



## **Publication of *Gold Survey 2006 - Update 1***

### ***Growth in investment demand in the fourth quarter to drive gold through \$700.***

*Gold Survey 2006 Update 1* was released today at GFMS' Precious and Base Metals Seminar. The report suggests the first six months of the year saw heightened investor activity in the precious metal. In contrast to the principally buy-side market of the last six months of 2005, this year has seen increased two-way trading. Inasmuch, the net impact of investor activity on the gold market, albeit still positive, was significantly lower than that over the second half of last year.

Looking ahead, having recently gone through a relatively calm period and notwithstanding more recent weakness, GFMS believes investment demand has the potential to come back strongly. Specifically, Philip Klapwijk, the consultancy's executive chairman, noted that "investor buying over the last quarter of 2006 could drive the gold price back through the \$700-mark".

GFMS' contention is based on a variety of factors. Firstly, signs of a problematic US housing market create a bleak outlook for both the US economy and, importantly, the country's currency. Elsewhere, despite tensions having somewhat eased recently from the peak they had reached during the crisis between Lebanon, Israel and the Palestinian Territories, the situation in the Middle East remains extremely volatile, contributing to a general sense of unease and helping to maintain oil prices at still high levels. Finally, recent events in the United Kingdom have reminded the world of the perceived threat of global terrorism, adding to the overall feeling of insecurity. All the above make gold's safe haven properties particularly attractive.

One major caveat to this hypothesis is the adverse effects an economic slow-down could have on gold investment. Such a development is expected to hurt the overall commodities complex, triggering liquidations in gold, initially through investors moving out of positions in commodity baskets and, eventually, through stop-loss selling in reaction to a falling price. Despite the consultancy's expectation that gold investment could suffer some losses, should commodity prices come under pressure (which arguably has been happening recently), it believes it is unlikely that a full blown exit by investors will take place. In contrast, the problematic nature of the world economy and particularly in the United States, is expected in time to boost gold's attraction as a safe haven asset and probably outweigh the negative impact of the bursting of the wider commodity bubble.

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***Gold Survey 2006 - Update 1*** provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 1* identifies the most important economic, socio-political and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 per copy. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk, Online Shop: <http://shop.gfms.co.uk>

#### **Note to Editors about GFMS Limited:**

GFMS Limited is the world's foremost precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets. GFMS is based in London, UK, but has representation in Australia, China, India, Spain, Germany and Russia, and a vast range of contacts and associates across the world.

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