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Gold Market Outlook

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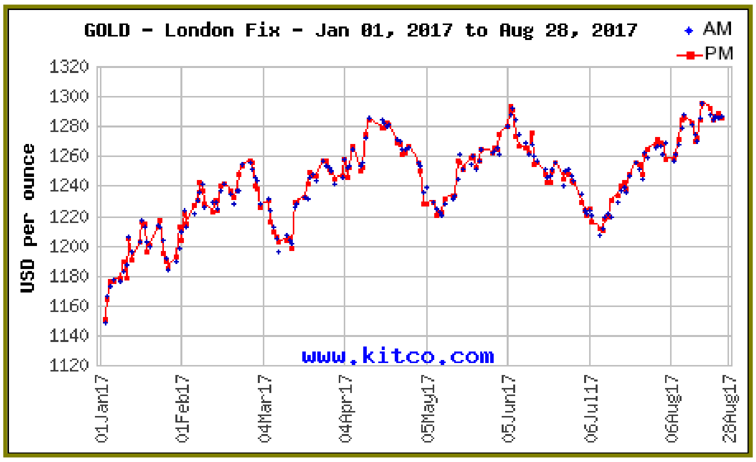
►Geopolitical shock movements push gold above $ 1,300

Since a $ 1,211.05 low on 11 July, the gold price has continued to trade in a rage of $ 1,200 – 1,300, reaching a 2017 high above $ 1,300 on 29 August.



With the dollar having weakened in concert with the gold price increase, I already said many times earlier that on the longer term since the introduction of the Euro on 1 January 1999, there is no consistent correlation between the dollar and the Euro and the financial crisis of 2008-2009 being an illustrative example.

More recently, over the period from year-end 2013 to date, when the gold price increased by 8% to the current level of $ 1,300, the dollar also strengthened from $ 1.38 to a 14-year high of $ 1.04 on 15 December 2016 or 25% before weakening to the current level of around $ 1.20 against the Euro.

Having appreciated against the Euro since the end of 2016 from a 10-year low of $ 1.58 in March 2008 to an 8-year high of $ 1.04 on 15 December 2016, the recent weakness of the dollar in my view is overstated at today's dollar/euro ratio of $ 1.20.

Even if Trump's "America first" policy promising an economic growth of 4% cannot be achieved, a more realistic growth target of around 2.5% for both 2017 and 2018, this would represent at least a 0.5% higher growth than is forecasted for the Euro Zone

Also considering the current Fed funds rate of 1.00 – 1.25% compared to an almost zero ECB rate of 0.05%, a further weakening of the dollar above $ 1.20 against the Euro is not justified.

In the April 2017 **Gold Market Outlook**, I paid specific attention to the myth about gold to benefit from inflation, with low US real yields tendering to be positive for gold and as such negative for the US$. With real yields having fluctuated in a very small range of around 0.5% for 10-year bonds so far this year, this questions the existence of a tandem between gold and the US$.

The outcome of the recently held Jackson Hole gathering of central bankers confirms my view that due to stimulus efforts having failed to lift inflation to a targeted level of 2%, originally planned interest increases by the Fed and European Central Bank in the remainder of 2017 will most probably be postponed and as such will not have a negative impact on the gold price.

Gold not consistent hedge against the dollar

Year-to-year 2008 - 2017	London Trading in US$	Change in %	Period of change	Euro/US$	US$ value in %
2008	865	3		1.40	-11
2009	1,104	28		1.43	-2
2010	1,410	28		1.33	8
2011	1,571	11		1.29	3
2012	1,664	6		1.32	-2
2013	1,202	-28		1.38	-4
2014	1,199	0		1.21	14
2015	1,062	-11		1.09	11
2016	1,159	9		1.05	4
June 6, 2017	1,293	12	5 months	1.13	-7
June 30, 2017	1,242	-4	3 weeks	1.14	-1
July 11, 2017	1,211	-2.5	11 days	1.14	0
August 29, 2017	1,319	9	1 ½ month	1.20	-5

Overview gold prices versus HUI-Index

		Gold price	Change in %	HUI-Index	Change in %
2017					
August 29	**2017**	**1,319**	**4**	**210.49**	**7**
July 31	**2017**	**1,268**	**2**	**196.15**	**6**
June 30	**2017**	**1,242**	**-2**	**185.71**	**-4**
May 31	**2017**	**1,266**	**0**	**192.51**	**0**
April 28	**2017**	**1,266**	**2**	**191.93**	**-3**
March 31	**2017**	**1,245**	**-1**	**197.23**	**1**
February 28	**2017**	**1,256**	**4**	**196.09**	**-5**
January 31	**2017**	**1,213**	**5**	**207.45**	**14**
2016					
December 31	**2016**	**1,159**	**0**	**182.31**	**2**
December 13	**2016**	**1,157**	**-2**	**178.46**	**0**
November 30	**2016**	**1,178**	**-7**	**178.08**	**-16**
October 31	**2016**	**1,272**	**1**	**212.28**	**7**
October 7	**2016**	**1,259**	**-5**	**199.26**	**-14**
September 30	**2016**	**1,323**	**1**	**231.14**	**4**
August 31	**2016**	**1,309**	**-2**	**221.68**	**-19**
July 29	**2016**	**1,342**	**-2**	**274.32**	**1**
July 6 (high)	**2016**	**1,370**	**4**	**271.75**	**10**
June 30	**2016**	**1,321**	**9**	**246.60**	**22**
May 31	**2016**	**1,212**	**-6**	**201.32**	**-14**
April 28	**2016**	**1,286**	**4**	**233.46**	**31**
March 31	**2016**	**1,237**	**0**	**178.24**	**6**
February 29	**2016**	**1,235**	**11**	**167.49**	**39**
January 31	**2016**	**1,113**	**5**	**120.80**	**9**
Year-end	**2016**	**1,159**	**9**	**182.31**	**64**
	2015	**1,062**	**-11**	**111.18**	**-32**
	2014	**1,199**	**0**	**164.03**	**-17**
	2013	**1,202**	**-28**	**197.70**	**-55**
	2012	**1,664**	**6**	**444.20**	**-11**
	2011	**1,572**	**11**	**498.73**	**-13**
	2010	**1,410**	**28**	**573.32**	**33**
	2009	**1,104**	**28**	**429.91**	**42**
	2008	**865**		**302.41**	

With the gold price having increased in August by 4% to an interim high of $ 1,319, the **HUI-Index**, representing the international leading gold producers, showed a performance of 7%, thereby benefitting from the leverage potential, the gold equity markets are offering.

Comments:

With gold having reached my first price target of $ 1,300 and targeting a level of at least $ 1,400 by year-end, it has to be recognized that this forecast is based on the impact of growing global geopolitical tensions, rather than based on macro-economic fundamentals, which I consider to be in balance for the time being.

See monthly updated 2017 Shortlist of gold investment recommendations:

http://www.metalcommodities-ip.com/wp-content/uploads/2015/10/GOLD_SHORTLIST_31July2017.pdf

GOLD from a fundamental perspective

(in tonnes)	H1 2017	H1 2016	2016	2015	Change 2016/2015	2014	2013	2012
Primary supply	**2,186**	**2,204**	**4,551**	**4,340**	**211**	**4,289**	**4,345**	**4,551**
of which:								
Mine production	*1,544*	*1,546*	*3,255*	*3,220*	*35*	*3,131*	*3,042*	*2,850*
Recycling	*642*	*658*	*1,296*	*1,120*	*176*	*1,158*	*1,303*	*1,701*
Net hedging supply	*-26*	*76*	*33*	*13*	*20*	*-104*	*-30*	*-40*
Total supply	**2,160**	**2,280**	**4,584**	**4,353**	**231**	**4,185**	**4,315**	**4,511**
Physical demand	**1,865**	**1,625**	**3,722**	**4,404**	**-682**	**4,094**	**5,087**	**4,361**
of which:								
Jewellery fabrication	*1,075*	*884*	*1,989*	*2,448*	*-459*	*2,242*	*2,470*	*2,036*
Industrial	*182*	*180*	*323*	*332*	*-9*	*285*	*296*	*303*
Physisical investment	*494*	*477*	*1,033*	*1,048*	*-15*	*1,101*	*1,790*	*1,356*
(Bar hoarding, coins, medals)								
Net central bank buying	114	84	377	576	-199	466	409	544
Market balance	**295**	**655**	**862**	**-51**	**913**	**-156**	**-978**	**269**
of which:								
ETFs	*144*	*569*	*532*	*-128*	*660*	*-157*	*-880*	*279*
Net market balance	*151*	*86*	*330*	*77*	*253*	*1*	*-98*	*-10*
Total demand	**2,160**	**2,280**	**4,584**	**4,353**	**231**	**3,938**	**4,109**	**4,630**
LBMA average gold price ($/oz)	**1,208**	**1,221**	**1,251**	**1,160**	91	**1,266**	**1,411**	**1,669**

source: Thomson Reuters/GFMS

► Gold not consistent hedge against dollar

The above statistics show the strong impact of **ETF**'s as a volatile speculative element in gold demand rather than from physical demand, which declined by 1,365 tonnes from 5,087 tonnes in 2013 to 3,722 tonnes in 2016, including a sale of 880 tonnes alone in 2013. This accounted for the fall from the annual average gold price from $ 1,669 in 2012 to $ 1,160 in 2015.

In H1 2017 after net hedging of 13 tonnes in 2015 and 33 tonnes in 2016, a recovery of the gold price resulted in de-hedging of 43 tonnes and 26 tonnes in the second half of 2016 and first half of 2017, respectively. While physical demand increased slightly from 477 tonnes in H1 2016 to 494 tonnes in H1 2017, Net Central Bank Buying increased by 30 tonnes to 114 tonnes, but since 2015 has shown a significant decline.

Looking at the net market balance this clearly confirms the dominant impact of ETF's. After ETF selling of 128 tonnes this contributed to a net market balance of 77 tonnes, this was followed by a strong buying in 2016 of 532 tonnes, which was reflected in the average gold price to recover from $ 1,160 to $ 1,251 in 2016. followed by 330 tonnes in 2016, of which 86 tonnes in H1 2016 compared to 151 tonnes in H1 2017

CALENDAR OF MINING EVENTS

Goldletter International, **Uraniumletter International** and
Rare Earths & Strategic Metals Letter International as Media Partner

2017

September	25 – 26	**WaCa Mining 2017** – Accra, Ghana
October	2 - 3	**Dubai Mining Show** – Dubai
October	9 – 10	**Mining Investment Middle East & Central Asia** – Muscat, Oman
October	23 – 24	**Mining Investment China** - Shanghai
November	15 – 16	**Kenya Mining Week** – Nairobi, Kenya
November	26 – 27	**Mining Investment London** – London
December	7 - 8	**Mining Investment North America** – Toronto, Canada

2018

January	25 – 26	**Mining Investment West Africa** – Accra, Ghana
February	5 - 8	**Investing in African Mining INDABA** - Cape Town, South Africa
February	15 – 16	**Mining Investment South America** – Buenos Aires, Argentina
March	4 - 7	**PDAC International Convention** – Toronto, Canada
April	10 – 11	**Mining Investment Botswana** – Gaborone, Botswana

2018

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Accra, Ghana

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5-8 FEB 2018
CAPE TOWN, SOUTH AFRICA

MINING INVESTMENT
SOUTH AMERICA

15 - 16 February 2018
Buenos Aires, Argentina

MINING INVESTMENT
BOTSWANA

10 - 11 April 2018
Gaborone, Botswana

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