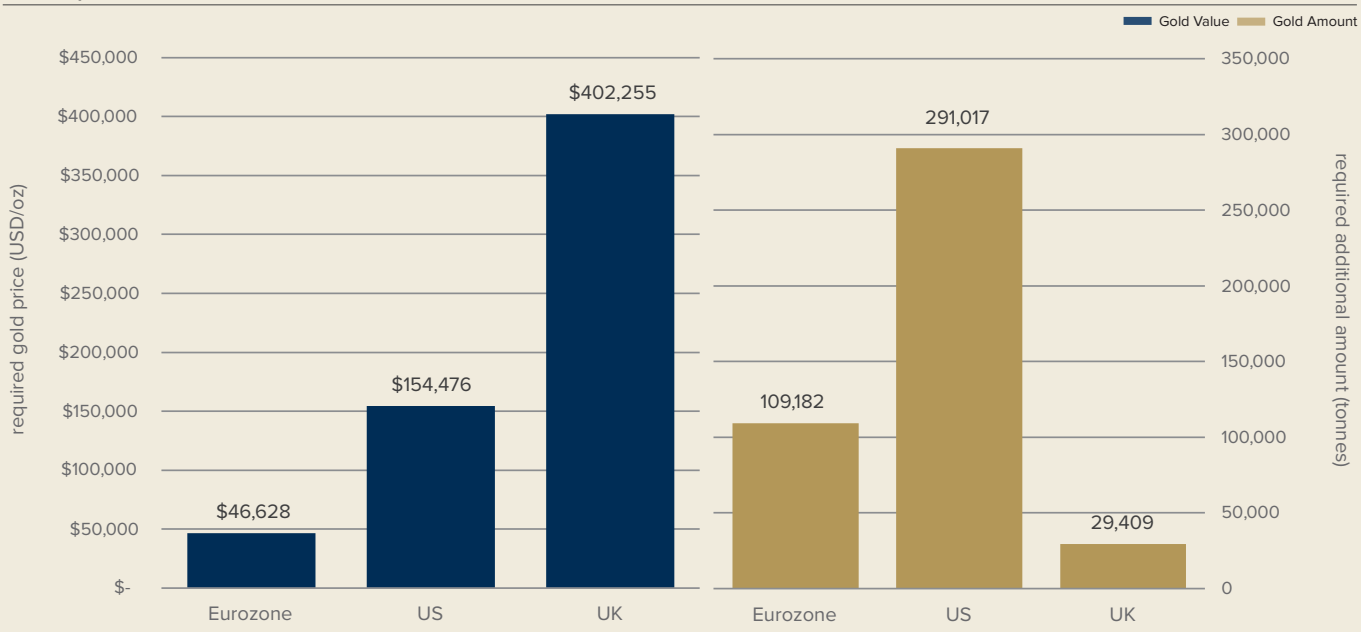
Gold Feature

Speculation over a possible revaluation of US gold reserves as a means of easing the country's debt burden has been circulating since early 2025, fuelled in part by US Treasury Secretary Bessent's remarks about monetising government assets. Although he subsequently dismissed the idea, it raises an interesting question. How much would gold need to be worth to cover the US debt? With USD 40.4 trillion in debt and 8,134 tonnes of gold reserves, the US would need a gold price of USD 154,476/oz. Looked at another way, at an assumed price of USD 4,200/oz, the US would need to increase its gold reserves by over 291,017 tonnes. For the eurozone, gold would need to be worth USD 46,628/oz to match its debt, or its gold reserves would need to increase by 109,182 tonnes. Finally, the UK would need a gold price of USD 402,255/oz or an additional 29,409 tonnes to cover its debt. Interesting to note, the additional US gold requirement exceeds the estimated 222,600 tonnes mined throughout human history.

While gold revaluation remains a topic of mere speculation, inflation and financial repression appear to be attracting greater interest as a means of managing the US debt burden, with Trump recently suggesting that "certain levels" of inflation could pay off the US debt "very rapidly". However, this becomes considerably more complicated when persistently higher refinancing costs keep adding to the debt burden, potentially creating a self-reinforcing loop.

Were central banks to tolerate higher inflation, the implications are worth considering. Bundesbank President Joachim Nagel recently noted that while rising yields have improved the appeal of government bonds, mounting sovereign debt has simultaneously raised concerns over their credit risk. If governments increasingly rely on inflation and financial repression to manage their debt, the adjustment may be borne largely by holders of currency and fixed-income assets through reduced purchasing power. For investors, this reinforces the appeal of holding some wealth in physical gold, outside the system of financial claims whose real value depends on fiscal and monetary policy.

Gold Required to Cover Government Debt: Price vs Amount



Country	Total Debt in USD	Gold Reserves	Multiple of Current	Gold Price Needed	Additional Gold Needed
Eurozone	16.2 Trillion	10,808 tonnes	11.10	USD 46,628	109,182 tonnes
USA	40.4 Trillion	8,134 tonnes	36.78	USD 154,476	291,017 tonnes
UK	4.01 Trillion	310 tonnes	95.78	USD 402,255	29,409 tonnes

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Current investment situation

In October, equity markets revealed a growing divergence between headline index performance and underlying market conditions. While the S&P 500 remained near historical highs, nearly 60% of US stocks had already entered bear-market territory. Technology and AI-related equities were particularly affected, with the Nasdaq shedding approximately USD 2 trillion in market cap over the month. Alphabet (Google) declined 18.67%, driven partly by concerns over AI‘ s impact on search advertising revenue, losing USD 500 billion in a single day. Semiconductor stocks also experienced sharp corrections, with the SOXX ETF declining nearly 20% between 6 and 23 October, despite robust Q3 financial performance and strong underlying chip demand. The sell-off follows mounting concerns over the sustainability of debt-financed AI growth, as investors increasingly question whether the substantial capital expenditure will generate sufficient returns.

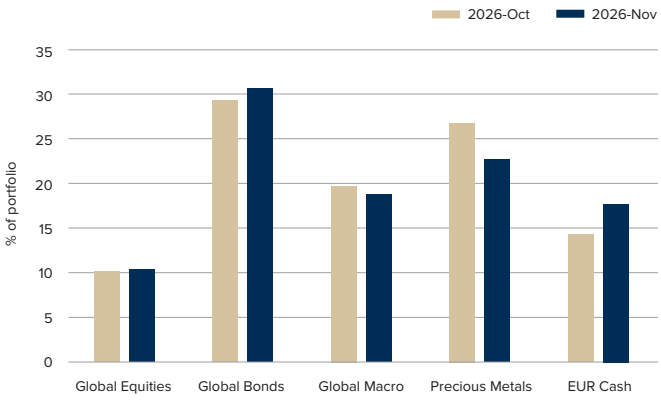
Meanwhile, European sovereign debt markets are showing increasing signs of stress, particularly in France, where 10-year borrowing costs have risen above those of Italy and Greece. The repricing reflects deteriorating fiscal positions and mounting refinancing pressures across Western Europe, challenging traditional perceptions of sovereign credit risk. Growing hedge fund participation in government bond markets may be amplifying volatility as leveraged positions are unwound. Higher borrowing costs are also tightening credit conditions, further constraining economic growth and limiting governments‘ capacity for fiscal expansion.

Gold continued its correction in October as persistent inflation reinforced expectations of further US interest rate hikes, while losses in equity markets prompted investors to sell gold to raise cash. Nevertheless, relatively resilient ETF holdings as well as renewed retail investment demand in Asia, where physically settled gold trading volumes reached their highest level since April, suggest longer-term investment demand remains. A sustained deterioration in investor confidence could prolong gold‘ s correction, particularly if recovering equity markets draw capital away from safe-haven assets. Nevertheless, growing sovereign debt burdens, high inflationary pressures, and geopolitical instability continue to support gold‘ s longer-term investment case.

Allocation adjustments

Changes to the portfolio suggest a shift towards liquidity and fixed income, while maintaining exposure to equities, diversified strategies, and precious metals. EUR cash and global bonds have both increased, alongside a modest rise in global equities, funded by reductions in precious metals and global macro strategies. Overall, the changes point to a modest strengthening of the portfolio’s defensive and liquidity positioning.

Allocation compared to the previous month



Allocation changes over time

Positioning has shifted modestly towards income and growth, while reducing allocations to protection and stabilisation. Income has recorded the largest increase, followed by a smaller rise in growth, while protection has declined most significantly, driven by a reduction in precious metals despite higher cash holdings. Overall, the changes suggest a measured easing of defensive positioning while maintaining protection as the largest component of the portfolio.

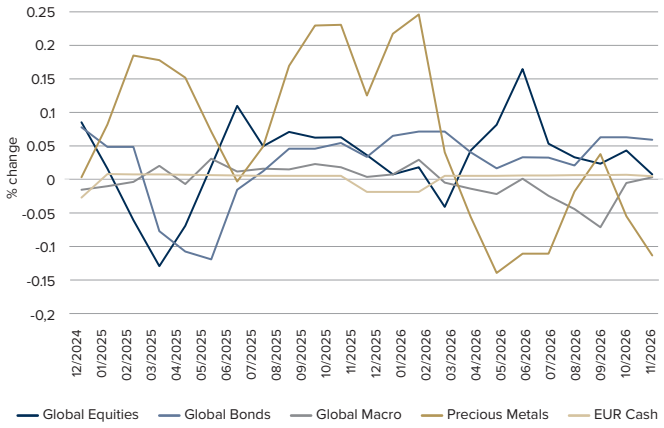
Allocation by portfolio role



Rolling three-month performance of various asset classes

Dynamic asset allocation (active rotation between equities, bonds, and gold) has consistently enhanced portfolio returns, as can be seen by tracking the rolling three-month performance. Global equities have weakened following October's performance, although they remain slightly positive. Global macro now leads performance, while precious metals have fallen further into negative territory. Global bonds are nearing positive territory after months of underperformance, while EUR cash remains broadly stable and close to flat.

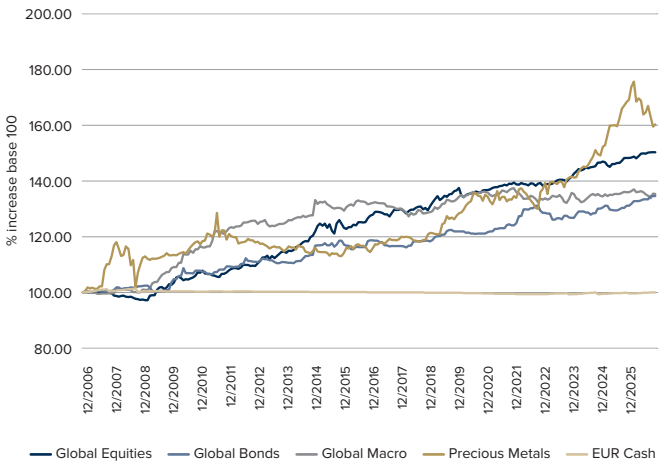
Rolling 3-month performance



Performance contribution of various asset classes

The performance contribution illustrates how much each asset class has contributed to overall portfolio performance during a given period, with relative allocation playing a key role. Precious metals remain the largest long-term contributor, despite overall poor performance for much of 2026. Global equities continue to rank second, maintaining much of their longer-term gains. Global bonds also declined marginally and appear to be converging with global macro. EUR cash remained essentially flat.

Performance Contribution



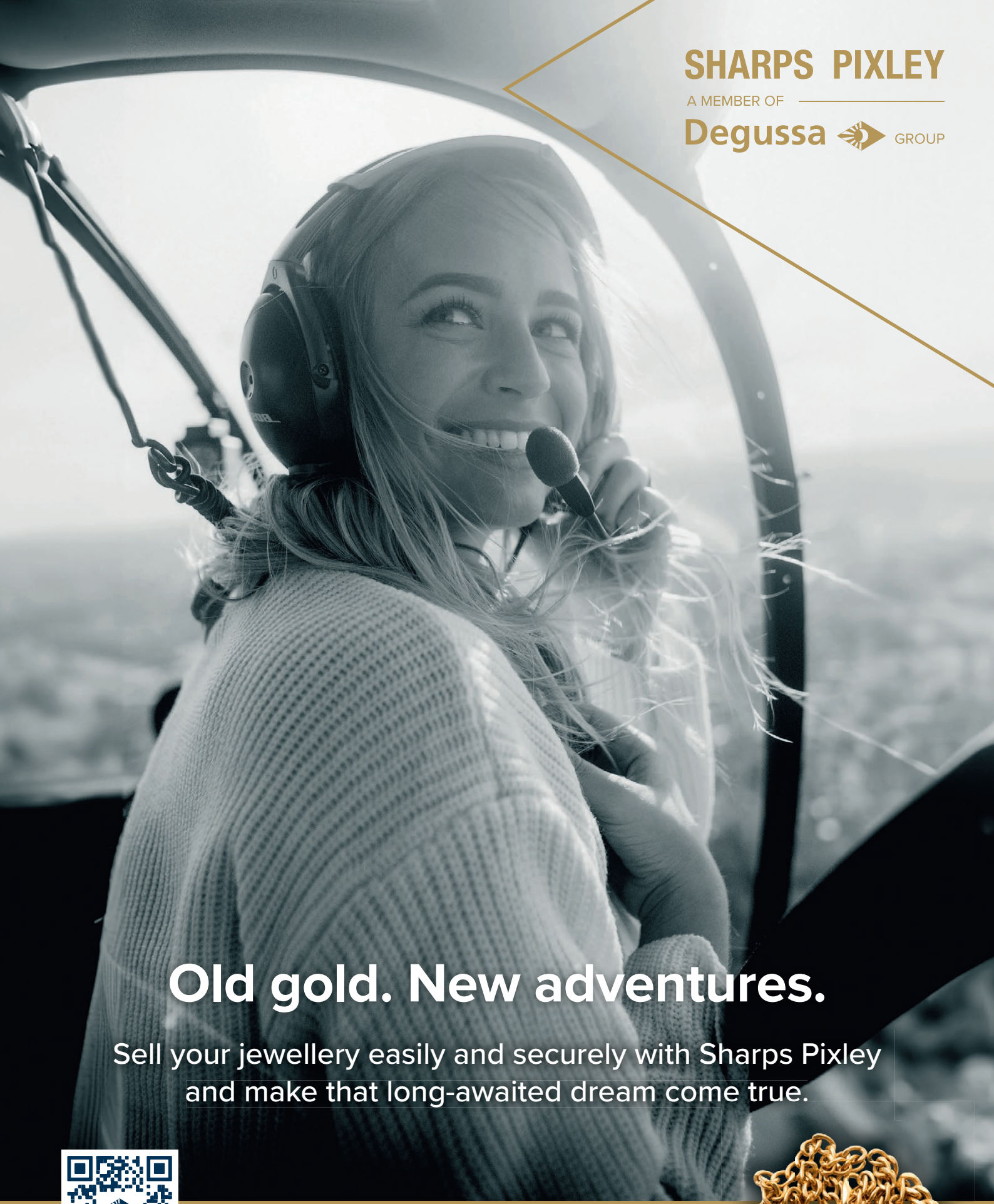
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