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A photograph of Valcambi Suisse gold bars and an assay certificate. The assay certificate is in a white frame with a red border, displaying the text 'ASSAY CERTIFICATE', 'Au 999.9', 'Net g', 'Certified master 2014', and the Valcambi Suisse logo. Two gold bars are shown: one is a large star-shaped bar with a red interior and a gold star on top, and the other is a smaller, plain gold bar. The Valcambi Suisse logo is also visible on the side of the bars.

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Dear Readers,

China has emerged as major economic powerhouse in the last thirty-five years, and is eyeing to become more powerful in future. Currently China's GDP stands at \$10.4 trillion, second only to the United States. The country has excelled in all sectors— be it mining, manufacturing, agriculture and so on - displaying an encouraging example as to how a nation could transform itself into an economic superpower through right policy decisions by government and through public and private entrepreneurship.



It gives me enormous pleasure to write about the success story of China in developing a market for precious metals, especially gold, which they started only twenty years ago. China opened its market to official import of gold in early 1990s after India opened its market. Today, China is not only the largest consumer of gold in the world, but also the largest producer as well (China's current annual gold production is 438 tons). It has developed infrastructure such as a dedicated commodity exchange for gold (Shanghai Gold Exchange); it has developed a financial market for domestic and onshore investment. In 2013, more than 11,000 tons of gold and 430,000 tons of silver were traded in SGE, as against only 4700 tons of gold and 16,248 tons of silver in 2009. This exemplary growth demonstrates the success of the policy measures. This aggression was again reflected when on September 29, SGE launched its yuan denominated international board, offering 11 contracts on gold currently, in Shanghai's free trade zone. The board is formed to encourage foreign participation in gold market which is otherwise still closed. SGE has initiated the idea as rapid acceleration is happening on internationalization of RMB. Traders expect that this move will broaden the scope for global use of 'yuan' besides simplifying the procedure of getting gold into the country. I personally feel that China is eyeing even bigger proposition of taking an important part in global pricing platform of gold, being the largest producer and consumer. I wish the 9th China Gold and Precious Metals Summit a resounding success.

In this issue, global experts discuss various aspects of Chinese gold market. I hope you enjoy reading the selections presented. Do let us know your comments and suggestions.

Good wishes

Debajit Saha
Editor

For Central Bank Gold is a Safe Haven Reserve Asset

David Marsh, Managing Director and Co-Founder, OMFIF, discussed in detail the current situation of the Euro region and its economy, impact on gold prices, central bank gold reserve policy with particular focus on China and the importance of Renminbi in the world while giving an interview to **Bullion Bulletin**. Excerpts...



How are you looking at the need for new measures by the ECB to strengthen the region's economy?

The ECB has said that it may have to increase its balance sheet by up to 1trillion euros to get this back to the level of 2012. This is not a structural reform, this is to inject liquidity into the banking system and this may happen in the next two years - it is a long term programme and it is an aspiration rather than a clear target.

For the time being, the ECB has decided to opt for a combination of private sector asset purchases and issuing of additional long term loans in targeted refinancing operations. The ECB says, for the time being, that is sufficient without the need to go down the path of full-scale quantitative easing - purchasing of euro area government bonds.

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Gold plays a role as part of a risk weighted portfolio. For central banks, it is a safe haven reserve asset which is concentrated in the industrial countries but is not going to disappear. With this, the central banks are not going to sell their gold as they factor in gold as a very important reserve asset.

IMF has predicted that the Euro region may be at the verge of deflation by the first half of 2015. Do you believe that it can happen?

The International Monetary Fund said two things: first, there is a 40% chance of another recession and second, it is worried about low inflation which is dangerous as it could lead to deflation. I think Europe may enter another recession. I do not think there is a danger of outright deflation. Lower inflation is problematic because it makes it more difficult for adjustments between the creditor and the debtor countries. The debtor countries have to make more efforts at a time of threatened deflation. Higher inflation would help them to lower their debts in real terms. The euro area is now split between debtor and creditor countries where creditor countries have a strong leaning towards lower inflation, while the debtor countries, the opposite is true. So that is the very big fundamental problem in the Euro area.

If the Euro area opts for QE measures, do you think it would impact the gold price?

Gold is negatively correlated to USD. If we see the USD increase in the next few years against the Euro, then that would be bad for the gold price. The gold price is actually relatively stable in Euro terms whereas the gold price is weak in USD terms. I think the Euro will become weak anyway whether or not the ECB goes for full scale quantitative easing. So that may indeed have an impact on the gold price indirectly because of the correlation with the USD.

Central banks were in the past highly conservative investors concentrating on gold and highly-rated government bonds, but recently we have seen some central banks aggressively buying equities. What is the reason behind the same?

Actually it is not so sudden, because there has been a greater move into equities over several years. Central banks hold equities in their portfolio as part of their overall risk management. It could be favorable to get higher returns on their assets, and they look at risks in a different way when they have

more reserves and are less likely to call on them immediately. Clearly equities are fundamentally more risky than bonds but on the other hand, they give a higher yield. So the central banks are doing this not in a blind fashion but as a part of risk management strategies which they find acceptable.

How do you perceive gold? Do you feel that gold is a reserve asset and is really worth enough to be held by central banks?

Gold plays a role as part of a risk weighted portfolio. For central banks, it is a safe haven reserve asset which is concentrated in the industrial countries but is not going to disappear. With this, the central banks are not going to sell their gold as they factor in gold as a very important reserve asset.

For an ordinary investor, it just makes sense to have some gold, equities, bonds, infrastructure etc. You can use gold as collateral for lending to jewelers, so you can turn gold into an interest bearing asset. Interestingly, the central banks are starting to think again about how to mobilize their gold reserve in terms of interest rates. Gold is a hedge against inflation and deflation; also the central banks see gold as a hedge against other risks on their balance sheets.

On November 30 people in Switzerland will vote on whether

the central bank should keep 20% of gold as a strategic reserve. What is your view on this?

I think there is unlikely to be a Yes majority but it will be close. The stipulation that the SNB should no longer sell gold would tie the bank's hands and actually detract from gold's significance as a reserve asset – if it's a reserve asset then you have to be allowed to sell it if needed. It does show that there is a lot of political pressure in different countries. So it tells about the psychology of people rather than telling anything concrete about what is going to happen to the gold market.

The Renminbi is heading towards becoming a reserve currency and an important player in global trade. How are you looking at it? How will it impact the global commodity market?

The Renminbi has recently become more important as a reserve currency, from a very low base. It is nearly used in about 60 central banks and sovereign bonds at the moment. But it is still a very minor reserve currency. It will certainly be

the number three reserve currency after the USD and Euro. I think that twenty years from now, it will certainly be the number two reserve currency as it will eventually become more important than the Euro. I think the Chinese authorities would like to see the Chinese currency used more in international trade and investment transactions; they are against it being used speculatively.

But they wish to keep control.

Without a doubt, China

feels, as a large economy, it wishes to have a substantial internationally used currency.

I think that twenty years from now, it will certainly be the number two reserve currency as it will eventually become more important than the Euro. I think the Chinese authorities would like to see the Chinese currency used more in international trade and investment transactions; they are against it being used speculatively.

The Chinese authorities are not opening up about their gold policy. But our assumption is that the Chinese

authorities have different ways of building up their gold reserve by taking domestic gold production and putting some of it into the physical stock. The gold is not there to back the Renminbi, the currency is backed by the economy of China. The Chinese authorities however see gold as a factor of stability. That is one reason why the overall

gold reserves of China are almost certainly greater than the 1000 tonnes that China officially declares to the International Monetary Fund.

.....
David Marsh is Managing Director and Co-Founder of OMFIF (Official Monetary and Financial Institutions Forum). He is Senior Adviser to asset management company Soditic and Chairman of the Advisory Board of independent investment bank London & Oxford Capital Markets. Previously, he worked for City merchant bank Robert Fleming, corporate finance boutique Hawkpoint and German management consultancy Droege.



What do you think about China's gold reserve policy? Are they looking at gold to back their currency?

Shanghai is the Next Bullion Destination

Bernard Dahdah, Precious Metals Research, Natixis, discussed about China gold mining, potential of Shanghai becoming next bullion destination, about world platinum mining while giving an interview to **Bullion Bulletin**.

Excerpts...



It became especially evident that global demand had shifted from west to east when Asia acquired most of the 870 tonnes of physically backed ETP outflows in 2013 (mainly held by western investors).

prices of around \$1,160/oz, we do not believe that we are close to getting a supply shortage. Even if the price of gold were to hit the cash costs of production, the example of the platinum industry has showed us that prices need to remain weak for a protracted time to have an impact on prices and shortages do not occur instantaneously.

Speaking on China gold mining, what is your opinion on the long term sustenance of the sector?

Over the past few years there have been efforts to consolidate the Chinese gold mining sector and to modernise it. Looking forward, and if we were to base ourselves on the USGS reserves figures, China might find itself in a tricky situation with its underground gold reserves. The USGS definition of gold reserves is the part of the reserve base which could be economically extracted or produced at the time of determination (only recoverable material). The latest USGS figures estimate that Chinese gold reserves in 2013 were at 1,900 tonnes which puts it only in the 9th position out of 14 countries in terms of largest

reserves. Given that Chinese gold mine production is the largest in the world and growing every year, the country could find itself in a difficult situation. That said, back in 2007 Chinese reserves were at 1,200 tonnes, so we have seen an increase of 58% with time, this is a faster pace than most countries; moreover we could see further discoveries in the future.

What is current all-in-cost in platinum mining? Is the current price \$1257/oz enough to sustain especially when labour and electricity costs are high in South Africa?

According to our estimates, the cash cost of production for a large portion of South African platinum producers is around ZAR15,000/oz. We believe that current platinum prices are not sustainable in the long run.

Heading into 2015, South African cash costs of production are expected to continue rising, with platinum miners inevitably facing higher energy and wage costs. In July Eskom was given permission to increase electricity prices beyond the

Are you apprehensive that there might be supply shortage if gold would continue to trade at sub-\$1300/oz level as miners are finding hard to manage the cost?

As the price of gold dropped in the past year, gold producers actively sought to reduce their cash costs. Companies have been cutting down on spending, restructuring mine operations, selling assets and focusing on more profitable mines (including targeting high grade ore). Our figures show that during the second quarter of 2014, all-in sustaining cash costs (weighted average) of gold dropped by 11% yoy to \$960/oz. Therefore, at current



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approved 8% increment for 2015 and during the last round of platinum strikes unions reached a deal to guarantee salary increases of around 7-8% each year for the next three years.

Unlike the global gold industry, where mining companies are currently cutting back on a range of non-essential costs, South Africa's platinum industry has spent much of the last few years cost-cutting, suggesting that there is little "fat" left that can be cut. South African workers are highly unionised, and after the struggle over the past year to achieve agreement with the mining companies to raise wages, it is unlikely that workers will be prepared to accept lower pay. Similarly, Eskom's planned price increases are unavoidable if the company is to invest in essential new output capacity.

Between Hong Kong, Singapore, Shanghai and Dubai, which location you consider the best bet for investment in bullion in next five years and why?

Shanghai seems to be the area with the most potential. Last year, China became the world's largest producer and consumer of gold, producing 403 tonnes and consuming over 1,000 tonnes. Asian demand for the metal accounted for over 60% of

global demand. It became especially evident that global demand had shifted from west to east when Asia acquired most of the 870 tonnes of physically backed ETP outflows in 2013 (mainly held by western investors).

The latest USGS figures estimate that Chinese gold reserves in 2013 were at 1,900 tonnes which puts it only in the 9th position out of 14 countries in terms of largest reserves. Given that Chinese gold mine production is the largest in the world and growing every year, the country could find itself in a difficult situation.

Given its newly dominant position as both a producer and consumer, China has stepped up measures to position itself as the main trading hub and it seems that Shanghai is being a big boost.

- Early in June, as the London gold fix came under scrutiny, the Chairman of the Shanghai Gold Exchange stated that "we should have gold fixing, pricing done in China itself". Xu Lode went further and said "We need to build China's influence in the global gold market".
- Back in September, the Shanghai Gold Exchange went live in Shanghai's free-trade zone, eleven days prior to its original launch date. Forty members in the exchange, including global banks, now participate in trading 400oz bars, 1kg bars and 100g contracts.
- The SGE is also opening a precious metals vault in the free-trade zone with a 1,000 tonne capacity. Hong Kong's Chinese Gold & Silver Exchange was given permission last week to open a 1,500 tonne facility in Qianhai, Shenzhen. Last year,

Malca-Amit Global opened a gold vault in Shanghai that can store 2,000 tonnes of the metal.

- Comments by PBOC governor Zhou Xiaoxuan at the SGE's opening ceremony re-ignited speculation that China might be accumulating gold for its foreign exchange reserves. The governor stated that the gold market could provide diversification for investors in other the financial markets, but it must avoid systemic risks.
- Despite these developments, China has experienced some difficulties in its gold market.
- Four physically backed gold ETPs have been launched in China and have failed to reach their targets.
- In June, China's chief auditor reported that \$15.2bn of loans could have been backed by falsified gold transactions.
- In September, the president of China's largest producer Zhongjin Gold was detained by state anti-corruption agents. Earlier this month, Chinese.

.....
Bernard Dahdah is responsible for precious metals research at Natixis and have been covering the gold, silver, platinum and palladium markets for over five years. After various roles at Merrill Lynch and HSBC, Bernard pursued his studies at the Cass business school in London where he wrote a dissertation on forecasting errors in the commodities and FX markets.



Precious Metals to Head Lower in the Near Future

Robin Bhar, Head of Metals Research, Societe Generale CIB, talked about Asian physical demand for gold, present gold price movement, China as an investment destination and price prediction for precious metals while giving interview to **Bullion Bulletin**. Excerpts...



One of the possible explanations of such a lack of physical support could be that investors are waiting on the side lines for further pullbacks in the price or price stability. Another explanation, and one which is more bearish for dollar gold prices is that the local currency price in many of these countries has not fallen anywhere near as far as in dollar terms and hence the relative lack of a price response.

Do you feel that with decrease in gold and silver price, physical demand in Asia will increase?

Lower gold and silver prices should support higher physical demand in Asia but the totals are likely to be lower year-on-year because of the very strong physical buying seen in 2013 in response to the collapse in prices.

It is interesting to note, however, that even at these low price levels, there has been little sign of increased demand from key Asian players. Demand in China has been relatively quiet, while prices at the Shanghai Gold Exchange are currently at a discount or a very small premium to the London fix. Similarly, lower prices have not spurred any fresh buying in India.

One of the possible explanations of such a lack of physical support could be that investors are waiting on the side lines for further pullbacks in the price or price stability. Another explanation, and one which is more bearish for dollar gold prices is that the local currency price in many of these countries has not fallen anywhere near as far as in dollar terms and hence the relative lack of a price response.

In your view what are the major reasons behind the present persistent fall of gold price?

In essence, tightening monetary policy from the Fed (rising interest rates and the dollar) and the opportunity cost of holding gold (doesn't provide a return or yield) together with low global and US inflation have maintained the

We see China playing an ever growing role in the precious metals markets and a growing investment destination. Societe Generale CIB sees China as a key strategic partner with a longstanding commitment from financing & risk management to research.

downside pressure on gold prices. A “perfect storm” of negative factors have conspired to pressurize gold and silver sharply lower.

A slightly more hawkish FOMC statement than generally expected

- The October FOMC statement retained the “considerable time” phrase, but also noted the “substantial improvement” in US labour market conditions and made the point that improving US data flow would prompt the Fed to hike rates sooner than expected. We expect the first Fed rate hike in June 2015, which is earlier than the market is currently expecting. This boosted the USD and short-term yields which are negative factors for gold.

US Q3 GDP growth was strong –

The US economy grew 3.5% in Q3 2014 amid low inflation. Inflation expectations (treasury breakevens) have been declining for several months now.

Significant chart support level broken...

– The \$1180 support level had been tested and it held three times since June 2013. A breach of this significant support level last week was seen as bearish and triggered further heavy liquidation and technical selling. Gold is breaking below the lower part of the large consolidation zone since June last year. Daily

stochastic indicator has retraced from a graphical ceiling indicating continuation in down move. Gold looks poised to drift lower towards \$1155/1150 which happens to be the 61.8% retracement of the uptrend from 2008 to 2011 and a short term descending channel limit. Immediate resistance is seen at 1189.

Lower prices indicated on the charts

- The break below expected support around \$1180 is important, and shifts the focus to \$1086, the midpoint of the range from the 1999 low (\$251.95) to the 2011 high (\$1921.17), say technical analysts. Monthly candles provide little in terms of clues, as we note a break below the 100-month moving average at \$1178.75.

Physical demand from India and China is very subdued

– Buyers have stepped aside waiting to see how much lower prices are likely to go. In China, local prices have slipped to a discount to the global benchmark. SGE has gone from a \$1-2/oz premium to loco London to a discount of \$0.5-1/oz.

Investors are not interested

- Meanwhile, investors are not interested in buying gold amid surging equity markets and see little need for a hedge against inflation or other geopolitical risks.

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Monetary stimulus is seen favouring equities – Fed QE and recently announced Japanese QE is seen favouring equities over gold (a non-yielding asset).

As an investment banker, how do you look at China as an investment destination in precious metals (including gold mining)?

We see China playing an ever growing role in the precious metals markets and a growing investment destination. Societe Generale CIB sees China as a key strategic partner with a longstanding commitment from financing & risk management to research. We are very active in China providing enhanced expertise in commodities which includes a comprehensive service including premium services and market access.

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Do you feel money managers will focus more on financial market rather than commodity market (with gold and oil are primary asset)?

That is a trend that we have witnessed for some time now as investment money has steadily left commodity markets headed into equity markets or other asset classes. This trend is likely to

continue for the foreseeable future.

Lastly what is your short term prediction for precious metals (in price front)? How will the investment demand for bullion sustain in 2-3 years time?

Our short-term expectation is for gold and silver to head lower; gold we believe could end this year below \$1,100/oz. We are more positive on platinum and palladium and see a good floor in place for platinum around \$1,100-1,200/oz and palladium at \$700-800/oz.

We see a diminishing investment for bullion in 2-3 years time.

.....
Robin Bhar is currently Head of Metals Research at Societe Generale CIB which he joined in February 2012. Prior to this he worked in the financial industry as a metals analyst/strategist for over 20-years in several corporate and investment banks in London.



China Developed Strong Distribution Networks for Gold Through Government's Support

Jeremy East, Global Head of Metal Trading, Standard Chartered Bank- Hong Kong, discussed about the global gold market movement, Chinese demand, gold financialization and many more while giving an interview to

Bullion Bulletin. Excerpts...

Demand for gold in major consuming centers like India and China is decreasing. What can possibly the effect of this global change and what are the reasons behind market moving in downward direction?

There are two different things going on in the market environment. Indian demand definitely has decreased on official basis. However, China seems to be going forward very strongly. Last year China reported over 1400 tons of gold. This year we expect the number not to be as great as last year; however, it will be still be over 1000 tons which is quite a significant amount. So I think the demand for gold in market is still very strong. The physical market demand is returning and next year we would see an increase in physical demand. India is going to come back next year, China will be strong and also specially with the recovery of US economy, we will see stronger jewellery demand in the US.

Global gold price is in down trend. If it continues further, how will it impact the global bullion trade?

The gold market often is influenced by the interest rates and the strength of the USD. We are seeing



The physical market demand is returning and next year we would see an increase in physical demand. India is going to come back next year, China will be strong and also specially with the recovery of US economy, we will see stronger jewellery demand in the US.

selling coming from the investment community. This is the most strategic community selling gold at the moment with the expectation to see lower prices. Around \$1100/ounce is the marginal cost of production of gold, so at this point mining companies will start to reduce their production level.

Asian giants like Singapore, Hong Kong, China, and India are coming

out with many innovative options for gold with the thought that gold is actually moving East from West. So is there any greater integration possible between these countries to make Asia even stronger in global gold trade?

I think you have to differentiate between the markets. China is pretty much a domestic market which is growing now internationally. Singapore is developing new gold

contracts and they are focusing only the regional markets like China, Malaysia, and Indonesia.

Shanghai Gold Exchange involves LBMA accredited refiners for trading purpose. Are the local miners and refiners involved in SGE as well?

If you look at the Shanghai Gold Exchange, the LBMA accredited refiners trade there; however, in addition there are number of domestic refiners that have been approved on the authorized desk of the exchange.

China is planning to launch its own local price fix. Is it going to happen any time soon? How are you looking at this development?

As China develops its new gold contract in the free trade zone, it is natural that Asia starts to develop its own bench mark. We are seeing move in this regard. China imports more than 30% of world gold production and along with the internalization of RMB, why should not China pay for that gold

in LOCO currency. If it is physical gold, physical contracts are linked to benchmarks. So it is natural that China would look to setting benchmark especially in LOCO currency in the free trade zone.

The Chinese have been very successful in developing distribution networks. The government is supporting the domestic banks, so the banks are being able build huge retail distribution networks. In addition to that, we have seen a huge growth in retail, so the jewellery companies have dramatically improved their distribution capabilities. So it is only possible through the government support.

Import restriction has been a great constraint for India's gold trade. In this case, do you feel that bullion banks like you can participate in a better way with India? It is actually very difficult for international bullion banks because what is going on India is a domestic concern which is to be focused by clients. We can give our advice to the clients and give them experience of the international market.

Gold financialization is very successful in China. Brief us about this Chinese model of gold financialization.

The Chinese have been very successful in developing distribution networks. The government is supporting the domestic banks, so the banks are being able to

build huge retail distribution networks. In addition to that, we have seen a huge growth in retail, so the jewellery companies have dramatically improved their distribution capabilities. So it is only possible through the government support.

European central bank along with other regional European banks agreed upon renewing the CBGA for next 5 years. What is your view on this?

This agreement limits the amount of gold central bank sells and also the amount of gold that they lend into the market. At the moment, central banks are net buyers of gold. So the impact of the CBGA is muted.

How are looking at the Chinese demand in next 2-3 years?

The demand in China is picking up at the moment and we see continued growth in next year. The policies from Chinese government are supportive to the gold industry. So as China becomes wealthier, it will consume more gold. We expect to see growth in gold demand in next 2-3 years coming from China.





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How much Gold does China need?

Thomas Puppenthal, Founder & Managing Director, Chancery Asset Management



During a business trip to Hong Kong in 2012, I met a friend and former colleague from London, who has been living in China for over 15 years and speaks fluent Mandarin. My friend is a highly intelligent top management consultant, but having been educated in the West, he would not want to acknowledge gold's unique

monetary role. When I asked him why he still didn't understand gold after living in China for so long, he replied "I have been here long enough to know when they are wrong."

Given the gold price drop over the last three years, it does appear that Asian gold buyers have indeed been

wrong. But what seems like eternity for the average Wall Street trader, who considers himself a long-term investor if he holds a position over the weekend, is nothing more than a moment in the eyes of Chinese policy makers who plan decades ahead.

The "West-to-East" gold trade has been the theme of the last two years. Indeed, China alone has been buying well over 2,500 tonnes (equal to one year's mine production) of physical gold over the last two years, especially following last year's price smash. There has been much talk about the Swiss refineries running overtime to recast Western gold bars into 1 kg bars for shipment to China.

But where is all this gold coming from? Annual mine production excluding China and Russia (whose domestic production is not available to the world market) is approximately 2,100 tonnes. China's net imports in 2013 were about 1,500 tonnes. India, which has no domestic gold production, imports over 1,000 tonnes per year (officially and through smuggling). This already creates a 500 ton shortfall, before even considering the rest of the world.

In 2013, it certainly proved to

be convenient that the world's largest gold ETF, the last bastion of major physical supply, could be easily lightened up by 550 tonnes. The other prime source of supply appeared to be the gold vaults of the Bank of England (BoE). Custodial gold, i.e. "other people's gold" vaulted at the BoE, dropped by 755 tonnes last year, according to its annual report.

But was China just buying the gold that Western entities were dumping, as main stream media reporting would suggest? Or was physical gold demand about to overwhelm the paper gold fractional reserve scheme run by the London bullion banks? I do not agree with those who smell manipulation every single time the gold price happens to go down. But the traces of targeted official intervention at key levels are highly visible. It is so obvious that anyone who still denies that the gold market is rigged is either ignorant or complicit. This manipulation will only end when price discovery shifts from the artificial paper market to the physical gold market.

This process is well underway, with Shanghai set to become once again the world's major gold trading centre. China has already caught up with India in terms of gold demand, with both countries combined importing over 2,100 tonnes annually, the equivalent of the entire annual mine production

that is available to the market. This is very encouraging as 2.5 billion people with common sense cannot be so wrong.

The real question is: how much of China's gold imports are going into the PBOC's reserves? China has not published its official gold reserves since 2009, when it reported 1,054 tonnes. And the government will obviously not raise attention to its gold buying activities as long as it can quietly accumulate massive amounts at artificial discount prices.

I would estimate China's gold reserves to be around 5,000 tonnes by now. At a minimum, one can conservatively assume approximately 3,000 tonnes, based on the officially reported 1,054 tonnes in 2009 plus China's entire domestic production of nearly 2,000 tonnes over the last five years, which has undoubtedly gone straight into the government's reserves.

It is very likely that China has also been accumulating substantial quantities of gold through unofficial, undisclosed channels. Therefore, I would not be surprised if China's gold reserves were closer to 5,000 tonnes, but of course the government will not update its official numbers until it has reached its target.

This leads us to the key question: How much gold does China need to support the Yuan as a credible world

reserve currency?

Most analysts usually refer to a country's gold reserves as a percentage of total foreign reserves. This ratio is meaningless with respect to the United States, because the US does not need any foreign currency reserves as long as its own Dollar still acts as the world reserve currency. In the case of the US, gold reserves should be measured in relation to the money supply. For China, however, it actually makes a lot of sense to look at gold as a percentage of total foreign reserves, because of the country's giant US Dollar exposure (estimated to be about two thirds of its total \$4 trillion reserves).

On this measure, China would need to bring its gold reserves to 8,000 – 10,000 tonnes to get in line with India (7%) or Russia (10%). The major European economies such as Germany have about 67% of their reserves in gold, which is primarily a result of Europe's economic ascent post World War II, until US-President Richard Nixon defaulted on the US Dollar's gold convertibility in 1971 by unilaterally reneging on the Bretton Woods Agreement.

So, what is the optimum percentage of gold holdings for China? I would argue that the main policy objective for China should be to hedge their massive US Dollar exposure, which is at risk of further debasement, even if the dollar is currently exhibiting an episode of relative strength

against the other worthless paper currencies.

Let's do a simplified "back-of-the-envelope" calculation: The US Dollar Index could easily fall to and through its long-term support at 72 when confidence in the sustainability of the Fed's reckless monetary policies eventually collapses. That would represent a 20% decline from its current level, or a more than \$300 billion loss in China's dollar reserves.

This is where it gets really interesting. At current gold prices around \$1,200/oz, China's official 1,054 tonnes of gold are worth about \$40 billion. That means gold would have to rise to \$10,000/oz. in order to compensate for a \$300 billion currency loss. With 8,000 tonnes of gold reserves, however, the gold price would only need to double from its current level to \$2,400/oz. to make up for a 20% drop in China's dollar reserves.

I assume that 8,000 tonnes of gold reserves is the "magic number", the minimum target for China. It will place China on par with US official reserves (which again makes sense given that the Chinese economy has now overtaken the US in terms of purchasing power) and would be sufficient to underpin the Yuan as a credible world reserve currency. Until this target is achieved, China will continue to quietly accumulate as much gold as possible, but I doubt there will be another 3,000

tonnes of physical gold available in Western vaults at current prices. As bestselling author Jim Rickards puts it: "You can't loot the warehouse twice".

Western media propaganda has completely destroyed investor sentiment towards gold, because the unprecedented central bank balance sheet expansion and money printing has – so far – not caused the sort of hyperinflation that gold investors feared or expected. Therefore, there is seemingly no need for gold.

Enter the Maestro. Alan Greenspan, the man who is widely seen as the architect of the Fed's zero interest rate policy and bubble-blowing. The man who – before he stumbled into his role as Fed Chairman – was a firm believer in the Austrian school of economics and gold's role as the ultimate currency. Now that Sir Alan can speak freely again, it seems he has returned to his roots.

In a speech before the Council on Foreign Relations in October, he had this to say: "Gold is a good place to put money these days given its value as a currency outside of the policies conducted by governments." As if this was not enough, he followed up with another highlight at the New Orleans Investment Conference. When he was asked where he thought gold would be in five years, he answered "higher". When asked how much, he said "measurably".

Will the Maestro be right in the end? I believe he will. Gold will move sharply higher over the next few years as the reckless central bank monetary policies of the last five years finally take their toll. With no viable exit strategy from QE and zero interest rates, the major central banks are now "all in" and resorting to outright inflation targeting. Once the inflation genie is out of the bottle, gold will rise a lot higher a lot faster than most strategists can imagine.

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Thomas Puppendahl is the founder & managing director of Chancery Asset Management, an independent strategic advisory firm based in Singapore. He has over 20 years of experience in global capital markets as a strategist, portfolio manager, investment banker and analyst, and has specialised in precious metals for the past 10 years. Thomas holds Master's degrees in both Physics and Business Administration from RWTH Aachen University, Germany.



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The Chinese Platinum Jewellery Sector to Grow in the Coming Years

David Jollie, Strategic Analyst, Mitsui Precious Metals, discussed about global PGM demand, autocatalyst demand for platinum, importance of China in PGM trade, jewellery demand and investment opportunity in platinum while interviewed by **Bullion Bulletin**. Excerpts...



The main use of platinum in China is likely to remain in the jewellery sector. Here we are relatively optimistic. Although sales growth is price-dependent, economic growth throughout China means that purchases of jewellery could easily increase in the coming years. Platinum jewellery has a very strong brand within China, as it does elsewhere, and platinum could gain in sales as disposable income rises.

China's share of global vehicle production has increased to 25% in 2013 from mere 4% in 2000. Considering the fact that platinum is used as autocatalyst to clean the emission of motor vehicles, how are you looking at platinum demand would evolve with growing Chinese vehicle demand in next 5 years?

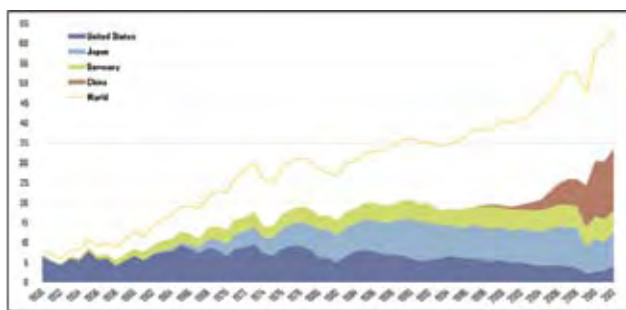
China is a relatively unimportant region in terms of platinum demand from the automotive sector. Improving fuel quality has

allowed many carmakers to replace platinum in the catalysts which they fit to gasoline-fuelled vehicles with palladium, reducing the use of platinum. Diesel cars, which would normally use platinum in their

catalysts, are relatively unpopular and we do not expect to see rapid growth in their sales within China in the next few years (although they do represent a substantial part of the European and Indian markets). However, there is some scope for greater platinum use in treating the exhaust emissions of heavy duty diesel vehicles such as trucks. These are not well-regulated currently and we would expect national emissions rules for this sector to be tightened,

driving additional platinum demand, albeit from its current low level. Local emissions rules may also encourage retrofitting, or the fitting of new aftertreatment to older vehicles, potentially generating a touch more platinum demand.

In reality, though, the main use of platinum in China is likely to remain in the jewellery sector. Here we are relatively optimistic. Although sales growth is price-dependent, economic growth throughout China means that purchases of jewellery could easily increase in the coming years. Platinum jewellery has a very strong brand within China, as it does elsewhere, and platinum could gain in sales as disposable income rises.



Source: International Organization of Motor Vehicle Manufacturers, <http://www.oica.net>.

In China platinum jewellery demand is as strong as gold demand. According to you, how China's platinum jewellery demand would develop in coming years and would it affect the price?

Gold is still the dominant metal in the Chinese jewellery market in terms of the weight of metal sold but platinum holds a very strong position as the most desirable metal for many consumers. We expect platinum to maintain this brand positioning, suggesting that the Chinese jewellery market will remain a very large consumer of platinum. However, the shape of the market is likely to change over time. We see the jewellery sector as being split into two parts: the first, centered on larger cities and the richer East coast, is fairly mature. Here we should not expect great net growth in the jewellery market as recycling of old jewellery rises and the market moves closer to being saturated. However, in the smaller cities and further inland - generally poorer areas - the jewellery industry is still expanding, consumer disposable income is increasing and jewellery sales - including sales of platinum - should continue to grow rapidly.

Over a period of time, we also expect the role of jewellery to change. Currently, as in much of Asia, jewellery plays a dual role as adornment and a form of savings or investment. As the welfare system expands in China and the financial system matures, there should be fewer requirements for the use of precious metals as a form of hidden or informal savings. Jewellery should

Ranking and market shares of the 10 strongest automobile countries 2013 and 2000	Ranking		Market shares	
	2013	2000	2013	2000
China	1	7	25.3%	3.5%
USA	2	1	12.7%	21.9%
Japan	3	2	11.0%	17.4%
Germany	4	3	6.6%	9.5%
South Korea	5	5	5.2%	5.3%
India	6	10	4.4%	1.4%
Brazil	7	9	4.3%	2.9%
Mexico	8	8	3.5%	3.3%
Spain	9	6	2.5%	5.2%
France	10	4	2.0%	5.7%
Market shares 10 countries			77.4%	76.1%

Source: Organisation Internationale des Constructeurs d'Automobiles, Paris 2014; www.oica.net.

gradually become more a consumer good, albeit one with a high underlying value. This means that the quality of design will improve, as we are already seeing, we should see more jewellery set with precious stones, and there is potential for platinum as a metal with a strong brand and history to capture some market share from yellow gold which plays a much more traditional role as a form of savings. Overall, we would expect the Chinese platinum jewellery sector to grow in the coming years although the rate of growth is likely to be slower than the increase in domestic GDP.

What is your take on palladium in respect of high Chinese demand for autocatalyst? China imported around 715,938 ounces of palladium in 2013, according to Bloomberg data based on Customs General Administration data. This is gross increase of 8.9 percent from 2012.

Growth in the Chinese automotive market has been one of the major factors behind strong demand for palladium in recent years. A number of factors have combined to boost palladium demand here. First, fuel quality has improved markedly: higher sulphur content fuel can damage the performance of palladium/rhodium catalysts, so the improvement in fuel quality has allowed manufacturers to use palladium-based catalyst formulations. Second, tighter emissions rules have forced the use of higher-loaded catalysts, boosting palladium use per car. Third, and perhaps most important, has

been the rapid growth in the Chinese automotive sector, as the Government has driven rapid economic expansion. Fourth, the Chinese car market has grown rapidly and a lower percentage of new purchases are replacement vehicles than is the case in Europe, Japan or North America. With relatively few old catalysts being recycled, new car demand leads to strong net demand for palladium.



Looking forwards, we should expect further growth in palladium demand here. There are still major issues with urban air quality throughout China and tighter emissions rules are likely to be adopted. We do not expect double digit percentage growth in car output to continue over the longer term but we believe this market has plenty more scope for expansion in coming years, although probably at a slower pace. When we tie this in with an expected gradual global economic recovery, we see palladium demand rising, with a potential bullish impact on prices. At some point, we would expect higher palladium prices to stimulate greater thrifting efforts and possible substitution of palladium by

platinum, limiting the rate of increase in the palladium price. However, at current prices, we believe palladium remains an attractive material to use in automotive catalytic converters and that demand should continue to grow in the short to medium term at least.

South Africa and Russia are two countries which produce platinum. But both countries have been facing their own problems (Labour problem in SA and political unrest between Ukraine and Russia). How would it affect the supply?

In the last few years, labour issues in South Africa have become considerably more visible, with the five month long strike at some of the three main producers' operations only the latest example. Although we do not expect a repeat of this strike, we do expect the South African mining sector to suffer further labour-related problems in the years to come. Strikes and



other stoppages clearly have an immediate impact on metal production and it is hard to see how the platinum industry could return to its previous peak output.



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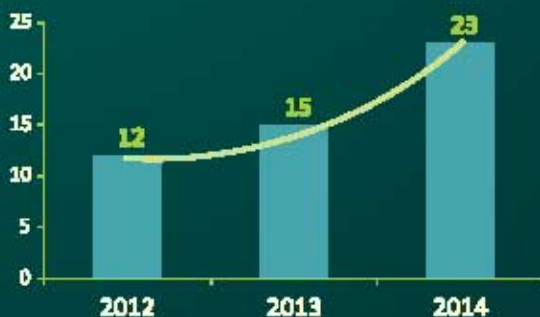
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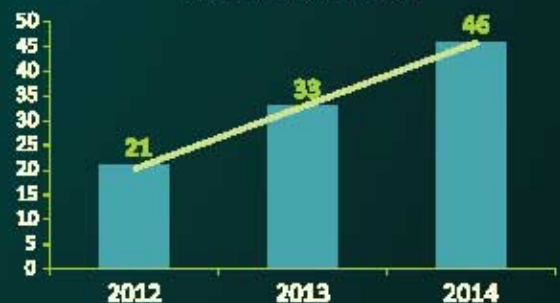
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Industrial unrest and above inflation payraises have also led to higher costs. With the platinum price currently at rather depressed levels in Dollar terms at least, this has placed some companies under financial pressure. We expect some mines to be sold and others to cease operation: this means that mining capacity is likely to fall in the short to medium term. In the longer term, mines are likely to use more mechanization and fewer employees in an effort to reduce this source of instability.

The picture in Russia is quite different. Mine supply and sales from this current production have been fairly stable in recent years, slipping only gradually lower as the ore grades decline at the primary mining sites in the country. We do not expect the current political tension over Ukraine to lead to any intervention by the Russian authorities – low oil prices make any foreign currency earnings from other sources particularly welcome at the moment. We also do not expect any sanctions to be imposed by Europe or America against this metal which is of huge importance to the automotive industry in each region. However, although we do not expect any disruption to Russian mine supply to occur, this sort of political tension does make consumers nervous. In our view,

the situation in Ukraine and the South African industrial relations environment could both encourage platinum group metal consumers to expend more effort in an attempt to reduce their reliance on these metals.

There are market reports which suggest that there is huge deficit of platinum supply in the market this year. Do you think that investors would put their bet in platinum away from gold?

There can be little doubt that the platinum market will be in deficit this year, given the huge disruption and loss of production that took place in the South African mining sector earlier this year. This could boost investor interest in platinum but the longer term picture is generally seen as less positive, although we believe that the market is fairly close to balance over this extended time period.

In the short term, platinum is trading at a small premium to gold and this certainly is attractive to some investors. Platinum is generally seen as the premium metal compared to gold and many people naturally feel that it should trade at a premium. Additionally, a long platinum/short gold trade can potentially remove some of the dangers that currency movements could have an adverse impact on a

long platinum position. Additional investor interest in platinum is bullish for the platinum price. In contrast, this should have relatively little impact on gold given the much greater size of the gold market.

Over the longer term, interest in gold centres on its perceived role as a hedge against inflation and as a quasi-currency. In contrast, platinum is both an industrial and a precious metal and expectations of economic growth suggest that demand will grow. With platinum prices currently at very depressed levels, the market expects cost pressures within the mining sector to provide support for the price and generally remains bullish for platinum in its own right.

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Dr. David Jollie has been Strategic Analyst at Mitsui Precious Metals since 2010. He has extensive experience in the precious metals sector, particularly related to the platinum group metals where he worked in automotive catalyst design and market research covering the jewellery and other sectors. These comments represent his personal views rather than those of Mitsui Precious Metals. He currently holds no derivatives positions in the precious metals.



There is a Huge Market for Scrap Refining in India

Keyur Shah, CEO – Precious Metals Business, Muthoot Pappachan Group, talked about the company's new venture into recycled gold segment, its operation, quality inspection, and future prospect in detail while giving an interview to

Bullion Bulletin. Excerpts...



The consumer should be aware of 3 things while selling the old gold- weight of gold, purity level and rate per gram. With our venture, we have introduced a very transparent way of operation whereby empowering the customer. We will weigh in front of them, do the purity check in a very scientific way and finally provide the rate linked to the live market.

limit the gold imports into India as it was raising the economic issue in India. So the only way forward for the industry was to start garnering domestic gold. There is 25000tons of estimated gold lying in Indian household and temple trust. That is when we also started thinking to operationalize and start garnering domestic gold.

We are not sure till how long gold import curbs will be active as CAD issue is the reality which government has to tackle. The finance ministry and commerce ministry report released just before Diwali this year stated that in September the import has gone up drastically and so the ministry is looking for more curbs again after Diwali.

Second from a consumer perspective, if customers want to sell their gold, they have very limited options; either to go to the known jeweler or to anybody who can give them the total price. But

mostly customers sell their gold at a reduced price because of lack of transparency. The consumer should be aware of 3 things while selling the old gold- weight of gold, purity level and rate per gram. With our venture, we have introduced a very transparent way of operation whereby empowering the customer. We will weigh in front of them, do the purity check in a very scientific way and finally provide the rate linked to the live market.

We are very happy to launch this venture as we wanted to activate and implement.

What sort of distribution channel are you adopting? What is the targeted customer group here?

The targeted customer group is anybody who wants to sell gold. The Muthoot Papachhan group is mainly for the service of the common man (the low income group). We also have to follow the RBI KYC norms for selling and accepting gold. We have kept limit at Rs 200000 for cash

Brief us about your new venture into the recycled gold segment. What really prompted you to take this step?

There were two main reasons to get into this. We Indians keep consuming gold as a cultural requirement. Last year, the Current Account Deficit had actually shot up to a very high point. For that reason, government put curbs on gold imports and increased the import duty from 2% to 10%. Also they have introduced the 80:20 rule. These steps obviously were to



refining in India. Yearly 200-300tons of scrap comes into market in an unorganized manner. We hope part of that quantity becomes organized. Also from the existing 25000tons in India, even if 10% comes out in this way, then it will be huge. There will be a great impact in 3 years time. If other players will also get in, then it will be 300-400 tons market. So by this we will be able to import less yearly.

transaction and above that we have to give by cheque. Also we are doing the tasting free of cost and we have got a very good response so far.

For distribution, we are adopting the retail chain stores. We have started with opening the first outlet in Coimbatore.

We are the first to start this operation at a national level in organized sector. With this, we are hoping to see lot more players to get into it. Also, we hope the government to take notice of our effort.

What is your idea of marketing the refined product?

As we get gold, we can refine it from 100gram bars to 1kg bars. After refining, we are going to create bullion bars and not the retail bars and coins, and then we will sell in the domestic market (basically to the jewellery manufacturers).



What policy do you observe for quality evaluation of scrap?

We have invested in a very high end XRF machine for quality check of scrap. It can detect the details of elements present in the scrap within 30-40 seconds. We also have a melting place (induction melter) through which we can know the exact purity. Every procedure will be carried out in front of customer only to maintain the transparency.

What future prospect do you see in this venture?

There is a huge market for scrap

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Keyur Shah has been with the Muthoot Pappachan Group since October 2012.

He is the CEO of Muthoot Exim Precious Metals Division, a newly formed vertical of the Muthoot Pappachan Group, which specializes in development and marketing of precious metals related products and services. His role includes development of a new business vertical for the Group that would cater to the Indian consumers via strategic initiatives and customer friendly precious metals solutions and product offerings.



China's Jewellery Sector to Grow on Higher Middle Class Saving

Nikos Kavalis, Director, Metals Focus, talked about Asian market for bullion, silver demand, gold mining sector and the recent jewellery trend in China when interviewed by **Bullion Bulletin**. Excerpts...

China being both the world's largest consumer and producer of gold, it is interesting to see a yuan-denominated contract being available to the international market. It is also interesting to see the country takes another step towards opening up its gold market as well as creating the framework to potentially further liberalise its currency.



There is conscious effort visible in Asia including Middle East to strengthen the physical market. For example, Singapore Bullion Market Association is trying to create spot market based product while SGE has launched global gold contract, and DGCX is planning to launch spot gold contract as well. What is your view on these developments?

In 2013, Asian and Middle Eastern countries accounted for around 80% of global jewellery and physical investment demand. With this in mind, it is not surprising that local exchanges are developing contracts to serve their markets' needs. In addition to the direct financial benefit to the exchanges and their members, if successful, local spot contracts could bring liquidity and price discovery "closer to home",

both geographically and in terms of time-zone. In addition, by enhancing each hub's importance in the global market, they may increase efficiencies; for example in cases where both consumers and producers are located in the respective regions. As with all new exchanges and contracts, attracting liquidity will be the key challenge.

Among the three examples you mentioned, the one that stands out in our view is the Shanghai Gold Exchange International Board. China being both the world's largest consumer and producer of gold, it is interesting to see a yuan-denominated contract being available to the international market. It is also interesting to see

the country takes another step towards opening up its gold market as well as creating the framework to potentially further liberalise its currency.

Silver has underperformed against gold this year. The ratio has gone upto 1:74. What is the reason? Is it lack of investment or industrial demand? According to you, what will be the new source of demand?

In our view the main driver behind silver's underperformance has been speculative investor activity. Looking at industrial demand, we are seeing a relatively benign situation,



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The Chinese market has moved closer to maturity, we would expect future growth to fall short of what the norm was over the previous ten years, probably averaging around 8% per annum.

with positive, albeit modest growth forecast for demand in 2014 overall. It is also interesting to note that retail investment has also held up. While failing to keep to last year's exceptional levels, physical investment demand remains healthy, underpinned by United States and Indian buying. Meanwhile, in spite of the liquidations in October, silver ETF holdings remain up year-to-date. Contrasting this picture, CFTC data points to speculative short positions on CME silver futures being at or near all-time highs over the past few weeks. Volumes on the Shanghai Futures Exchange also suggest that heavy selling on that exchange also contributed to some of the major recent moves downwards.

Moving to your question about new sources of demand, earlier in the year (in July) we produced a report for the Silver Institute looking at this subject and I would encourage your readers to look it up (you can find it on the Silver Institute's website). Ultimately what we found was that, while there are a handful of new or at least still developing, markets for silver, particularly in the area of

electronics, the overall amount of metal that these are expected to absorb is modest. Meanwhile, we continue to see modest but steady growth from traditional areas of silver industrial demand, related for example to the construction, solar and automotive sectors.

What is Metals Focus' estimate of demand of gold jewellery in China for next three to five years?

We believe that Chinese jewellery consumptions still has room to grow. The factors that have underpinned the general positive trend in the market remain in place. I am specifically referring to the general increase in average household incomes, the growth of the Chinese middle class and urbanisation of the population. All these factors result in a growing number of households, which are able to save. Given the limited number of investment options in the country (particularly at the lower and middle income thresholds), plain 24-carat jewellery should continue to benefit from all this. We should also not ignore the very healthy growth that we are seeing in the 18-carat

segment of the market, underpinned by growing incomes among the younger, fashion-conscious segments of Chinese consumers.

It is important to mention a couple of points here, regarding the rate of growth we expect. First of all, we do not believe that the gains we saw in 2013 are likely to be repeated. We view that year as a one-off, triggered by the sharp declines that the gold price witnessed in March and May. The high base of 2013 is also why we are seeing a decline this year – essentially the market has returned to trend. Second, as the Chinese market has moved closer to maturity, we would expect future growth to fall short of what the norm was over the previous ten years, probably averaging around 8% per annum.

How do you expect gold mining companies would perform in next three to five years if gold prices continue to remain below \$1,300/oz?

Even though subdued prices are currently exerting some pressure on gold mines supply, if the gold was to move back towards \$1,400 over the next three to five years, this would allow miners some breathing space compared to the current price environment. Looking at the current state of the industry, at \$1,200 only 2% of the global cost curve is making losses on a total cash cost

basis. Over the past 12-18 months, miners have responded to lower prices, cutting costs across the board and particularly at more marginal assets. In the first half of 2014, the average total cash costs fell 6% y-o-y, to \$723/oz. However, just focussing on the upper quartile of the cost curve, the average cost fell by over 10% y-o-y. Looking at the industry on an all-in sustaining basis, it paints a darker picture— around 20% of the global cost curve is in the red. Miners are continuing to cut spending on key line items within this metric, such as corporate overheads, exploration and sustaining capital expenditure.

In the near-term, we expect costs to remain around current levels, as some inflationary factors such as higher labour costs and localised electricity tariff increases are offset by the continued weakening of many producer currencies (relative to the dollar), lower royalty rates (which are generally tied to metals prices), falling oil prices and disciplined capital deployment by producers. In spite of all this, we expect to see some cost related mine closures emerge over the next 12 months. Global mine supply should remain around current levels, as these losses are softened by additional ounces from the ramp-up of a number of recently commissioned mines and the start-up of some economically robust construction stage projects.

We expect to see some cost related mine closures emerge over the next 12 months. Global mine supply should remain around current levels, as these losses are softened by additional ounces from the ramp-up of a number of recently commissioned mines and the start-up of some economically robust construction stage projects.

Royalty companies, which provide upfront capital to gold miners in exchange for a stake in future output have performed well in the current environment. Do you feel royalty companies will keep on investing in the mining sector, even if gold prices would stay below \$1,300 level for a prolonged period of time?

One of the key impacts of the recent price decline has been the curtailment of mine supply growth, which between 2010 and 2013 rose by an average 3%, or 90 tonnes, per year. This slowdown has been driven by producers significantly cutting spending on their development pipelines, and a lack of capital resources available to development stage companies looking to build mines as equity markets have dried up. As a result, royalty companies

now offer a valuable source of project financing, and in the current environment actually have the ability to negotiate themselves more lucrative deals.

.....
Nikos Kavalis is a founding partner of Metals Focus. He has over ten years' experience as a metals analyst, working as a commodity strategist for the Royal Bank of Scotland in London and a metals analyst for GFMS. Nikos holds a BSc in Econometrics and Economics from the University of York and an MSc in Econometrics and Mathematical Economics from the London School of Economics.

It is Hard to see the Gold Bear Market Ending Soon

Philip Klapwijk, Managing Director, Precious Metals Insights Limited, talked about the current price movement of global gold trade, physical demand in Asia, China's gold mining sector and PGMs demand etc. while interviewed by **Bullion Bulletin**. Excerpts...



Demand in China appears to be negatively affected by the crackdown on corruption, the perception that gold prices may continue to drift lower and the general slowdown in GDP growth.

Global gold trade is now in a crucial juncture as the yellow metal is trading at four years low. How do you look at this price correction? Till how long will it continue?

I think this price correction will continue into at least 2015 and most probably well into 2016. It is most unlikely that gold will be attractive to the majority of investors under conditions of a secular rise in the US dollar, low inflation and rising interest rates. At some point in the future things will probably change, with a number of potential triggers out there for a new bull market in the longer run. In the short to medium term though, it is hard to see the gold bear market ending soon.

Coming to Asia, do you feel the present fall in prices will affect the physical appetite of Asian giants like

China and India?

The key thing is the gold price in local terms. Here the falls in price have often been rather less than what we have seen for US dollar prices. That said, gold has moved lower in most currencies and this in itself provides some stimulus to demand, especially for high carat jewellery. However, in the case of India consumers are not enjoying the full benefit of the drop in the international price because of government measures to restrict imports that have of course led to a substantial price premium in the local market. And, when it comes to China, local demand is somewhat lacklustre because quite a lot of buying was brought forward in 2013 when the gold price first collapsed. Also, demand in China appears to be negatively affected by the crackdown on corruption, the perception that gold prices

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Ironically global gold mine production is likely to hit a record level this year. But this is likely to represent a peak and from 2016 onwards we could see the beginning of a fairly substantial drop in global output.

may continue to drift lower and the general slowdown in GDP growth.

Price of gold has now come down to \$1160/ounce range and is expected to come down further. In this case, what is your view on the sustenance of the gold mining industry?

Ironically global gold mine production is likely to hit a record level this year. But this is likely to represent a peak and from 2016 onwards we could see the beginning of a fairly substantial drop in global output. The high production costs of some operations means that they are not sustainable at current prices. Moreover, the mining companies have generally not been replacing reserves and so production will fall as some existing mines come to the end of their productive lives, a process that very low gold prices will only accelerate.

Talking of other precious metals, what is your view on the overall demand for silver and PGMs? What do you foresee for the investment demand for these metals?

Demand growth for silver is being curtailed because of the global economic slowdown and, in some applications, due to substitution

by lower cost alternative materials. Platinum demand is lacklustre due to the European-centred diesel autocatalyst demand not growing and flat platinum jewellery sales in China. Palladium is somewhat better placed as its major end-use in autocatalysts is more geared to the US and Chinese car markets. The vast majority of investors are presently not at all interested in any of these white metals, with the partial exception of some retail investors' heavy purchases of silver coins.

China has recently launched the global gold contract through SGE. How are you looking at this development? How is it going to help China to strengthen its global presence?

The SGE's International Board was launched in mid-September and so far volumes for the three physical gold contracts it trades have been rather small.

However, it is early days and the new platform in the Free Trade Zone could well become an interesting vehicle for gold trading and Renminbi arbitrage in the future.

Lastly, what is your projection on growth of China's gold mining sector in a decade time?

I think that the highly atomised gold mining sector in China will be somewhat consolidated and rationalised over the next decade. This, especially under conditions of lower gold prices in the next few years, implies that output will eventually fall. The decline in production could be reasonably important because average grades mined have already been falling on a secular basis in spite of local mining enterprises' general intention to maximise current output.

.....
Philip Klapwijk is Managing Director of Precious Metals Insights Ltd and has over 25 years experience analysing the gold, silver, platinum & palladium markets. Philip was previously Executive Chairman of GFMS and Global Head of Metals Analytics for Thomson Reuters GFMS.





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Precious Metal ETP Outflows Decelerate in 2014 while Demand for Physical Gold Remains Strong

Nitesh Shah, Research Analyst, ETF Securities

Gold and silver see less dramatic price declines this year

A rising real interest rate environment has weighed on the price of gold and closely correlated silver. Both metals, often seen as alternative currencies, have fallen out of favour with investors as US real interest rates have risen from an all time-low and the US dollar appreciated. In 2013, we saw a sharper increase in real rates and a correspondingly sharper drop in the price of gold than in 2014. A less marked change in real rates in 2014 has helped the gold market avoid the same extent of decline we saw last year. In fact between September and mid-October 2014, real rates were falling, providing gold a short-lived rally, before prices resumed their declining trend. At the end of October, the US Federal Reserve announced the end of its bond buying programme and developed a more hawkish tone than many had expected, driving real rates higher in the past month.

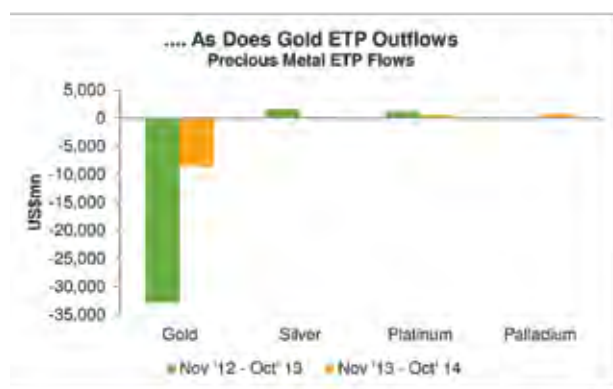
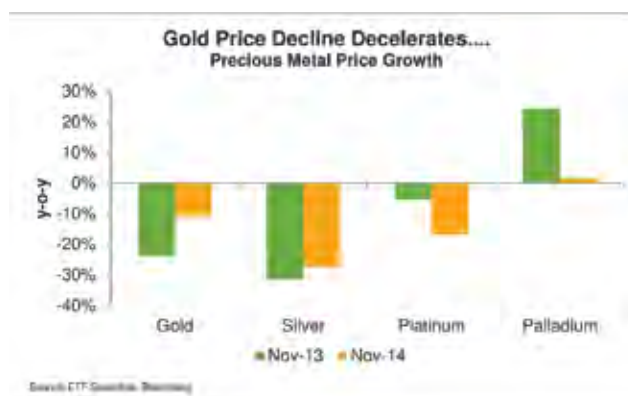


Gold ETP outflows decelerate... so do silver ETP inflows. After record outflows from global gold exchange traded products (ETPs) of US\$32.9bn last year, outflows have amounted to only US\$8.6bn this year. However, what posed as a catalyst for selling in gold ETPs, presented a buying opportunity elsewhere. For example the 31.6%



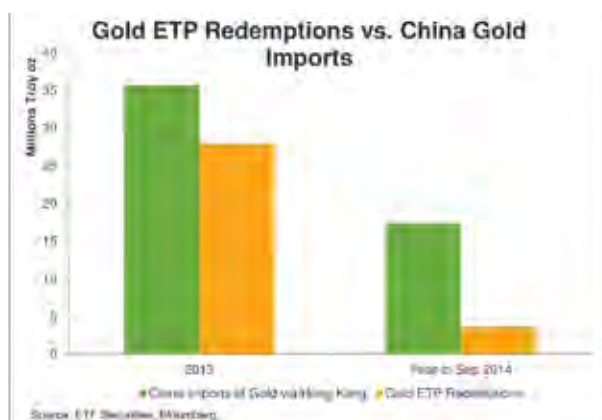
decline in silver prices last year presented a strong buying opportunity in silver ETPs. Bargain hunting drove US\$1.6bn of inflows into silver ETPs last year. This year, inflows into silver ETPs have slowed to US\$156mn. Those investors who believe in a price reversal are already long silver ETPs, while the 27.4% decline this year has deterred many new investors in engaging in the trade. Platinum and palladium ETPs saw inflows both last year and this year as new ETPs were launched in more countries and investors view the supply constraints as something that will be positive for the metals' price. Platinum group metal (PGM) supply constraints following miner strikes earlier this year and planned mine closures are likely to drive the price of the metals higher.

For the purpose of this paragraph we refer to "last year" as the year to October 2013 and "this year" as the year to October 2014

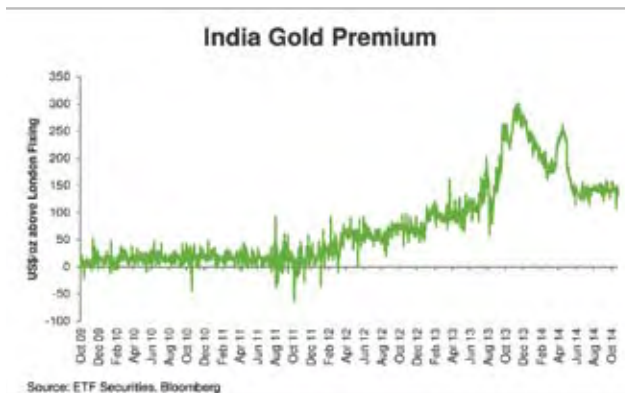
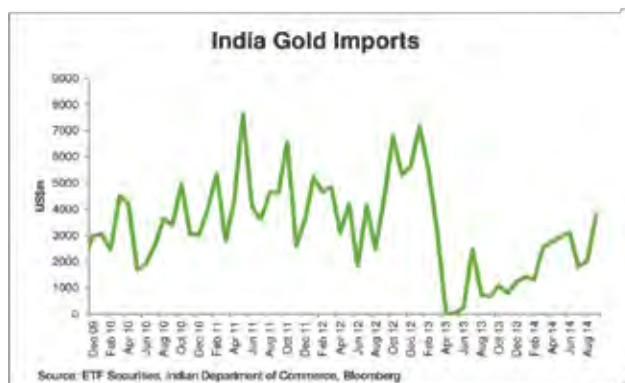


Asian physical demand remains strong

In contrast to the global trends seen in the ETP market, retail sales of physical gold have been very strong. Bargain hunting has driven sales of physical gold higher. In China, gold demand has been especially strong. Our estimates, based on gold exports from Hong Kong to Mainland China, indicate that Chinese demand for gold has outweighed the sales from global gold ETPs both last year and this year by a wide margin.



In India, official physical sales have been held back by regulation prohibiting sufficient imports of gold and silver to meet demand. Gold imports fell sharply last year when these restrictions were imposed. Those restrictions led to Indian gold prices trading close to \$300/oz higher than the spot rate in London last year. A partial relaxation of the rules in May 2014 had led to imports rising in the second half of this year and the Indian gold premium has fallen to close to \$100/oz, reflecting the better availability of gold in India. In September 2014 gold imports rose 450% from a low base last year. According to media reports, a Finance Ministry Official claimed that October imports rose to 150 tonnes, compared to 25 tonnes a year earlier. At the time of writing, the central bank and finance ministry are engaged in discussions on whether to re-tighten the restrictions amid the strain the imports of gold have on the current account deficit of the country. That could drive demand higher in the short-term as consumers try to buy before premiums increase again. Over time however, tighter restrictions will curb imports and dampen sales in India, removing some of the support for global prices.



Jewellery demand in India has also surged in recent months. According to the World Gold Council, Indian jewellery demand increased 60% to 182.9 tonnes in Q3 2014, which was the second highest Q3 demand on record after the Q3 2008. Once again the growth looks very large due to the low levels last year when imports were extremely restricted. Rising economic sentiment and consumer confidence following the change of government earlier this year has led to an increase in consumer demand. Aided by a depreciating rupee in August and September and buying ahead of the festive Diwali period in October, demand for jewellery rose in Q3. With the seasonal high period over, Indian gold demand for the remainder of the year is likely to pare back but remain strong and in line with buoyant economic sentiment.

Mining cut-back on the cards

With the steep decline in precious metal prices over the past two years, many mines are failing to remain profitable. Gold and silver are trading very close to the industry's marginal cost of production (with many mines' costs above these levels). Meanwhile platinum is trading below the industry's marginal cost of production. With all-in costs (including capital expenditure) higher, we believe some miners will cut back on production which will tighten supply in 2015. That should bode well for medium term price trends.

We believe that physical demand for precious metals, particularly gold will remain strong through 2015. Demand for gold ETPs (physically backed or otherwise) could remain subdued as prices remain under pressure. Physical demand for silver, platinum and palladium, which have a wide range of industrial applications, is likely to increase as global economic growth continues to improve. ETP demand for those metal is also likely to gain momentum as tighter supply bodes well their price.

.....
Nitesh Shah is a Research Analyst at ETF Securities. Nitesh has 10 years of experience as an economist and strategist, covering a wide range of markets and asset classes. Prior to joining ETF Securities, Nitesh was an economist covering the European structured finance markets at Moody's Investors Service and was a member of Moody's global macroeconomics team. Nitesh holds a Bachelor of Science in Economics from the London School of Economics and a Master of Arts in International Economics and Finance from Brandeis University (USA).



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Industry is in its Transition Period

Bhargava Vaidya, BN Vaidya & Associates, talked about the present condition of gold ETF market in India, GDS and GMS and future of the domestic gold trade while interviewed by **Bullion Bulletin**. Excerpts...



At present gold cannot be imported for supply to AMCs (Gold can be imported only for supply to jewellers), this has restricted participation on ETF's and thus hampered that growth.

(given the restrictions seems to stay for long)?

80:20 has to be scrapped. It does not benefit anyone except for few players who are able to use it for their advantage and earn huge premium.

Without prejudice to above, the present crude oil price which is over 30% lower than the price prevalent when 80:20 was brought in, should give government a very comfortable position. Even, the gold price at present is lower than the price on period prior to implementation of 80: 20 scheme.

Trade bodies have given lot of recommendations regarding successful GDS and GMS. Is the integration of all stake holders necessary for a successful scheme? What is your suggestion for the above?

GDS implementation will require change of regulations in many places. We have to go back to our past and first implement the environment under which gold deposit scheme flourished even with small jewellers. We should remember most important participants under this scheme would be from rural areas.

GAP should also be given fair importance. This topic would require a full day presentation to be covered.

From industry point of view, how important is it to transform the trade practice from the present unorganised to organised sector? Will it help the domestic trade to address its present issues?

Industry is in its transition period and majority of the trade is in an organized format as of now. We can look forward to a healthier, more compliant industry in future.

Lastly, global precious metals price is following a heavy fall now at four years low range. How are you looking at this development? How is it going to impact the domestic physical trade?

Indian domestic demand which is related to marriage is virtually price inelastic. Thus this will remain almost constant. We would see a dip in investment demand as bull face in bullion is presumed to be over.

General confidence in Indian economy is on the rise which would mean that other investment avenues (including productive investment) are on the rise and this is negative for gold.

Overall if consumer confidence is high, a large part of the saving always goes into gold jewellery.

What is the present condition of investment demand for precious metals in India (especially when gold ETFs are not so successful in India)? What can possibly be done to accelerate demand for this segment?
At present gold cannot be imported for supply to AMCs (Gold can be imported only for supply to jewellers), this has restricted participation on ETF's and thus hampered that growth.

The load which ETF has is between 1% to 2%. This also is a deterrent for many long term players.

Investment demand still would be around 10% of the total demand.

80:20 and heavy duty have created operational difficulties for the traders in India. According to you, how can this be solved which would benefit both the government and the traders



Gold is Better Investment Option than Platinum

Adrian Day, Chairman and Chief Executive Officer, Adrian Day Asset Management, discussed about investment demand in bullion, precious metals demand in China and future of the industry while giving an interview to **Bullion Bulletin**. Excerpts...



For investment, which is looking attractive at present – gold or platinum? Why?

I prefer gold in this environment, since the PGMs rely on a strong global economy whereas gold can perform well in other economic environments. I do like the PGMs (though favour palladium over platinum because more palladium goes to growing China than stagnant Europe), but they do need a global economic growth.

Change of London Silver Fix to LBMA silver price – what is your opinion in this? How are you looking at the new system to perform? Is it the reason that silver is currently under performing against gold (gold and silver ratio is currently at 1:71)?

Silver has been underperforming all year, so recent underperformance is just a continuation, not connected (in

We are seeing a pick up in interest in China in recent months, so though the year will likely end with lower demand than last, last year was an extraordinary year. This year is already higher than every year except last year, and if it finishes that way, I would regard that as very positive.

my opinion) to the change in pricing. The fixes—gold and silver—served well, and as a traditionalist, I am sorry to see them go. But I think the new system will perform well.

How would be the demand of precious metals in China by the end of this year (gold, silver and PGMs combined)?

We are seeing a pick up in interest in China in recent months, so though the year will likely end with lower demand than last, last year was an extraordinary year. This year is already higher than every year except last year, and if it finishes that way, I would regard that as very positive. The other major development of course is that Hong Kong exports to China represent less of the total gold consumption than in previous years. We need to look at Shanghai physical deliveries as well to get a good picture of gold demand in china.

Is China an attractive destination to invest in precious metals?

Let me understand the question. If the question is whether it makes sense for an international investor to look to buy the physical metals in China, I am not sure that it does. The Shanghai Exchange can serve a purpose for

sophisticated investors who want to arbitrage the spread.

S&P500 outperformed gold this year. Will it continue?

I think it is turning. The broad stock market is certainly nervous and subject to sharp pullbacks, such as we saw in early October. The market will recover some of its lost ground, but I suspect it is going to be more or less dynamic than in the past couple of years. Federal Reserve's monetary policy is still the main driver of stocks, which are certainly fully valued now, particularly with earnings coming in rather soft. Gold on the other hand was much oversold in mid-October, based on dollar strength. The dollar really took off in early July based on the discrepancy in monetary policies between the U.S. on the one hand, and Europe and the rest of the world on the other. That strength is self-defeating since it begins to be a serious drag on the economy.

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Adrian Day, London born and a graduate of the London School of Economics, heads the eponymous money management firm Adrian Day Asset Management where he manages discretionary accounts in both global and resource areas.



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International Logistics Players have been Driving the Sector from Last 20-30 Years

S Rajkumar, COO & Founder Director, Sequel Logistics, told about Indian bullion logistics industry, its opportunities and challenges and its competency with the world market while interviewed by **Bullion Bulletin**. Excerpts...



How much is your company's service at par with the international standard of bullion logistic services?

The domestic and international market of bullion is interlinked. So far for the last 20-30 years, only the international logistics players have been driving this sector. Bullion logistics service is primarily limited to the metro locations and top ten locations. Because we are a local company and we understand the local geography, needs and requirements of logistics solutions, we have tied up with an international partner- G4S International Logistics. That works very well for us as they take care of the international side and we take care of the domestic side of the

Most of the international banks are tied up with the logistics players. The tie up with the G4S provides a strong international link to us. We would need that kind of international player to be in the market for a long period of time.

business. So we have been able to provide service to the customer that is complete in all respects covering insurance, end to end solutions etc. We have also been providing services to the tier-II and tier-III cities of India.

How much is the tie up with G4S logistics helping in your domestic business?

Most of the international banks are tied up with the logistics players. The tie up with the G4S provides a strong international link to us. We would need that kind of international player to be in the market for a long period of time. We bring on the expertise from the Indian side involving customs clearance, local delivery, vaulting, security requirements etc. So it is really a true partnership at work.

What are the challenges are you facing in jewellery logistics segment?

There are some key challenges we face that are unique in India. Infrastructure has been a big

problem. Considering the kind of material that we are handling, lot of pick up, delivery points are located in very difficult and crowded locations. But we have our own ways and means of managing these kinds of issues. There have been issues for the usage of armed guards as well in India. There is a lot of confusion with regards to the interpretation of law and we hope it gets sorted out quickly.

What are the changes we need in this secured logistics sector in India?

There is a need of easing of the law related to usage of armed security in logistics services. We are also looking at better road connectivity, IT integration, and better infrastructure.

What is the overall growth rate of this industry in the country?

The growth rate in tier-II and tier-III cities is much faster. Also the metros cannot be ignored as those are the key ports for bullion business.



बुलियन उद्योग अपने परिवर्तन काल में

भार्गव वैद्य, बीएन एसोसिएट्स, ने भारत में गोल्ड ईटीएफ बाजार की वर्तमान स्थिति, जीडीएस, जीएमएस योजनाओं तथा घरेलु गोल्ड कारोबार के भविष्य के संदर्भ में बुलियन बुलेटिन के साथ बातचीत की। सारांश...



भारत में प्रिशियस मेटल्स में निवेश मांग की वर्तमान स्थिति किस प्रकार की है (विशेषकर जब भारत में गोल्ड ईटीएफ उतना सफल नहीं हुआ है)? इस क्षेत्र में मांग बढ़ाने के लिये क्या कदम उठाये जा सकते हैं?

वर्तमान परिस्थिति में ए एमसी को आपूर्ति के लिये गोल्ड का आयात नहीं किया जा सकता है (गोल्ड को केवल ज्वैलरों को ही सप्लाई किया जा सकता है), इसके चलते गोल्ड ईटीएफ की भागीदारी प्रतिबंधित हो गयी है जिससे कि इस क्षेत्र की ग्रोथ प्रभावित हुयी है।

वर्तमान में ईटीएफ पर लोड मजज 1 से 2 फीसदी है। यह भी कई लांग टर्म कारोबारियों के लिये कोई बाधा नहीं है। निवेश की मांग फिर भी कुल मांग की लगभग 10% रहने की संभावना है।

80:20 नियम तथा उच्च आयात शुल्क ने भारतीय कारोबारियों के लिये काफी संचालानात्मक कठिनाईयां उत्पन्न की है। आपके अनुसार इसका समाधान किस

प्रकार से निकाला जा सकता है जिससे कि सरकार तथा उद्योग, दोनों, को फायदा मिले (यह मानकर कि प्रतिबंध और लंबे समय तक जारी रहेंगे)?

80:20 नियम का खात्मा जरूरी है। इससे कुछ विशेष वर्ग को छोड़कर, जो अपने फायदे के लिये इस नियम का उपयोग कर बड़ा प्रीमियम कमा सकते हैं, किसी अन्य को लाभ नहीं मिलने वाला है।

उपरोक्त कथन पर बिना किसी पूर्वाग्रह के, वर्तमान में कच्चे तेल की कीमतें, जब 80:20 नियम लागू किया गया था की अपेक्षा 30% तक कम है। इससे सरकार को काफी सहज स्थिति मिलनी चाहिये। यहां तक कि, गोल्ड की कीमतें भी 80:20 नियम लागू किये जाने के समय से काफी नीचले स्तर पर है।

कारोबारी संगठनों द्वारा सफलतापूर्वक जीडीएस तथा जीएमएस के क्रियान्वयन हेतु कई सुझाव प्रदान किये गये हैं। क्या सभी हितधारकों को मिलाना इन योजनाओं की सफलता के लिये जरूरी है? इस पर आपका क्या सुझाव है?

जीडीएस के क्रियान्वयन के लिये इसमें कई स्थानों पर बदलाव लाने की आवश्यकता है। हमें सबसे पहले अपने भूतकाल में जाने की आवश्यकता है और ऐसा वातावरण निर्मित करने की जरूरत है जहां छोटे ज्वैलरों के साथ भी गोल्ड डिपॉजिट स्कीम फल-फूल रही थी। हमें यह बात याद रखनी चाहिये कि इस स्कीम के अंतर्गत महत्वपूर्ण प्रतिभागी ग्रामीण क्षेत्रों से है।

जीएपी को भी उतना ही महत्व दिया जाना चाहिये। इस विषय को पूरा करने के लिये पूरे दिन का प्रेजेन्टेशन जरूरी होगा।

उद्योग के दृष्टिकोण से, वर्तमान में जारी कारोबारी गतिविधियों को असंगठित क्षेत्र से संगठित क्षेत्र में बदलना कितना महत्वपूर्ण है? क्या यह घरेलु कारोबार को वर्तमान में जारी उसकी दिक्कतों से निजात दिला पायेगा?

बुलियन उद्योग अभी अपने बदलाव के चरण में है, तथा ज्यादातर कारोबार अभी संगठित रूप में हो रहे हैं। हम भविष्य में उद्योग को बेहतर तथा और भी कमप्लायन्ट होते देख सकते हैं।

अंत में, प्रिशियस मेटल्स की कीमतें वैश्विक स्तर पर भारी गिरावट के दौर से गुजर रही हैं, वर्तमान में यह अपने चार सालों के न्यून स्तर तक आ गया है। आप इस स्थिति को किस प्रकार देखते हैं? यह भौतिक घरेलु कारोबार को किस तरह से प्रभावित करेगा?

गोल्ड की भारतीय घरेलु मांग जो कि शादियों से संबंधित है वस्तुतः प्राइज इनलास्टिक होती है। इसलिये यह लगभग स्थिर ही रहेगा। हमें निवेश की मांग में गिरावट देखने को मिल सकती है जैसा कि बुलियन में तेजी का समय खत्म होना माना जा सकता है।

भारतीय अवस्था में सामान्य विश्वास बढ़ रहा है और यह निवेश के अन्य क्षेत्रों को बढ़ावा देगा जो कि गोल्ड के लिहाज से नकारात्मक साबित होगा।

कुल मिलाकर यदि ग्राहकों का विश्वास हो तो निवेश का ज्यादातर भाग हमेशा गोल्ड में ही जाता है।

NEWS



China should stockpile gold to boost renminbi:

Greenspan:

China should build up its gold reserves if it wants the renminbi to challenge the

US dollar as the world's reserve currency, says former US Federal Reserve chairperson Alan Greenspan. In a recent interview with the US-based Council on Foreign Relations, Greenspan said he believes the renminbi could take on "unexpected strength in today's international financial system" if it can convert "a relatively modest part of its \$4 trillion foreign exchange reserves into gold."

"It would be a gamble, of course, for China to use part of its reserves to buy enough gold bullion to displace the United States from its position as the world's largest holder of monetary gold," he wrote. "But the penalty for being wrong, in terms of lost interest and the cost of storage, would be modest."

Source: <http://www.wantchinatimes.com>



Iran launches Middle East's 'biggest'

gold plant, plans to double production:

Iran has opened a new gold processing plant, reportedly the biggest in the Middle

East, hoping to double its production of precious metals. Using a unique technology, Tehran says it will now mine up to three tons of gold per year.

Iranian TV reported that the opening ceremony was attended by First Vice President Ishaq Jahangiri. The new facility is located near one of the country's richest mines, Zareh Shuran. It is located 35 kilometers from the city of Takaab in northwest Iran, in an area where gold, silver, and mercury are extracted. The gold ore reserves of the Zareh Shuran mine are estimated at 20 million tons. According to authorities, the plant's production can reach three tons of gold per year and thus can double the total of Iran's gold production. Worth over \$31 million, according to IRNA, the plant will use a new technology which was created

in Iran. It is expected that the plant's gold production capacity will soon reach six tons per year. Silver and mercury productions are expected to hit 2.5 and 1.5 tons, respectively.

Source: Reuters



SNB head says no sovereign fund for gold if referendum passes: paper:

The chairman of the Swiss central bank ruled out creating

a sovereign wealth fund to manage Switzerland's gold reserves if a referendum on banning the bank from selling them passes, according to a newspaper interview. The "Save our Swiss gold" proposal, spearheaded by the right-wing Swiss People's Party (SVP), will be put to a plebiscite on Nov 30. It aims to ban the central bank from offloading the reserves and oblige it to hold at least 20 percent of its assets in gold.

Opinion polls suggest the initiative will fail, but it has sent jitters through the gold and currency markets as, in the event it did pass, it would require the Swiss National Bank (SNB) to massively bolster its holdings of the metal. Asked whether the SNB could set up a fund to manage its gold, chairman Thomas Jordan said such move - which some currency dealers have speculated about - was "unthinkable". "The SNB cannot simply use some tricks to circumvent the will of the people. I rule that out categorically," he told weekly paper Sonntagszeitung.

Source: Reuters



Zimbabwe: Govt Shuts Down 11 Gold Mines:

Government has temporarily shut down 11 gold mining companies for non-compliance

with mining regulations in a drastic measure to curb gold leakages and increase deliveries. Gold leakages have been cited as a major contributor to the decline in gold sales from 27 tons in 1999 to 12 tons per year

now. Government's target is to raise gold production levels to 30 tons per year by 2018.

Cabinet approved measures by the Ministry of Mines and Mining Development in conjunction with the Ministry of Finance and Economic Development aimed at increasing gold production and ensure effective accountability for sales to Fidelity Printers and Refiners.

Source: <http://allafrica.com>



India About to Announce New Gold-Import Restrictions:

India's government is about to announce new measures to slow the import of gold, hoping to help shrink

the country's chronic current-account deficit, a finance ministry official said. India has become the world's largest consumer of gold again in recent months as the price of the precious metal has fallen just as India entered the annual festival season when Indian consumers think it is auspicious to buy the commodity and the government eased some earlier restrictions on gold trading.

Indian trade data showed that gold imports almost quadrupled to \$4.18 billion in October from \$1.10 billion in the same month last year. Total imports rose 3.62% to \$39.45 billion, widening the trade deficit to \$13.35 billion, from last October's \$10.59 billion.

Source: <http://online.wsj.com>



Silver demand to fall 7 percent in 2014 - Thomson Reuters GFMS:

Demand for silver will post a 7 percent decline in 2014 because of a slower

pace of buying by jewelers and industrial fabricators in the first three quarters of the year, metals consultant Thomson Reuters GFMS said.

Harmonized European sales tax rates that started in January have driven up retail silver investment product prices,

reducing demand on the continent, the Thomson Reuters unit said in an interim market review.

Thomson Reuters GFMS said it expected total physical demand, which includes jewelry, coins and bars, silverware and industrial fabrication, to fall 6.7 percent to 1,004.5 million troy ounces (31,243.44 tons) in 2014 from a record high of 1,077 million ounces (33,498.44 tons) last year. Silver industrial demand is forecast to drop 1.8 percent as the electronics sector keeps shifting to cheaper metals. Jewelry consumption should fall 4.4 percent because retailers are pushing more gold products to take advantage of lower bullion prices, GFMS said.

Source: <https://in.news.yahoo.com>



Top six platinum producers launch investment promotion body:

Six of the world's biggest platinum producers have launched a dedicated body,

the World Platinum Investment Council, to promote the precious metal as an investment vehicle, the new group said in a statement. Anglo American Platinum, Aquarius Platinum, Impala Platinum, Lonmin, Northam Platinum and Royal Bafokeng Platinum will fund WPIC to develop an active investment market for platinum, it said.

Between them, the six companies produced nearly 70% of world supply of mined platinum last year. A spokesman for the WPIC declined to comment on how much funding the body would receive. Industry and banking sources said last week that the WPIC was being set up to try to boost sales in the face of falling prices. Spot platinum has slid 12% this year. Paul Wilson, a former advisory partner at management consultants Bain & Company, has been named as the WPIC's chief executive. It will produce data and analysis on the market researched by SFA Oxford.

Source: <http://www.mineweb.com>



Bullion - Data & Statistics

Gold Spot Market, International (Per Troy Ounce)			
Spot gold	03 rd Nov	21 st Nov	% Change
Australia(AUD)	1340.97	1385.62	3.28
Britain(GBP)	729.41	767.22	5.05
Canada(CAD)	1324.06	1349.25	1.88
Europe(Euro)	932.87	969.49	3.85
Japan(Yen)	132529.50	141505.50	6.55
Switzerland(CHF)	1124.75	1165.03	3.52
USA(USD)	1165.11	1201.20	3.05

Silver Spot Market, International (Per Troy Ounce)			
Spot Silver	03 rd Nov	21 st Nov	% Change
Australia(AUD)	18.52	18.94	2.23
Britain(GBP)	10.07	10.48	4.01
Canada(CAD)	18.29	18.44	0.83
Europe(Euro)	12.88	13.24	2.76
Japan(Yen)	1832.34	1934.56	5.43
Switzerland(CHF)	15.53	15.92	2.47
USA(USD)	16.11	16.42	1.91

Monthly Exchange Data (Gold) (From Nov 03-21)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Gold Feb'15	26334.00	27050.00	25365.00	26771.00	1.72
NCDEX New	Gold Feb'15	26264.00	27258.00	25632.00	26834.00	1.87
COMEX	Gold Feb'15	1171.10	1208.20	1132.00	1198.40	2.19
TOCOM	Gold Feb'15	4210.00	4547.00	4191.00	4516.00	6.40

1- Rs/10 gms, 2- \$/oz, 3- Jpy/gm

Fortnightly Exchange Data (Silver) (From Nov 03-21)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Silver Mar'15	36197.00	37530.00	34195.00	37038.00	1.40
NCDEX	Silver Mar'15	36609.00	37223.00	34938.00	36629.00	0.05
COMEX	Silver Mar'15	16.00	16.66	15.09	16.46	1.81
TOCOM	Silver Feb'15	57.60	61.80	60.10	60.80	5.58

1- Rs/kg, 2- \$/oz, 3- Jpy 0.1/gm

Gold Spot Market, India Rs/10gm			
Spot Gold	03 rd Nov	21 st Nov	% chg
Delhi	26550.00	26750.00	0.75
Mumbai	26300.00	26600.00	1.13
Bangalore	26406.00	26851.00	1.67
Chennai	26295.00	26720.00	1.60
Kolkata	26480.00	26900.00	1.57
Hyderabad	26280.00	26670.00	1.47
Ahmedabad	25944.00	26397.00	1.73

Currency Change (Monthly)		
	03 rd Nov	21 st Nov
EUR/USD	1.2483	1.2390
USD/JPY	114.05	117.81
USD/INR	61.39	61.76
USD/AUD	1.1520	1.5340
USD/GBP	1.5972	1.5655

Silver Spot Market, India Rs/kg			
Spot Silver	03 rd Nov	21 st Nov	% chg
Mumbai	37000.00	36900.00	-0.27

Gold Forward Offer Rate (GOFO)		
	03 rd Nov	21 st Nov
1m	0.07250	-0.24500
2 m	0.10750	-0.17250
3 m	0.14750	-0.11250
6 m	0.23250	-0.02500
1 y	0.40500	0.10250

Gold Lease Rate		
	03 rd Nov	14 th Nov
1m	0.20300	0.37050
2 m	0.21410	0.36050
3 m	0.21235	0.32960
6 m	0.24290	0.33390
1 y	0.37330	0.44830

Bullion - Data & Statistics

LONDON FIXING (Per Troy Ounce)										
	GOLD AM			GOLD PM					SILVER	
DATE	USD	GBP	EUR	USD	GBP	EUR	DATE	USD	GBP	EUR
11/03/2014	1170.75	1167.75	731.90	730.99	936.90	935.40	11/03/2014	16.15	10.09	12.92
11/04/2014	1169.25	1166.50	730.55	728.74	933.91	931.64	11/04/2014	16.12	10.08	12.88
11/05/2014	1145.25	1142.00	720.96	715.54	917.30	914.99	11/05/2014	15.32	9.64	12.28
11/06/2014	1144.50	1145.00	717.11	719.22	914.94	920.71	11/06/2014	15.28	9.58	12.21
11/07/2014	1145.00	1154.50	723.17	728.76	923.39	928.80	11/07/2014	15.42	9.75	12.44
11/10/2014	1172.00	1162.00	737.25	732.20	938.20	934.69	11/10/2014	15.67	9.86	12.55
11/11/2014	1151.25	1156.50	726.43	728.96	927.90	930.94	11/11/2014	15.57	9.81	12.54
11/12/2014	1163.25	1164.50	731.83	736.51	934.41	934.67	11/12/2014	15.62	9.86	12.54
11/13/2014	1161.00	1161.75	736.26	737.81	930.81	931.56	11/13/2014	15.74	9.99	12.63
11/14/2014	1154.00	1169.00	736.20	747.54	926.31	938.28	11/14/2014	15.35	9.81	12.33
11/17/2014	1187.00	1182.50	759.49	756.51	950.36	949.04	11/17/2014	16.20	10.36	12.97
11/18/2014	1202.00	1192.75	767.81	762.38	959.68	953.67	11/18/2014	16.27	10.39	13.00
11/19/2014	1200.75	1196.00	766.08	763.73	957.61	953.60	11/19/2014	16.26	10.37	12.97
11/20/2014	1194.00	1190.00	762.65	757.38	953.60	949.49	11/20/2014	16.20	10.33	12.92
11/21/2014	1193.25	1203.75	761.54	768.48	958.59	968.58	11/21/2014	16.30	10.40	13.12

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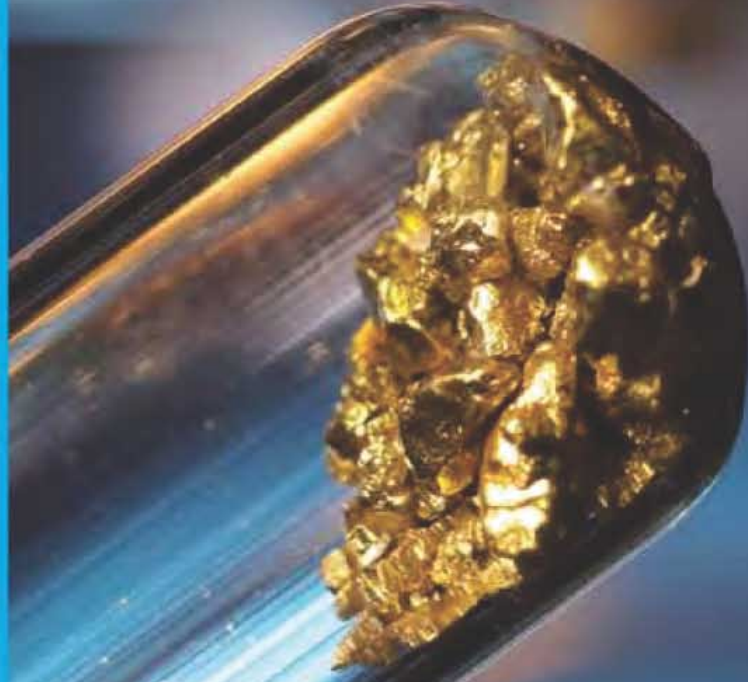
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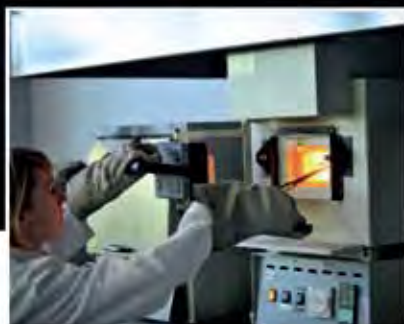
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