

Gold Focus 2016 Launch

Philip Klapwijk, Chief Consultant

Toronto, 31st March 2016



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About Metals Focus

- Truly independent precious metals consultancy
- Experienced team of precious metals specialists, 20-strong, based in: London, Mumbai, Hong Kong, Taiwan, Shanghai, Istanbul & Madrid
- Not just desk-based research – extensive travel programme, with regular visits to key market participants in major markets

Gold Focus 2016

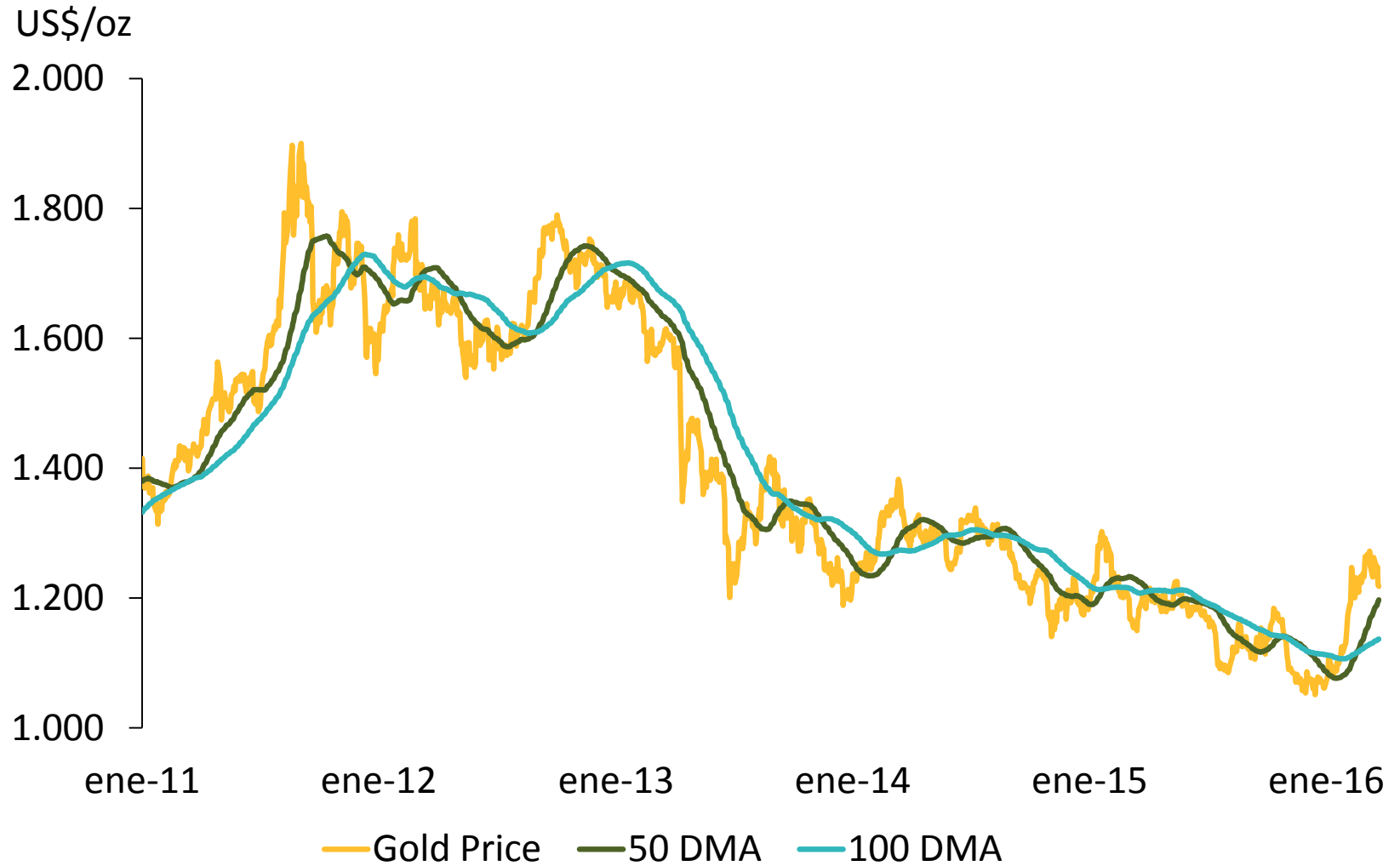
Metals Focus Gold Focus 2016



Presentation Outline

- **Review of 2015**
 - **Economic backdrop: Largely negative for gold**
(US monetary policy, US dollar, commodity prices, inflation, stocks)
 - Key Supply Factors
 - Key Demand Factors
 - Main physical gold markets: China and India
- Market & Price Outlook for 2016
- Q&A

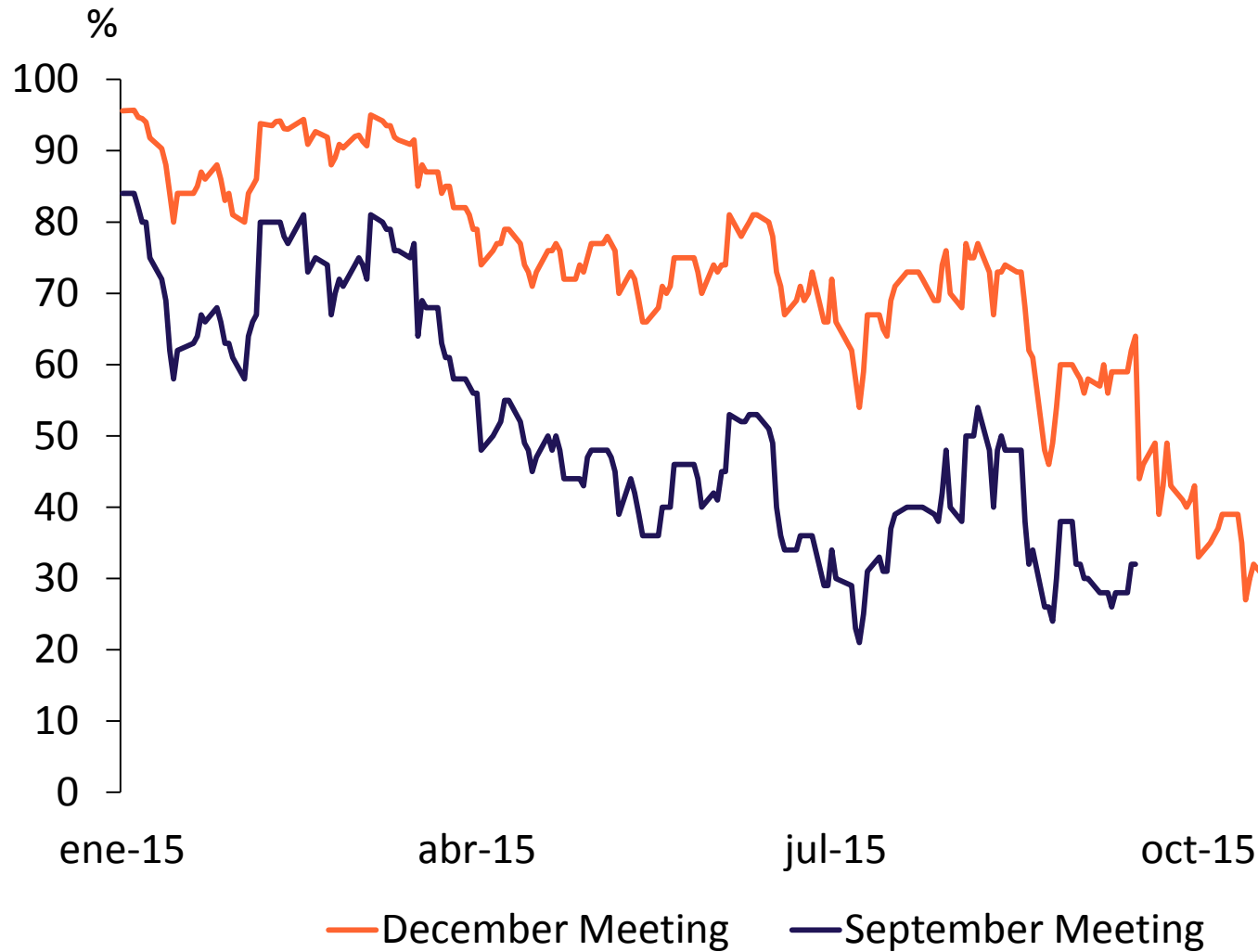
2015: price weakness continued over much of the year



Source: Bloomberg



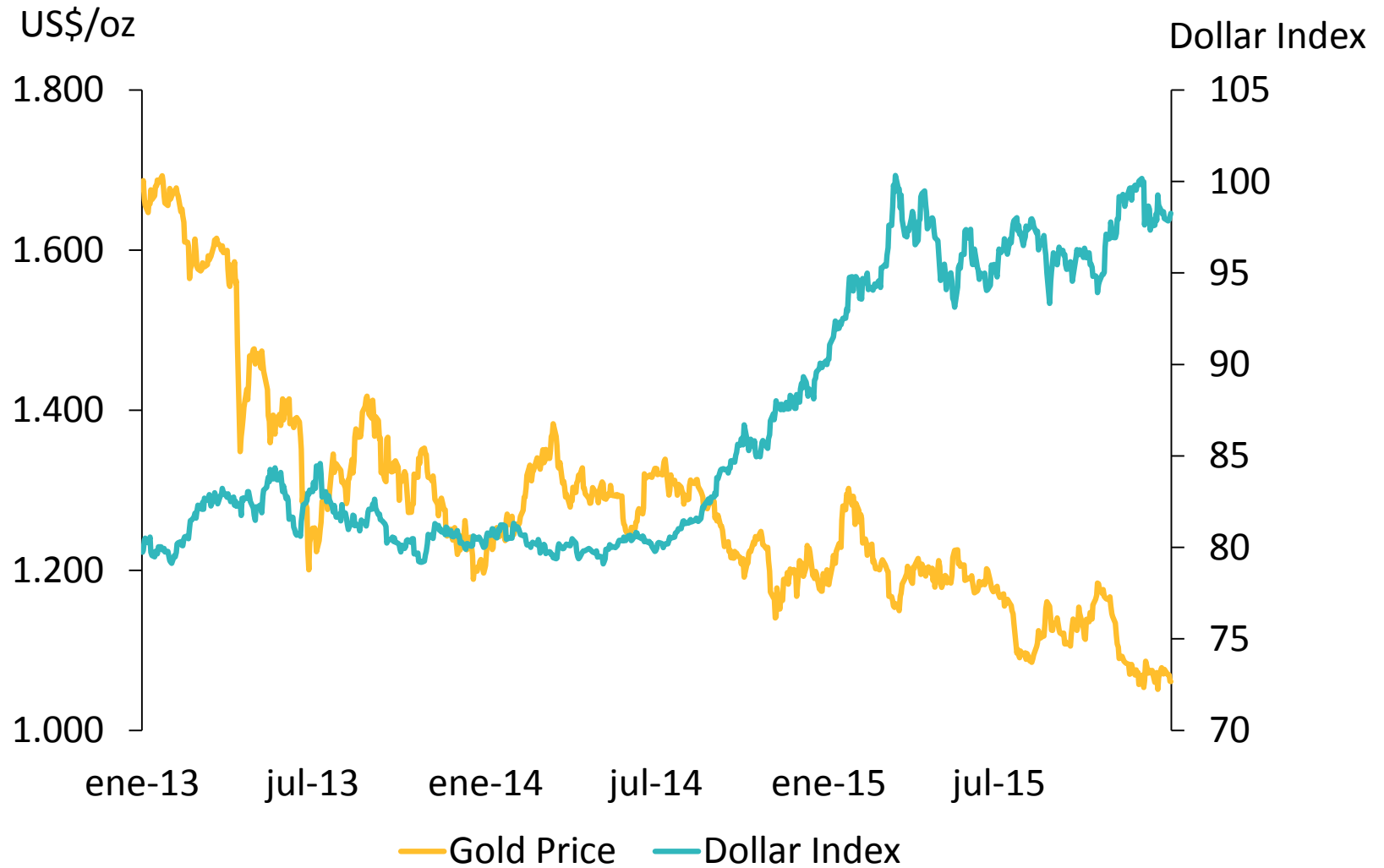
Probability of a rate hike by FOMC meeting*



*Percentage probability inferred by bond prices
Source: Bloomberg



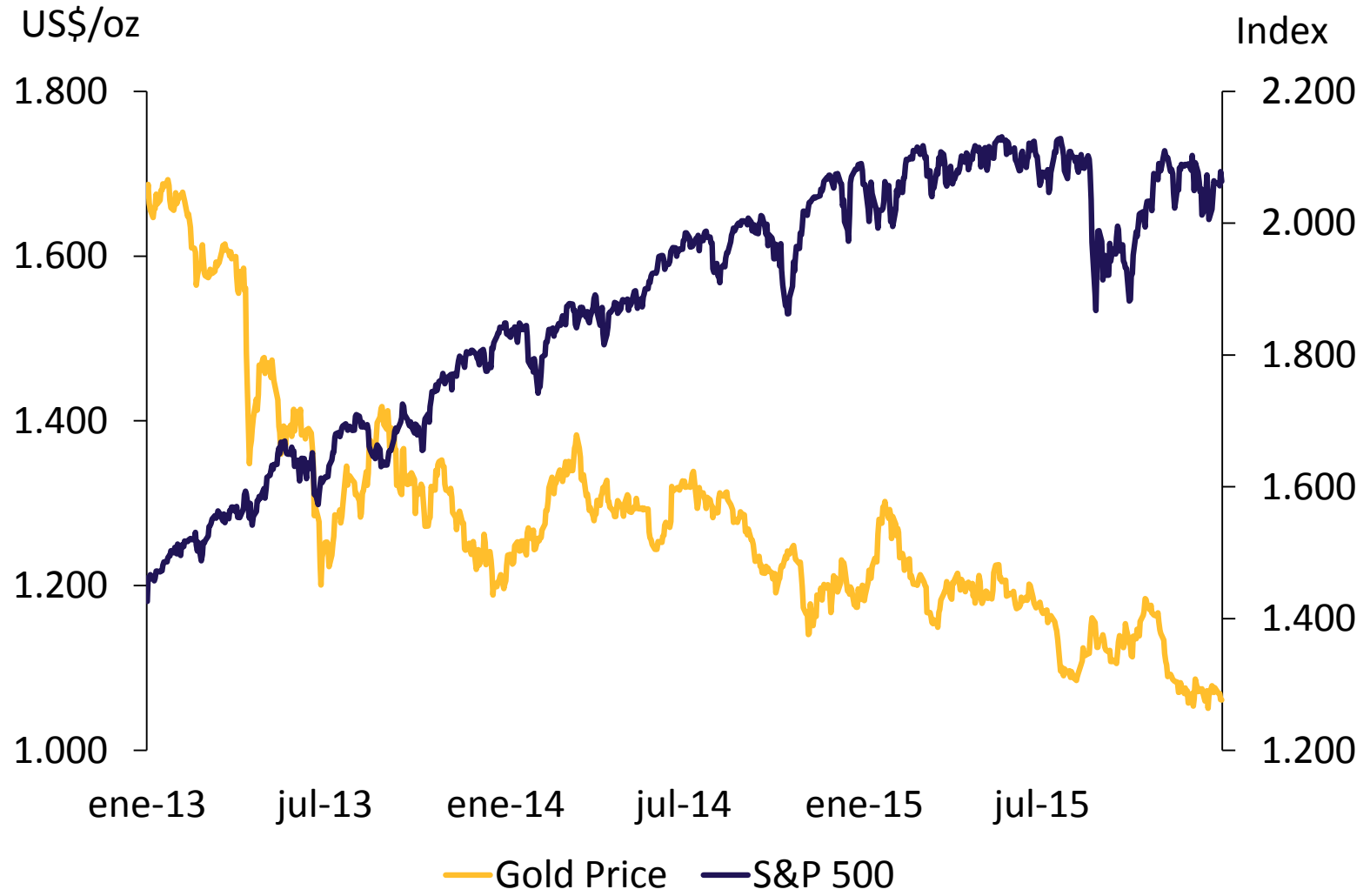
US dollar strength (high level) did not help



Source: Bloomberg



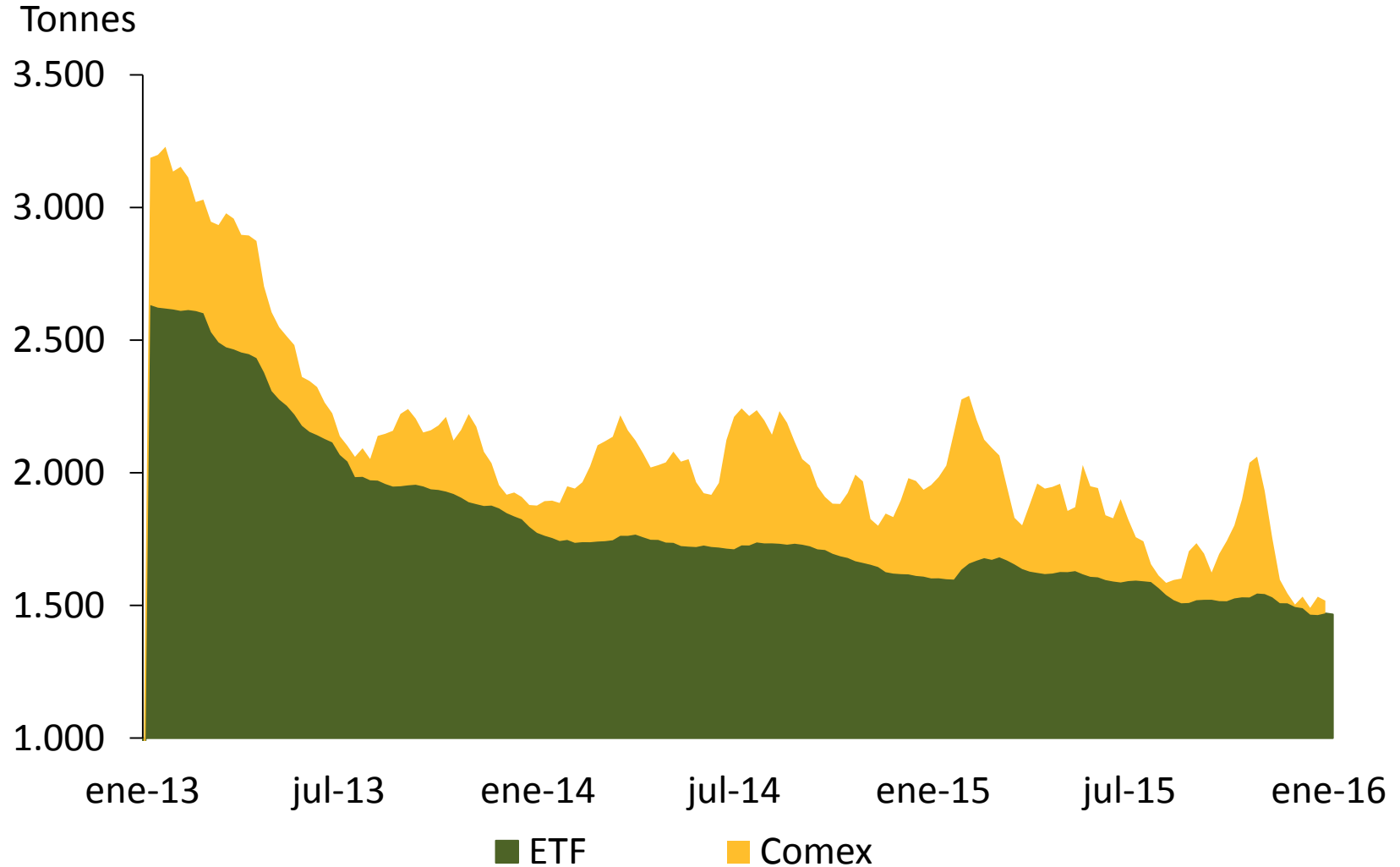
Western investors' continued equities focus weighed on gold



Source: Bloomberg



Net selling from institutional investors continued in 2015



Source: Bloomberg



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Mine production reaches a record high (3,211 tonnes)

Canada
157t, +4%

Kazakhstan
64t, +29%

Russia
269t, +1%

Mexico 133t,
+18%

China
460t, 0%

Ghana
95t, -11%

Indonesia
113t, +20%

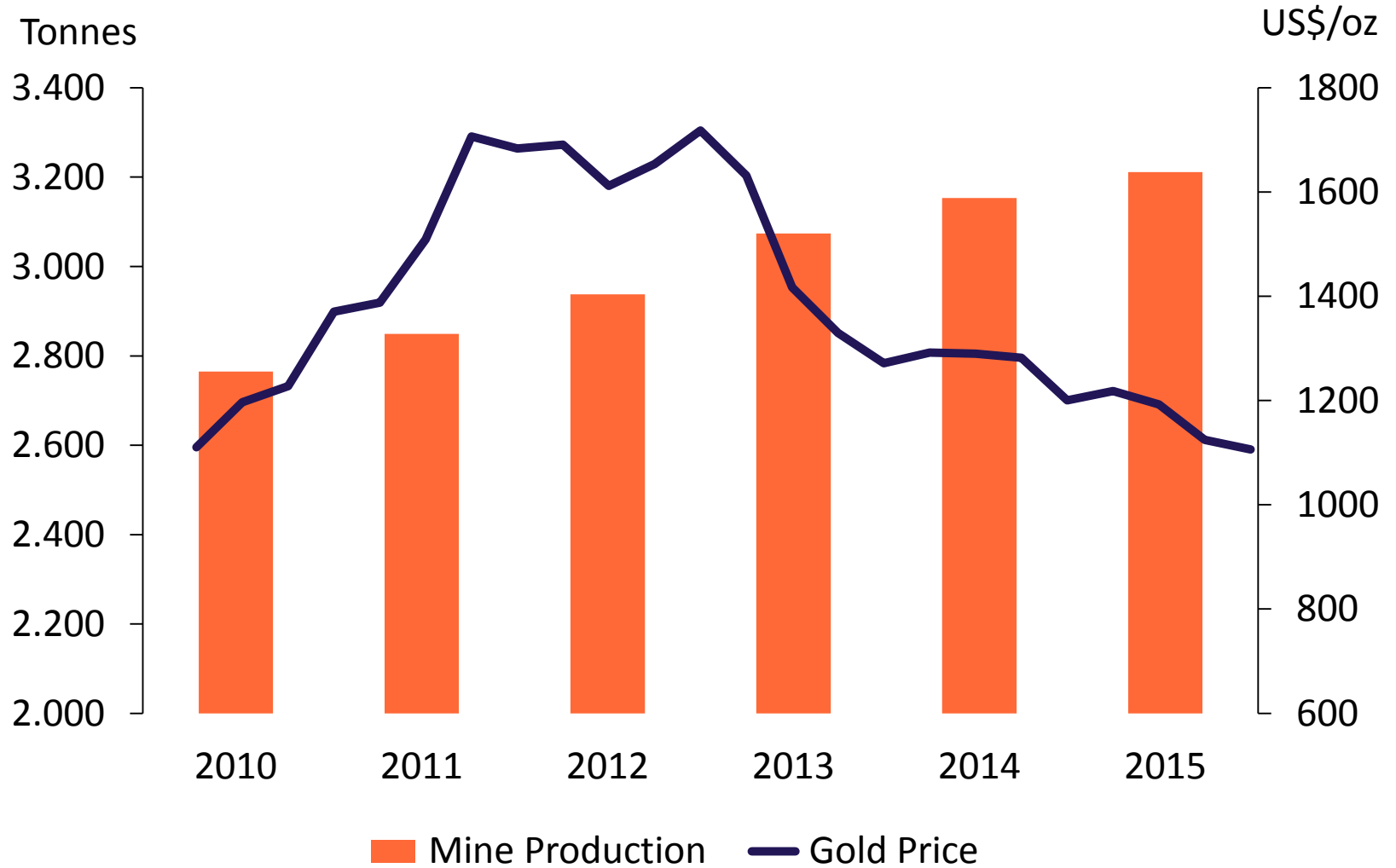
Namibia
6t, +184%

Source: Metals Focus

Year-on-year
change, tonnes



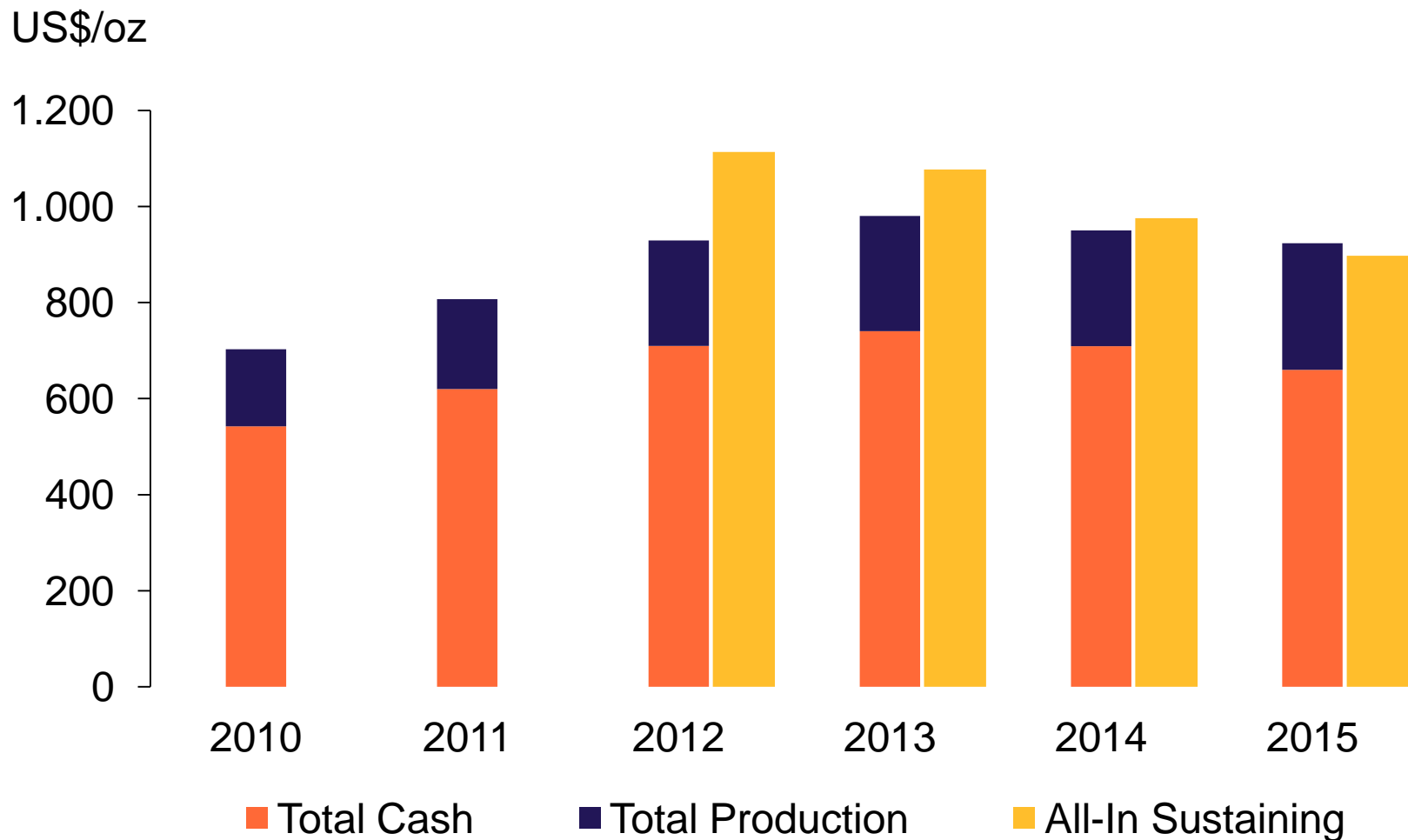
Global gold mine production



Source: Metals Focus, Bloomberg



Mine costs continued to fall

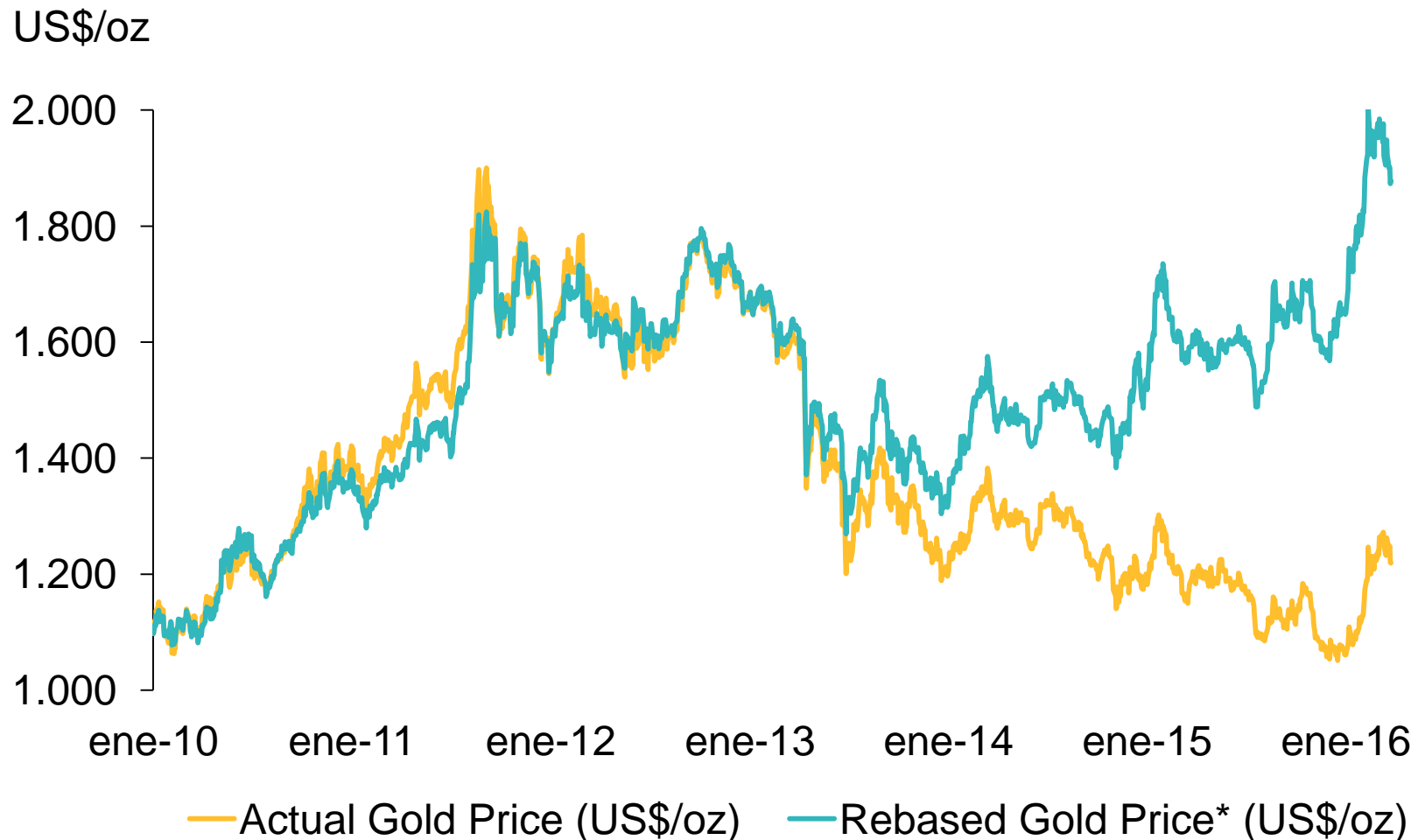


* Total Cash Cost plus Depreciation equals Total Production Cost

Source: Metals Focus Gold Mine Cost Service



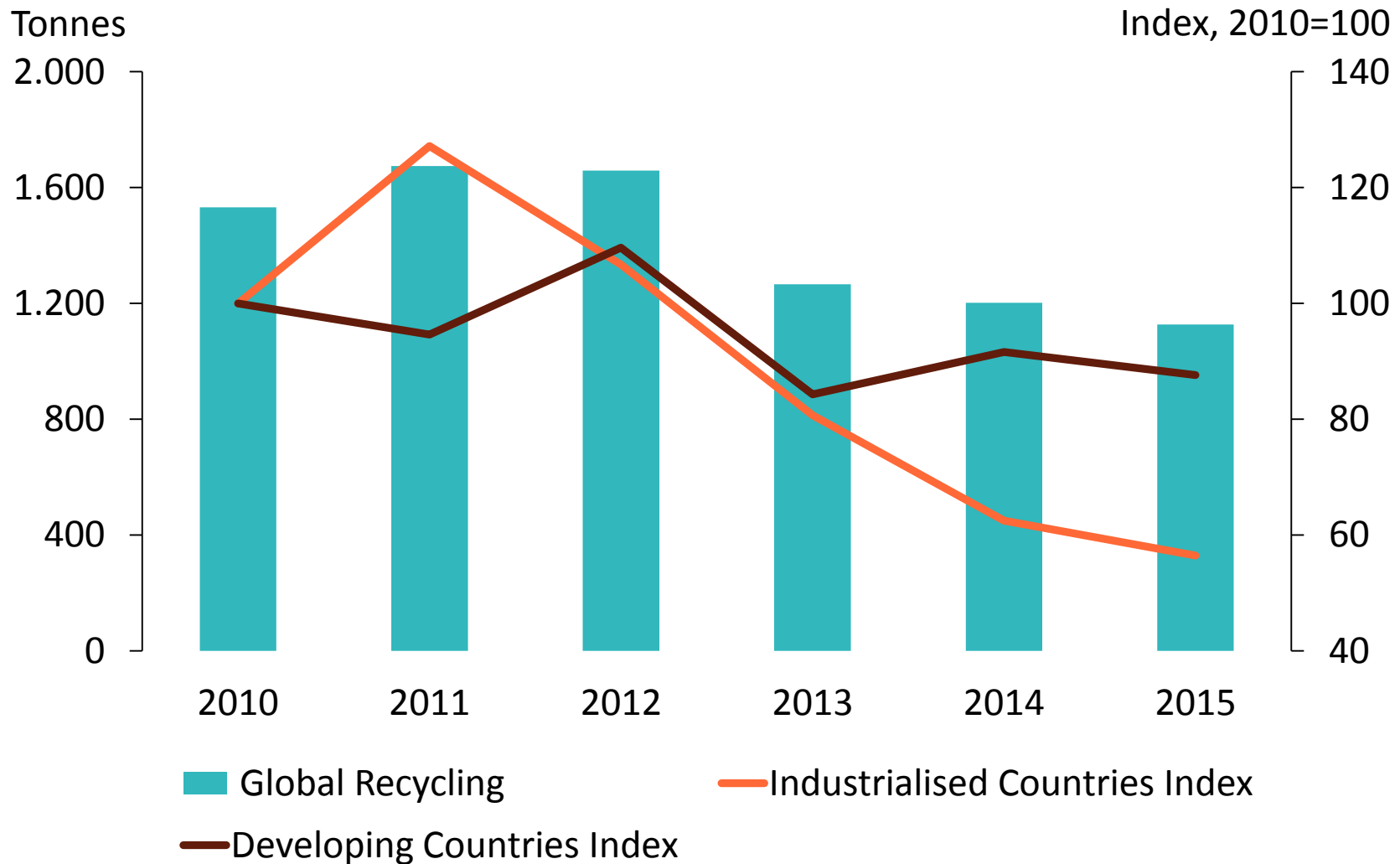
Mine costs' fall – the contribution from currencies



•The blue line represents a rebased gold price, that has been adjusted for local currency movements from the world's largest 20 gold producing countries. Local currencies have been indexed from January 2010, and weighted by the countries' 2015 gold production volumes.

Source: Bloomberg, Metals Focus

Recycling in 2015



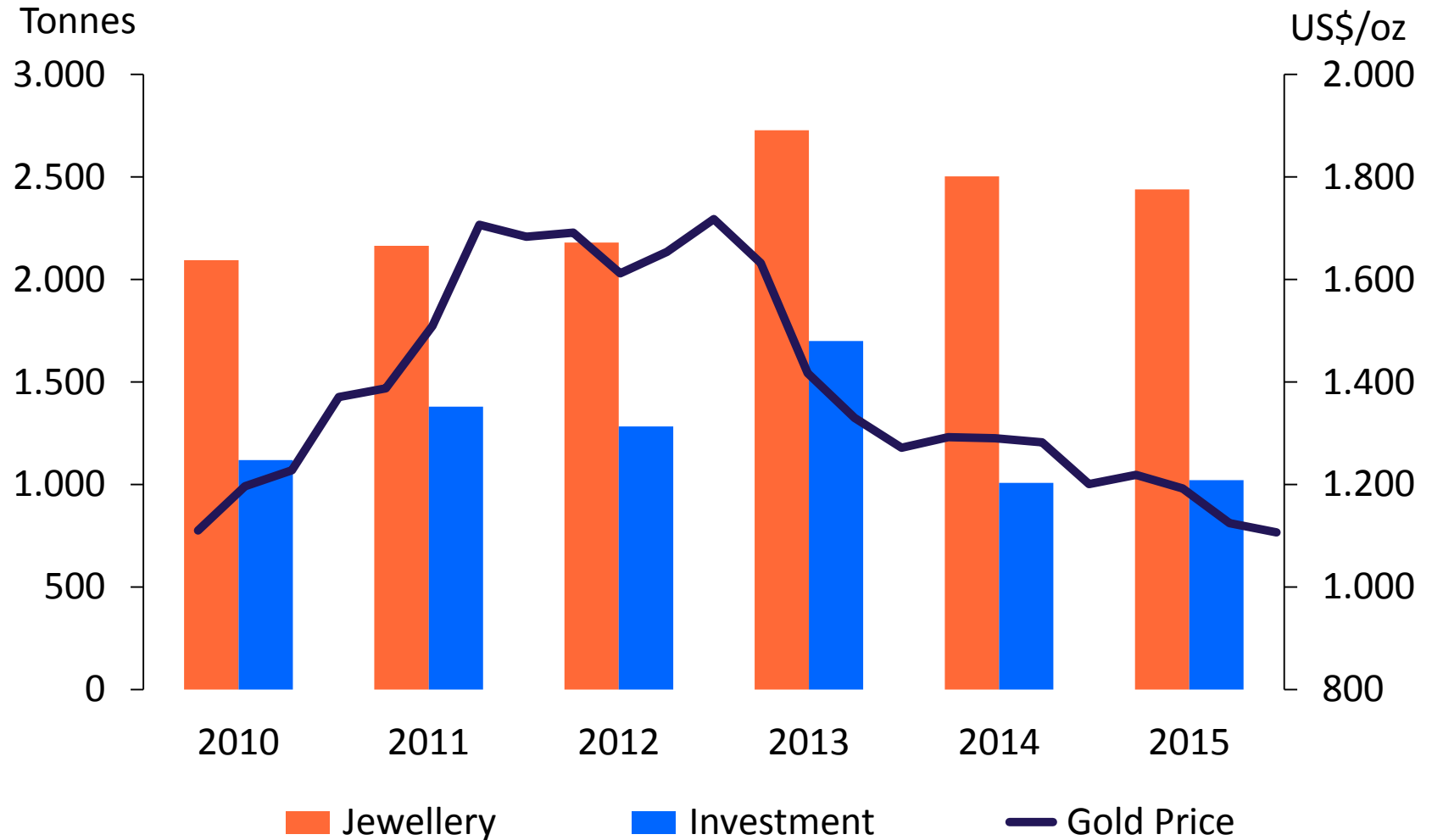
Source: Metals Focus



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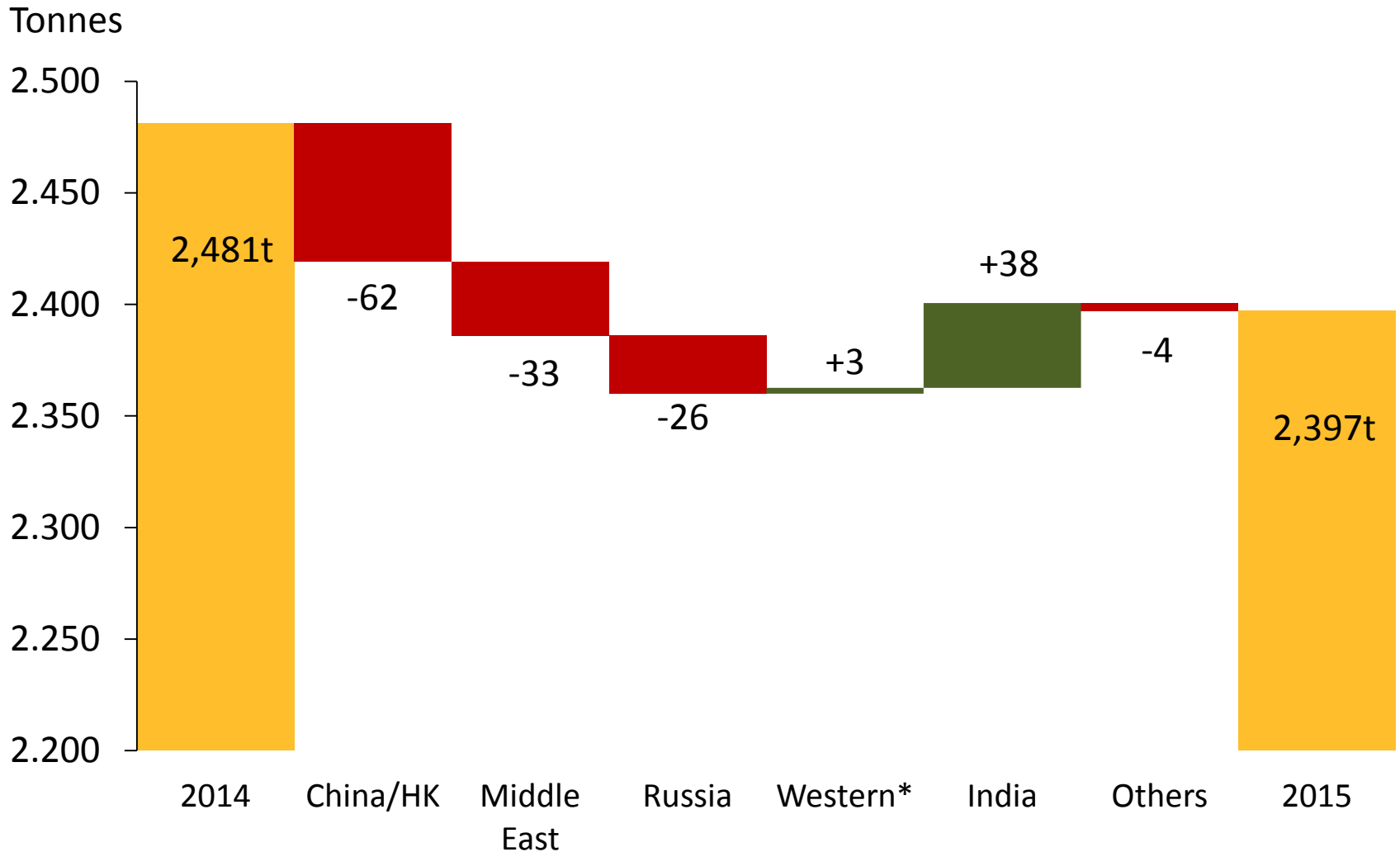
Gold demand – jewellery & physical investment



Source: Metals Focus, Bloomberg



Jewellery consumption, 2014 vs 2015

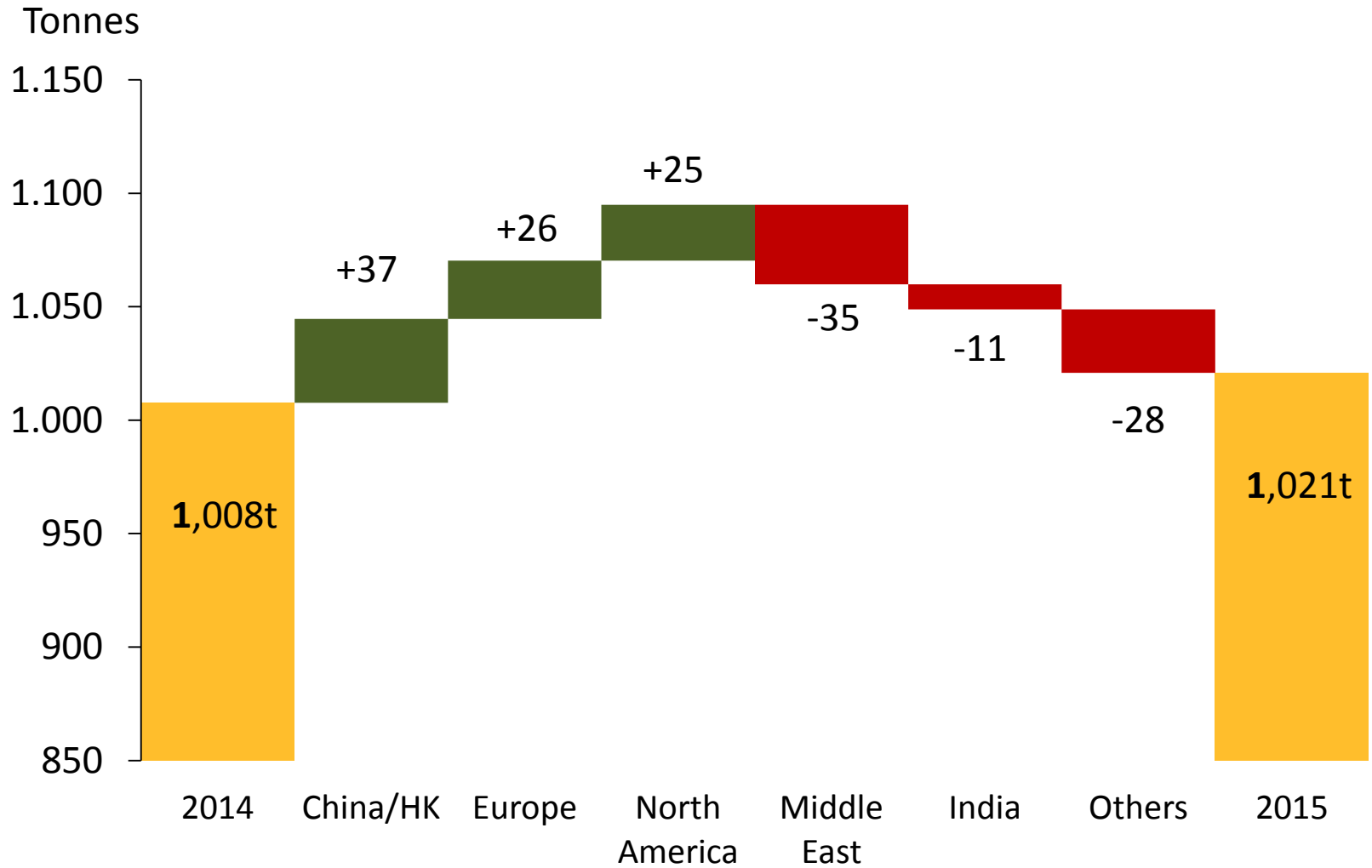


*North America & Europe excluding the CIS

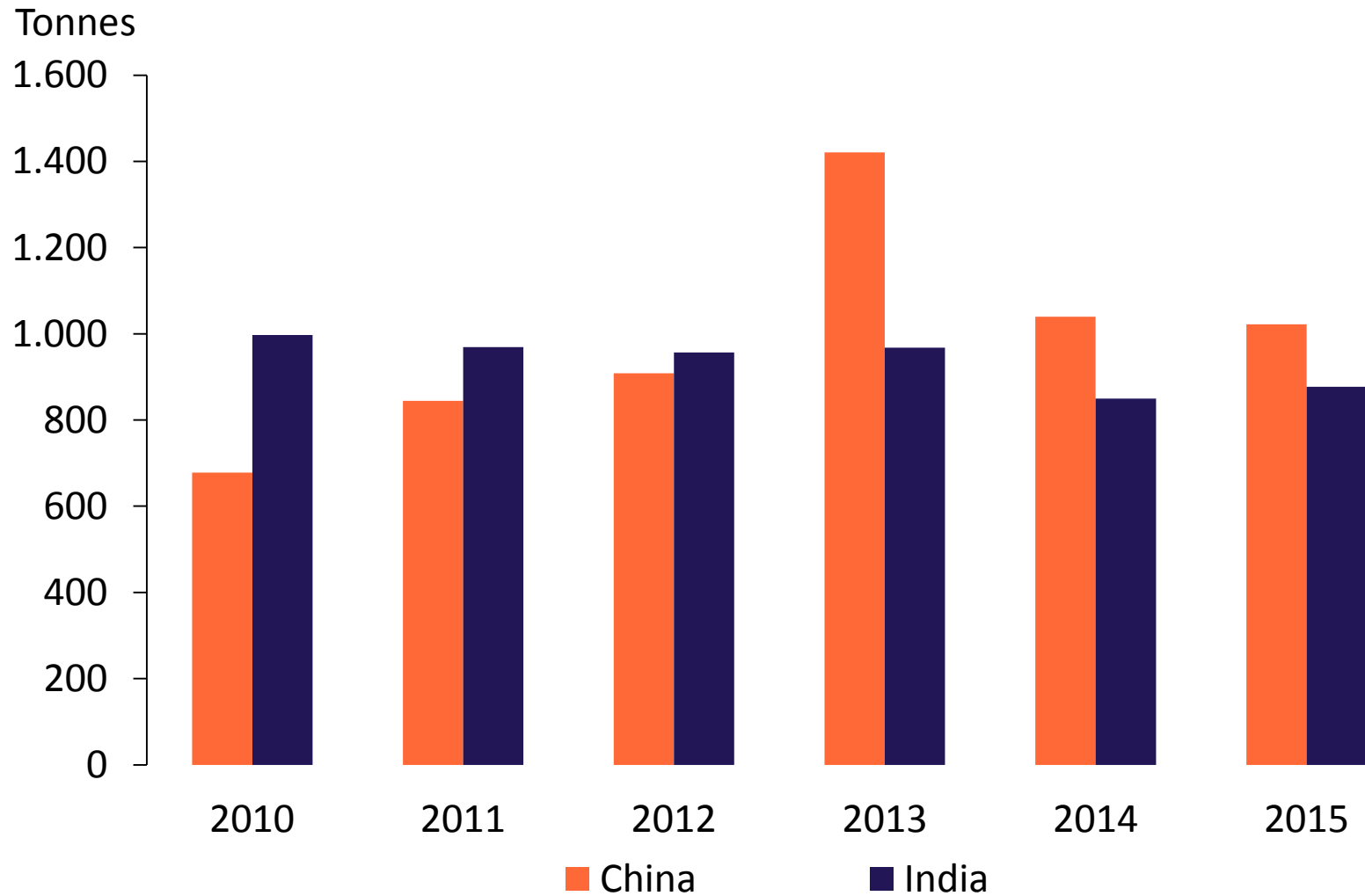
Source: Metals Focus



Physical investment, 2014 vs 2015



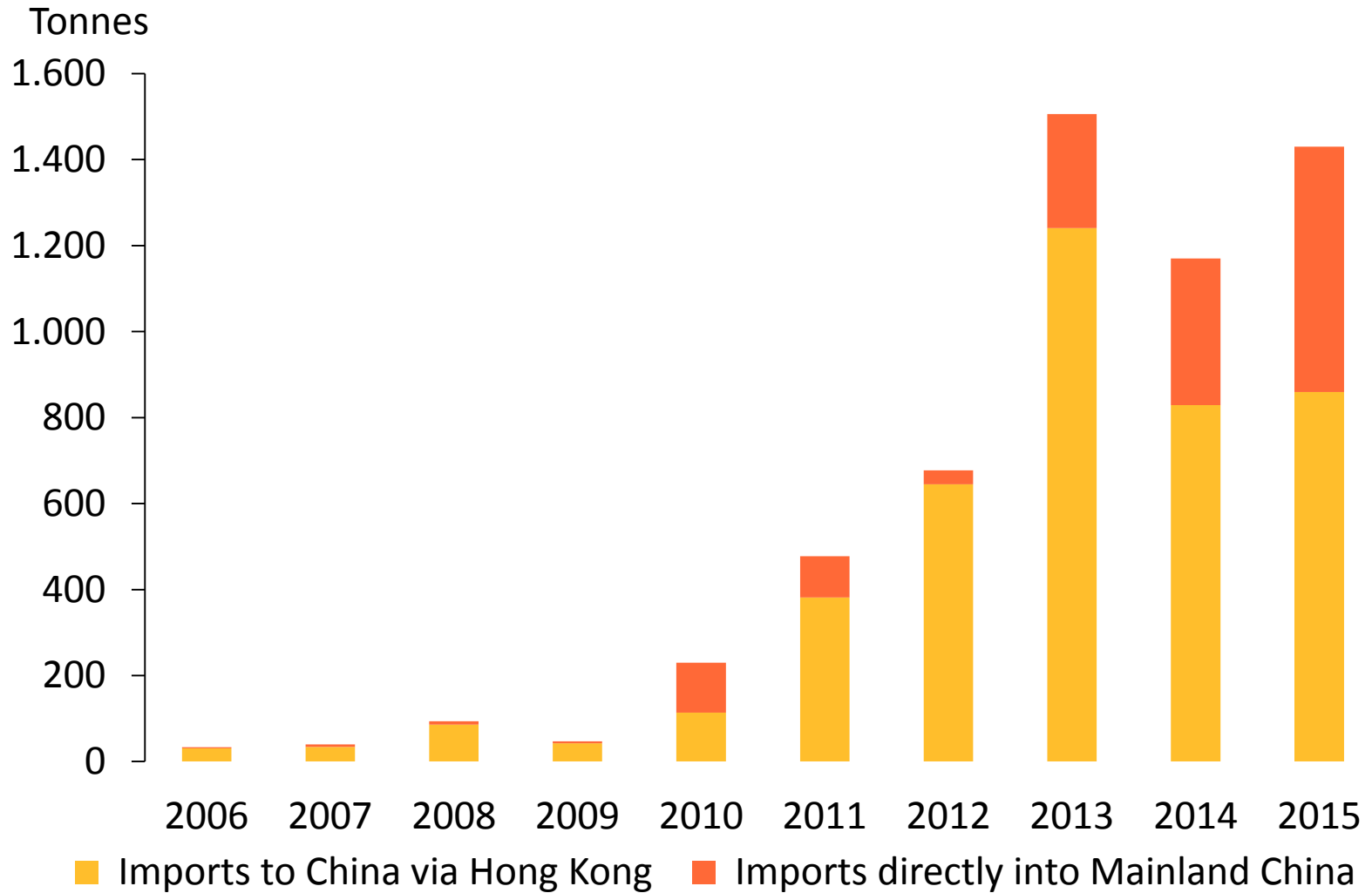
Chinese and Indian gold demand*



*Jewellery, physical investment and industrial demand

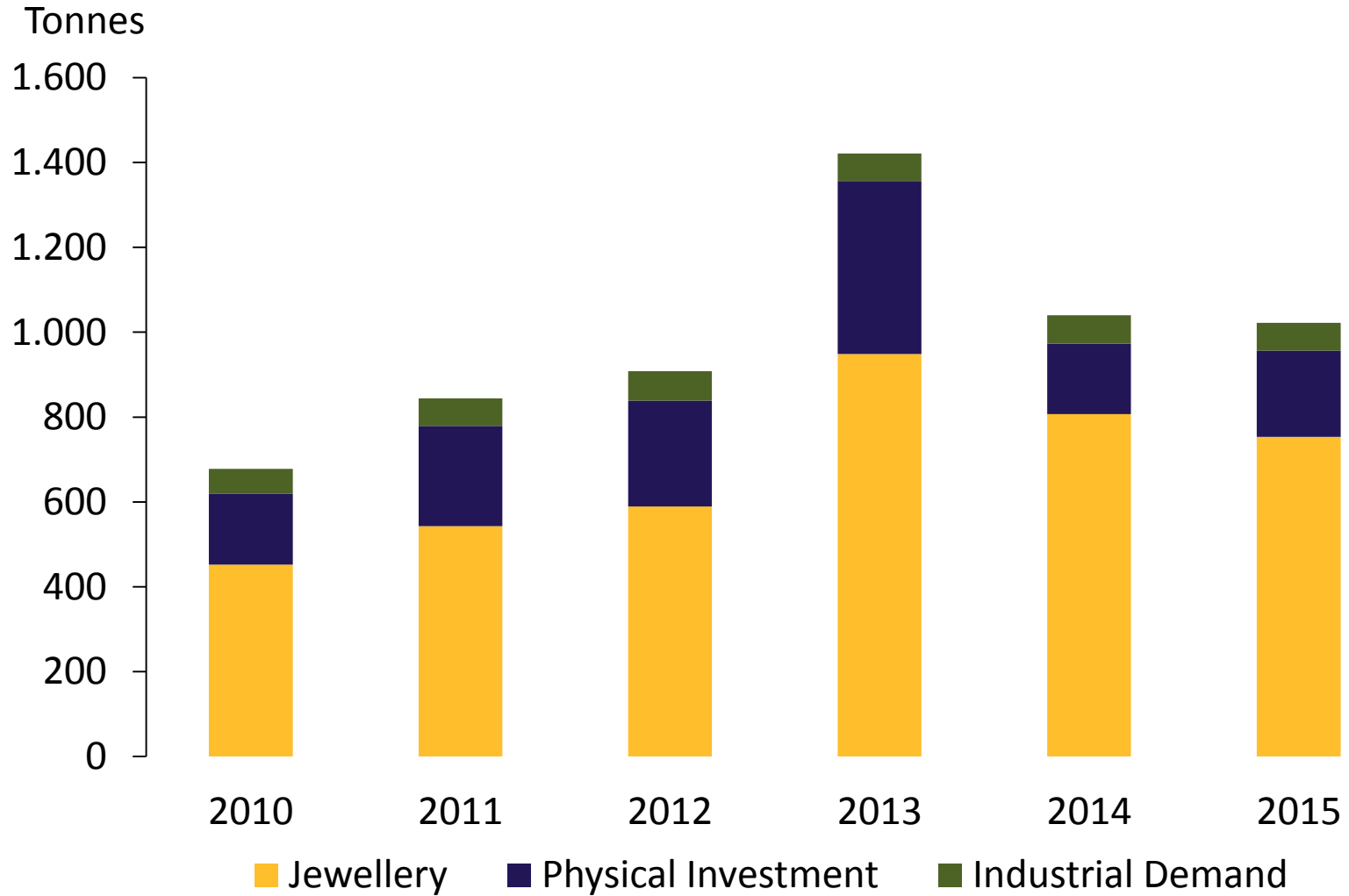
Source: Metals Focus

Mainland China official bullion imports



(N.B. Imports from Hong Kong are net of China exports to the SAR as recorded in Hong Kong import data)
Source: Various; Metals Focus

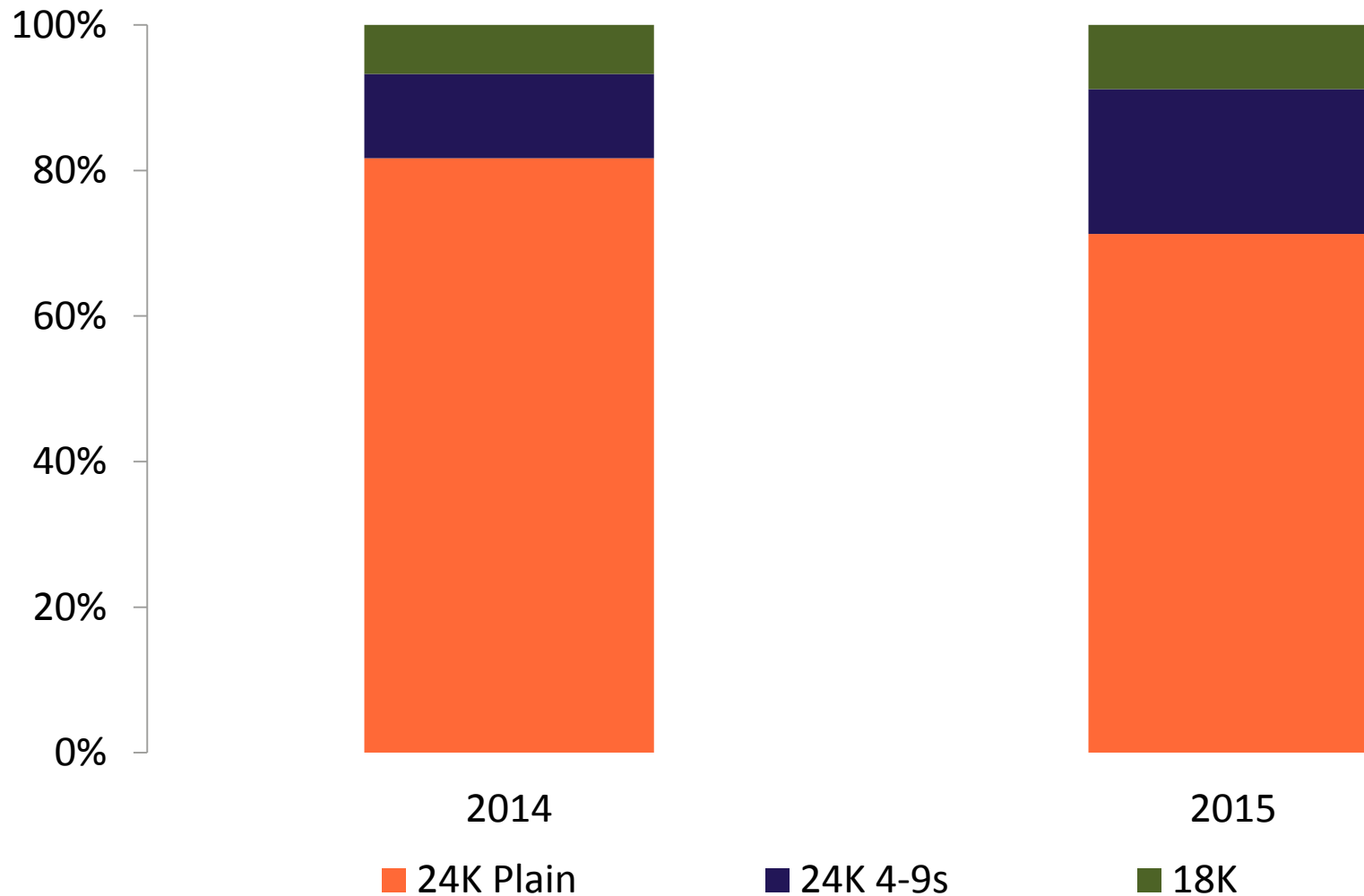
Chinese demand over 2010-2015



Source: Metals Focus

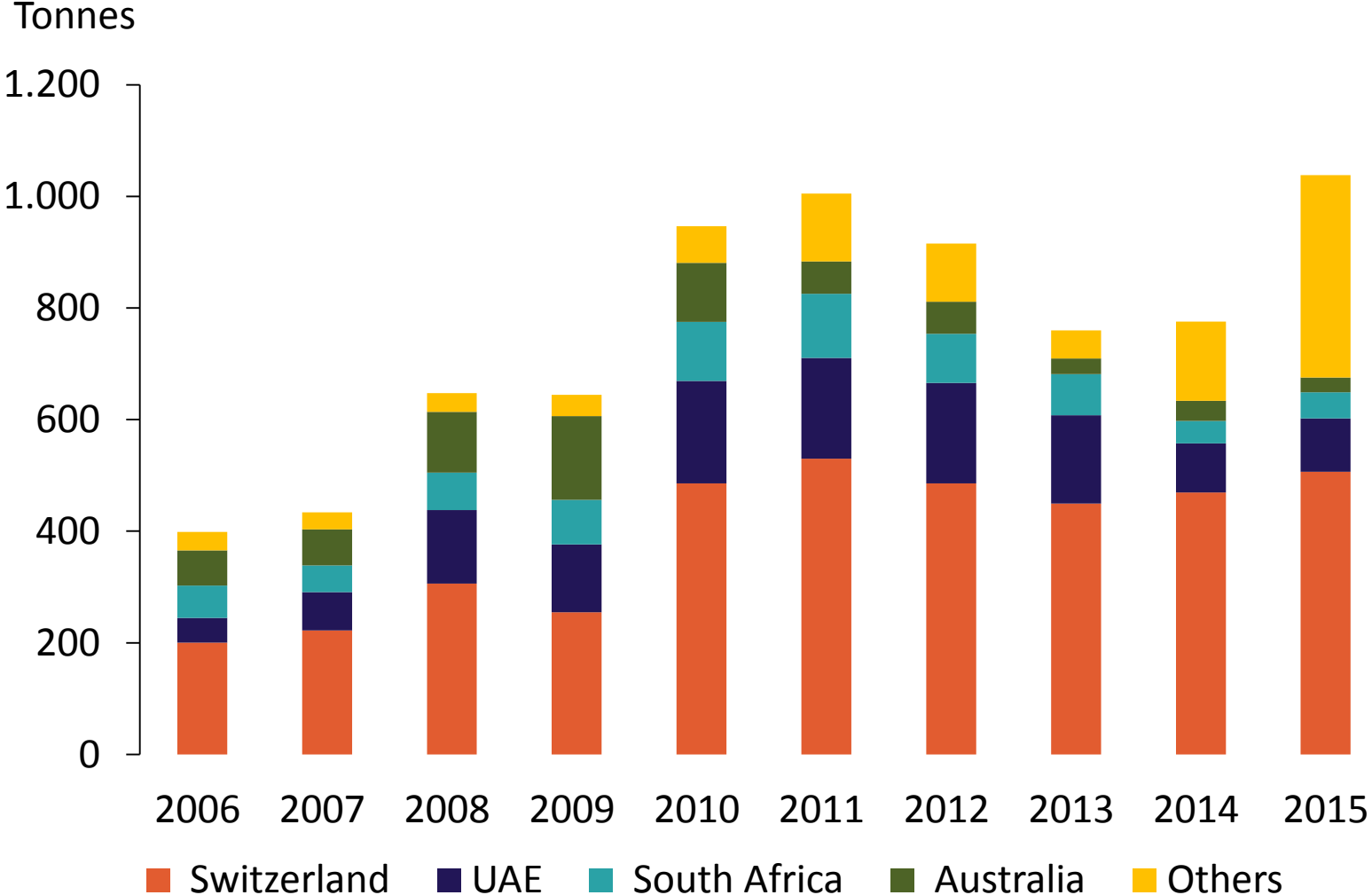


Shares of gold jewellery segments in China



Source: Metals Focus

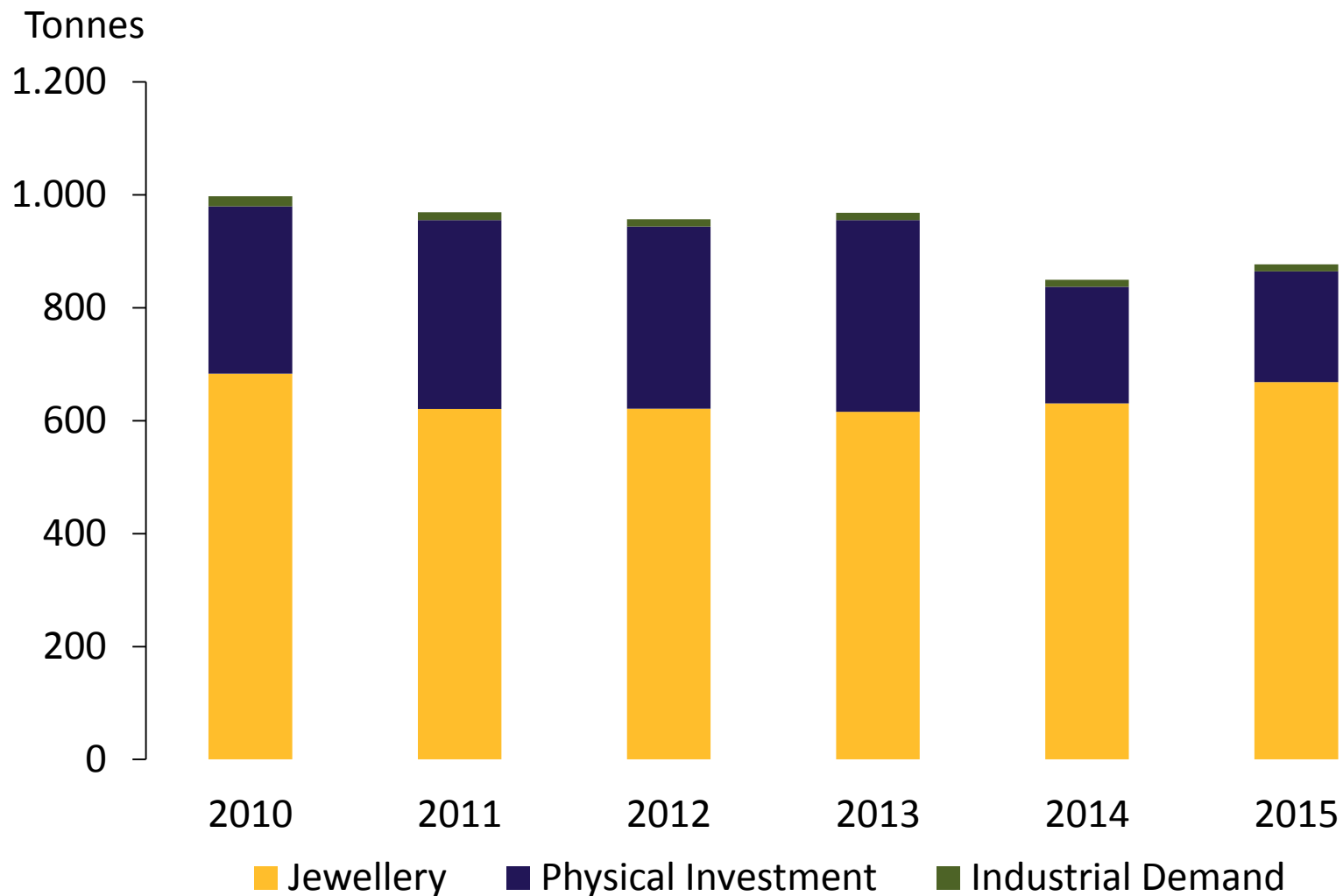
India official bullion imports



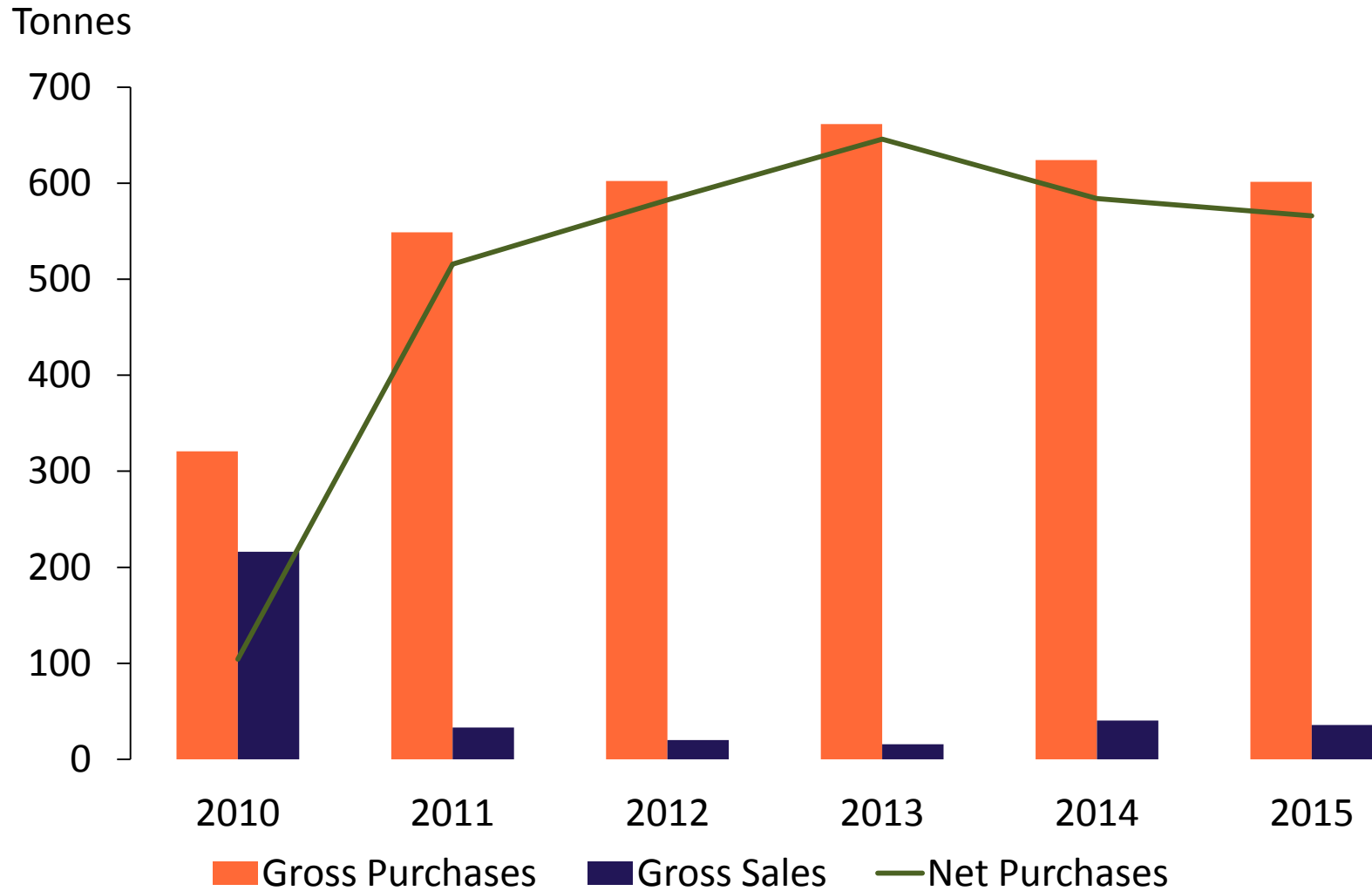
Source: Indian Ministry of Commerce



Indian demand over 2010-2015

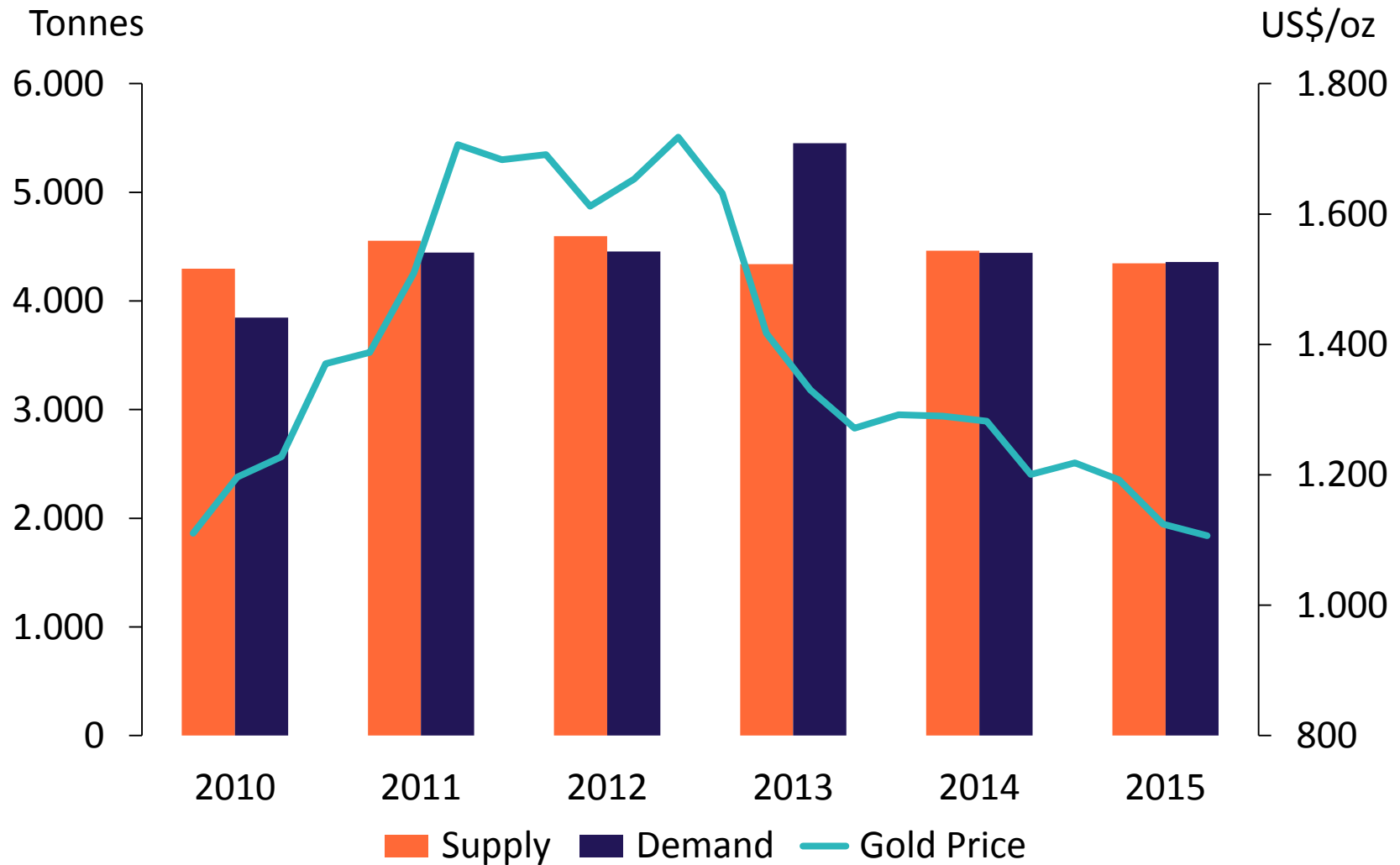


Central bank purchases remained strong



Source: Metals Focus

Market remained in 'balance' in 2015



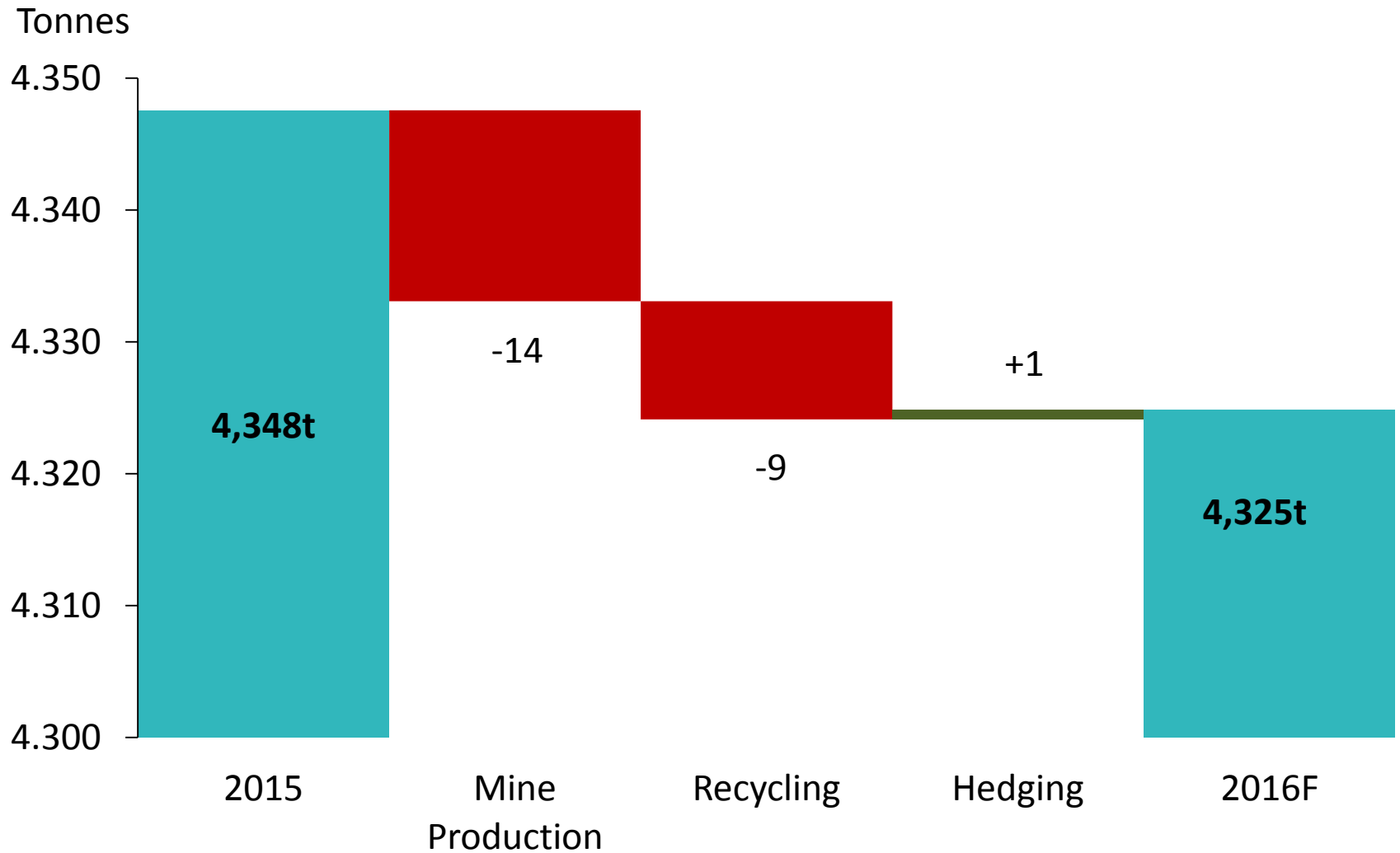
Source: Metals Focus, Bloomberg



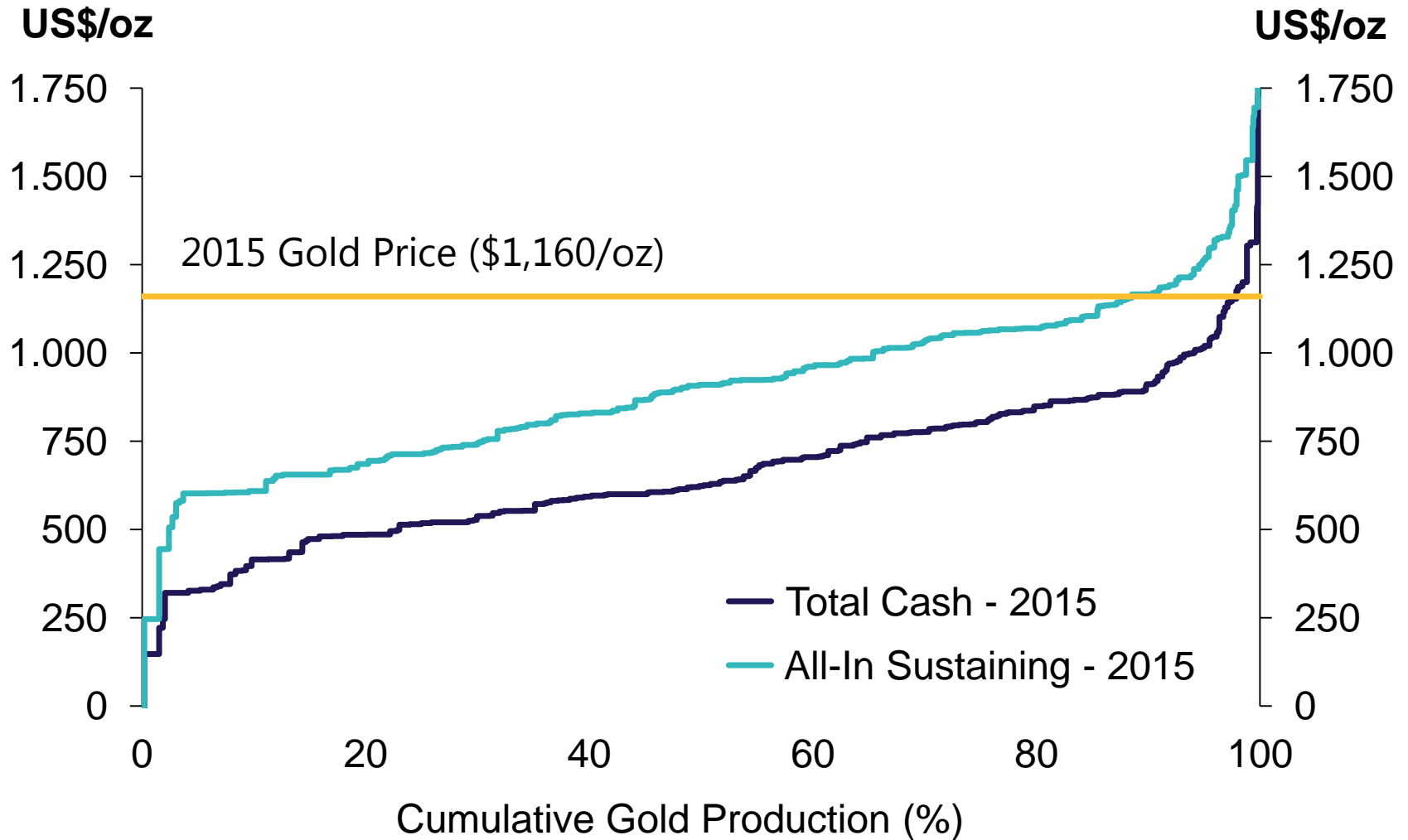
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Global supply forecast for 2016



Costs curve helps explain why production is holding up



Source: Metals Focus Gold Mine Cost Service

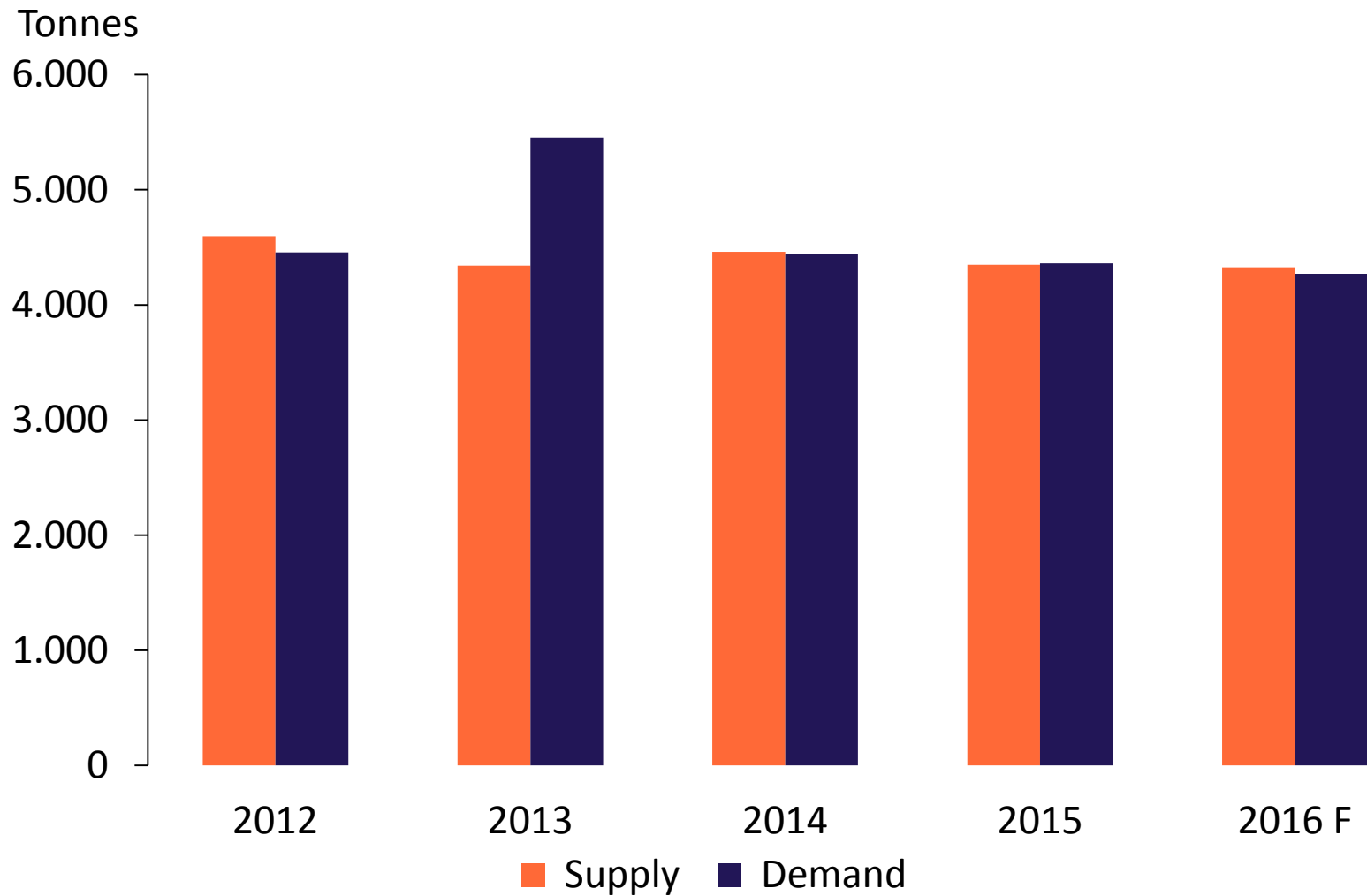


Global demand forecast for 2016



Source: Metals Focus. Jewellery basis fabrication series.

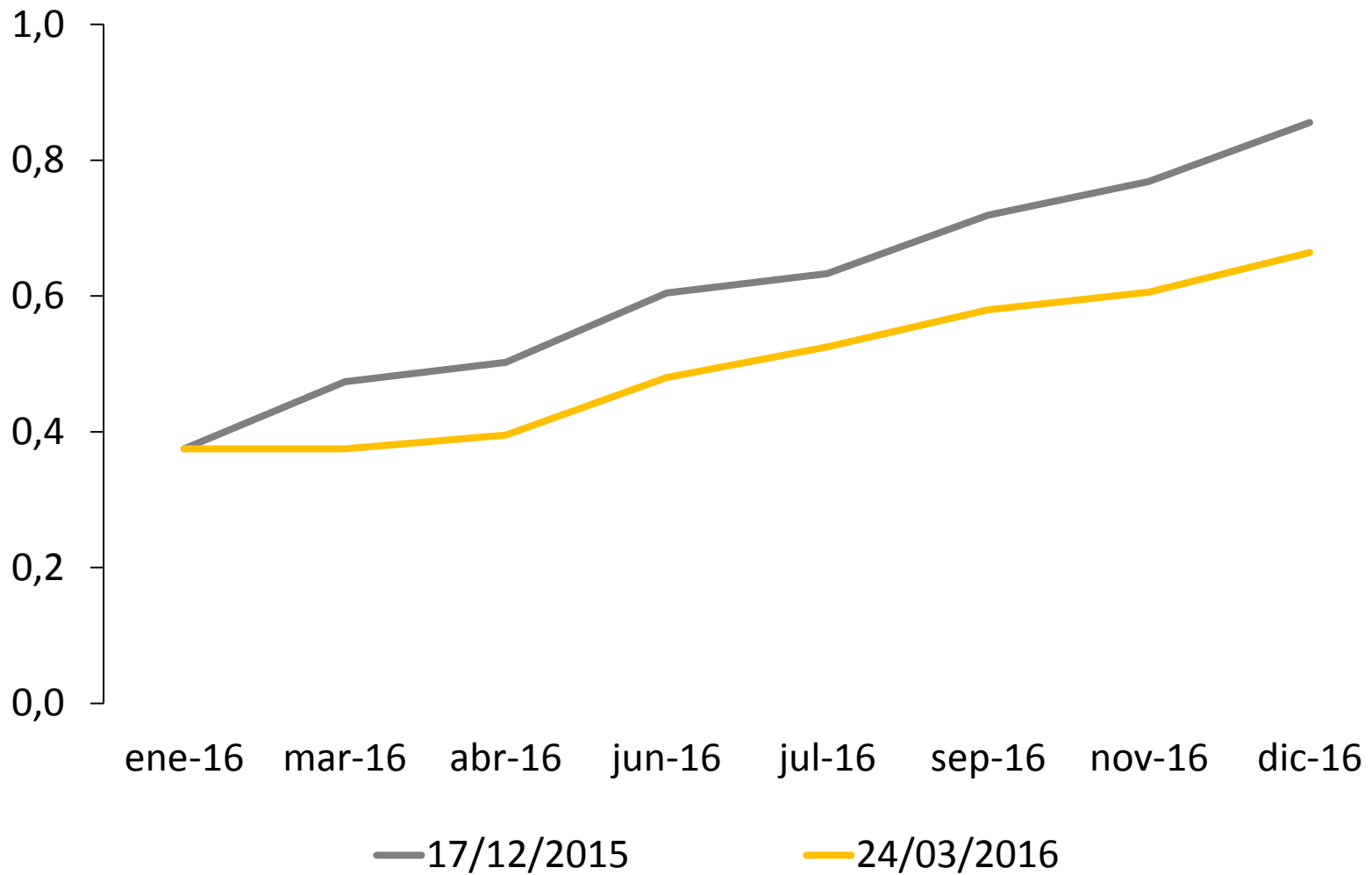
Gold market should remain broadly 'balanced' in 2016



Source: Metals Focus



Changing expectations for path of US interest rates*



*inferred by bond prices

Source: Bloomberg



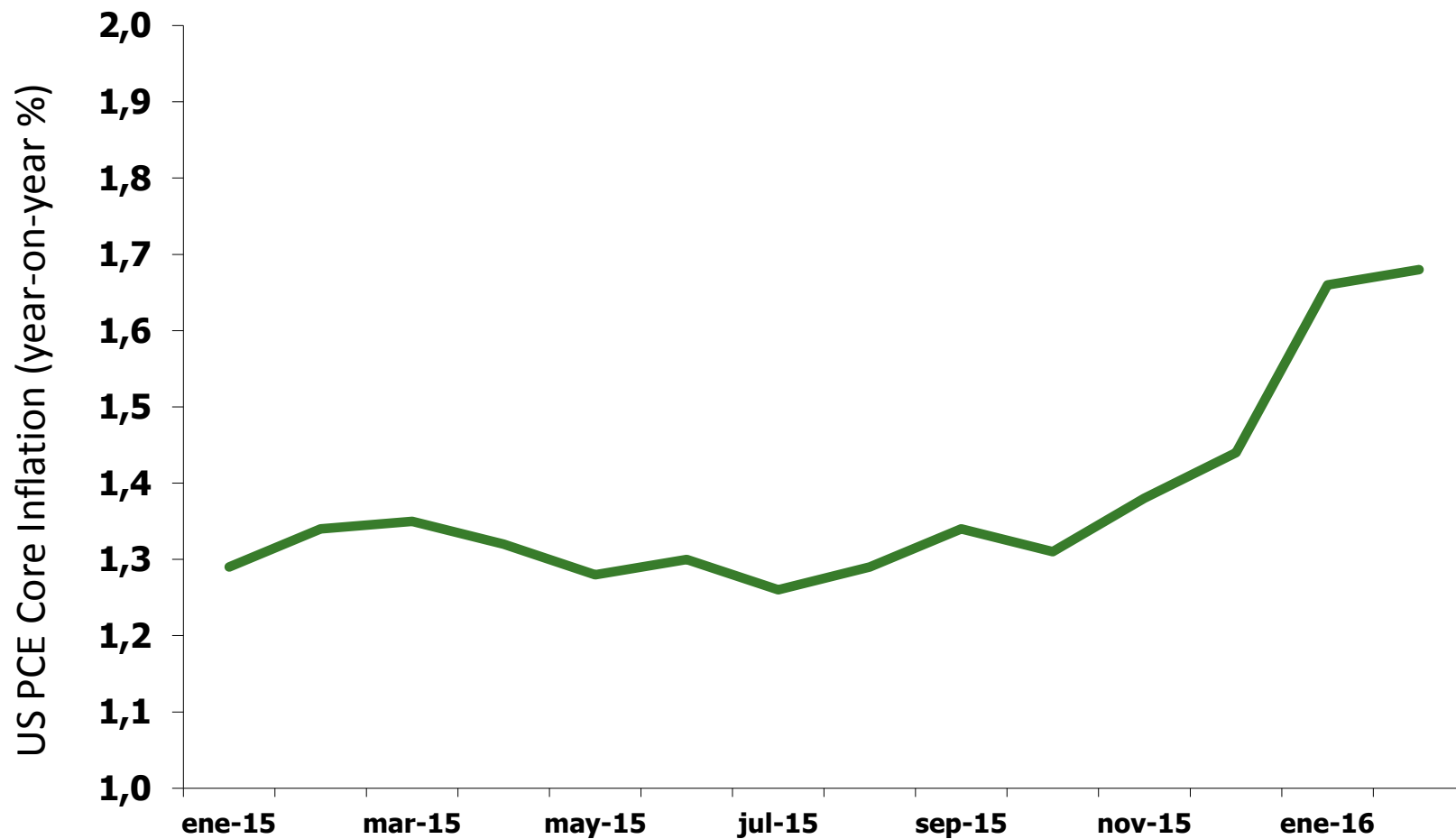
USD/EUR exchange rate over last two years



Source: European Central Bank



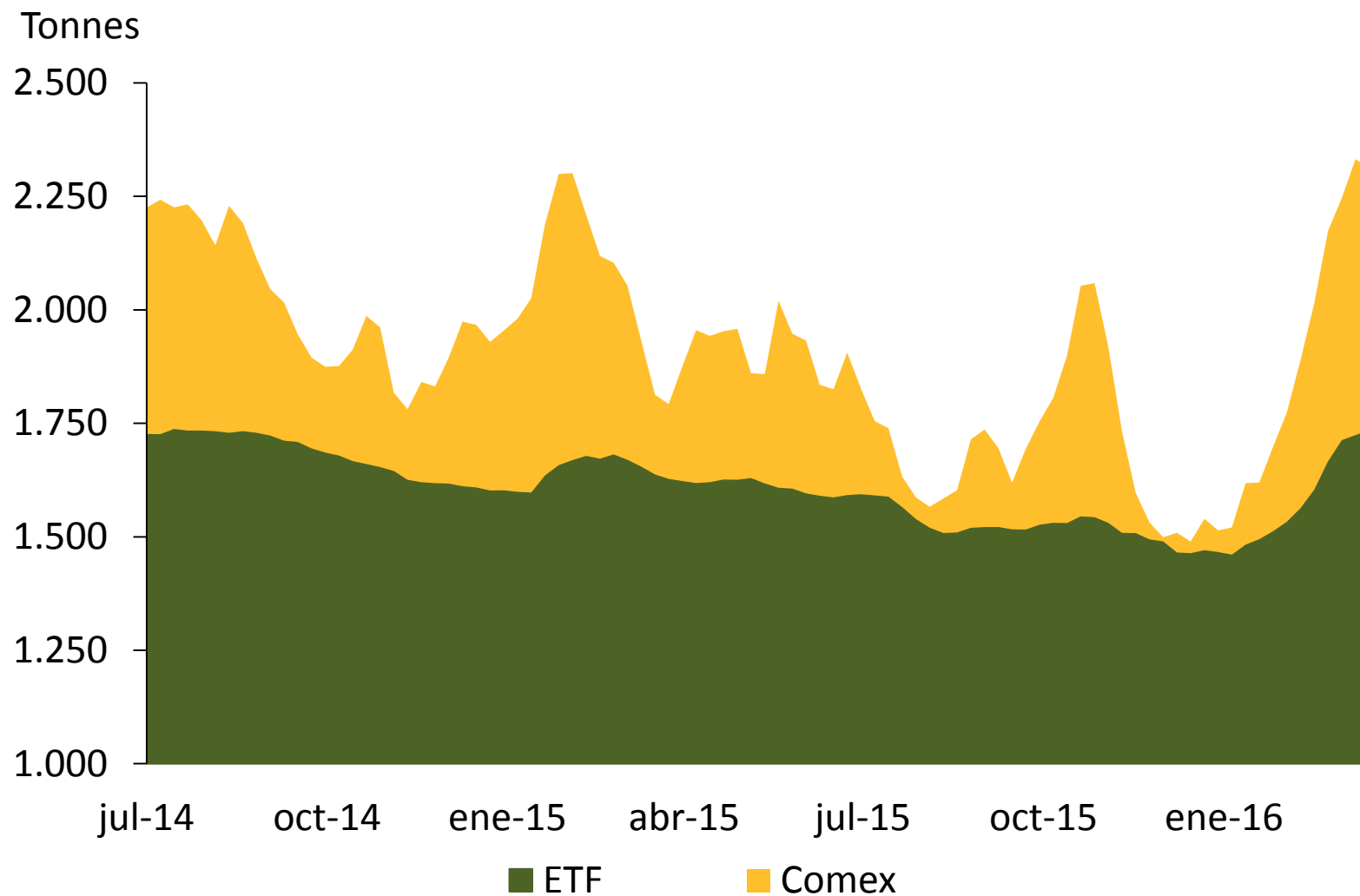
US PCE Core Inflation Rate



Source: FRB St Louis



Turnaround in institutional investors' activity in 2016

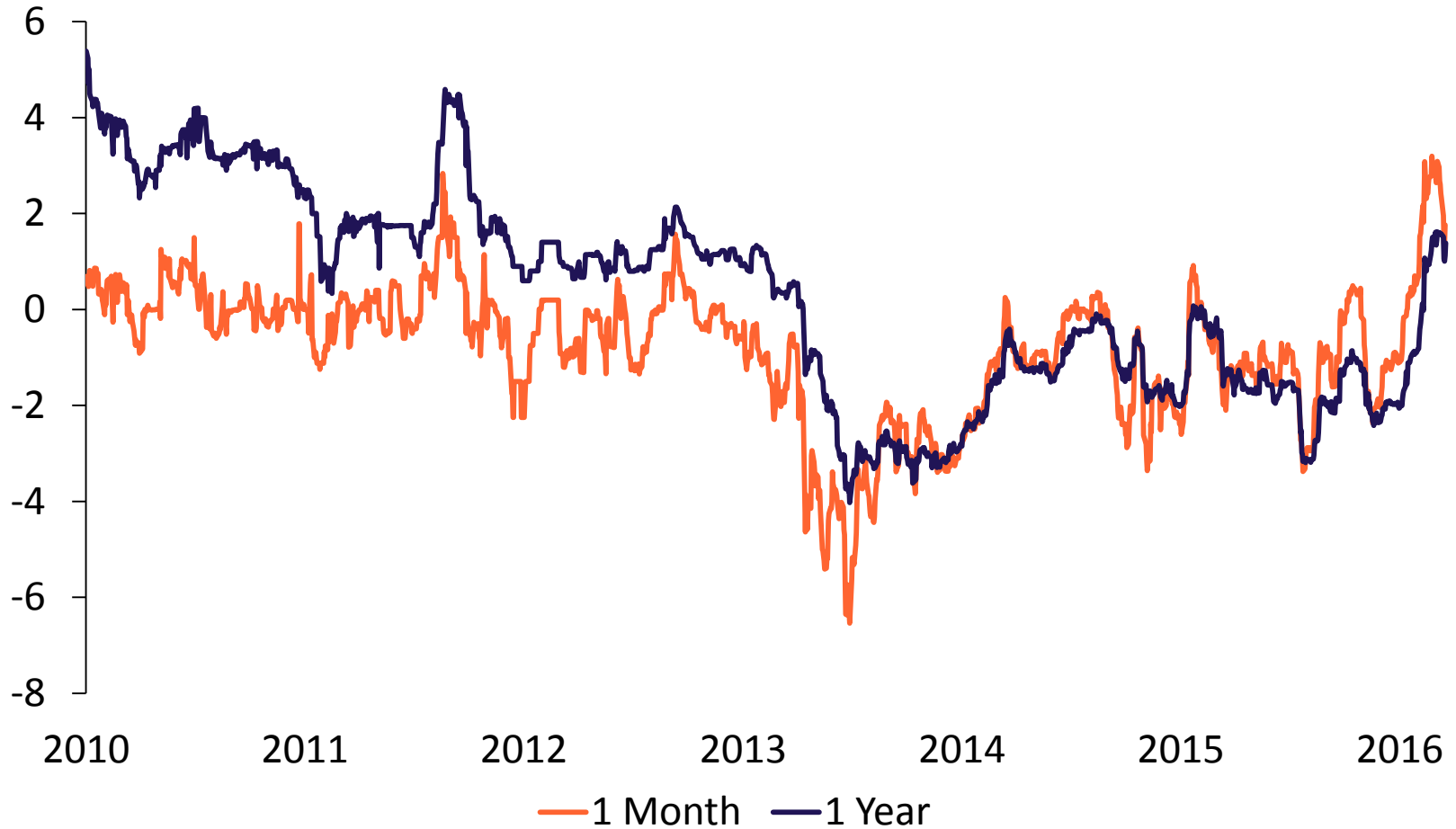


Source: Bloomberg



Gold 25-Delta Risks Reversal*

Difference in Implied Volatility (%)

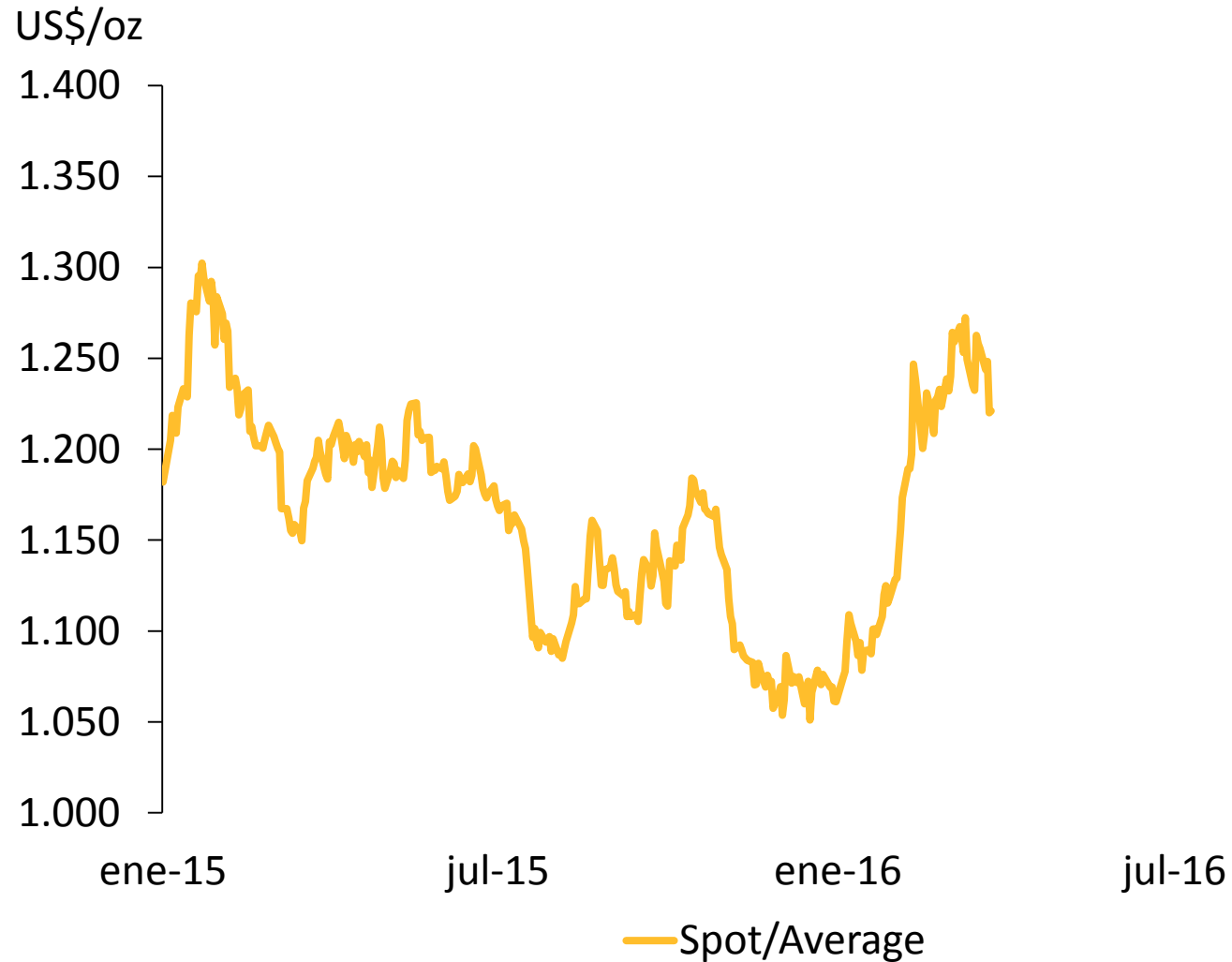


*The difference in implied volatility between 25-delta call and put options. This illustrates whether investor interest in the option market is skewed to the call side (if positive) or put side (if negative), as well as the extent of the skew.

Source: Bloomberg



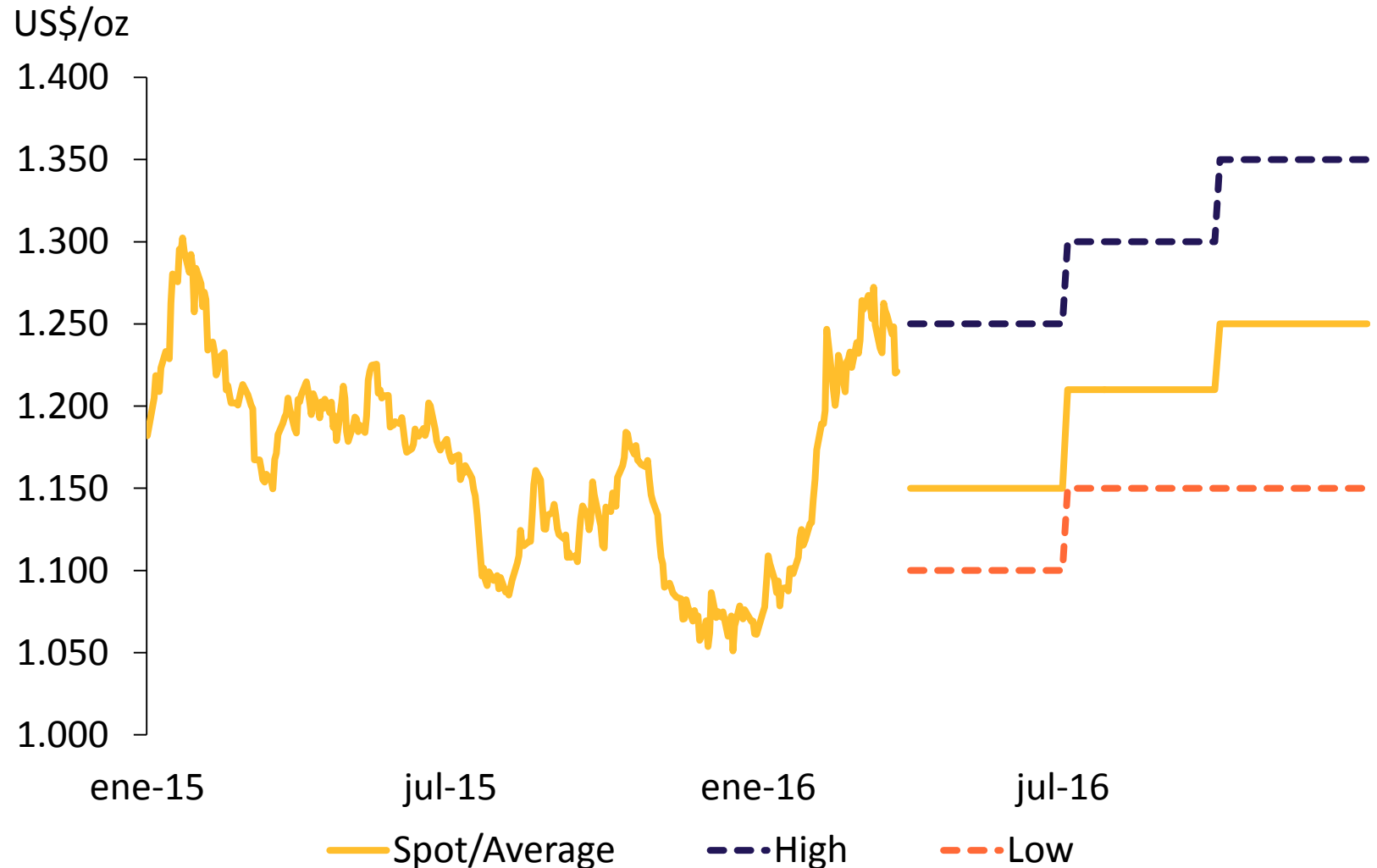
Metals Focus quarterly gold price forecast



Source: Metals Focus, Bloomberg



Metals Focus quarterly gold price forecast



Source: Metals Focus, Bloomberg



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