

# Panel Session: Is the Bull Market Over?

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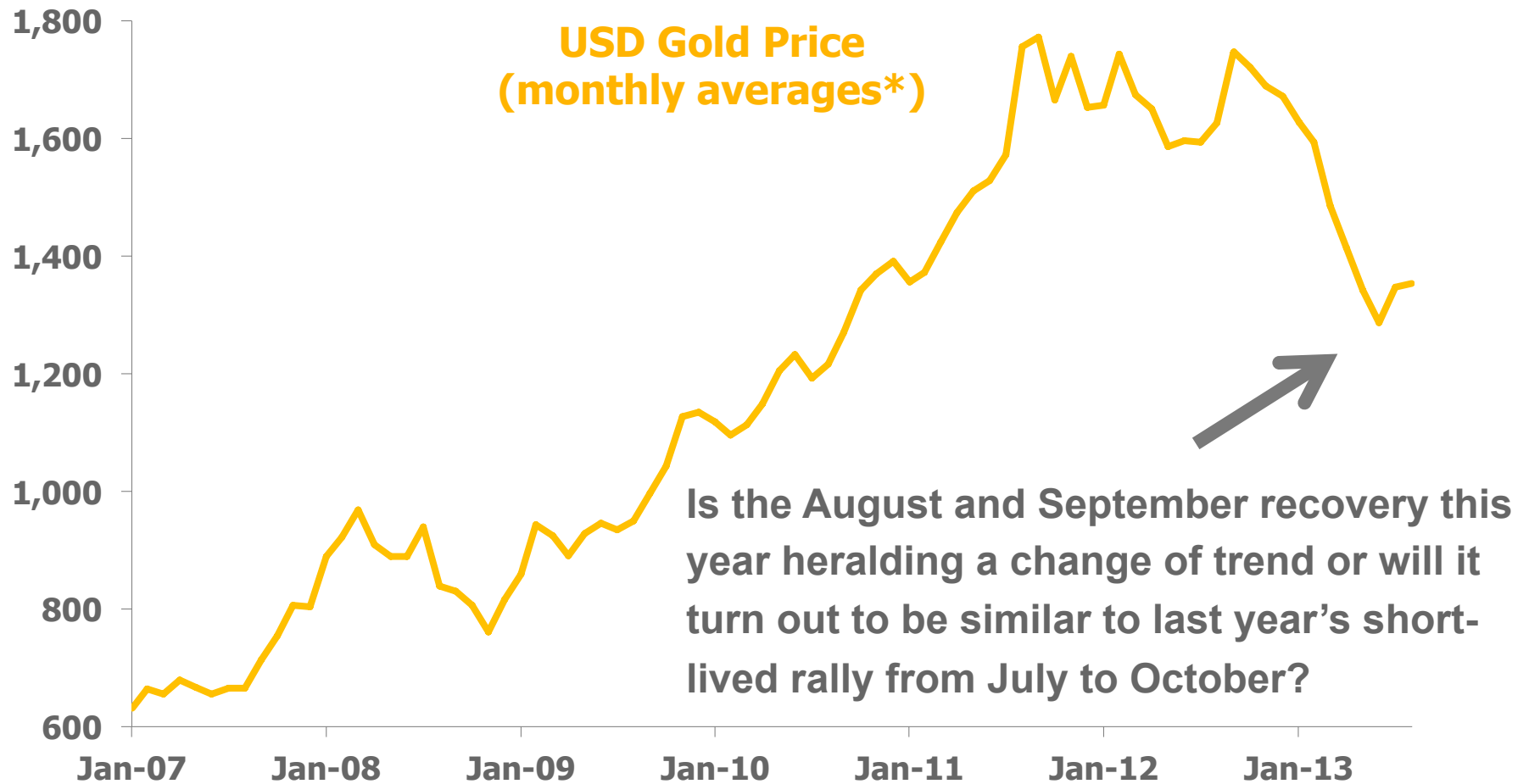
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LBMA/LPPM Precious Metals Conference

1<sup>st</sup> October 2013

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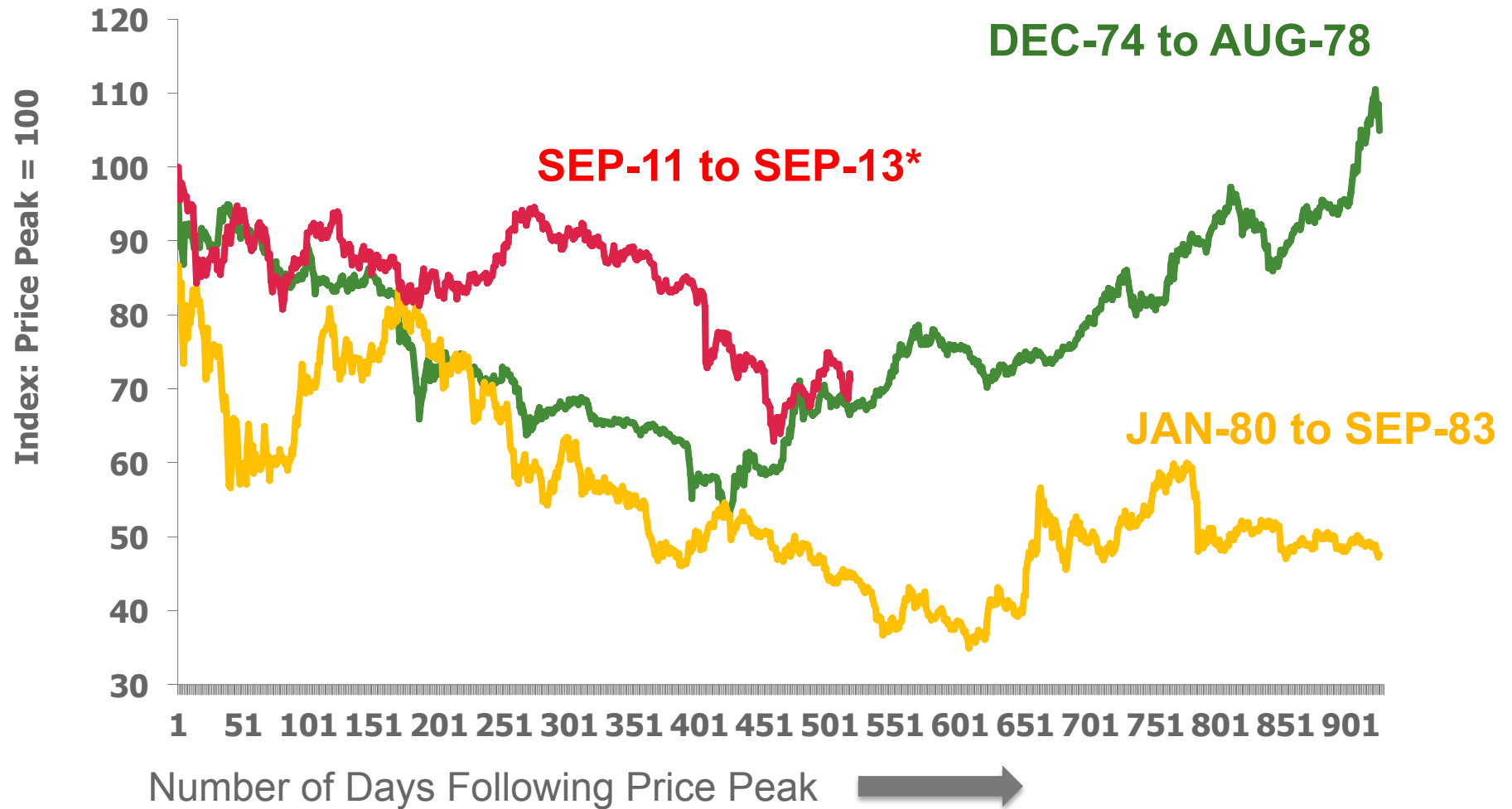
# HAS GOLD BOTTOMED AND TURNED THE CORNER?



\*September 2013 forecast average \$1,353

Source: LBMA

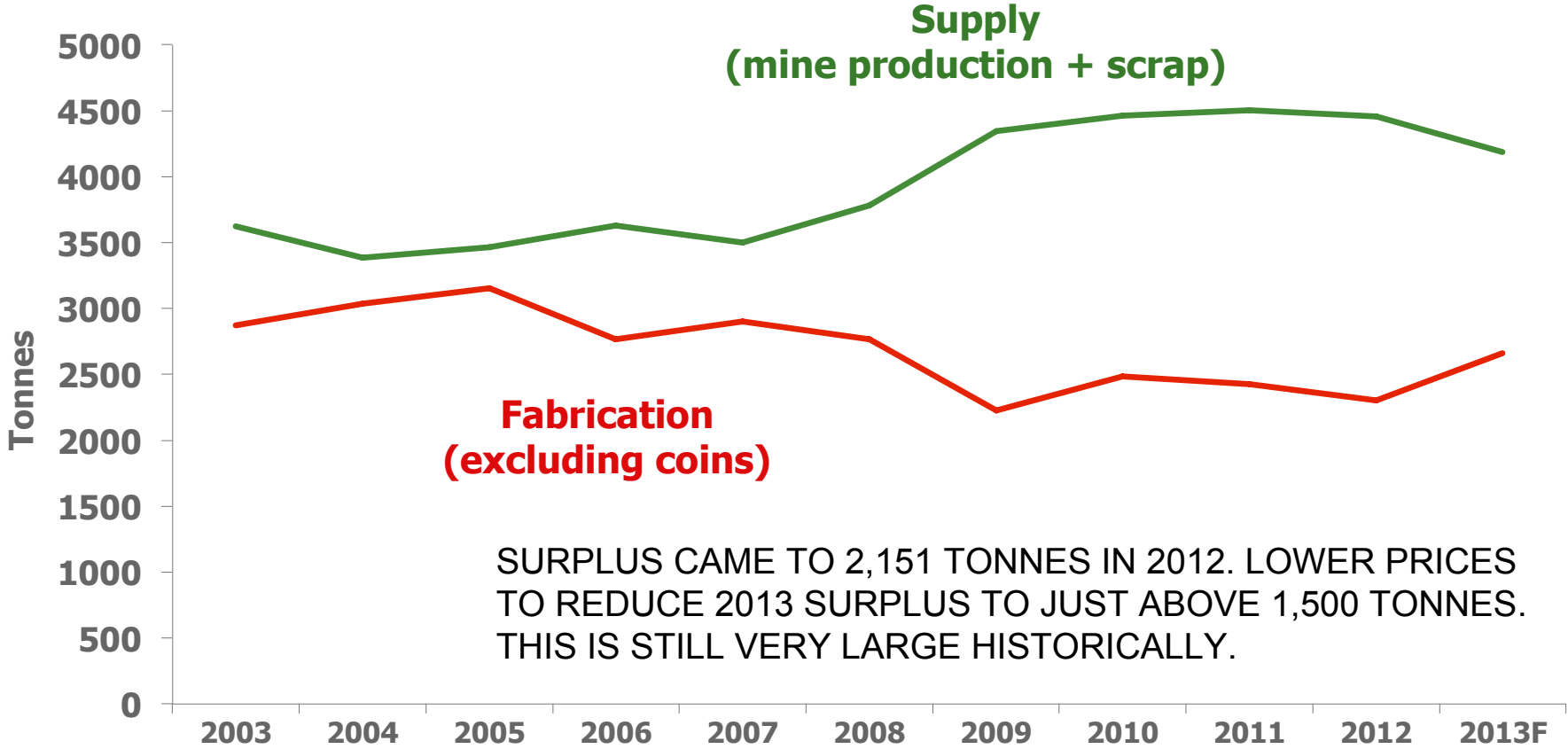
# GOLD PRICES FOLLOWING PEAKS INDEXED DAILY SERIES



\* To 20<sup>th</sup> September 2013

Source: LBMA, Precious Metals Insights

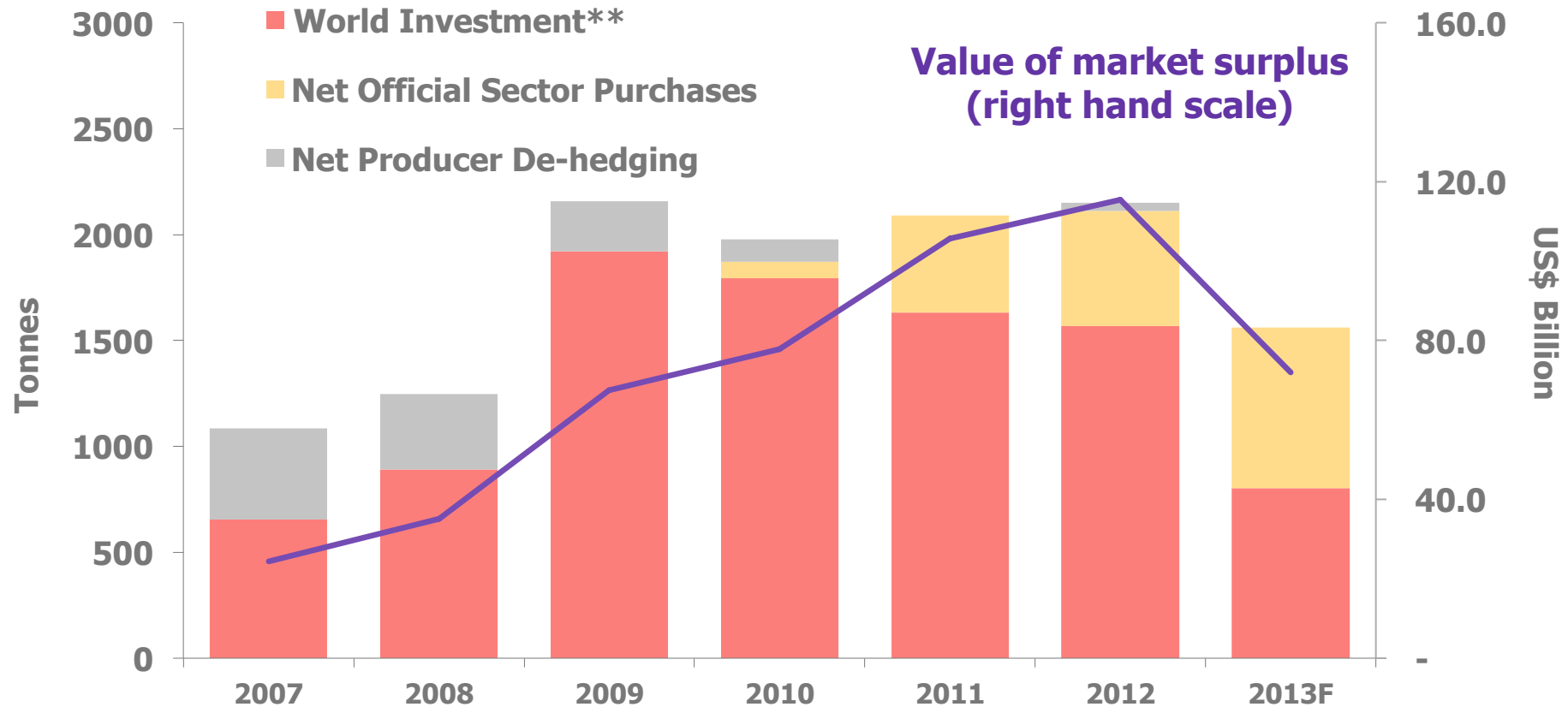
# FALL IN STRUCTURAL GOLD MARKET SURPLUS\*



\*Surplus = Mine Production plus Scrap minus Fabrication (excluding all coins)

Source: Thomson Reuters GFMS; Precious Metals Insights

# GOLD MARKET SURPLUS\* ABSORPTION

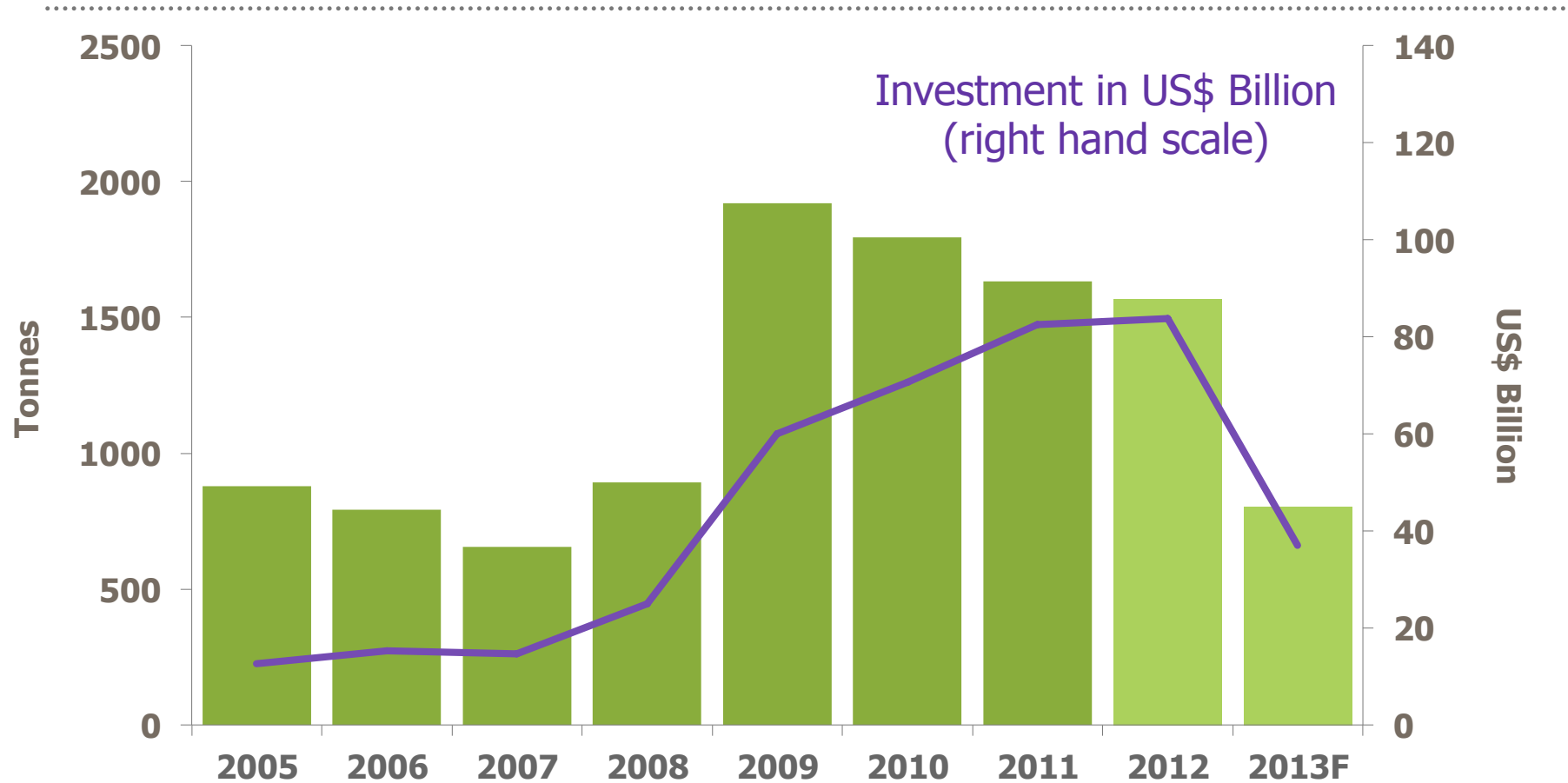


\* Mine Production plus Scrap minus Fabrication (excluding all coins), plus Official Sales & Net Hedging (when positive)

\*\* World Investment is the sum of Implied Net Investment, Physical Bar Investment and all Coins & Medals

Source: Thomson Reuters GFMS, Precious Metals Insights

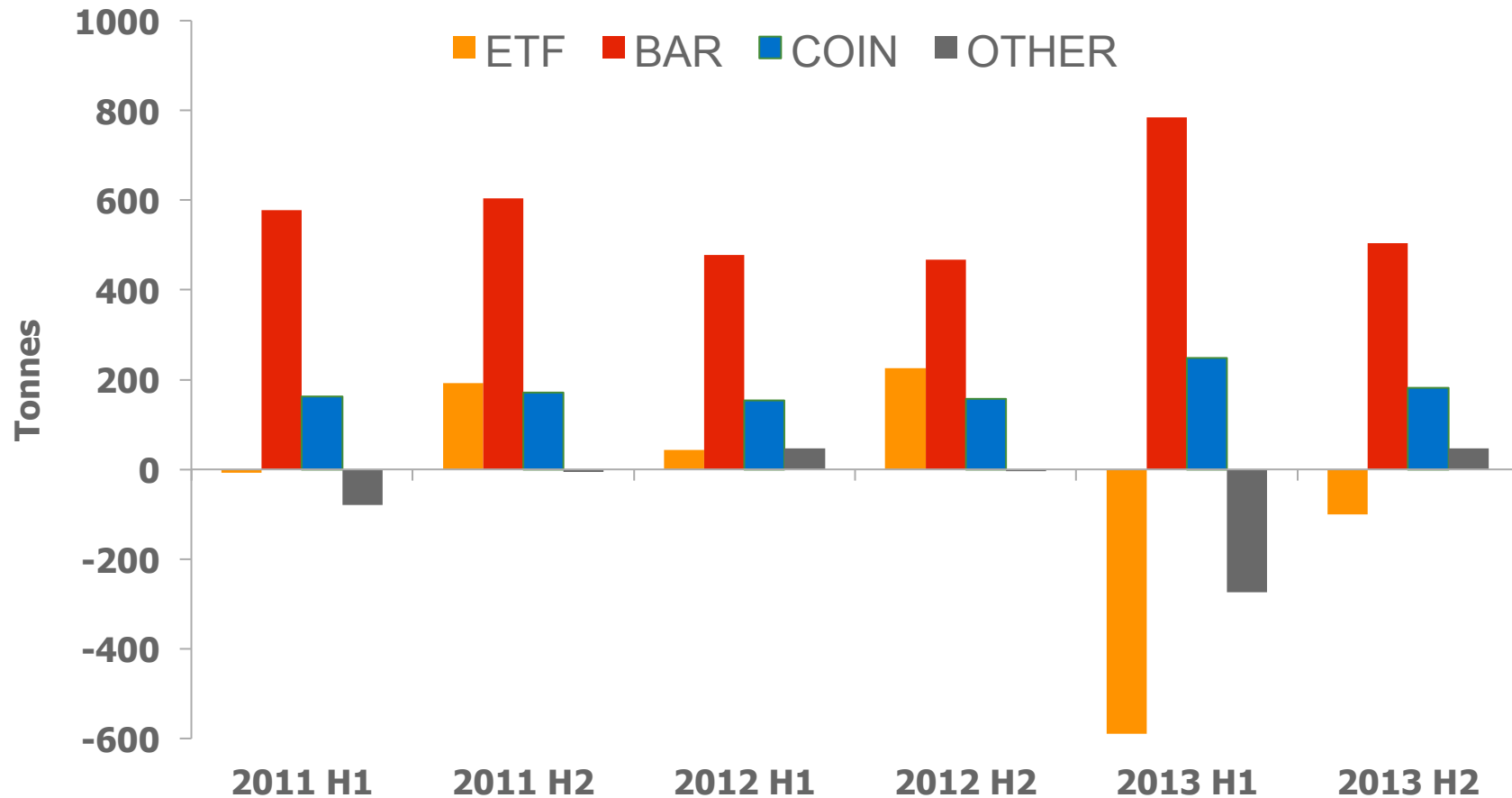
# WORLD INVESTMENT\*



\*World Investment is the sum of Implied Net Investment, Physical Bar Investment and all Coins & Medals

Source: Thomson Reuters GFMS, Precious Metals Insights

# WORLD INVESTMENT\*: HALF YEARLY BY SOURCE



\*World Investment is the sum of all categories of investment on a net basis in terms of their physical market impact.

Source: Thomson Reuters GFMS, Precious Metals Insights

# CONCLUSIONS

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- Gold's over \$200 recovery to end-August from the P.M. fix on 28<sup>th</sup> June of \$1,192 suggested the latter could have marked the low for the gold bear market.
- But, failure to move decisively into the \$1,400s, slide in price and then the lack of sustained reaction to continued \$85bn QE and renewed US government debt problems points to the potential for new lows.
- Gold may be especially vulnerable once the period of seasonal strength in Asian physical demand ends after the post-Chinese New Year re-stocking is completed in February 2014.
- Asian physical demand, particularly Chinese purchases, will be a key factor in determining how low the gold price might fall. In China's case this means the level of demand from both the private and official sectors.
- If Asian/Chinese demand slackens then a new low is very likely, especially if a further round of heavy ETF sales takes place. Probable in that case that the low could be in a \$1,000-\$1,100 range.
- There appears to be no convincing reason in the short-medium term why Western investors should return in force to gold, which is necessary for the price to rise above +/- \$1,500.
- In the longer run a new wave of investment driven by high inflation, a collapse in confidence in central bank economic management and a series of government debt crises will drive gold well above \$2,000/oz but this cocktail of factors may still be several years off.



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