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FUND MANAGEMENT

GOLD ARBITRAGE

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GOLD FUTURES

are standardised, binding contracts to buy and sell gold at an agreed price on a **LATER DATE**.

Gold futures contracts are named according to their delivery months:

- GCU24 is the contract for settlement in September 2024
- GCV24 is the contract for settlement in November 2024
- GCZ24 is the contract for settlement in December 2024

COMEX, a division of CME Group, is the world largest exchange for futures trading. Access to this markets is NOT directly available to retail or private investors. Individuals can however gain exposure by investing through intermediaries such as hedge funds, exchange traded funds (ETFs) and other trading firms.



GOLD SPOT PRICE

refers to the current market price for one troy ounce of gold for **IMMEDIATE** delivery or settlement

Who sets the spot price of gold?

Gold's spot prices are derived primarily from two key sources:

1. Spot trading at London Over-the-Counter (OTC) market
2. Futures trading at COMEX

Both markets are primarily “cash-settled” paper trading. On daily basis, the global trading volume of gold, is at least 280 x higher than the actual quantity of gold mined across the world. Therefore, the supply and demand for physical gold plays no role in setting the price of gold.

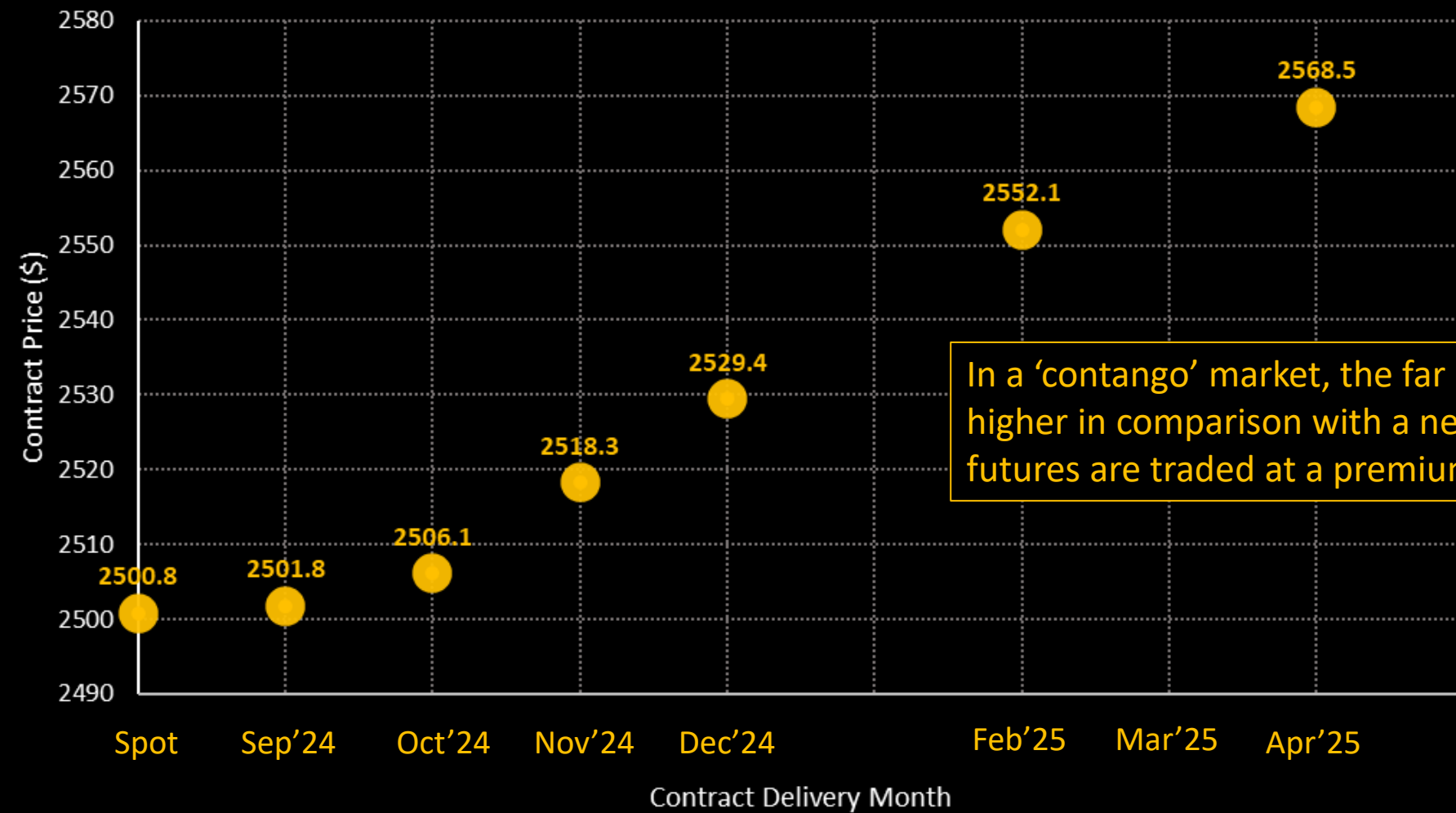
Specifically, the spot prices of gold are derived electronically from the traded futures contracts for the nearest month, called the ‘Front Month’. Algorithms assess the market data that the banks, committees and derivatives markets use, and this then generates the live spot prices.



Contango in Gold



Price of Gold Futures Contracts on 10 September 2024

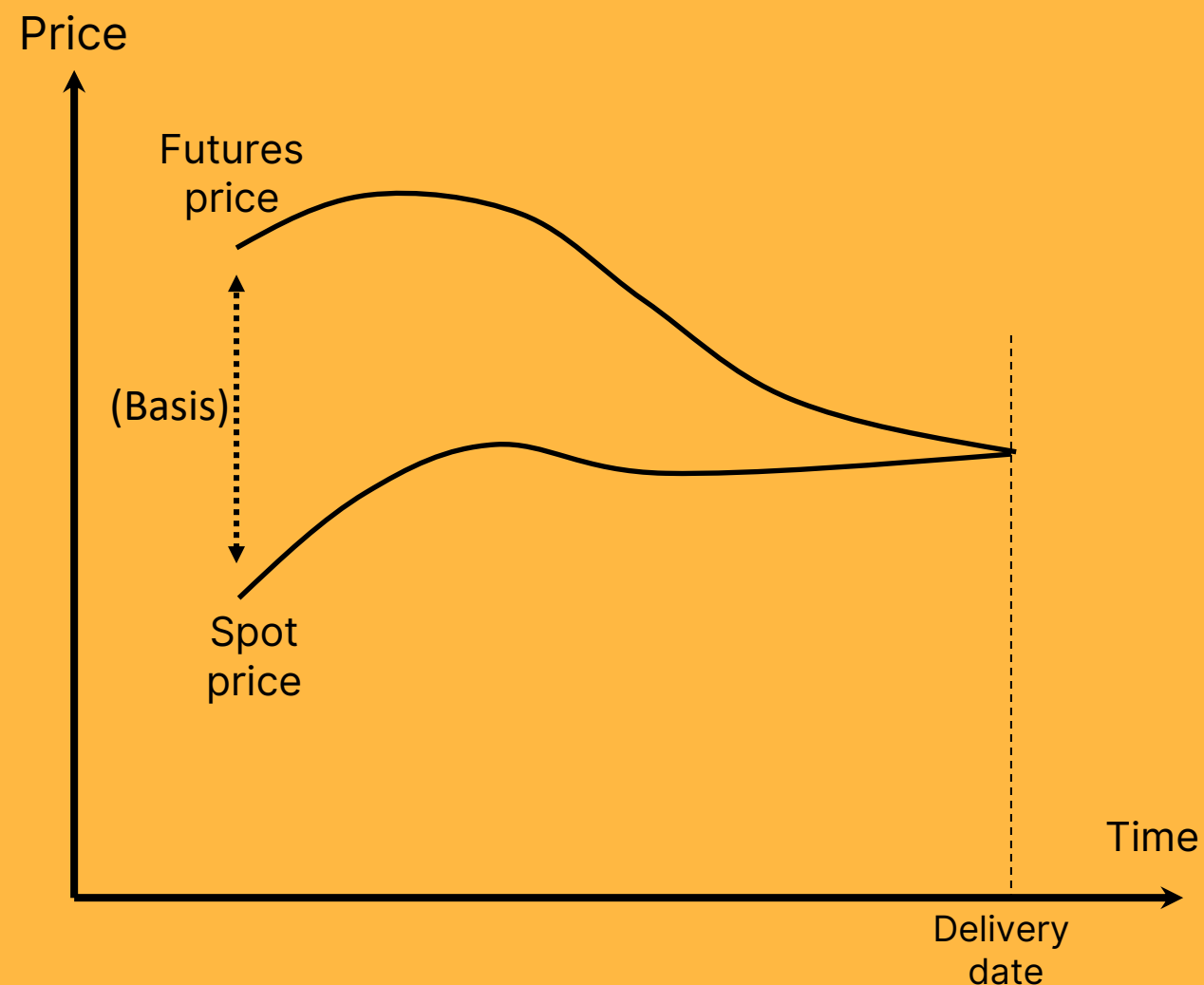


In a 'contango' market, the far month delivery is priced higher in comparison with a near term delivery. Hence futures are traded at a premium over spot.

'Contango' is a normal situation for durable and easily storable commodities such as gold and silver. Backwardation rarely occurred because there is always a large available inventory. Historically, gold market was in backwardation only 79 days over the 12,107 business days between Jan 1975 and Feb 2023, that is, only 0.66% of the time.

$$\text{Futures Price} = \text{Spot Price} + \text{Cost of Carry}$$

CONVERGENCE OF PRICES (FUTURES TO SPOT)



A very important characteristic of the market is that the futures contract price always converges over time to the spot price as it gets nearer to the delivery date.

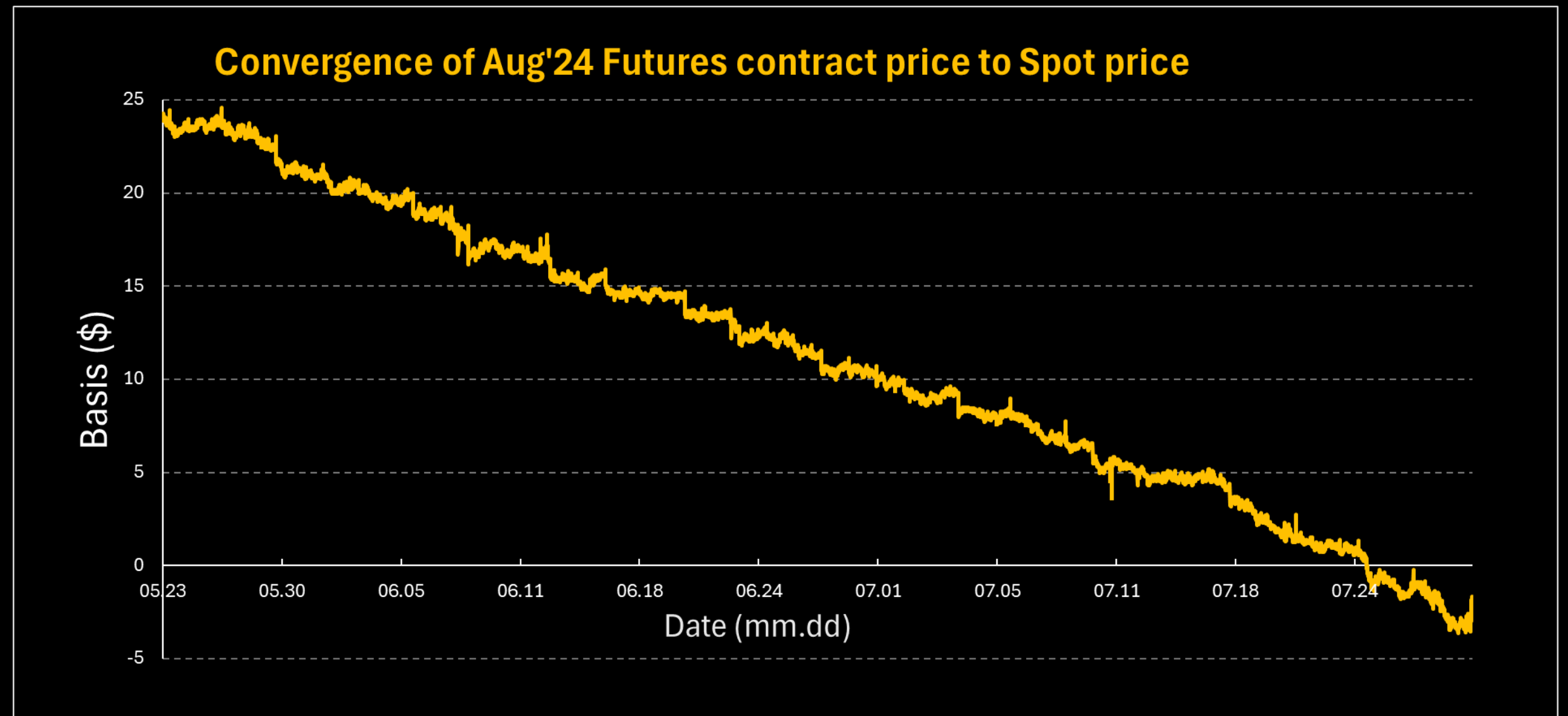
A futures contract at its delivery date is the exact same thing as a spot contract. Hence traders, especially arbitrageurs, will not allow the same product to trade at difference prices at the same place and time.

***Basis = Difference in price between futures and spot**

(The 'Basis' will decrease over time and become zero at delivery date)



REAL MARKET DATA



At 10:15 (CT) on 23 May 2024, the Aug'24 futures contract (GCQ24) was trading at \$2,368.16 per troy ounce, whereas the Gold Spot contract was trading at \$2,344.10 per troy ounce. Hence the futures price was \$24.06 higher than the spot price.

The chart above shows that the Basis was decreasing over time and eventually dipped below ZERO on the 24th of July at 17:00 (CT) – at that moment, the Aug'24 futures price was \$2,397.53 vs spot price of \$2,397.70.

REAL MARKET DATA

Convergence of Dec'24 Futures Contract Price to Spot Price



The above chart shows that between 23 July 2024 to 10 September 2024, the Basis for Dec'24 Futures contract has narrowed (contracted) by $-\$19.80$.

As we approach the First Notice Date on 29 Nov 2024, we expect the Basis to drop to zero.

First Notice Date

(FND) is the first date that, a long or short holder of a futures contract may be forced to take physical delivery or make a delivery of the underlying commodity.

Gold Futures Contracts traded on COMEX:

- The Expiry Date is on the 3rd last business day of the contract (delivery) month
- The FND is on the last business day of the month preceding the contract month
- To prevent physical delivery, we **MUST** close all contracts before FND.

<u>Contract</u>	<u>First Notice Date</u>	<u>Expiry Date</u>
Sep'24	2024.08.30	2024.09.26
Aug'24	2024.07.31	2024.08.28
Jul'24	2024.06.28	2024.07.29
Jun'24	2024.05.31	2024.06.26

Arbitrage

The 100% Winning Strategy

Arbitrage = Sell Futures and Buy Equal Amount of Spot at the SAME TIME

Let's imagine, we have a trading account with \$250k balance:

On 23 May 2024, we SOLD 20 contracts of Aug'24 futures (GCQ24) at \$2,368.16 (per troy ounce), and simultaneously, we BOUGHT 20 contracts of Gold Spot at \$2,344.10 per troy ounce.

We held on to both positions until the 24th of July, when the Aug'24 futures price became \$2,397.53, and the spot price became \$2,397.70.

Our loss from selling the futures contracts would be: $(2368.16 - 2397.53) * 20 * 100 = -\$58,740$

Our profit from buying the spot contracts would be $(2397.70 - 2344.10) * 20 * 100 = +\$107,200$

Our NET gain (Arbitrage Profit) would then be $= \$107,200 - \$58,740 = \$48,460$ (ROI=19.3% in 2 months)

Arbitrage Profit = Risk Free Profit**

**Because we know that futures price will converge to spot price at delivery date;

**So, the arbitrage profit is simply the price differences between futures and spot as soon as both positions are opened.





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BREAKSLIDES

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Introducing Meda11ion Fund™

A special Hedge Fund
created for arbitrageurs



Key features

- ❖ No capital lock-in period
- ❖ Investors join the fund via PAMM accounts
- ❖ Funding by USDT-TRC20 is preferred
- ❖ Investors have access to Main Trading Account
- ❖ Investors can request to view the LP Hub
- ❖ A 'multi-sig' wallet to receive withdrawals from LP
- ❖ Investors can request watch-only access to multi-sig wallet
- ❖ Investors will be fully informed of all aspects of fund management

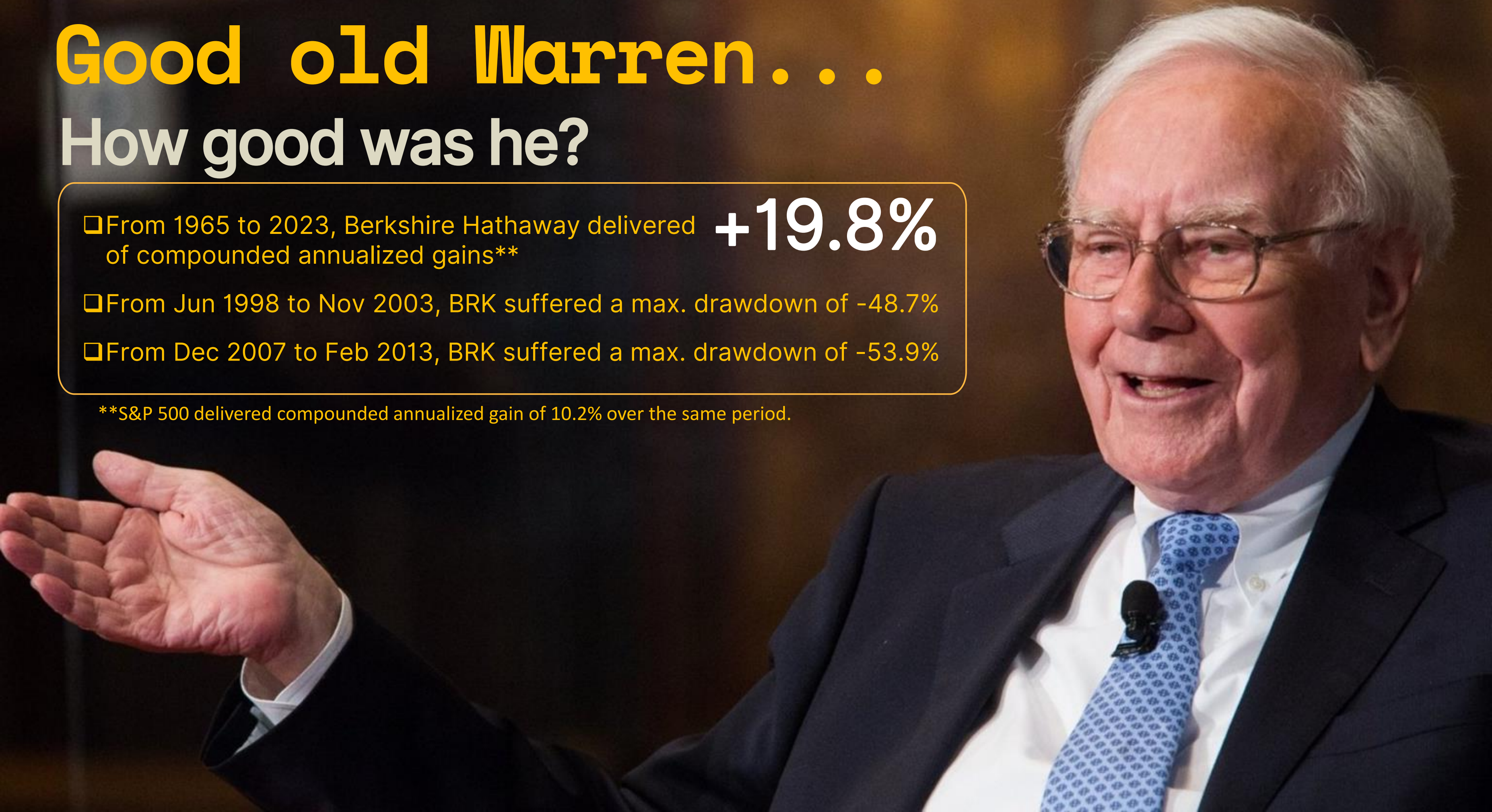


Good old Warren...

How good was he?

- ❑ From 1965 to 2023, Berkshire Hathaway delivered **+19.8%** of compounded annualized gains**
- ❑ From Jun 1998 to Nov 2003, BRK suffered a max. drawdown of -48.7%
- ❑ From Dec 2007 to Feb 2013, BRK suffered a max. drawdown of -53.9%

**S&P 500 delivered compounded annualized gain of 10.2% over the same period.





Risk Free · Stress Free

Medallion FundTM
can deliver

+36%

(Annually)



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- ✓ Achieve 3% monthly ROI (after management fees) with zero stress
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- ✓ Be part of tomorrow's success story



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THANKYOU

Have questions? Email us support@arbitrage.gold
