

SPECIAL Market Update

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Alternative Currency Carnage

Gold and Bitcoin – two popular alternatives to holding the U.S. dollar (or other fiat currencies) – haven’t been so popular of late. Gold has fallen 10% since its recent high of \$5,318/ounce on January 29 (while silver has fallen 36% over that same timeframe). Meanwhile, Bitcoin has fallen 35% since its year-to-date high of \$97,558 on January 14 (and has nearly halved – down ~49% – since its October 6 level of \$125,261). It’s difficult to fundamentally analyze Gold and (especially) Bitcoin – given they lack actual fundamentals (no cash flows off which to value them) – but Kevin Warsh’s nomination to be the next Fed Chair likely played a role, with his less-than-full-on dovish perspective and the credibility he brings to the Fed halting the U.S. dollar’s recent decline.

Assessing the damage. Gold’s recent drop was kicked off by a 5% drop last week (ending 1/30/2026) – the largest weekly drop Gold has experienced over the past two-plus years (Exhibit 1). In some ways, investors were bracing for the correction after Gold had gotten ahead of its trend line over recent weeks – moving from \$4,500 to over \$5,300/ounce (+18%) in the span of just two-and-a-half weeks (starting 1/9/2026). Similar, but muted, price action occurred in October – when Gold surged 9% in just over a week’s time, only to give all the gains back in the subsequent six trading days (the entire episode occurring between 10/10-10/29/2025). Bitcoin can be considered Gold’s more dramatic cousin – an alternative currency still looking for its equilibrium level. As such, it experiences greater peaks and valleys, with its biggest weekly valley occurring this week – a 16% drop (ahead of Friday trading). Thus far, the alternative-currency carnage has not meaningfully bled into the equity markets – with the S&P 500 down just 2% over the past two weeks.

Examining the drivers. Markets like to blame the Fed for any of their woes, but this time around they may have a case. For a market that firmly believed President Trump’s Fed-Chair interviews consisted of one question – how quickly will you cut rates? – the nomination of Kevin Warsh was a surprise. Warsh – a former Fed Governor from 2006-2011 and the critic of the Fed’s quantitative easing program during that time – removed a lot of market worries of an overly

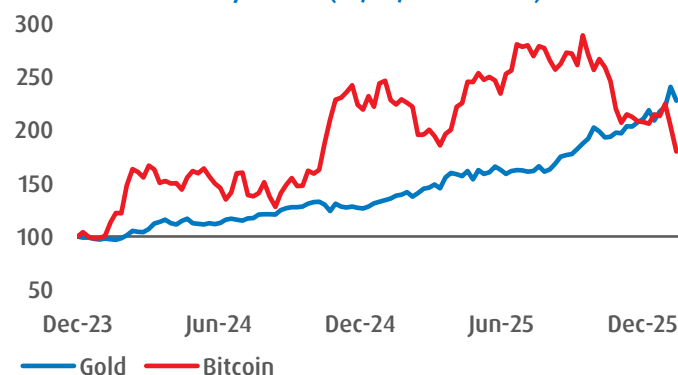
politicized Fed. Upon his announcement, the U.S. dollar promptly reversed course from cyclical lows while the 10-year U.S. Treasury yield has fallen back (just slightly) under the 4.2% cap it had been under for most of the past few months. Warsh’s views are a bit more nuanced, and he cannot simply be pigeon-holed as a monetary hawk. His desire to limit the Fed’s scope (i.e., less balance sheet expansion and mission creep into initiatives like climate change) doesn’t preclude rate cuts – in fact, he has expressed views that a U.S. productivity boom could allow for further rate cuts. But he does lend more credibility to the Fed – and, by extension, the U.S. dollar – than some of the other candidates that were being discussed. This newfound love for the dollar has likely come at the expense of near-term demand for alternative currencies – with leverage unwind (especially in the case of Bitcoin) exacerbating the price reset.

What to do now? While we don’t specifically recommend Gold or Bitcoin in our asset allocation models, we do view such allocations as reasonable long-term holdings that may benefit from the continued degradation of the U.S. dollar’s global reserve currency role – with Gold a more viable alternative in the near-term and Bitcoin showing longer-term potential. Sentiment driven, Gold and Bitcoin have a history of bold moves higher only to correct and hibernate for years. That said, long-term investors able to withstand potential volatility aftershocks may find this an attractive opportunity to build a position.

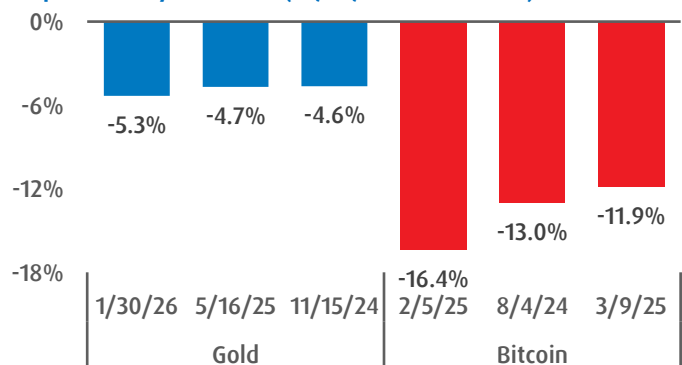
Exhibit 1: Alternative currency one-two punch

Last week, Gold had its sharpest fall in over two years at 5%. This week, it was Bitcoin’s turn – a 16% drop (through Thursday).

Alternative Currency Prices (12/31/2023 = 100)



Top 3 Weekly Declines (12/31/2023 - Current)



Source: Bloomberg L.P. (2026). Weekly data as of 2/5/2026.

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