

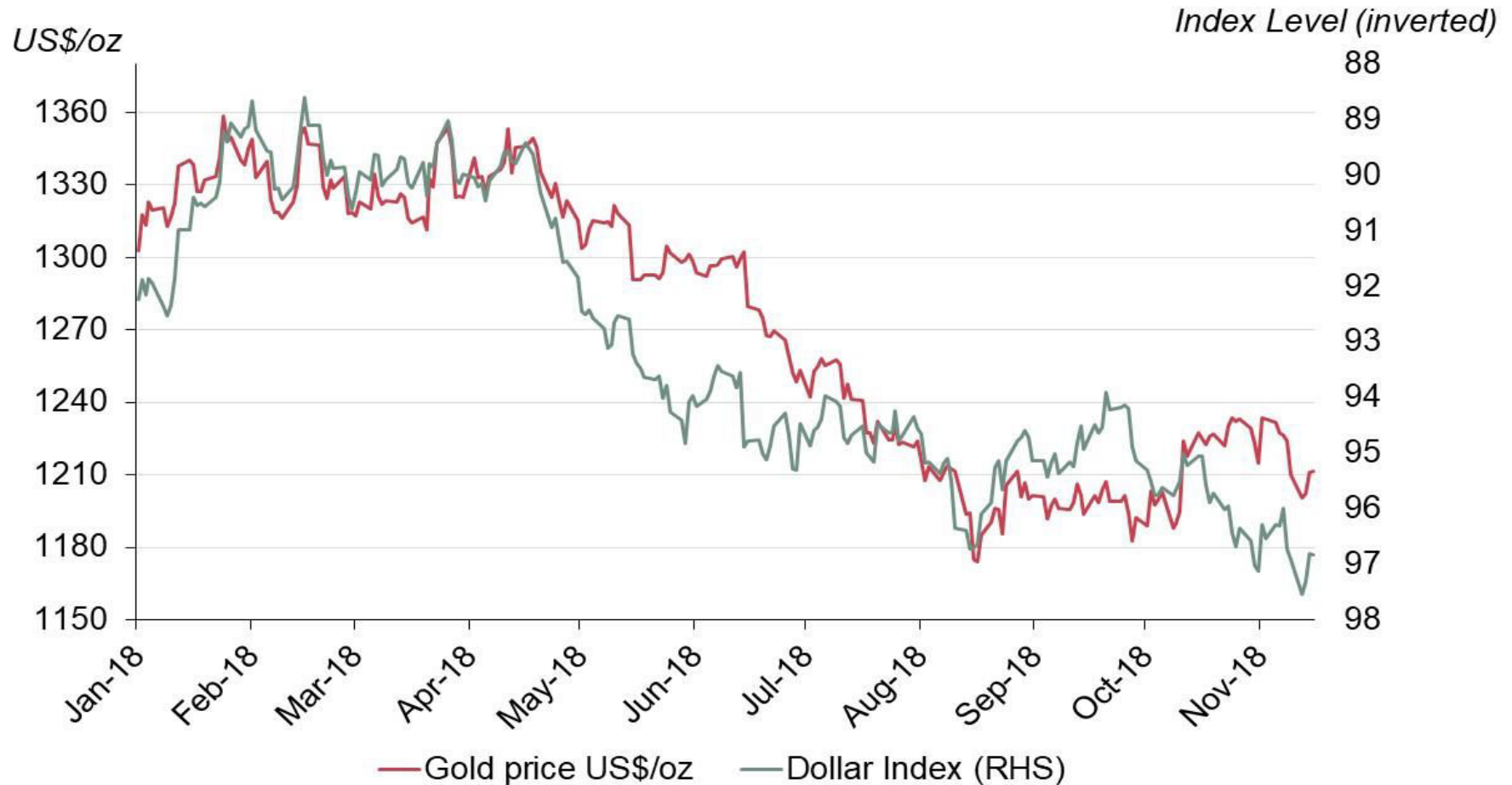
Overview of Global Gold Market

John Reade
Chief Market Strategist
November 2018

Macro Factors

The dollar is the biggest driver of gold

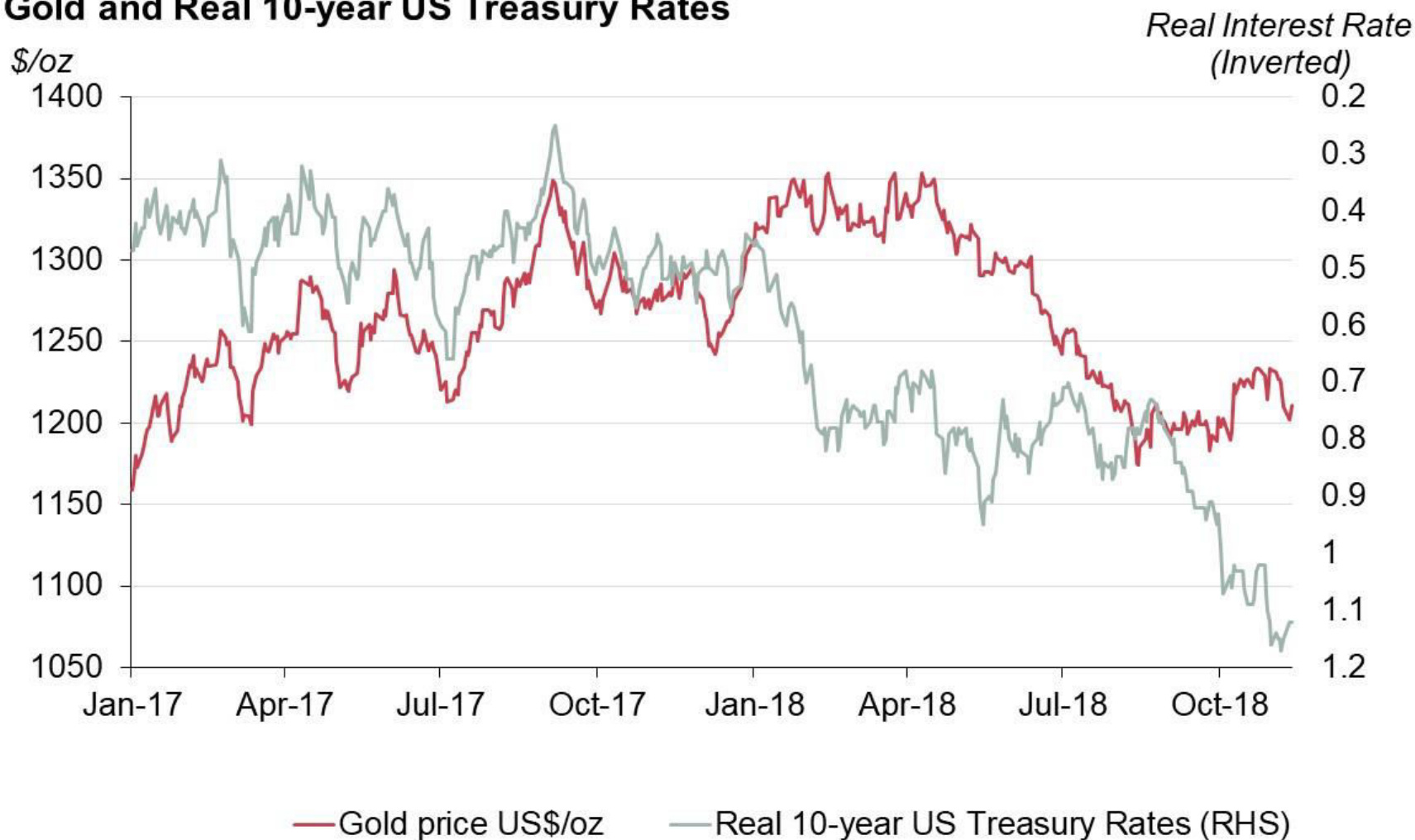
US\$ Gold Price and DXY Index from 2018



Source: Bloomberg

Real yields matter too

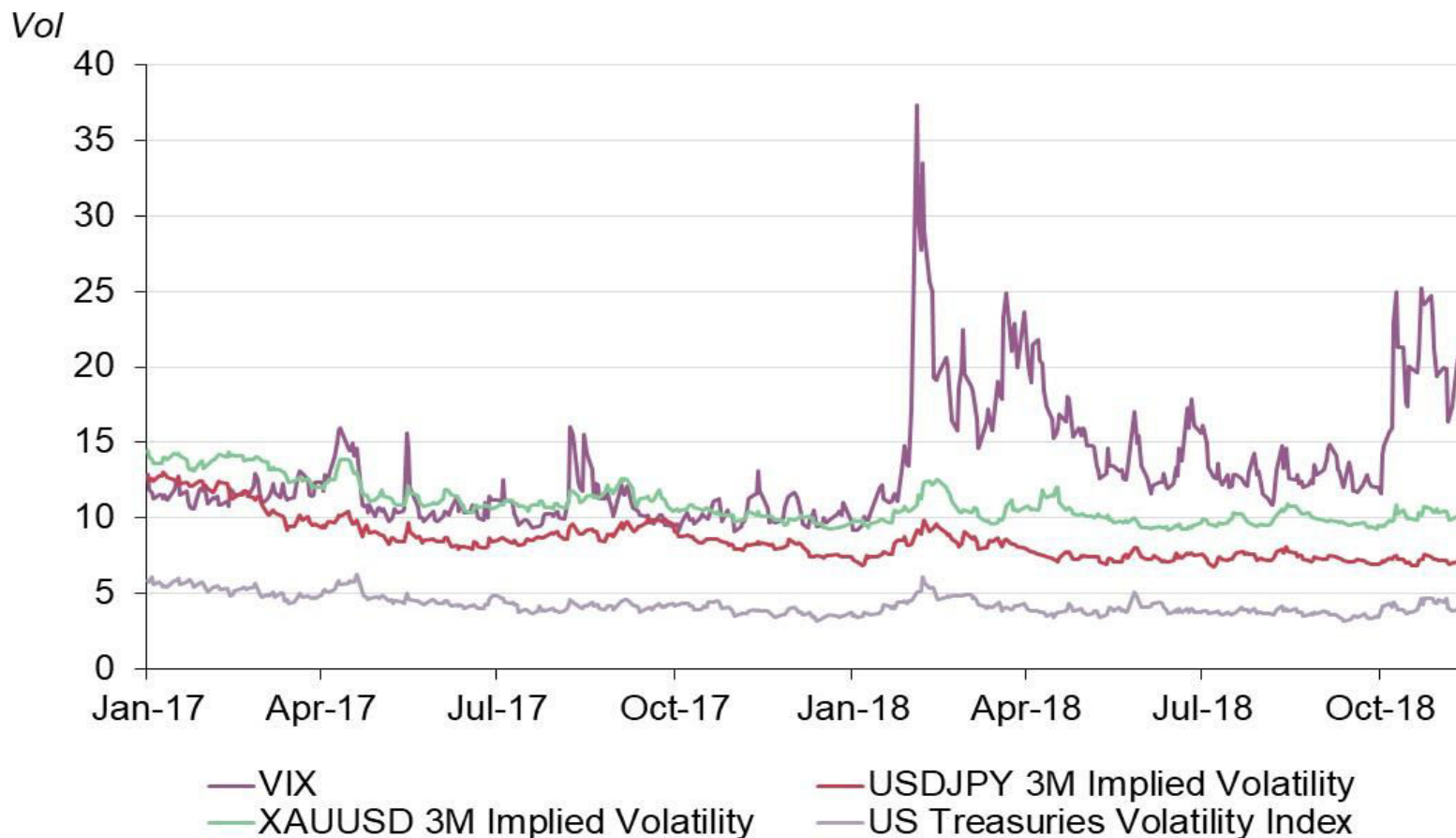
Gold and Real 10-year US Treasury Rates



Source: Bloomberg

Market volatility not hurting real economy yet.

Implied Volatility: EURUSD, XAUUSD, VIX & Bond VIX



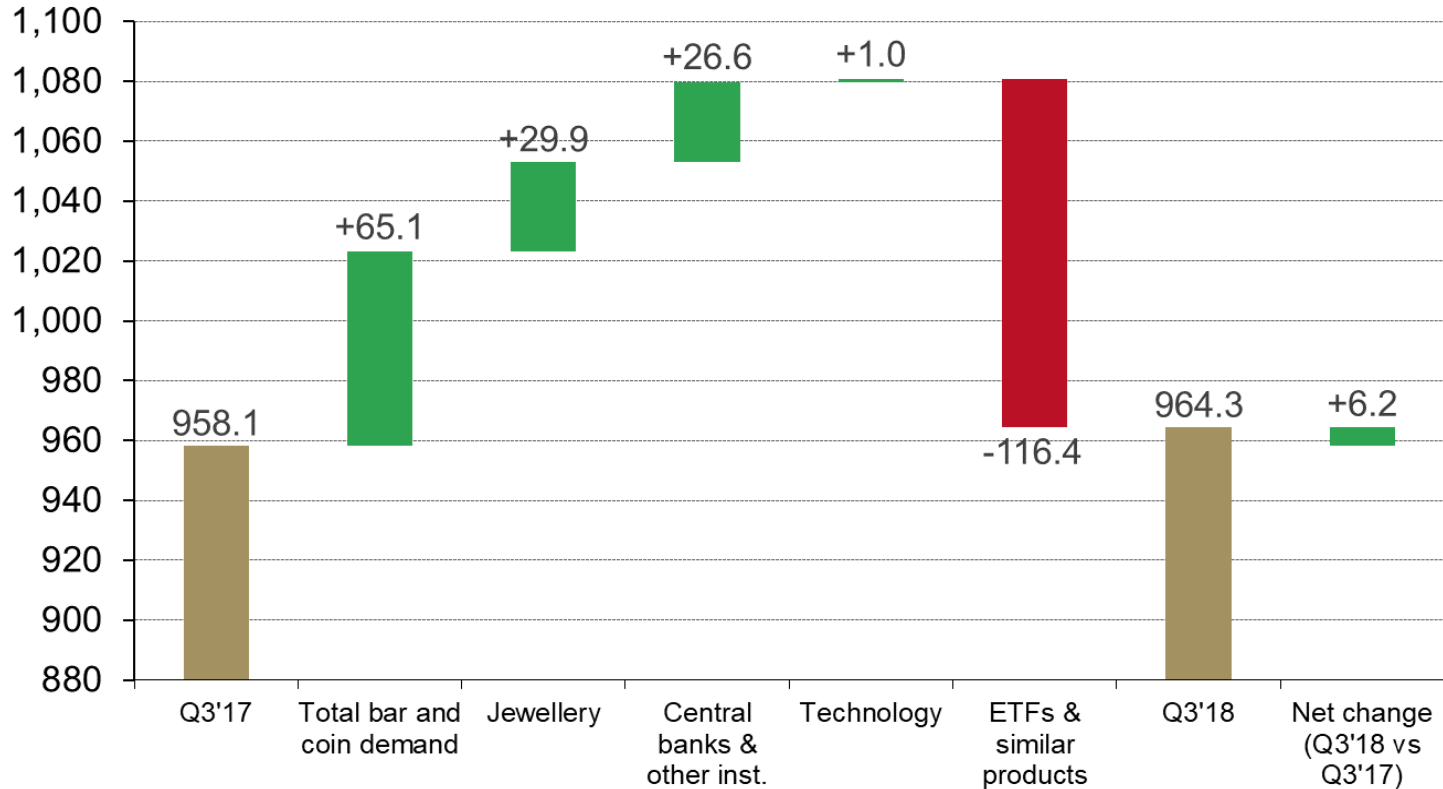
Source: Bloomberg

Fundamental markets

Q3 2018 demand steady; up slightly on last year

Year-on-year changes in demand

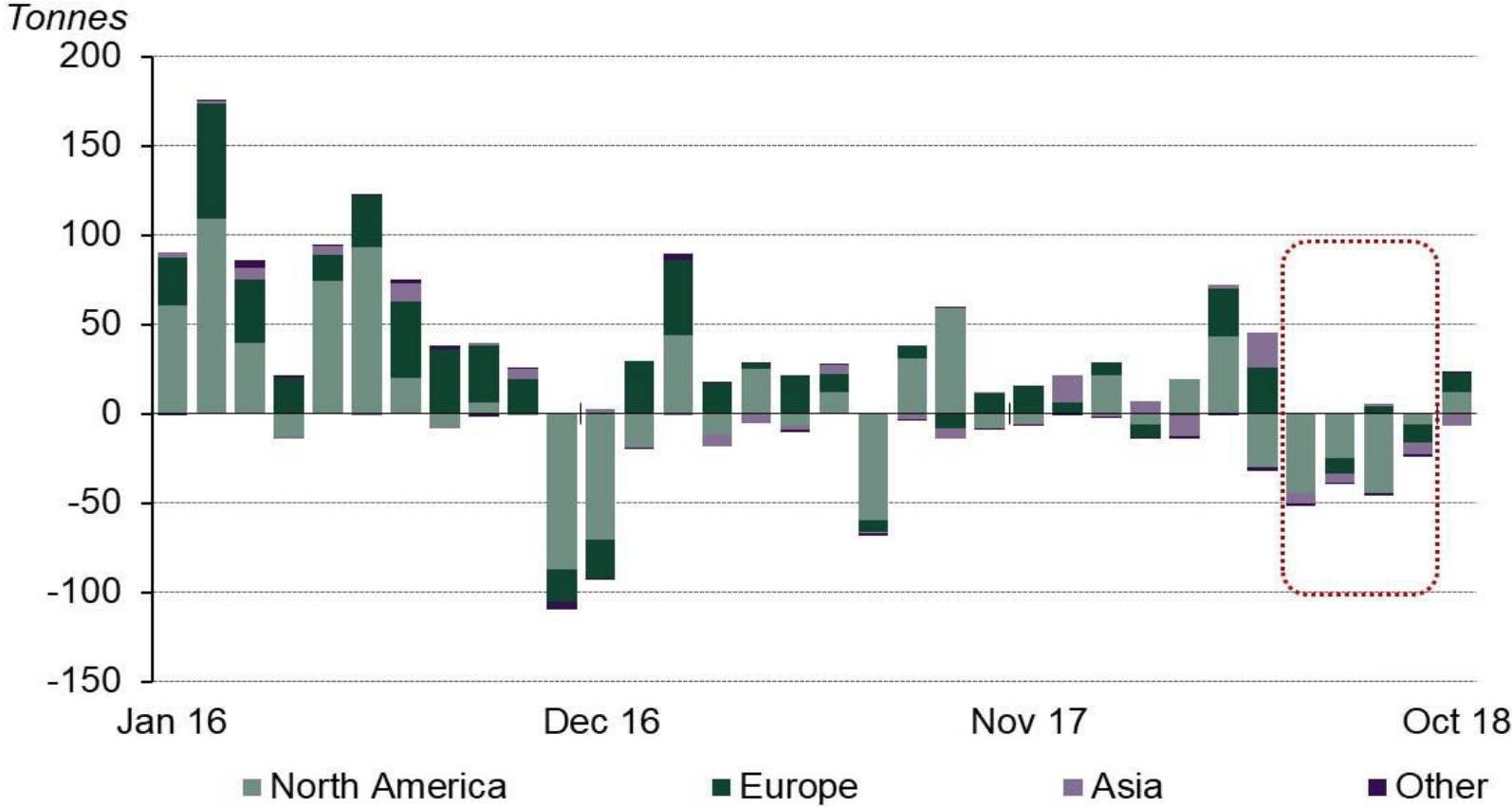
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Source: Metals Focus; World Gold Council

ETFs saw Inflows in October & November mtd

ETF monthly flows in tonnes

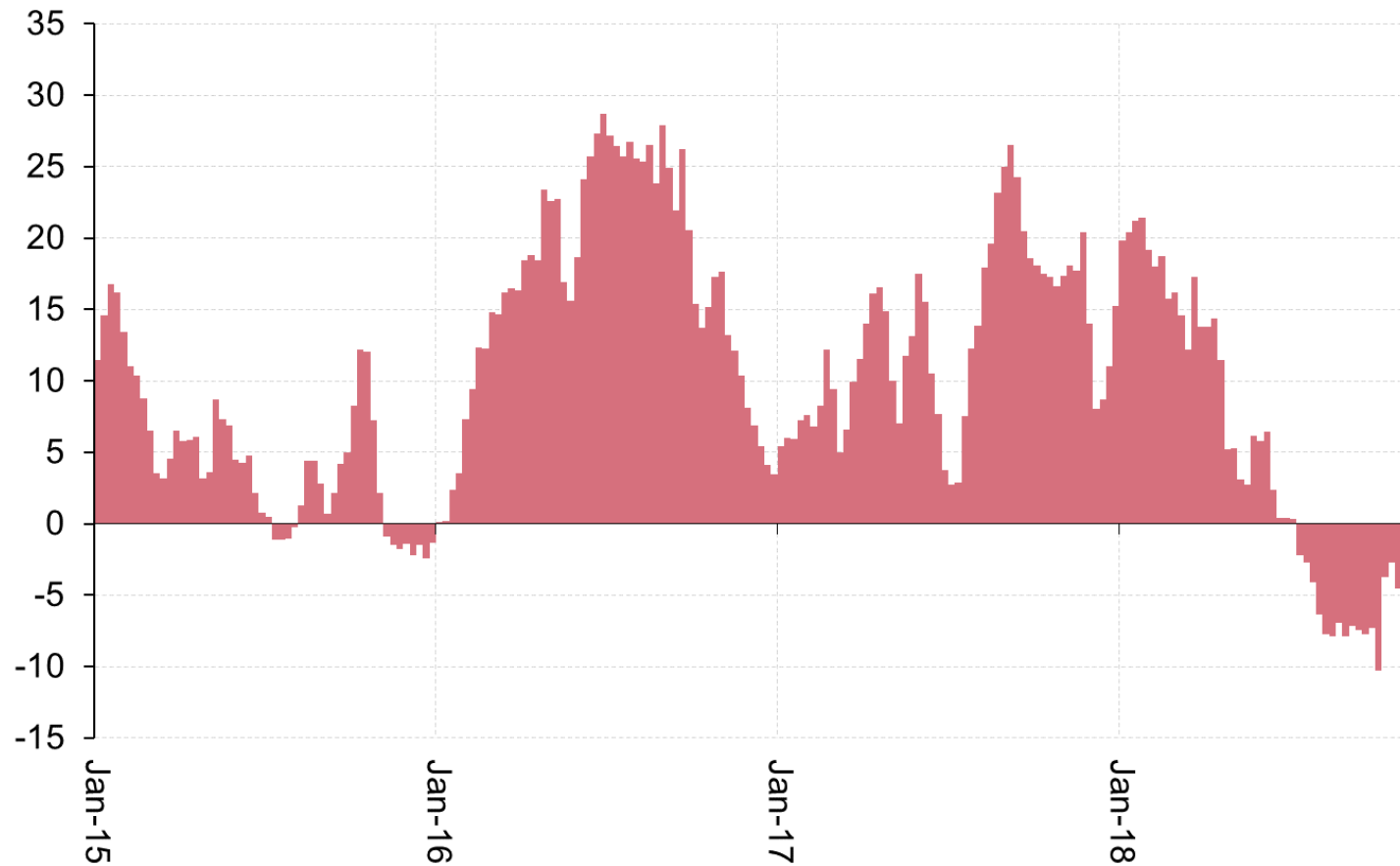


Source: Bloomberg; Company Filings; ICE Benchmark Administration; World Gold Council

Comex Speculators are still short

COTR - Comex Net Managed Money Positions

Millions of Ounces

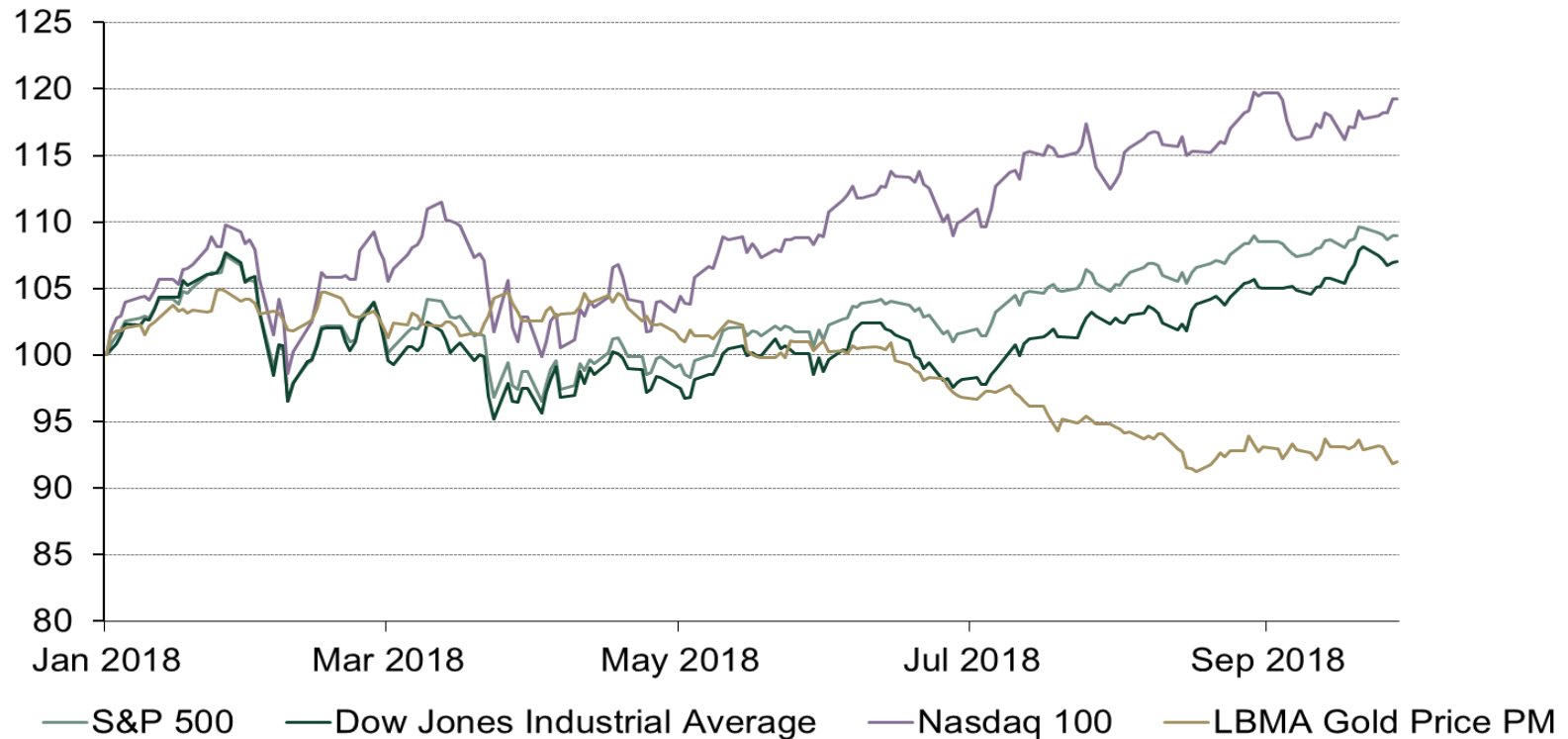


Source: Bloomberg, CFTC

Investors focused on strong equity market performance

US equity market performance

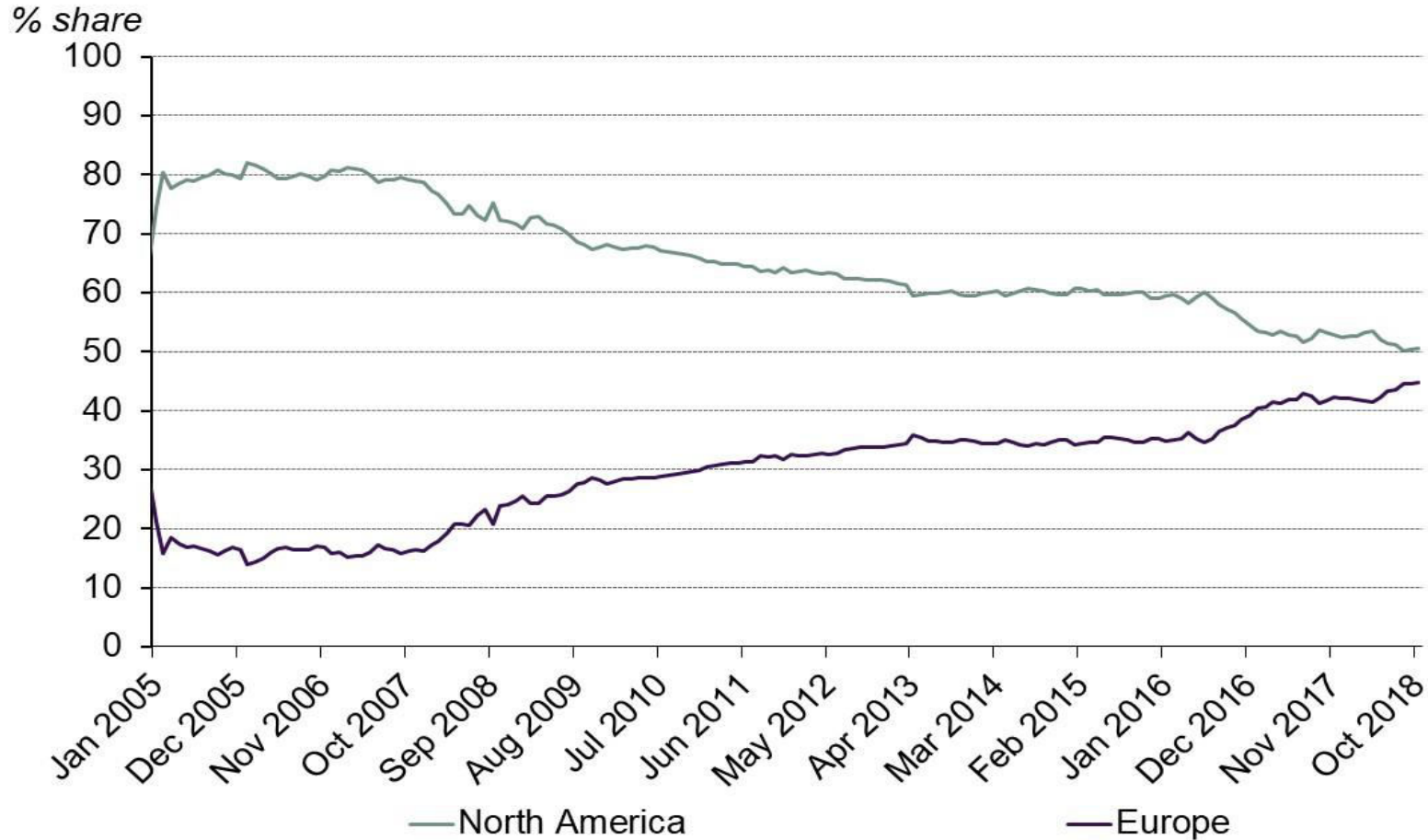
Index level



Source: Bmlloomberg; ICE Benchmark Administration; World Gold Council

The gold ETFs market masks notable regional differences

European-listed ETFs account for an increasing share of global AUM

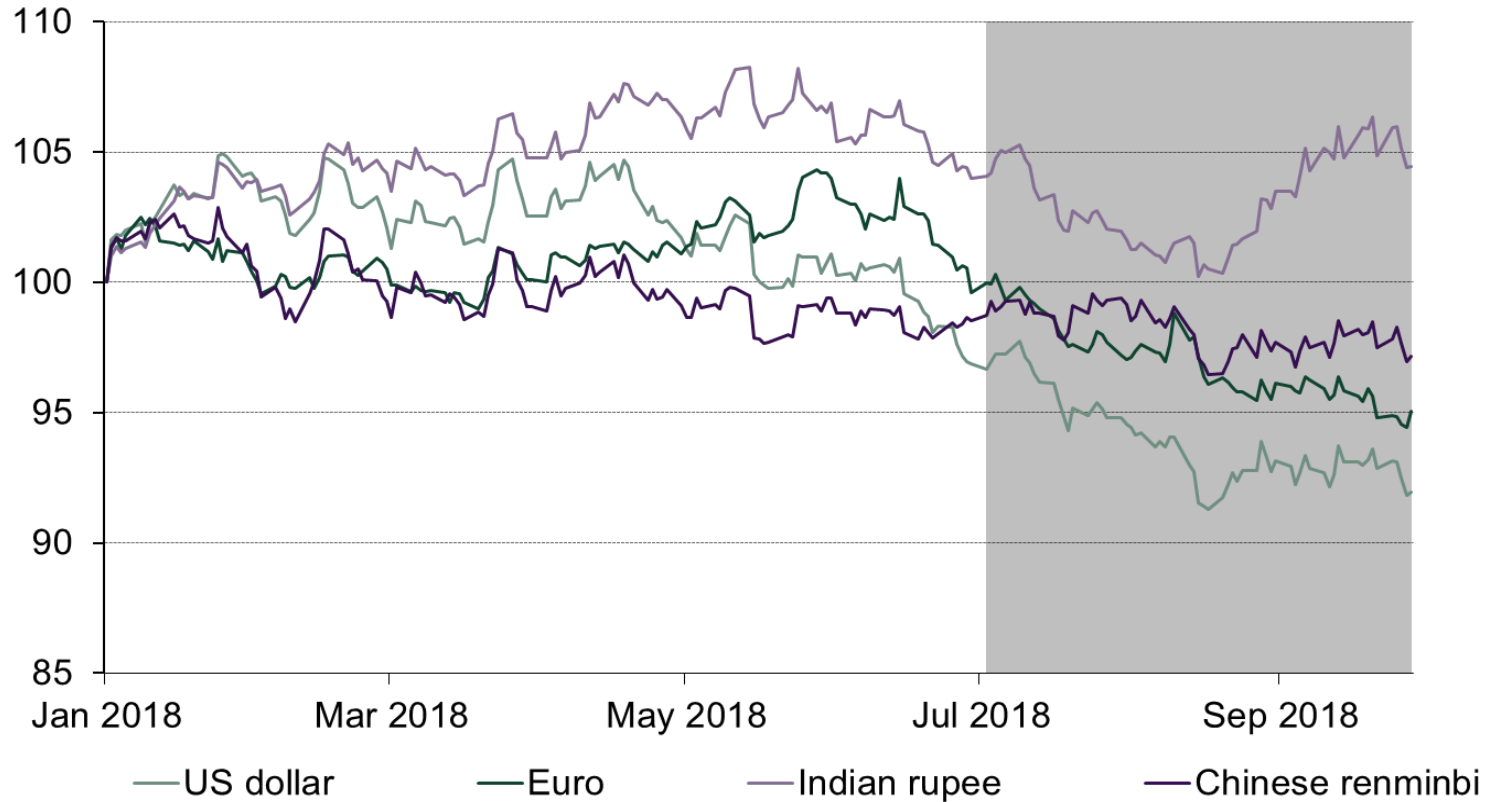


Source: Bloomberg; Company Filings; ICE Benchmark Administration; World Gold Council

Gold prices dipped.....

Gold price across different currencies

Index level

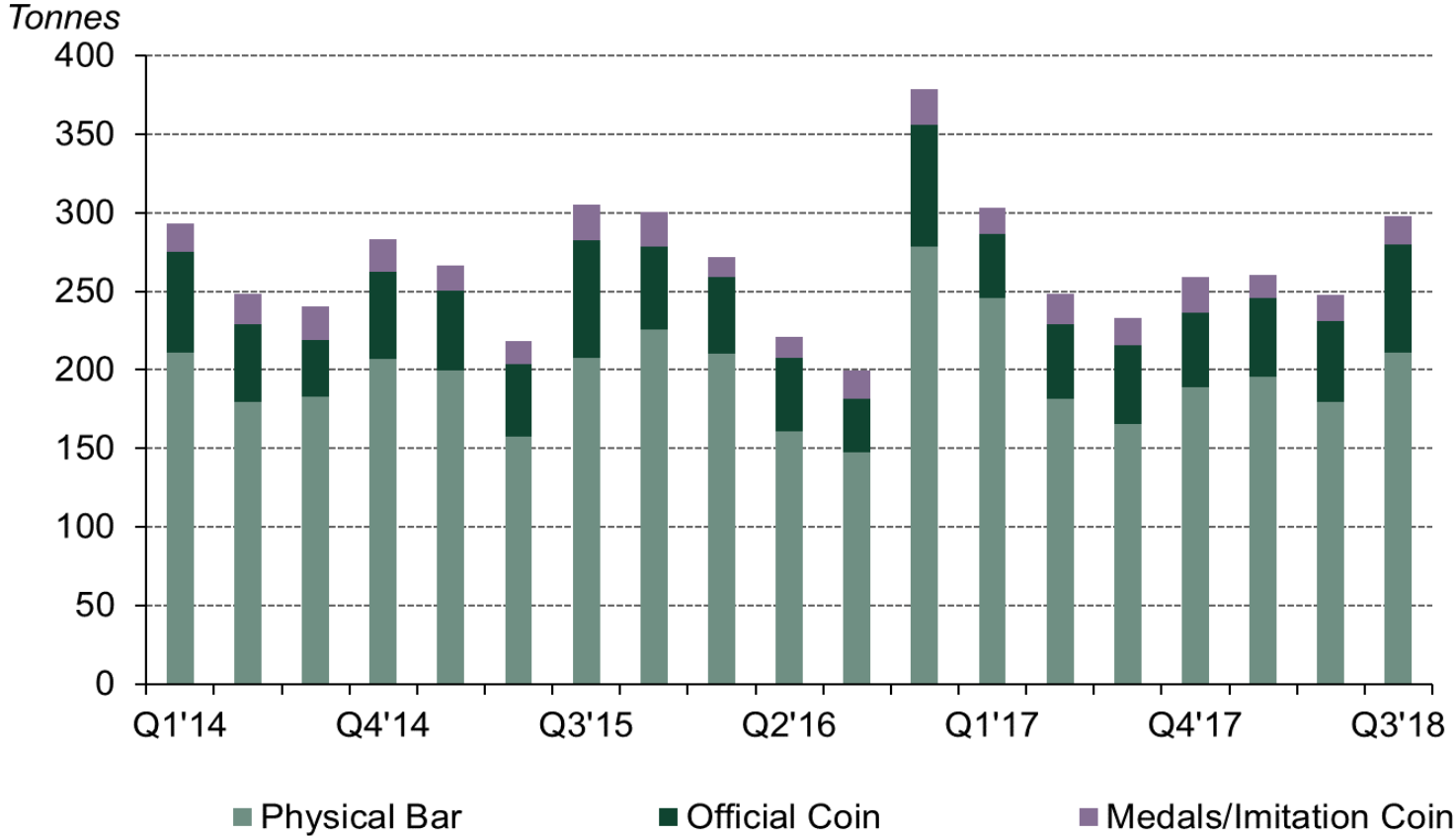


Note: Index level 01/01/2018 = 100

Source: ICE Benchmark Administration; Datastream; World Gold Council

Retail investors around the world dived in

Quarterly bar and coin demand

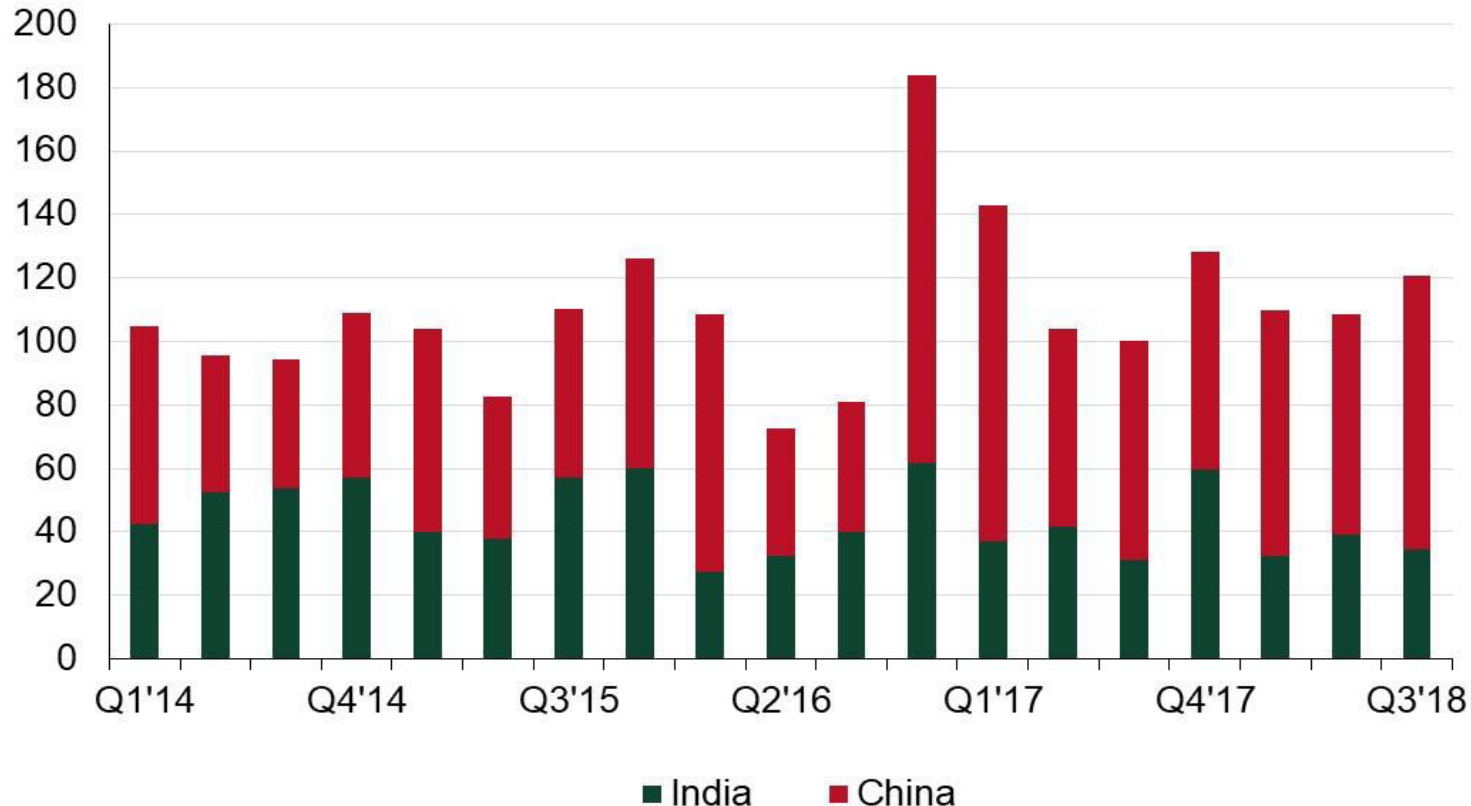


Source: Metals Focus; World Gold Council

China and India bar and coin demand supported by lower prices and weak equity markets

China and India quarterly bar and coin demand

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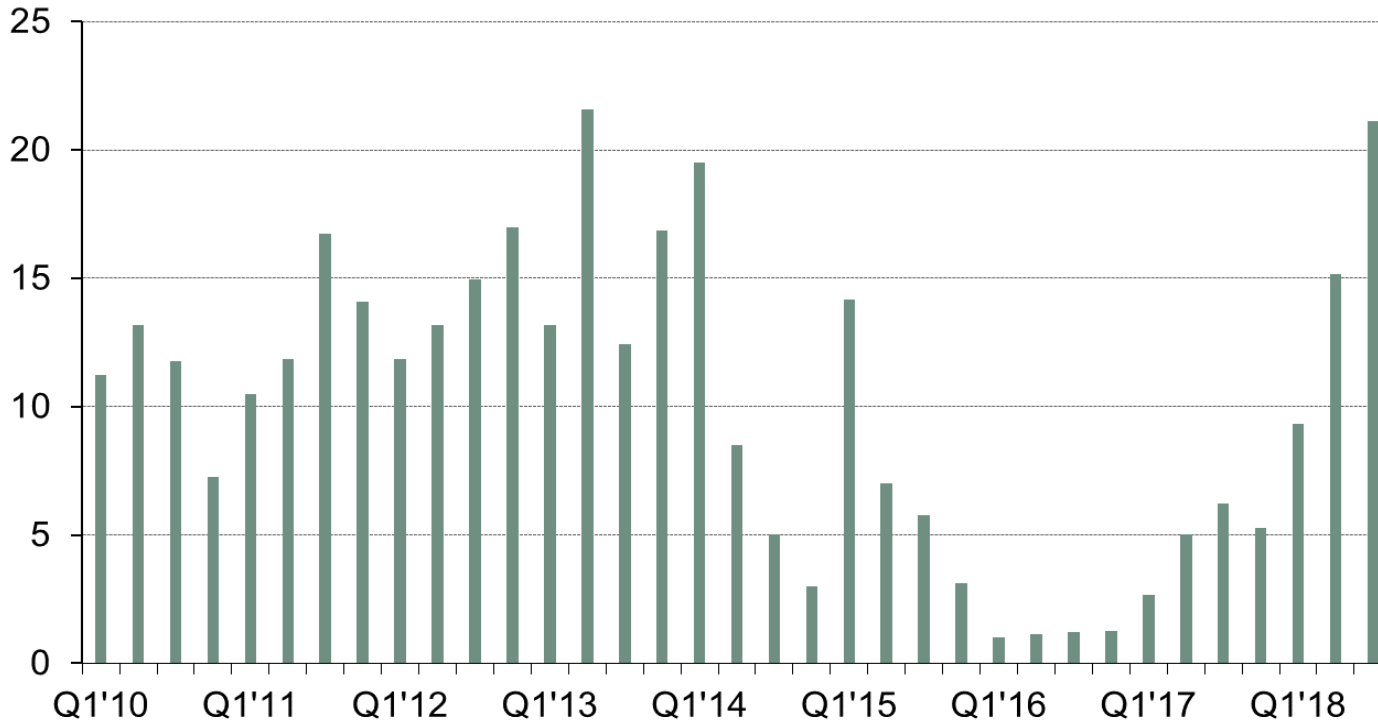


Source: Metals Focus; World Gold Council

Sanctions boost Iranian demand to 5-year high

Iranian quarterly bar and coin demand

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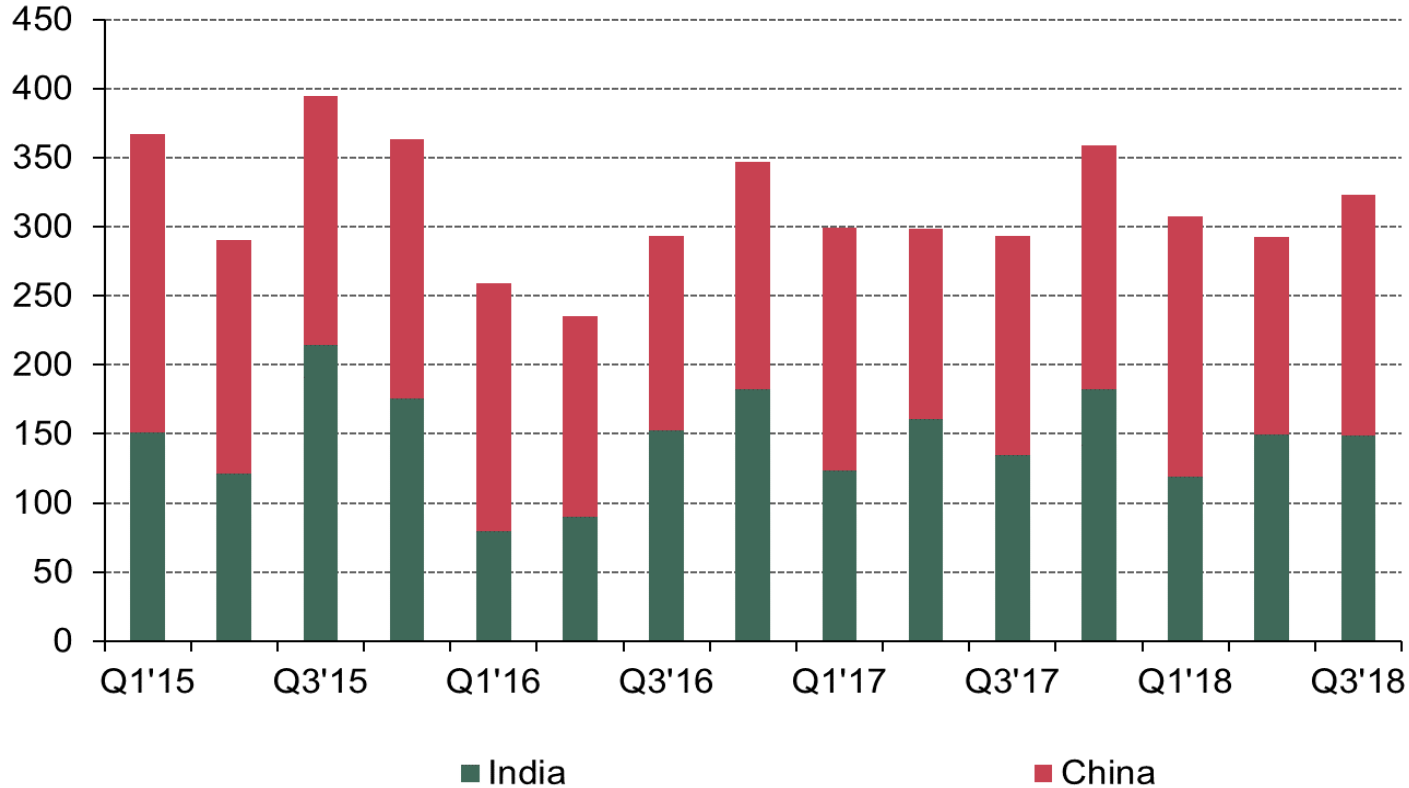


Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

Jewellery demand up driven by India and China

China and India quarterly jewellery demand

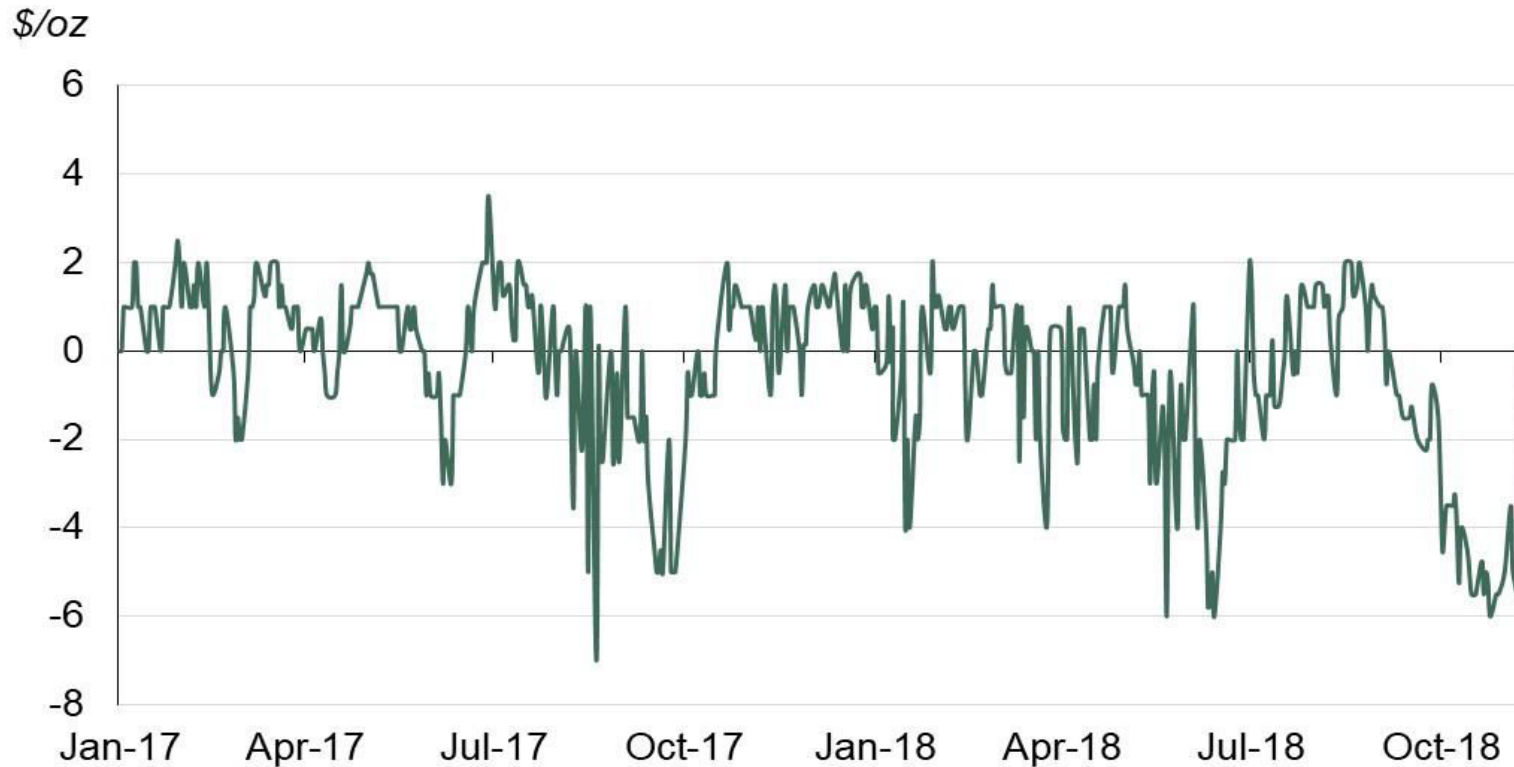
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Source: Metals Focus; World Gold Council

Early indications of positive sentiment for gold demand in Q4 2018

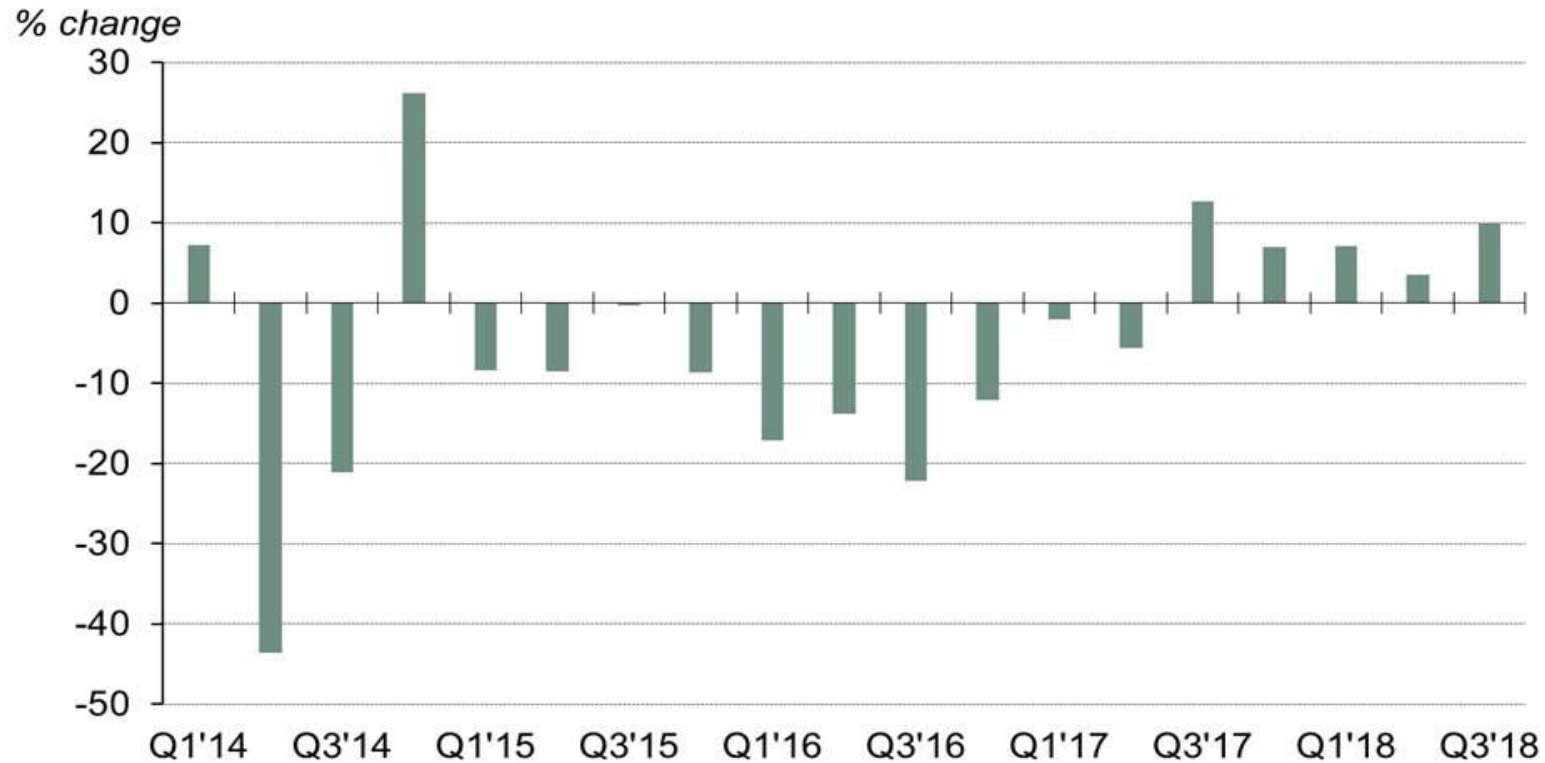
Indian gold market premia or discount



Source: NCDEX

Chinese jewellery demand benefitted from the festivals

China's jewellery market continued to grow

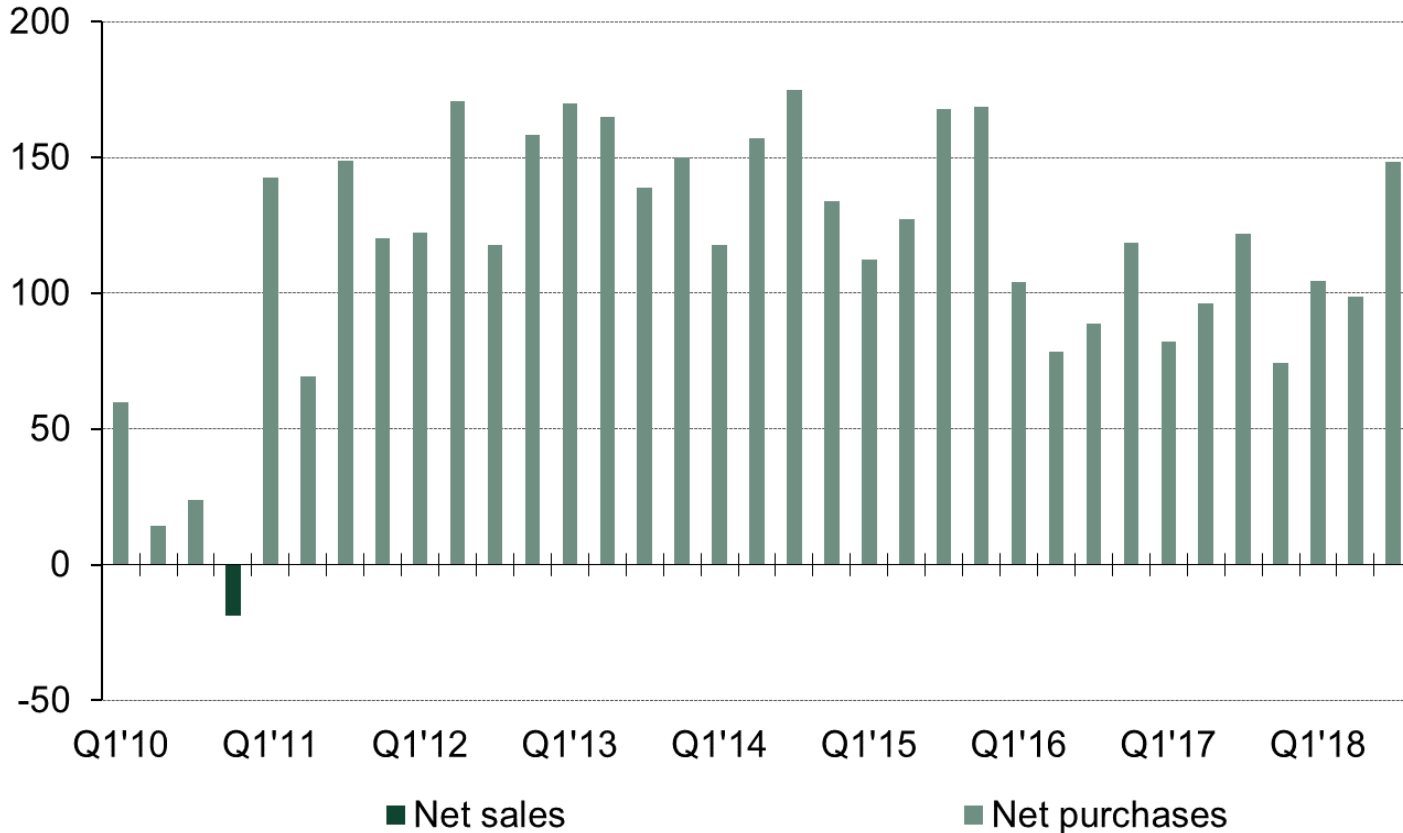


Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

Central bank demand up; larger spread of buyers

Central bank quarterly purchases

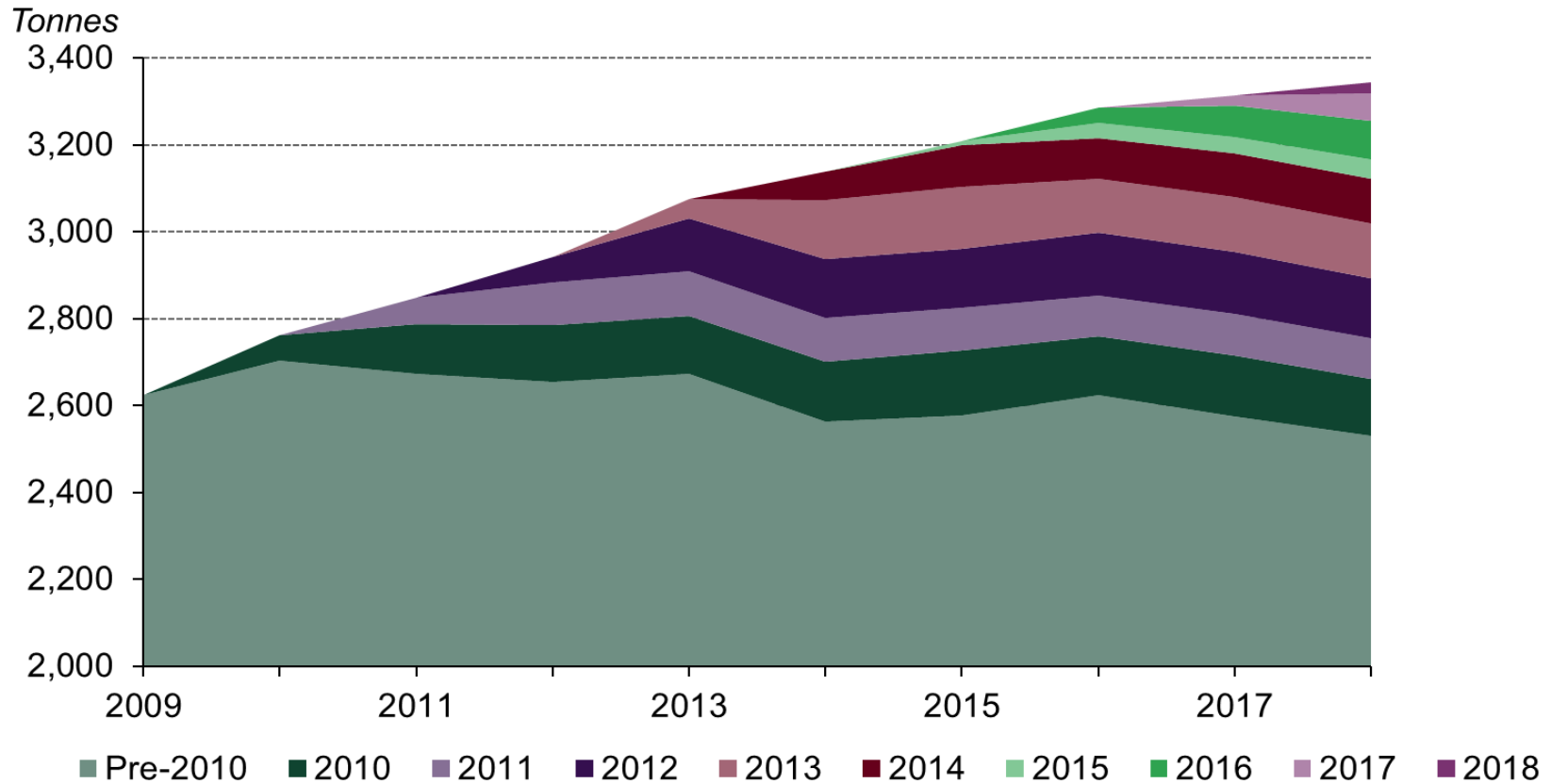
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Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

Mine production hit new highs

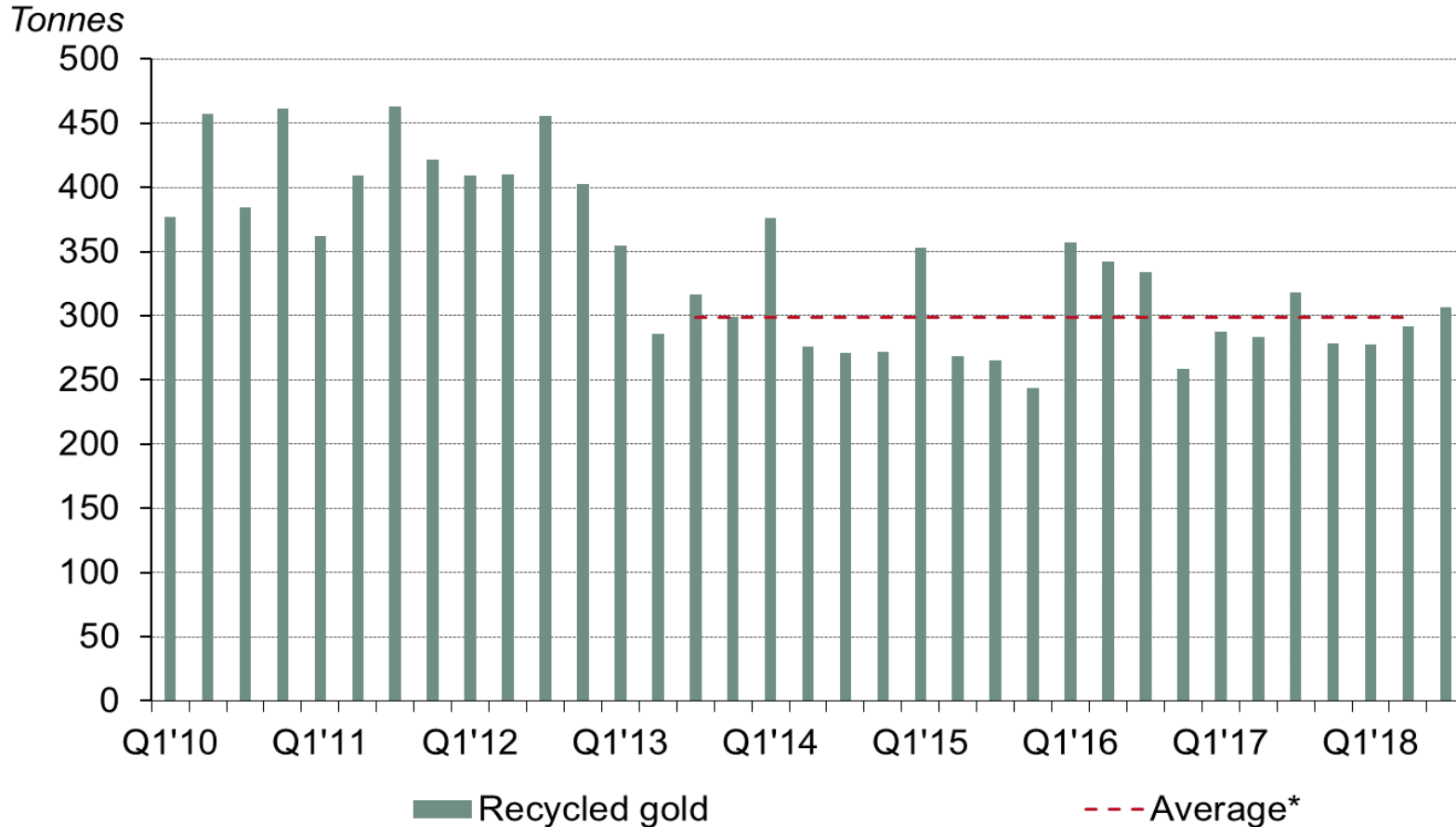
Mine production by project start date



Source: Metals Focus

Recycled gold down 4% y-o-y

Recycled gold marginally higher than the five-year quarterly average



*Quarterly average between Q3'13 - Q2'18

Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

Conclusion

- The US economy, asset markets and the USD are at a crucial juncture
- Was October's weakness a repeat of February –
 - Or the start of something more important.
- Investors are slowly buying gold again via ETFs –
 - Although speculators are still short
- Fundamental markets are still supportive
 - Watch central banks for guidance about US\$ hegemony!

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