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Dear Readers,

At the very beginning, I would like to congratulate DMCC and Foretell for successfully concluding the 4th edition of Dubai Precious Metals Conference. The conference has opened up many points for discussion on global economy and precious metals markets.

Lord Meghnad Desai, Chairman of Advisory Board of OMFIF and a noted economist, opines that the global economy is heading towards a 'secular stagnation' on lack of technological innovations. Routine investment here and there is not sufficient to accelerate the economy. If innovations are not coming, 'liberal migration' might be an alternative to energize the investment community, he added.

Erkan Kilimci, Executive Director, Central Bank of Republic of Turkey reveals why Central Bank of Turkey introduced the gold monetization scheme. Gold has deep meaning in the lives of Turkish people and the central bank wanted to have a part of its international reserves in most safest and liquid way. For these dual requirements, central bank conceptualized the scheme. Under this scheme commercial banks of Turkey could keep gold as part of their reserve requirement. He argues that emerging economies could adopt the model as they also want capital to finance growth.

Albert Cheng, MD, WGC, Far East, comments enthusiastically on the development of Chinese gold market. The introduction of International Board is a precursor to a full opening up of China gold market.

Anton Berlin, Marketing Director, Norilsk Nickel, argues critically that current low PGM price is not supportive for building new mine. PGM mines are typically underground, need huge investment and time.

Jonathan D Spall, MD, G Cubed Metals Ltd., reveals various aspects of investment in PGM. Palladium will continue to remain analysts' favourite as demand of this metal is related with economies like China, US which are growing and on less stock hangover.

Alison Burns, Regional Head of Precious Metals, MENA, ICBC Standard Bank Plc., talks on opportunities ahead for their clients after merger of two global banks. Ali Bulut, CEO, Altinbas Group, reveals critical aspects of Turkish gold market.

I express my condolence to the family of Shri Madhusudan Daga on his demise. I thank Sanjiv Arole for paying tribute to Shri Daga on his contributions to the Indian gold market.

Good wishes

Debajit Saha
Editor



Is Global Economy Headed for Secular Stagnation?

Lord Meghnad Desai, Chairman, Advisory Board, OMFIF and Professor, Emeritus, London School of Economics, discussed about secular stagnation of global economy, need for innovations to excite the investment, how Europe could approach to take the economy out of the shamble, value of gold in global monetary system, and many more in a face to face with **Bullion Bulletin** during **DPMC 2015**. Excerpts...



One thing I would say, which is not very popular in Europe right now, the need for much more liberal migration. Europe including developed economy has a problem of stagnant population; people are literally dying to come here and we are preventing the drowning.

What does secular stagnation mean?

Secular stagnation is a world in which you have low growth and low inflation. It is a world in which the economy does not move. The growth rate would be round about one percent and inflation rate would be very lower. Secular means long run stagnation. If you think 50 year long cycle of economy, one half of the cycle that

is 25 years would be the secular stagnation.

IMF in its recent report expressed concern that global economy is suffering from 'secular stagnation'. IMF attributes it to aging global population and lower capital investments in both advanced and emerging economies. Do you agree with this view?

We do not normally think of

demography as an important part of economic growth. But thinking back we realize big growth surge after Second World War because of the young population growing up, the baby boomers. Even in the so called third world emerging economies, population growth is stopped or slowing down. In China it is slowed down, in India it will slow down in 10 years and Europe it is gone into negative. United

States is the only country there is still positive growth. So it could be two things, population is not growing but people are living longer so they require healthcare, social care etc., and the savings are going for those rather than available for investments.

When we talk about the investment part, at present we are saying emerging economies are growing and advanced economics have slowed down. In this kind of secular stagnated market, how can we expect the investment be increased?

The idea is the routine investment is not enough. Only thing which we cannot predict is a new bunch of inventions. People certainly get enthusiastic; the whole production technology changes and people start investing in that and then you got a growth surge. It happened in the past, at least four times over the last 200 years, but you can never guarantee it will happen fifth time. Investment needs some really exciting prospects for profitability. Right now, there is nothing on horizon which one could say is exciting on profitability.

IMF is predicting that advanced economy will grow at 1.6% and emerging economy will grow at 5.2% for the rest of the decade. All together it is around less than 4 %.

What is your view?

Christine Lagarde is already saying that the new normal is low growth. Somehow we are all talking ourselves into getting used to the facts. But, the reality is going to be much harsher because we have bought political peace in developed country by growth. But people will get angry if there is no growth and we just don't know what the consequence could be. In UK we have election, and all the major parties are thinking why can't we get growth back? How would be able to afford the health service, infrastructure improvement if there is no growth? It would be great shock if the new generation has to live with this new economic environment.

How can we approach now? How can we energize the industrial community?

One thing I would say, which is not very popular in Europe right now, the need for much more liberal migration. Europe including developed economy has a problem of stagnant population; people are literally dying to come here and we are preventing the drowning. All you would need is a sort of global resolution. Countries having liberal migration should get some outside help. Secondly, we also have countries with huge territories and no population like Mongolia, Australia's population is less than

Mumbai's population. Economic forces will ultimately compel European countries to say, listen, we need outside people, outside help, younger people and that would be one way if you can't get any innovations.

Do you think US might be recovering very fast?

Yes, US is the only economy where the demographics are right, they have recovered. Nobody assumes that the government will look after them. They are very self-reliant economy, they go, they migrate, change jobs and they are very inventive. So may be US will lead against this stagnation.

What is your view on India and China?

Even if China slows down to 6.5, India speeds up to 6.5 to 7.5, there will be some consolation. But in a sense even so in terms of global economy, they are not large, still a small part of the global economy. Asia is growing and Africa will hopefully grow. Nigeria has tackled the political problem of democracy. There has been lot of economic reform. Ghana is alright, South Africa is a mess but we may yet get seriously good growth from supplier like Africa.

Do you think that the kind of mess that Europe is in they could

adopt some structures or policies that could be backed by gold and investors can get the confidence back?

The thing about backing currency with gold was necessary in inflationary times. We have come to the end of the age of inflation. We had 75 years of inflation from 1939-2014. Now the scenario has changed and what we suddenly have the extremely low rates of inflation in developed economy. We have flooded the world with money. The world doesn't behave the way it did 30 years ago. We have to re-think what is happening, why inflation has not happened. All you can say is somehow the money which has been put to the system has not directly gone into the consumers' pocket. Something happened in between which prevented too many people going to the bank, which have helped indirectly the economy to give breathing time which is now returning.

The need for gold is not as urgently for backing the currency but gold should be in the reserves of central bank because gold is a good substitute for dollar (gold and dollar are negatively co-

related) and therefore it is possible that more and more countries will take gold into the reserves to guard the dollar volatility. Because

We can say global economy slowing down so the demand of oil is slowing down. But why is gold slowing down?

Is it slowing down because people see stagnation coming they can't spend money to buy gold? Are they see inflation is no longer there and so, there is no need to buy gold as the hedge against inflation? These questions are open.

one of these days all these money sitting out there is going to come out and dollar is going to get a hammering.

You were talking about the correlation between gold and oil, so what is its impact on the global economy?

When I discovered doing some statistical calculations gold and oil prices are highly correlated, 0.9 is the correlation which is very high over 45 years (1971-2015). It is an unreliably high correlation and so now I am going to find out why are these so highly correlated? Both of them are substitute for dollar. We can say global economy slowing down so the demand of oil is

slowing down. But why is gold slowing down? Is it slowing down because people see stagnation coming they can't spend money to buy gold? Are they see inflation is no longer there and so, there is no need to buy gold as the hedge against inflation? These questions are open.

So, we are going to see secular stagnation phase for next 20 years, can we believe in gold?

Gold has been around through all sorts of monetary eras and what makes gold even more attractive is, if

the financial assets like bond will give the negative yield then zero yield is better than negative yield. To that extent gold provides a robust support against a secular stagnation.

Do you think economist do favour some amount of gold should be in everybody's portfolio?

Economists have always considered gold as double characters, a consumer durable and demand for the store of wealth. It is a store of wealth with zero return, having cushion against inflation. Now situation may change, people may have to consider as world of negative yields and say this zero yield is a very good number to go further.

Some newer central banks are buying gold nowadays. Are they losing confidence in dollar or there is some kind of counter-balancing act?

That is the Euro problem. Lot of people went into Euro quite big because they thought Euro would be good substitution of dollar. Euro is more fragile than the dollar. Let us have some portion of an asset which is negatively correlated with the dollar, they give most stability to currency and people will begin to believe should hold currency which has gold as reserve asset. That will make currency more attractive. I think the RMB will be the first to go that way.

China is looking for RMB assets. They want to make RMB as a strong and international currency and the way they will make it strong, they will buy gold. They will not be depreciating, they have lived appreciation of RMB. Nothing happens in China without the political will, so they are willing to see an appreciation. They are getting out of export orientation; they are going to encourage their domestic consumption.

Since China had been growing so fast 12-13%, now we are predicting it will grow at a 6-7%. So what went wrong with China?

China was growing fast by really

under paying wages and going for export markets. They were really overdriven in the export market and not worrying about welfare of the economy but growth happened. Even with whatever this has become better off and they will not grow to the same experience again, more difficult for them to be employed at low wages for the export markets and developed countries' export markets are slowing down anyway. So, China has to find a new way. An economy cannot grow 10% forever anywhere. China is not as matured as UK and US. China will go to 6%. This 6% is a much larger number than when we started. In terms of extra growth the volume is quite large. Chinese the first time are buying gold as a consumer durable, they are not buying it for hedge against anything. China at 6-7% is actually not a low because it is a much bigger economy.

The Government of India in the last budget announced implementing of gold monetization scheme. What is your understanding of the whole process?

This is something India has thought about for a long time somehow to activate the hoards of gold families have. The problem is that the families have it for various reasons - they definitely trust the

government less than they trust gold. Government should really go to the private sector and use expertise of the private sector in the gold market to make up a scheme which will be viable because the government wants to buy gold rather than lend gold. This is not something the governments can do. Government is not equipped to do so. I think the government should setup a body using private sector expertise to implement this scheme. If they don't do this they will make a mess of that. You ought to believe the private sector and take their advice.

So they have to involve all the stakeholders. In India everybody wants to involve in that system.

I think not all but only the professionals. You have to trust the professionals; you have to remove the suspicion that the private sectors will cheat you. Private sector has the expertise, they know how to do and they know how to make profit. Government wants to make a profit not a loss. So they really ought to trust the private sector.



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Emerging Economies can Follow Turkish Example of Gold Monetization Scheme

Erkan Kilimci, Executive Director, Central Bank of Republic of Turkey, talked about Turkey's gold monetization scheme, follow up innovations in products, how emerging economy could follow the Turkish model, and so on in a candid interview with **Bullion Bulletin** during **DPMC 2015**. Excerpts...



The gold in fact has deep meaning in the lives of Turkish people. On the other hand, as the central bank we would like to have our international reserves in the most safest and liquid way. In order to reach these goals we have combined these two things where we have accepted gold in a scheme that bank will enjoy as a part of their reserve requirement liabilities.

I congratulate you for your gold monetization scheme that garnered huge success. How this idea came to existence because it was not a very easy thing to do?

The gold in fact has deep meaning in the lives of Turkish people. On the other hand, as the central bank we would like to have our international reserves in the most safest and liquid way. In order to reach these goals we have combined these two

things where we have accepted gold in a scheme that bank will enjoy as a part of their reserve requirement liabilities.

You have given 30% of the reserve commercial banks can keep with the central banks. How these banks are maintaining their risks involved with fluctuations of the international price of gold?

The structure in fact is quite simple

as Turkish bank has to place 10% of their Turkish deposits at the central bank of Turkey. Turkish central bank provides an option to the Turkish banks to fulfill their liabilities in gold upto 30%. So for the banks they need to attract gold from the deposit holders and keep them at the central bank of Turkey instead of Turkish Lira. The market risk of the gold is in fact on investors not on the banks. So the banks are not exposed to any gold market risk.

Basically the banks are accepting gold from the depositor but they are not giving any interest. How the investors are getting benefitted?

In Turkey, gold is a traditional asset and mostly kept at homes so we call it as an asset 'under the mattress'. The banks now attract the customers to bring their gold as a gold deposit to the banks. Sometime the banks prefer to offer rates to their customers but it is not necessary, it can be a part of a total deposit package or a total finance package that the investors/customers would like to bring gold to take part in that. The Turkish banks are quite successful in innovations and financial products where they can attract some gold from their

deposits and they can bring the gold from their houses and become a part of the funding for the banks.

After the implementation of this scheme, as you talked earlier Turkey was one of the countries had lowest level of savings, how much this savings has increased in the form of gold deposits?

The banks were able to attract gold from their deposit holders and they have increased their gold reserves with the central bank more than 200 tonnes in a very short period of time when we started this scheme in 2011.

Basically in this scheme bank is taking gold from the depositors and that gold is kept as a reserve with central bank. So this physical gold is then melted and transformed into a physical bar?

Definitely. The banks recycle the deposited gold into the gold bars that we ask them to be specific in gold, most of the time kilogram or large bars, and they bring them to the central bank and we keep them in international standards as they become part of our international reserves.

Return on investments in gold in Turkish lira is better than US dollar; is it basically the depreciation of Turkish lira against US dollar? For the Turkish people foreign exchange is a reference to their purchasing power and they try to protect their purchasing power against effects. Also during the central bank's quantitative easing

programs the gold price increased very much. The Turkish households which held gold have enjoyed significant performance regarding the reference point which is US dollar.

You also said that, emerging economics can also follow Turkish example but there are countries that you specified, central banks are obviously buying gold but households are not big buyer of gold. So will it be a big benefit for them?

It really depends on the country, but we know that emerging market economies continue to attract capital inflows to finance their growth. But everybody knows that the income level of these emerging markets is increasing day by day. The wealthy people prefer to enjoy gold and jewelry related items. I believe the emerging markets can try to attract this jewelry to be part of the financing system and they can continue to support their growth with internal resources.

We have seen now the gold can be bought through ATM machines in Turkey. So what are the other products that you are looking for to attract more customers?

The gold is very similar in treatment to foreign exchange in Turkey, So there is no taxation on that and it is very easy to exchange gold in financial markets. The banks offer gold trading accounts and there are some schemes in Turkish banks where the working population can buy gold in coin and store in the

bank every beginning of the month and is a good way of saving which at the end is also the aim of central bank to see higher savings ratio in Turkey. So it is a kind of win-win situation for all the parties in Turkey including the customers, the banks and the central bank as well.

You also said that export has increased in the last 2-3 years. Is this also the effect of gold monetization scheme or it is just a market development effort?

This is a good point. Whenever the importance of gold has been so observed in the public affair not only because of the central bank of republic of Turkey got policies but also the increase in the wealth of Turkish people and the banks are becoming more active to attract gold from the deposit holders, the exporters have also taken their part seeing the domestic market developments and leveraging it up for the exporting the jewellery outside of Turkey.

How are you enjoying this conference?

The conference has been very informative and valuable. We have seen different dimensions of the gold including physical production to financial use, from the portfolio optimization perspective to central bank reserves. So we are enjoying and learning a lot from the conference.



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We will Keep Identifying New Markets Looking to Grow Investment Grade Products

Alison Burns, Regional Head of Precious Metals, Middle East and North Africa, ICBC Standard Bank Plc (Dubai Branch) talked about new expansion plan of merged entity while giving an interview to **Bullion Bulletin** during **DPMC 2015**.



Tell us in brief the reason behind merging of ICBC and Standard Bank.

ICBC was already a shareholder in Standard bank group and so a longer term strategic partner. It is really very nice from commodity perspective as you know standard bank has a long history in commodities market and has an international presence. ICBC is always the hugest in commercial banking space; they have ambitions to grow the international business to focus on the commodities space too. The ICBC Standard bank was incorporated just beginning of February with new name and so far, it is early days but huge exciting time for new beginning. We are looking to grow our existing business with the co operation of insights into the Chinese market and hopefully our existing clients will also get benefit from this opportunity.

China is the largest producer of gold now and I feel that ICBC should have very big investment in that particular market.

Yes, they already invested heavily in the bullion market in China. So, in that perspective, they are already very active. Hopefully, with the new organization will have more international perspective!

Are you looking for optimizing more of investment grade products now?

Absolutely, we will keep identifying the markets that are looking to grow their investment grade products. Obviously, China is a huge market and we can see demand growing. Similar can be observed in India. These are two huge economies.

Beyond China what are the destinations you looking for to expand

the business?

I think we are already very active in core bullion international markets. So, currently, we will be looking at just development of the existing markets including physical markets in the Middle East, India, south Asia and China.

In last 3-4 years, we have seen demand decrease in some physical markets in Middle East (including Turkey), while improvements took place in some other markets. So on the whole, how is it developing?

You are right, I think there are ups and down in demand and obviously it is large region to talk about, many countries having unique advantages and issues. So, if you focus on one country, you will find some are searching investments and in others jewellery demand is reigning. In an average in the last few years as a region demand has been pretty much the same. It is a solid market and we will continue to remain involved in.

You have been a title sponsor of DPMC, since its beginning. How is this conference working out for you? The fact that we continue to sponsor and we are very happy with our associations with this conference and every year it's going in a stature from rich participation. Yes, of course, we are very happy.



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Asia May Need Different Regional Centres to Service Local Markets

Albert Cheng, MD, World Gold Council, Far East discussed about role of SGE in developing China's gold market, about international board, importance of spot contracts in regional markets, on sourcing of dore for refiners in a face to face with **Bullion Bulletin** during **DPMC 2015**. Excerpts....



Just like in the western world, we have London, New York, Geneva and Zurich, forming a western trading world, in the east we could have Shanghai, Hong Kong, Singapore, Mumbai and Tokyo to form a physical trading axis in Asia for a physical kilo bar market.

From WGC's point of view what would be the implication of RMB denominated gold contract in local Chinese market?

The Shanghai gold exchange since opening up has always been trading gold in Renminbi. But Shanghai gold exchange was designed to service market player in China - the jeweller, the refiner and the producer in China. As the market develops over the

last five years and now a very established physical exchange in China, Shanghai gold exchange last year made another initiative, they wanted to start to be more internationalised and they wanted to invite more international participants and they also wanted their own market player to work with player outside. But China Renminbi is still not fully convertible. We also understand that Renminbi is on the row to

be fully internationalised and is already used as a trade dollar with trading nations. The Shanghai gold exchange took advantage of free trade zone in Shanghai which was set up last year to help the financial and related industry to use the free trade zone to try to open up the country before it opens up fully. SGE took this opportunity to set up the international board. The purpose of the international board is to invite more international



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players into the international board using offshore Renminbi and go from outside through the free trade zone, work with the Chinese customers and Chinese player using the free trade can interface with international player. It is a precursor to a fully open gold market in China. I think in times to come when RMB will be fully convertible that the international board and SGE will merge together to become one big exchange.

Shanghai Hong Kong gold contract is also coming up in June, what is the need of this contract?

There is emergence of more exchanges in Asia to look at spot contract, physical delivery, future contract. We see it happening in Singapore. Singapore gold exchange together with SBMA and World Gold Council put together 25 kilo futures contract which basically use it to service the wholesaler in the market. We also see CME launching one kilo contract which has a physical delivery option. And we heard about Dubai is also looking to launch a spot contract. I also heard Japan is looking into a spot contract. I think the emergence of different exchanges in Asia setting up a spot contract is a sign that the market infrastructure is actually going through transformation that the player in the market would like to have a mechanism in our

time zone/currency to service the customer. What we have been doing is use the London markets and convert it into local currency. The emergence of these new things is something that to service the interest and to make it more convenient, more transparent for the market user to use a local market infrastructures.

There is no doubt that China is the most vibrant market in Asia now in respect of kind of infrastructure, product development happened. Can China take a leading role to push the other regions like India, Singapore, and Dubai to make a bigger consortium?

I think definitely, because of our diversity in culture and different time zone, different currency, we may need different regional centres to service locally. But also we need a hub to service everybody. I think organically, Shanghai is one centre to take up this role, I think they will have a possibility for them to become successful because Shanghai is servicing whole of China which has a huge population and a huge number of player in the market like refinery, producers and consumers. Just like in the western world, we have London, New York, Geneva and Zurich, forming a western trading world, in the east we could have Shanghai, Hong Kong, Singapore, Mumbai and

Tokyo to form a physical trading axis in Asia for a physical kilo bar market.

Lots of refineries are coming in this Asian region including whole of Middle East and India, but sourcing dore is a big problem. So can WGC play any role so that these refiners can responsibly source the raw material?

Production of dore is limited and so is supply. Currently, dore is finding its way into the major refineries which have been established for long time and have long term contract. New refineries which pop up everywhere in India, Dubai they have to look for feed and the feed is either scrap gold or dore and they all have to compete on price. The most competitive pricing will get dore as a supply and the miners out there are very transparent and they are open for people to give them business.

How you enjoyed the Conference?

I have enjoyed this conference very much. I see a lot people, lot of interaction. It is a good conference.



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Investors should Keep Gold in Portfolio to Protect its Purchasing Power

Alistair Hewitt, Director, Market Intelligence, World Gold Council talks about importance of gold to be an important component in portfolio, works not only as broad risk management tool, but also helps protecting portfolio's purchasing power with **Bullion Bulletin** during **DPMC 2015**.



From investment point of view, how investor will look at gold as an important component in portfolio allocation?

When we think about gold as an investment asset we really consider gold as risk management tool. Great risk down into two components gold plays a role; it is broad risk management protective against downside risk but also in protecting portfolio's purchasing power. Those are the two key areas in which investors think about having an allocation to gold. So, when we think about risk management, we broadly think about how you can protect against down side risks. When you think about gold it has a very low (near zero) correlation with many other assets which means it is an excellent form of portfolio diversification. If you include gold in a portfolio you really do diversified portfolio and that can make a better trade-off between risk and return. Similarly, if you think about

purchasing power, the purchasing power of a portfolio can be eroded by inflation and currency weakness. Now many investors know that gold protects against inflation and currency weakness. So, including gold in portfolio is not only protecting purchasing power but also hedging against risks.

Basically what would be the percentage of gold you would suggest every investor should keep in his portfolio?

We have done a very rigorous process of analysing all sorts of models for portfolio. Based on our analysis we believe that allocation between 2 to 10% is sensible depending on investors' risk appetite.

For example: if you are an investors and you have an allocation of 60 % to equities, 40% cash and bonds, then allocation to gold between 5-6%, we seem appropriate.

How do you classify gold in a portfolio, an asset that stabilises the risk of the portfolio for maximise your growth?

From portfolio optimisation perspective, we view it as being the key elements of diversification and protected against the downside. Now, if you want to generate returns, there are risky assets to invest to

generate returns. If we are going to take much risk we need to make sure you manage it effectively. We believe that having gold in your portfolio, we will allow you to manage risk effectively. So this is the key element which investors should focus on when they think about having gold in a portfolio.

How it works in a simplest manner?

We can focus on one specific area when we think about portfolio diversification. Gold has a near zero correlation with many different assets. When you have an asset being included in a portfolio has near zero correlation, that element results in more diversification. We can focus on one specific area, i.e., extreme tail risk events. When you have a tail risk events the correlation between gold and many other assets actually turns negative. So when something bad happens, for example S&P 500, you have the negative correlation which means gold performs better than S&P 500. So, having gold in a portfolio you are protecting against the downside risks. If you think about how financial market has evolved in last thirty years, tail risk events are increasing in term of frequency, in terms of magnitude. So, arguably, the case for protecting against this tail risk is increased.



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Current Low PGM Price is Not Supportive to Build New Mines

Anton Berlin, Marketing Director, Norilsk Nickel, expressed his concern on lower PGM price causing a deterrent to build new mines, dependence on recycled metal to meet the demand, company future plan of expansion in an interview with Bullion Bulletin during DPMC 2015.

The challenge for the PGM market is that mines are hardly concentrated. It is typically underground which means that if you wish to build a new mine it takes years. So the cycles in mining and the cycles in consumption do not overlap. Mine is very slow in responding while consumption can be very quick.



Norilsk Nickel is the world's largest producer of palladium, I think 40% of palladium is coming from your mine, but if we go to history of your company from 2000 onwards it has been dropped good % points. What is the reason? Is it because of the shorter demand or aging of mines or global economic slowdown?

The mines we operate there are multi metals so we have a combination of nickel, copper, precious metals, all coming from the same ore, so we cannot change our mine based on individual market. Our production has been a flatter since the beginning of 2000 because we have to mine base

metals along with PGM.

You are getting PGM as a by-product of nickel or it's a combination of all base metals?

We don't see it as a by-product because of its impact on the revenue. Nickel is between 40-50% typically and precious metals can be somewhere between 15-30% of the revenue.

If there is lower demand of base metals globally? Are you mining less of base metals so that its impact is coming on the palladium side?

We have a very different approach. We are a very stable supplier. Most of our metal is sold to industrial consumers. So if there is an

oversupply we expect the other higher cost products will have to exit the market.

Since your palladium is so high in quantity in the country, you are basically supplying it to the industrial sector. Why is there no effort in the investment product, why is it not developed in Russia?

The challenge for the PGM market is that mines are hardly concentrated. It is typically underground which means that

if you wish to build a new mine it takes years. So the cycles in mining and the cycles in consumption do not overlap. Mine is very slow in responding while

consumption can be very quick. Other challenges

we see is that mining is dragging behind.

It is stagnating for last few years and the consumption

is still picking up. When you speak about investment and accumulation it's actually sponsorship of future mining. Because this metal would be at some point sold to the consumers that's the whole idea from the investment to make profit. So it would be an additional supply helping the consumers to get the metal when not enough is being produced.

If we see the overall demand of the metal it is already in deficit. A good percentage of supply is dependent on the recycle. How are you looking at this particular aspect? Can the mines continue to supply the required metal to

the industry or it should be a combination of both or we need to increase more recycled supply in the market?

Recycle is a very important component, mining alone would not be enough to satisfy demand. The

difficulty with recycling is that cars are the biggest consumers and they are the biggest supplier of scrap. But cars

typically have a long life cycle, it can range at an average of 12 years

and it is impossible to think of a price for PGMs when you would be willing to scrap your car to get paid for the precious metals and would not buy a new car. It is a source but a limited one. It depends on how many ounces went into car fabrication years ago and we are passing through the most luxurious assessment when flow is to be very high. We are moving to linear catalyst which means recycle cannot go over the same rate as it was few years ago.

What we can expect from Russia? Are looking to develop any new mine for palladium in Russia?

We will see first can we keep the production as it is for next 20-30 years based on our reserves. At the same time there are some new projects we are looking at. But they would not materialise soon. It is probably going to happen after the 2020.

Are you happy with the prices you are getting for palladium in the international market?

We are a very low cost producer. We make a healthy margin of 40-50%. But, from the global scale PGM prices are too low to justify mine in South Africa, because the companies there are dependent on the PGMs first of all. For them nickel is a by-product. It is PGM which is the core of the basket. If you look at the cost of mine and the capex needed to build new mines, the current price environment is not supportive. So the prices will have to improve before the companies can actually invest into future production.

How you enjoyed the event, this is your first time in DPMC?

It is my first time and it is an excellent event and for us it is very exciting prominent market, and Dubai is obviously becoming the centre for precious metal trade.



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DPMC 2015 Concluded Successfully

The 4th edition of Dubai Precious Metals Conference concluded successfully on April 13th in the presence of over 470 delegates from 32 countries. From a humble beginning in 2012 the conference has grown strength to strength every year and now has become the most sought after events in precious metals in Middle East, or to move further, in Asian sub-continent.

Mr. Ahmed Bin Sulayem, Executive Chairman, DMCC set the tone of the event in his opening speech. In his own words, “We have seen a big gold price correction, but more importantly the shift in trade from West to East has continued. This remains the important theme this year; as markets continue to evolve and shift, they must get connected. As those connections improve, so will the global market place.”

Ms. Alison Burns from ICBC Standard Bank Plc, the title sponsor of the event, said in her speech that “Over the last few years, this conference grew to be an important annual event for regional and international bullion market participants. Thanks to DMCC and Foretell for tirelessly working to ensure the speakers and panel discussions. Subject matters

are both relevant and engaging for all delegates.”

Lord Meghnad Desai, Chairman, Advisory Board, OMFIF had kindled audience’s imagination through his argument on ‘secular stagnation’ of global economy. “We have entered into a radically different phase of global economy and it will take some time to get used to it. Secular stagnation is a theory which is put forward about sixty years ago by a famous American economist Alvin Hansen. He said secular stagnation is the future of capitalism as people eventually will run out of new inventions, ideas and eventually economy will come down to extremely low level”. On gold he added that “It might be possible to stabilize the movement of currencies if we have gold as a formal part of the special drawing rights (SDR). We can ask for gold being monetized at an international level as part of the SDR and so it can be cast against dollar. Secondly, gold and inflation are negatively correlated; people buy gold as a hedge. If that is the case, in a world of deflation, people will be more willing to hold gold as a store of wealth.”

The conference discussed many themes that include, firstly, “China

– a key partner for the global bullion industry.” Moderated by Mr. Albert Cheng from World Gold Council, many facts came out in discussion. Some of those facts include – growth of China’s gold jewellery consumption from 224 tons to 670 tons in last ten years; consumption volume of 2000 tons in Shanghai Gold Exchange platform last year; Shanghai Gold Exchange is in the process of multi transformation in terms of innovation of products and providing more convenience to the market players. The successful launch of the international board last year has opened a new chapter in the history of reform and development in the country’s gold market; 7788 tons of gold, 200000 tons of silver traded in the first three months of 2015; international board witnessed the transaction volume at 929 tons of gold in the first three months of the year; the concept of “One Belt One Road Policy” will be another transition in the market in entire region.

Mr. Erkan Klimci’s, Executive Director, Central Bank of Republic of Turkey, speech on Turkey’s Gold Monetization Scheme was highly engaging. He argued that people of Turkey’s love for gold and central bank’s need to keep its international

reserve in most liquid and safest way was the reason behind introducing the scheme. He added further that emerging economies could imitate the scheme as they also need capital to finance growth.

Sourcing dore/mined gold competitively from global markets was another theme that excited the audience. The supply of dore is limited and demand is high. So sourcing competitively is certainly a big challenge. Some of the key issues emerged include - Traditional sources of equity and debt capital not available for miners; lower gold prices and volatility resulting in miners deferring expansion or start of new mines; Cost containment, optimizing cash flow and preserving liquidity more important than pursuing production growth; 70% of the West African gold is continued to be exported in raw form without any value additions; artisanal and small scale miners are not getting adequate finance in Africa. In Africa establishing a chain of custody is an issue for small producers. The OECD guideline regarding use of child labour and dangerous mining practices is also a challenge.

With the demand moving east, market institutions and infrastructure have also developed rapidly in the east. SGE is pioneering the efforts in China, DGCX is driving innovations in UAE/Middle East,

MCX in India and ICE, and others are driving innovations in Singapore, Hong Kong and rest of south east Asia. While at present, all these markets take clues from London, they are evolving as important 'loco' benchmarks, thereby providing local pricing and delivery options and seamlessly integrating the bullion markets. While some of these markets are 'free markets' such as Dubai, Singapore and Hong Kong, other markets such as China and India are 'selectively free'. Common clearing is an excellent concept as it would reduce transaction costs for the consumer. However, it is still some way ahead as it has to cross several hurdles such as local regulations, harmonisation of various standards, upgradation of technology capabilities and so on. A move in that direction is necessary.

Emergence of physical jewellery demand across MENA region was another interesting theme. Low and stable prices in 2014 saw the re-emergence of jewellery demand in the MENA region. There are so many factors that drive the demand in MENA region, the major factor being the power of purchase and varieties of products. The regulation in Dubai is going to be beneficial for the international companies to increase their presence here. The innovation that the Dubai City of Gold has created with the help of the international community is attracting

more number of youths to the asset class. As lot of purchases shifted to Dubai, lots of Indian brands are entering the Dubai market. Dubai government is seriously considering for 100% ownership of foreign companies rather than 49-51 system.

Investment case for PGMs was the last of the panel discussion. PGMs, basically platinum and palladium, are industrial metal. They are mostly underground stocks and so it takes long time to develop a mine. Mining cycles are long, while demand cycles are relatively short. At current price levels, supply is stagnant, while demand is slowly developing. Platinum and palladium ETF products became highly successful in South Africa. Reason behind the success is the understanding of the underlying fundamental of the metal by the institutional investors. It provides institutional investors a diversified base to balance the portfolio. Retail investors also show interest because the premium that one tends to pay for coins and bars disappear out of the ETF.

The industry finally debated over price. Unanimously, all remained bearish in the short term, while for long term there was mixed response. \$1050 to \$1300/oz would be the possible range in which gold price would sustain.







Palladium Seems to be Analysts' Choice of Precious Metals

Jonathan D Spall, Managing Director, G Cubed Metals Ltd., revealed facts that have been driving platinum and palladium market in an interview with **Bullion Bulletin** during **DPMC 2015**.



years. All other demands have also come down. What is the reason?

The problem I think the market had is lack of focus on PGMs. We saw two to three years ago that platinum was below to gold, rallied and stayed above gold and sunk once again. What drove gold particularly recently has been a much different set of circumstances. Whereas problem particularly had with platinum, had been the autocatalyst demand for diesel engine cars. Diesel engine cars are associated with Europe, and Euro is having problem. Therefore, fewer cars were sold and less platinum being used. Therefore, there was build up of stocks. Even recent strikes in South Africa have done little with plenty of Platinum around.

So unlike gold there is not a wave of underlying affinity for the metal. Because I see the long term hedge for the gold, you don't have a same attitude for platinum. People look at it as straight industrial metal- it doesn't help its case at the moment. We have to see whether jewellery demand is coming its way.

Basically when we talk about this investment side, in last 2 to 3 years palladium outperformed the other

What do you mean by investment in PGM - Investment in the industrial sector or investment in a portfolio?

The five PGMs effectively form platinum group metals, but it is platinum and palladium that interest investors most. Both the metals have high industrial demand. Often we see palladium is being used mainly in petrol engine cars for autocatalyst

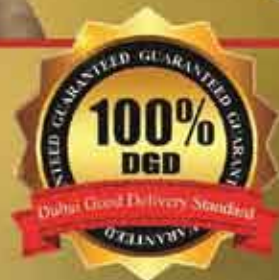
and platinum in diesel engine cars. If you go back 15-20 years in places like China, Hong Kong, there was not much demand for platinum jewelry. Now we are seeing the change enormously. The question is how would it reflect in the region and how can we see that development?

In case of platinum there is an electrical demand but it has come down substantially for last 4 to 5



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precious metals. Why platinum is not so favourable for the investors?

Palladium seems to be analysts' choice of precious metals since last 4-5 years and it is done well. Russians stocks overhang on palladium and that seem to be dissipated now. The consistent message we are getting is that there is no Russian stock. Palladium is much more used in diesel engine cars which tend to be more popular in China and US. Therefore palladium has more favourable industrial outlook plus lesser stock overhang. And way it is going, I agree that it will go further.

If we go through the data sometime it appears that platinum should perform better than other metals. The price is not delinked from the gold and silver. Why is it so?

You often get the same people try the same thing. It is very difficult sometime if you are a trader, let's say gold price goes up on rise in US unemployment rate. People tend to trade metals in consent. So the gold price goes up and the platinum price too. When people take more time to reflect only outlook then the delinked theory comes into play. If we see on platinum in particular what happened in South Africa was a very much platinum specific story. The mines were not working, there was no power. Therefore, theoretically, no platinum was coming out of the ground; no stockpiles and therefore price had to go up. You have people inside our business looking and analyzing stock piles, people outside the business

coming in and out to the markets. Some people helped gold to get to 1920/oz, those people had not involved in platinum in the same way that they were previously. Therefore the market lacks the energy to accelerate.

Is there always a lag effect which does not reflect in the price?

I think it is not lag in terms of what happens in supply and demand, it is lag in market attention. People understand gold as an instinctive metal. People respond to buy gold when price is low, when there is crisis in economy, for example. Whereas for platinum is very different story. People have to look at much closer basis like that in terms we get concrete as power supplies issue in South Africa. Market sees that as buying signal. It was a great surprise to many people including myself that recent strike did not produce the rise in platinum price. The reason might be that market had seen rapid trajectory of high price previously and equally rapid fall. People just get too nervous to get involved.

Basically palladium is the by-product of nickel and other metals. Is there any kind of co-relation exists between the supply and demand of base metals?

I guess the question is very similar to have silver, 68% of world's silver is a by-product. If you mine more nickel (if nickel price is high) therefore you get more palladium. Certain degree of that depends on how companies account for it. If

you see palladium as comparatively free which people do with the silver mining, then it tends to get pushed out very quickly. Palladium is much higher cost metal, I think it is less of a dormant by-product. So there is less of co-relation. We don't look at nickel to make decision of where to supply palladium, rather much more interested on other factors like Russian stockpiles or demand for autocatalysts we already discussed.

Do you think that PGM ETFs products will work in emerging economies?

Obviously, the gold ETF has phenomenal success and generated many times the anticipated investments. Similarly silver and more recent PGMs launched in South Africa very specific that market because they count as domestic investments. In South Africa, platinum and palladium are originally stored onshore, accounted as a domestic investment agreed by central bank. Therefore you have readymade market for that. If you anticipate the similar things to happen in Middle East, I think it is very much unlikely.

How are you enjoying the conference?

The conference is fantastic; it is great to see a lot of people from all over the world to get together and lovely venue. You guys have done an excellent job again.



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Turkey Needs Capital to Boost the Gold Market

Ali Bulut, CEO, Altinbas Group, spoke about how 'under the pillow' gold is supporting the domestic market, need for capital for growth of Turkey's gold market because most of the business is run by the small family-led enterprise, why investment is not happening, role of Turkish Government in developing the gold jewellery retailing and so on while talking with **Bullion Bulletin** during **DPMC 2015**.



For the gold market what we need is more capital inflow to the business, because most of the business is run by the small family-led enterprise and there are no financial institutions to take serious role in this process yet. We need the banks to get more involved and provide more funds.

Turkey has developed a very strong mining community in last 6-7 years. Turkey is now producing around 35-40 tonnes of gold. How is this supporting gold refinery industry in the country?

There have been couple of major refiners in Turkey since more than 20 years and ours is one of them, maybe we are not the biggest by capacity. The industry is very huge in terms of retail, manufacturing. In terms of exports also, Turkey may be the second largest exporter in the world. And 'under the pillow' gold stock is extremely high. This makes the circulation

of gold, even in the worst of time when Turkey's imports of gold goes down to less than 80 tons a year, still we support the industry with the 'under the pillow' gold. This recycling process feeds the refineries too. Refineries are always getting scrap from manufacturing industry. There always exists the potential to counterbalance - if there is something missing there is another thing coming up to recover. So for Turkey refiners, it is very lucky business for them and the number is limited. You cannot open a refinery as you wish in Turkey because it is regulated business and you have to get the license from the Istanbul Gold Board. Our Refinery is licensed under Istanbul Gold Boards and we are going to be certified by London Gold bullion.

In Turkey's gold monetisation scheme, how stakeholders are participating?

Yes, from the very beginning they are in this process and they are all actually the founders of this system in Turkey. Turkey's business is made of thousands of SMEs, not big players who can dominate the market. So many SMEs come together with NGOs and other associations and provide feedback to government and the other authorities to make this infrastructure. 100% they are the part of this process.

As you said Turkey is the second largest exporter of jewelry, the manufacturing base I suppose is based in Turkey itself?

We don't have diamonds in Turkey. We import diamonds and we re-manufacture and re-export. This is

one of the main issues. In terms of gold, for domestic market we are importing lots of gold from Italy and also from India (22k gold) but it consumed in Turkey. Our exports are made 100% in Turkey. They mostly go to Middle East market, Russia and US.

What is the current need to develop better gold market in Turkey?

For the gold market what we need is more capital inflow to the business, because most of the business is run by the small family-led enterprise and there are no financial institutions to take serious role in this process yet. We need the banks to get more involved and provide more funds. The more corporate financing comes in the faster development will be there definitely, Otherwise, the infrastructure, regulations etc are done. The industry is extremely fragmented and we need some sort of consolidation to bring together bigger organizational structure which will get more capital inflow.

Geographically Turkey is excellently located and there is already a market. Why the investment is a problem now?

Because, retail business is not 100% official and on the balance sheet you

don't see anything. The investors do come on stories but they invest on facts which are proven and certified So when all these companies come they don't see the real figures which are big challenge for them. So it is a matter of time to transform into

Turkish government provides a 'quality support program' which is a financial support program for Turkish retailers to open new stores abroad.

totally transparent publicly owned companies. This is possible in both ways - Industry does its own homework, the outsiders come in and either acquire or merge with or transform the existing structure to create the bigger, more capable organizations.

From Altinbas group's point of view, how are you looking to expand your business?

We have chosen our directions 15 years ago, until then we were manufacturer and wholesaler. Then we have started branded distribution of our merchandise and this has been followed by retail. We have mono brand Altinbas stores which more than 150 in numbers in more than 22 countries and they represent and distribute Altinbas all over the world. Our aim for coming 10 years is to increase number of stores up to 500 worldwide. In this context Middle East, UAE, Bahrain, Kuwait, Qatar and Saudi are our target countries where we can open up about 50 stores all together in gulf region. Now, we

are looking store options and good partner to collaborate with us to make it happen.

In this regard, Turkish government provides a 'quality support program' which is a financial support program for Turkish retailers to open new stores abroad. We are listed under this program together with other 20 companies which is valid until 2023. So, our future is branded jewelery retailing in Turkey and also abroad. In Turkey it is fragmented yet but will be consolidated under branded organized retail. In abroad we will increase the number of stores rapidly. After 2015 every year we will be opening about 5 to 10 new stores.

How is your observation of this conference? How you enjoyed?

We are being here on the first edition and it was really well organized. Since then the progress is very impressive. This year we have seen more attendees, quality of speakers and also the overall organization is very well-done, congratulation for doing this. I think this kind of organization has a big mission and role in development of the region in terms of being hub for gold trade in this part of the world. We also need this kind of professional organization in Turkey, come and join us to make one thing similar to this.



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Shri Madhusudan Daga – End of an Era

Sanjiv Arole

Madhusudan Daga, the doyen of bullion journalism, nay the bullion trade, passed away on April 2nd, 2015. The cause of death in the death certificate was listed as – cancer. However, Dagaji as he was referred by all in the trade or Babaji (as called by his family and close friends) lost his will to live once he was confined to his home due to age related illnesses and could not make his regular visits to his home ground - the Zaveri Bazar in Mumbai or even his long walks along the Worli sea face in Mumbai. Sadly, the trade that he was so passionate about was poorly represented at his funeral as well at the prayer meeting held in his remembrance.

A glimpse into his life in his own words: “I was born at my maternal uncle's place at Kampti, near Nagpur, on 26th December 1926. I lost my mother and my sister at a very young age and left my home at the age of nine. I was associated with the vanarsena during the freedom struggle initially and then was jailed for rebellion with the government and sentenced for six months. So, I am a bonafide

freedom fighter with bullet wound on my body as a trophy from that era. I was also association with the RSS at an early age. I ran from Nagpur to Mumbai with just Rs.25 that I earned in prison. In the early days, I stayed at the then Victoria Terminus (now CST) and even worked as a coolie for some time. Then, I stayed with my rakhi sister and did business in the commodity markets as a trader and speculator. I earned enough and the business flourished for a while and I even went into production of 2-3 movies at that time. While two of the movies did well, the one that flopped took away most of the savings. Raj Kapoor used to tease me that I had not paid him his dues for the flop movie. I even went to the races and owned a racing horse at one time. You could say that I was with the page 3 crowd in those days.”

“After having tried my hand with various businesses (successfully, I may add), I joined the UPI with the teleprompter department, sending the commodity rates (including bullion) all over the country. One thing led to another and I was drafted as a reporter by

the head of the news bureau. After the closure of the UPI, I joined the Financial Express covering the commodity markets, with specialisation in bullion, much later I joined the Observer (BPO) from the Ambanis). I got many exclusive stories at that time due to my contacts in the trade, with politicians and even the smuggling world as India exported silver illegally for a long time. The Gold Control Act in 1962 saw the face of the bullion trade change drastically as all bullion was smuggled into the country. It was exciting times to report on bullion and I could report smuggled goods caught by the customs even before some in the government knew about it. This was possible as I had contacts in both the customs as well as the ones importing the metal into the country.”

“I met Timothy Green who used to come to India to cover the Indian bullion markets regularly for many years. He initiated my entry into the overseas journals and I began reporting to him personally and then for GFMS from 1968. I also send reports to Goldman Sachs and subsequently to the CPM group



travelled with Timothy Green and Stewart Murray (the CEO of LBMA who headed GFMS for a number of years)."

"I witnessed the days when the gold price in Mumbai was sought after and quoted in the international markets during the pre-1962 era. I saw the dark age of the bullion trade when the Gold Control Act was in force. I worked with Shri Shantilal Sonawala (the president of the BBA for a long time) to make presentations to the government in an effort to abolish the obnoxious act. I remember vividly the day when the act was abolished 1990 by Prof Madhu Dandavate and reporting the same to Stewart Murray of GFMS while he was on a trip to Japan. I also remember the report I filed in FE when India pledged its 60 tonnes of gold in the international market to tide over a serious balance of payment situation."

For his yeoman service to the bullion industry many trade organisations across the country conferred on him Life Time achievement Award. The various organisations included, BBA, GJEPC, Assocham and the GJF. However, the Life award presented by LBMA in 2007 was at the top of the list. In his own words: "I am

from New York. I was associated with GFMS till 2007-08 and continue to be associated with CPM. I made my first overseas trip to the Expo 1970 to Japan. Since then, I have covered many countries and used to make at least one overseas trip every year till 2006-07. In India, I have covered over 70 centres connected with gold and silver in the country over the last 60 years. I undertook these trips both for my paper as well as for GFMS. I

overwhelmed by this great honour conferred on me as a journalist associated with the bullion trade since 1948. This one holds a special place in my heart, as it is an honour given by an international trade association. In the past too, the GJEPC, Assocham as well as the BBA and others have conferred me with Lifetime Achievement awards. So, while the other awards were special in their own way, the award by the LBMA will probably top the list”.

It was a sad and lonely end to a glorious career in the bullion trade where he was loved and adored at one point of time. Any newcomer to the bullion trade in India would feel lost as his insights into the bullion trade would be missed by those wanted to write a book (like Nigel) or invest in gold mining (like Charles). Greenhorns to bullion journalism would no longer have the guiding lamp in the horizon to help them finding their way in the very complex trade. Surely, Dagaji will be missed! RIP...

What people said after demise of Shri Madhusudan Daga

Sorry to learn about Daga ji's passing away. He lived a full life. Hope he was keeping well till his last breath. I pray that he is happy and at peace up there in Heaven.

End of an era here on Earth.

Hiroo Mirchandani, Ex India Head, WGC

Thank you for letting me know about Daga-ji. It is a very sad moment for all of us who knew and loved him.

I will of course inform all my friends who knew him, including Tim Green.

I will also insert an obituary notice in the Alchemist. This is going to press shortly but I think there is time. **Stewart Murray**, former CEO, LBMA

My deepest condolences, he was a very fine, full of love and affection and intelligent person, and he will be missed by all of us ... **S. K. Jindal** (LBMA associate member)

Sad news, but then Mr. Daga did have a 'very good innings'. He was obviously a legend in the gold market with few peers anywhere.

Philip Klapwijk, former chairman GFMS and currently MD, Precious Metals Insight.

I have known him since 1981. Perhaps, there will be memorial service later for him. If there are memorials, if not in person, maybe then in writing, please let me

know as I would very much like to participate, if possible. I have worked with him for 35 years. **Jeff Christian**, CPM Group New York.

I am very sad indeed to hear such news. He was a wonderful character and I believe he lived a fascinating life. My deep condolences to his family.

Kevin Crisp, Senior Vice President / Global Sales at Heraeus Metals Germany & Co. KG

Ah, that is very sad news. My thoughts are of him and with his family and friends at this time.

Kamal Naqvi, MD Credit Suisse





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The London Bullion Market Association

LBMA Launches Strategic Bullion Market Review



The London Bullion Market Association has commissioned EY to undertake a study of the London bullion market and to prepare recommendations for the continued development of the market. The aim of this strategy work is to identify opportunities for market efficiency and evolution, while increasing transparency and liquidity in line with the Fair and Effective Markets Review (FEMR) launched by the Bank of England, HM Treasury and FCA which is due to report in June. In August 2014, FEMR made recommendations to regulate a further seven major UK based benchmarks, including those for the LBMA Gold and Silver Prices, which subsequently became regulated.

Within the core parameters of enhancing liquidity and transparency, the study will consider a range of options for the benefit of the bullion market.

“I invite participants from the global bullion market to engage in the LBMA’s Strategy Study. EY brings momentum and independence to this work which started in 2014,” said Ruth Crowell, CEO of the LBMA. “We’re looking forward to receiving their report in the summer and sharing the recommendations and findings with Members and global market participants.”

Martin Watkins, FinTech Director and EMEA Co-Head of Exchanges and FMI at EY, comments “Many of the most exciting advances in technology are coming from the London fintech market. In order to make sure that London remains central to the international precious metals market and that the existing liquidity is maintained or enhanced, it’s going to be important to assess how the rapid evolution of trading technology and the rampant innovation in fintech can be leveraged for the good of the market and drive the future evolution of the LBMA and the wider London bullion market.”

For further information please contact Aelred Connelly, PR Officer, on
Tel: +44 (0)20 7796 3067 or mail@lbma.org.uk.

About the London Bullion Market Association

The LBMA is the international trade association that represents the wholesale over-the-counter market for gold and silver bullion. The LBMA undertakes many activities on behalf of its members and the wider market, including the setting of good delivery and refining standards, the organisation of conferences and other events, and serving as a point of contact for the regulatory authorities. For more information, please visit www.lbma.org.uk.



Sequel Logistics, India's premier critical logistics solutions company expands to US and Belgium to establish its global foot print.

April 1, 2015
Bangalore, INDIA

As a first step to establish its global foot print, Sequel Logistics has set up its fully owned subsidiary and commenced operations in US and Belgium. With the formation of Sequel International Logistics USA Inc., and Sequel International Logistics Belgium NV, Sequel will now extensively service the US and Europe markets through its own network for precious & life-science logistics.

Sequel Logistics has achieved a dominating presence in India as the premier secured logistics solution provider in a very short span of time. Today, Sequel manages movements of valuable cargo in excess of USD 20 billion, annually, through an enviable secure network of 20 high-grade vaults, 40 secured hubs and 120 armored trucks, providing service to 265 towns and 5000 pin codes on a regular basis. Sequel provides full range of services from vaulting, logistics, clearance and risk coverage for precious metals, diamond & jewellery (D&J), small valuable shipments, trade shows & exhibitions, returns and warehouse management services. As a natural progression to the meteoric rise in India, Sequel has now expanded its direct presence in two of the largest

markets – US and Europe, which have significant potential in the precious and life-science logistics domain.

Speaking on the occasion, Mr Sharad Jobanputra, Chairman & Managing Director, Sequel Logistics said, *"Sequel believes in going an extra mile to give a customized and superior secured logistics solution, unique to each customer's specific needs. As demonstrated in India, our operational excellence, risk management through our unique insurance cover as well as superior Information Technology, Sequel will provide the customers in US, Belgium and India, a secure, seamless network and most importantly, a revolutionary service experience. It shall be our never ending obsession to 'put a smile on our customer's face'."*

Speaking on the future plans for US and Belgium, Mr S Rajkumar, Founder Director & CEO said, "As demonstrated in India, Sequel management is deeply committed to investing and owning its network capabilities in US and Belgium as well, with regards to fleet, hubs, IT and clearance capabilities, among other things needed for us to take up the leadership position in both these geographies. Our efforts in India will continue, to ensure that we not only

retain our current market leadership position, but also to constantly work on enriching and re-defining our customer's experience."

About Sequel Logistics, India:

Sequel Logistics is a Supply Chain Management company, specialized in providing comprehensive solutions, services & products in the 'Critical Logistics' segments. It has two verticals, Sequel Secure for servicing precious cargo segment and Sequel Lifecare for servicing the life science shipments. Sequel Lifecare handles over a million time & temperature sensitive shipments annually. As a pioneer, Sequel launched the industry's first mobile app, enhancing internal efficiencies and customer experience. Sequel's customers are empowered to enquire, book & track shipments, and manage their invoices, directly from their mobile device, anytime, anywhere. Being a specialist logistics company, Sequel understands that real time information on shipment status and location is absolutely vital to our customers. Sequel's IT application provides this information in the most convenient format and on a truly real time basis.

For Press enquiries, contact Kamana at kamana@sequel.co.in





China gold demand recovers in the first quarter

China's gold demand rebounded in the first quarter after a 25% plunge in 2014,

Dow Jones Newswires cited data from the China Gold Association. The nation's gold consumption rose 1.1% year-on-year to 326.68 metric tons in the first three months of the year, the association's president said at an industry conference. The previous plunge in gold demand was due to a number of factors, including China's economic slowdown, the anti-corruption drive, and a consumption surge in 2013 leading to shrinkage in gold purchases for 2014, the report said. In 2014, India replaced China as the world's biggest gold buyer due to a jump in jewelry demand, even though both countries' total gold demand shrank from a year earlier, a Bloomberg report said earlier this year, quoting statistics from the World Gold Council. However, the China Gold Association said in a statement earlier this year that the trend in Chinese gold-demand growth hasn't changed despite a sharp decrease in last year's consumption. The decrease in 2014 was preceded by a "blowout surge" in 2013 triggered by a fall in gold prices, with the low prices "restraining investment demand" to a certain degree in 2014, the association said. Growing interest in gold and increasing awareness in gold as an investment will continue to fuel the country's demand in the yellow metal, the statement said, adding that China is the world's fastest-growing gold market.

Source: www.marketwatch.com

Gold Monetisation Scheme: Get ready to unlock power of yellow metal

It's perhaps time to pull out your gold and jewellery which may have been lying idle in cupboards and bank lockers for years. Besides gold, jewellery of all kinds will fetch you returns if you participate in the government's Gold Monetisation Scheme, details of which will be announced soon.

To make the scheme palatable it is unlikely that the

taxman will ask you to pay wealth tax on jewellery which you or your family may have owned for generations, according to finance ministry officials involved in preparing the scheme.

Under the terms of the proposed scheme, the deposited precious metals will be melted and the gold in the jewellery would be credited in the name of the depositor. The depositor would earn interest on the value of gold on the day of deposit. The investor would be paid cash equal to the value of the gold on that day if he seeks to withdraw from the scheme or it matures.

The scheme will essentially allow a depositor to earn an income from his gold holdings while his basic investment is protected. It is expected to help organisations such as temple trusts and even companies to unlock their gold holdings while the economy will benefit from lower imports if stored gold comes into circulation. The government is unlikely to ask people depositing family jewellery to show past wealth tax payment.

Source: www.economictimes.indiatimes.com



Platinum jewellery market set to grow in 2015

Platinum Guild International (PGI) published the findings of its second annual retail

barometer yesterday, collecting retail sales data of platinum jewellery in 2014 and projections for 2015. Key findings included total platinum retail sales in ounces across the four key markets being flat in 2014, India platinum retail sales growing by 28%, the USA growing by 8% and Japan growing by 3%.

PGI chief executive Huw Daniel said: "Continued growth in the platinum jewellery market is important, as the jewellery category represents 35% of all global demand for platinum. "2015 is expected to deliver higher growth and clearly there are concerns about the Chinese market, but PGI have plans in place this year to address the challenges and to capitalise on the latent demand.

Source : www.retail-jeweller.com



टर्की की गोल्ड मॉनेटाइजेशन स्कीम का अनुसरण उभरती अर्थव्यवस्थाएं कर सकती है

एरकन किलिम्सी, एग्जिक्यूटिव डायरेक्टर, सेन्ट्रल बैंक ऑफ रिपब्लिक ऑफ टर्की



अपने स्थानीय गोल्ड रिजर्व का 10% सेन्ट्रल बैंक ऑफ टर्की के पास रखना ही होगा। सेन्ट्रल बैंक ऑफ टर्की यहां के स्थानीय बैंको को अपने दायित्वों की पूर्ति 30% तक गोल्ड में करने का विकल्प प्रदान करता है। इसलिये बैंकों को अपने जमाकर्ताओं को गोल्ड डिपॉजिट के लिये प्रोत्साहित करने की आवश्यकता है ताकि वे सेन्ट्रल बैंक में टर्की लिरा के बजाय गोल्ड रख सकें। गोल्ड में बाजार जोखिम मुख्य रूप से निवेशकों के लिये होता है न कि बैंको के लिये। इसलिये बैंको को किसी प्रकार का बाजार जोखिम नहीं होता है।

बैंक मुख्य रूप से जमाकर्ताओं से गोल्ड जमा तो ले रहे हैं लेकिन उस पर किसी प्रकार ब्याज नहीं प्रदान कर रहे हैं। इस स्थिति में निवेशक किस प्रकार से लाभान्वित हो रहे हैं?

टर्की में, गोल्ड एक पारंपरिक संपत्ति है और ज्यादातर यह घरों में रखी होती है इसलिये हम इसे "बिस्तर के नीचे का खजाना" कहते हैं। बैंक अब अपने ग्राहकों को इस गोल्ड को बैंक में जमा कराने के लिये आकर्षित कर रहे हैं। कभी-कभी बैंक ग्राहकों को ब्याज दर की पेशकश भी करता है लेकिन यह जरूरी नहीं है, यह किसी कुल जमा पैकेज या फायनान्स पैकेज का भाग हो सकता है जिसके अंतर्गत निवेशक/ग्राहक ने गोल्ड डिपॉजिट किया है। टर्की के बैंक नवीन वित्तीय उत्पादों के निर्माण में काफी सफल रही है

आपके गोल्ड मॉनेटाइजेशन स्कीम (जीएमएस) की सफलता पर आपको ढेरों बधाईया। आपको इस योजना का विचार कैसे आया, क्योंकि इसका क्रियान्वयन काफी मुश्किल है?

वास्तव में गोल्ड का टर्की के नागरिकों के साथ काफी गहरा रिश्ता है। दूसरी तरफ, सेन्ट्रल बैंक के समान ही हम भी अपने अंतरराष्ट्रीय रिजर्व को सुरक्षित तथा लिक्विड रखना चाहते हैं। इस लक्ष्य को पूरा करने के लिये हमने दो तथ्यों को मिला दिया है जहां हमने गोल्ड को ऐसे

स्कीम के अंतर्गत हासिल हासिल करते हैं जिसे कि वे अपने रिजर्व रिक्वायरमेंट लायबिलिटी के भाग के रूप में उपयोग कर सकेंगे।

आपने कहा है कि कमर्शियल बैंक अपने रिजर्व का 30% सेन्ट्रल बैंक के साथ रख सकते हैं। ये बैंक किस प्रकार से गोल्ड के अंतरराष्ट्रीय कीमतों में उतार-चढ़ान से होने वाले जोखिमों का प्रबंधन कर सकते हैं?

इस संरचना वास्तविक में काफी साधारण है जिसमें टर्की के बैंको को

जिसके अंतर्गत वे अपने ग्राहकों से गोल्ड जमा आकर्षित कर सकती है ताकि घरों में रखे गोल्ड को बाहर लाकर उस बैंक की फंड के रूप में उपयोग कर सके।

इस योजना के क्रियान्वयन के बाद आपने कहा था कि टर्की सबसे कम बचत वाले देशों में से एक है, इस गोल्ड डिपॉजिट स्कीम से बचत में कितनी वृद्धि देखी गयी है?

बैंक अपने जमाकर्ता ग्राहकों से गोल्ड जमा आकर्षित करने में सफल रह सके हैं और इन्होंने सेन्ट्रल बैंक के साथ अपने रिजर्व को बढ़ाकर छोटे से समय (साल 2011 में शुरुवात) में 200 टन कर दिखाया है। इस योजना के अंतर्गत बैंक अपने ग्राहकों से गोल्ड जमा लेते हैं जिसे कि सेन्ट्रल बैंक में उस बैंक के रिजर्व अनुपात स्वरूप रखा जाता है।

इस प्रक्रिया में क्या जमा गोल्ड को गलाकर भौतिक गोल्ड बार के रूप में रखा जाता है?

निश्चित रूप से ऐसा ही होता है। बैंक जमा गोल्ड को बार के रूप में गला देती है, अधिकतर यह किलोग्राम या अन्य बड़े बार के आकार की होती है और वे इसे सेन्ट्रल बैंक में जमा कराने के लिये लाते हैं जहां हम इसे अंतरराष्ट्रीय मानकों के अनुसार रखते हैं क्योंकि यह हमारे अंतरराष्ट्रीय रिजर्व का भाग होता है।

टर्की लिरा के रूप में गोल्ड पर निवेश से प्राप्त आय अमेरिकी डालर के रूप में किये गोल्ड निवेश से प्राप्त आय से ज्यादा है; क्या ऐसा अमेरिकी डालर के विरुद्ध टर्की लिरा के कमजोरी के कारण है?

टर्की के लोगों के लिये विदेशी मुद्रा उनके खरीदी क्षमता को प्रस्तुत करती है और वे अपनी खरीदी क्षमता को हर प्रभाव से सुरक्षित रखने की कोशिश करते हैं।

साथ ही, सेन्ट्रल बैंक की क्यूई. योजना के दौरान गोल्ड कीमतों में भारी वृद्धि हो गयी थी। वे सभी टर्की घरेलु उपभोक्ताओं, जिनके पास गोल्ड रखा था, को इस रिफरेन्स बिंदु जो कि यूएस डालर में है, गोल्ड इस प्रदर्शन से काफी लाभ हुआ है।

आपने यह भी कहा था कि उभरते अर्थव्यवस्था वाले देश टर्की के इस उदाहरण का अनुसरण कर सकते हैं, लेकिन ऐसे कई देश हैं जहां घरेलु उपभोक्ताओं के अपेक्षा सेन्ट्रल बैंक गोल्ड का सबसे बड़ा खरीदार है। इस स्थिति में, क्या ऐसे देशों को बड़ा लाभ पहुंचा सकता है?

यह वास्तव में देश पर निर्भर करता है, लेकिन हम जानते हैं कि ये उभरती अर्थव्यवस्था वाले देश अपने ग्रोथ के फायनान्स के लिये लगातार केपीटल इन्फ्लो आकर्षित कर रहे हैं। हर कोई इस बात से वाकिफ है कि ऐसे उभरते अर्थव्यवस्था वाले देशों में प्रतिव्यक्ति आय तेजी से बढ़ रही है। अमीर व्यक्ति गोल्ड तथा ज्वैलरी संबंधित सामानों पर ज्यादा ध्यान देते हैं। मुझे ऐसा लगता है कि ये उभरते बाजार लगातार अपने वित्तीय प्रणाली के भाग के रूप में ज्वैलरी को आकर्षित करने की कोशिश कर सकते हैं और वे इस आंतरिक संसाधनों के माध्यम से अपने ग्रोथ का समर्थन कर सकते हैं।

हमने अभी देखा है कि टर्की में गोल्ड एटीएम मशीन के माध्यम से खरीदा जा सकता है। यहां ऐसे और कौन से उत्पाद हैं आप जिन्हें ज्यादा से ज्यादा ग्राहक आकर्षित करने के लिये देख रहे हैं? टर्की में गोल्ड को विदेशी विनिमय के समकक्ष ही समझा जाता है, इसलिये इस पर कोई टैक्स लागू नहीं है और गोल्ड को वित्तीय बाजार में आसानी से एक्सचेंज किया जा सकता है। बैंक गोल्ड

ट्रेडिंग अकाउंट भी प्रदान करते हैं और टर्की बैंकों की कुछ योजनायें हैं जहां कामकाजी नागरिक माह की शुरुवात में गोल्ड के सिक्के खरीद कर उसे बैंक में रख सकते हैं। यह बचत करने का एक अच्छा माध्यम है और यह साथ ही सेन्ट्रल बैंक की टर्की में बचत को बढ़ाने के लक्ष्य को भी पूरा कर सकता है। इस टर्की के लिहाज से यह सभी पक्षों, नागरिकों, बैंकों तथा सेन्ट्रल बैंक के लिये एक विन-विन स्थिति है।

आपने यह भी कहा है कि पिछले 2-3 सालों में निर्यात काफी बढ़ा है? क्या यह भी इस गोल्ड मॉनेटाइजेशन स्कीम का प्रभाव है या फिर साधारण बाजार विकास के प्रयासों का परिणाम है?

यह एक अच्छा पाइन्ट है। सार्वजनिक रूप से जहां कहीं भी गोल्ड की महत्ता बढ़ती देखी गयी है यह केवल टर्की रिपब्लिक के सेन्ट्रल बैंक के द्वारा चलायी गयी गोल्ड की नीतियों के फलस्वरूप नहीं है बल्कि स्थानीय लोगो की बढ़ती आय तथा बैंको द्वारा अपने जमाकर्ताओं से गोल्ड जमा पर आकर्षण बढ़ाने के कारण भी है। यहां पर निर्यातकों द्वारा भी घरेलु बाजार की स्थिति को देखते हुये अपनी भूमिका निभायी गयी है जिसके लिये उन्होंने टर्की की ज्वैलरी को बाहर देशों में निर्यात किया गया है।

आपकों यह कॉन्फ्रेंस कैसा लगा?

यह कॉन्फ्रेंस काफी ज्ञानवर्धक तथा मूल्यवान है। हमने यहा गोल्ड के कई पक्षों को देखा है जिसमें भौतिक उत्पादन से वित्तीय उपयोग, पोर्टफोलियो ऑप्टिमाइजेशन संदर्भ से सेन्ट्रल बैंक रिजर्व तक शामिल है। इसलिये हम यहां अपनी काफी जानकारी बढ़ा रहे हैं और आनंद उठा रहे हैं।



Bullion - Data & Statistics

Gold Spot Market, International (Per Troy Ounce)			
Spot gold	01 st Apr	28 th Apr	% Change
Australia (AUD)	1583.28	1515.13	-4.40
Britain (GBP)	811.47	790.18	-2.66
Canada (CAD)	1518.47	1458.37	-4.04
Europe (Euro)	1117.86	1104.64	-1.19
Japan (Yen)	143972.70	143979.80	0.00
Switzerland (CHF)	1163.17	1158.48	-0.40
USA (USD)	1203.88	1211.70	0.65

Silver Spot Market, International (Per Troy Ounce)			
Spot Silver	01 st Apr	28 th Apr	% Change
Australia (AUD)	22.30	20.74	-7.23
Britain (GBP)	11.42	10.81	-5.49
Canada (CAD)	21.38	19.96	-6.87
Europe (Euro)	15.74	15.12	-4.01
Japan (Yen)	2029.07	1972.44	-2.83
Switzerland (CHF)	16.38	15.85	-3.23
USA (USD)	16.96	16.60	-2.20

Monthly Exchange Data (Gold) (From April 01-28)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Gold June'15	26350.00	27212.00	26238.00	27190.00	2.74
NCDEX New	Gold July'15	24693.00	24993.00	23860.00	24993.00	3.20
COMEX	Gold June'15	1183.20	1224.50	1174.10	1213.90	2.56
TOCOM	Gold June'15	4580.00	4680.00	4495.00	4590.00	0.72

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

Fortnightly Exchange Data (Silver) (From April 01-28)						
Exchange	Commodity	Open	High	Low	Close	% Ch.
MCX	Silver July'15	37879.00	39000.00	36045.00	37527.00	-1.07
NCDEX	Silver July'15	37831.00	38813.00	36527.00	37606.00	-0.09
COMEX	Silver July'15	16.68	17.35	15.60	16.63	-0.06
TOCOM	Silver June'15	64.10	64.50	60.10	62.30	-3.16

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

Gold Spot Market, India			Rs/10gm
Spot Gold	01 st Apr	28 th Apr	% chg
Delhi	26750.00	27350.00	2.22
Mumbai	26500.00	27300.00	2.97
Bangalore	26654.00	27323.00	2.48
Chennai	26595.00	27310.00	2.65
Kolkata	26590.00	27305.00	2.65
Hyderabad	26620.00	27300.00	2.52
Ahmedabad	26169.00	26866.00	2.63

Currency Change (Monthly)		
	01 st Apr	28 th Apr
EUR/USD	1.0764	1.0981
USD/JPY	119.77	118.86
USD/INR	62.32	63.19
USD/AUD	1.3158	1.2862
USD/GBP	1.4823	1.5338

Silver Spot Market, India			Rs/kg
Spot Silver	01 st Apr	28 th Apr	% chg
Mumbai	38800.00	37800.00	-2.61

Bullion - Data & Statistics

LONDON FIXING (Per Troy Ounce)										
GOLD AM			GOLD PM			SILVER				
DATE	USD AM	GBP AM	EUR AM	USD PM	GBP PM	EUR PM	DATE	USD CENTS	GBP PENCE	EUR CENTS
04/01/2015	1181.25	800.36	1099.50	1197.00	809.55	1112.97	04/01/2015	16.56	11.21	15.40
04/02/2015	1201.50	811.11	1110.91	1198.50	808.75	1102.68	04/02/2015	16.84	11.39	15.56
04/07/2015	1208.50	813.63	1113.82	1211.00	813.02	1114.38	04/07/2015	16.86	11.32	15.52
04/08/2015	1211.10	811.40	1113.66	1207.25	806.99	1112.95	04/08/2015	16.84	11.27	15.49
04/09/2015	1196.00	808.49	1113.33	1194.80	808.80	1114.34	04/09/2015	16.30	11.00	15.15
04/10/2015	1201.90	820.58	1133.49	1207.35	824.41	1137.80	04/10/2015	16.55	11.32	15.64
04/13/2015	1197.85	820.54	1136.72	1198.90	818.64	1132.53	04/13/2015	16.27	11.14	15.46
04/14/2015	1191.45	814.33	1127.95	1194.75	808.14	1118.97	04/14/2015	16.08	10.97	15.20
04/15/2015	1189.85	808.58	1123.56	1192.90	806.65	1120.99	04/15/2015	16.18	10.97	15.28
04/16/2015	1204.60	811.40	1131.19	1204.35	807.99	1123.07	04/16/2015	16.47	11.05	15.37
04/17/2015	1204.55	801.86	1113.83	1203.35	802.26	1116.28	04/17/2015	16.36	10.89	15.12
04/20/2015	1203.25	806.31	1120.34	1196.50	803.05	1114.42	04/20/2015	16.09	10.79	15.00
04/21/2015	1197.70	804.58	1120.26	1195.30	802.79	1118.20	04/21/2015	16.08	10.81	15.05
04/22/2015	1202.40	799.19	1113.44	1189.25	791.51	1108.86	04/22/2015	16.05	10.67	14.90
04/23/2015	1187.75	792.31	1107.92	1185.75	790.00	1101.77	04/23/2015	15.86	10.57	14.77
04/24/2015	1192.15	788.04	1097.49	1183.00	782.29	1093.95	04/24/2015	15.83	10.47	14.63
04/27/2015	1182.75	780.85	1090.52	1200.00	791.00	1103.93	04/27/2015	15.84	10.47	14.61
04/28/2015	1201.40	788.17	1100.56	1209.00	789.19	1103.15	04/28/2015	16.32	10.68	14.92

Disclaimer: All references to LBMA Gold Price are used with the permission of ICE Benchmark Administration Limited and have been provided for informational purposes only. ICE Benchmark Administration Limited accepts no liability or responsibility for the accuracy of the prices or the underlying product to which the prices may be referenced.

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OUR GOLDEN RULE IS RESPONSIBLE SOURCING.

DMCC is committed to working with global stakeholders to develop and promote the implementation of industry best practices; our responsible sourcing accreditation programme is globally recognised and fully aligned with the OECD guidance.

DMCC's responsible sourcing accreditation will allow your company to comply with conflict-free gold sourcing regulations globally, thereby enabling your products to be traded anywhere in the world.

Our goal is to create an inclusive gold industry that is responsible and able to provide assurances on the adequacy of its due diligence procedures and supply chain management practices. If you are a company that deals with any form of gold in your supply chain you are eligible to become one of our accredited members.

DMCC has three accreditation initiatives for responsible sourcing of gold based on DMCC's Practical Guidance and Review Protocol as follows:

- **Responsible Market Participant (RMP)**

Accreditation of responsible sourcing practices based on 3rd party independent assurance, designed for all gold market participants: traders, jewellers, processors and aggregators.

- **Market Deliverable Brand (MDB)**

An accreditation initiative available to refiners demanding to certify their production quality and technical capabilities as well as their responsible sourcing practices.

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For further information on how to become a member email commodityservices@dmcc.ae; call +971 44336711 or visit dmcc.ae.





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