



# Junlu Liang, Metals Focus

## The Outlook for Gold Market in 2018

24<sup>th</sup> November 2017



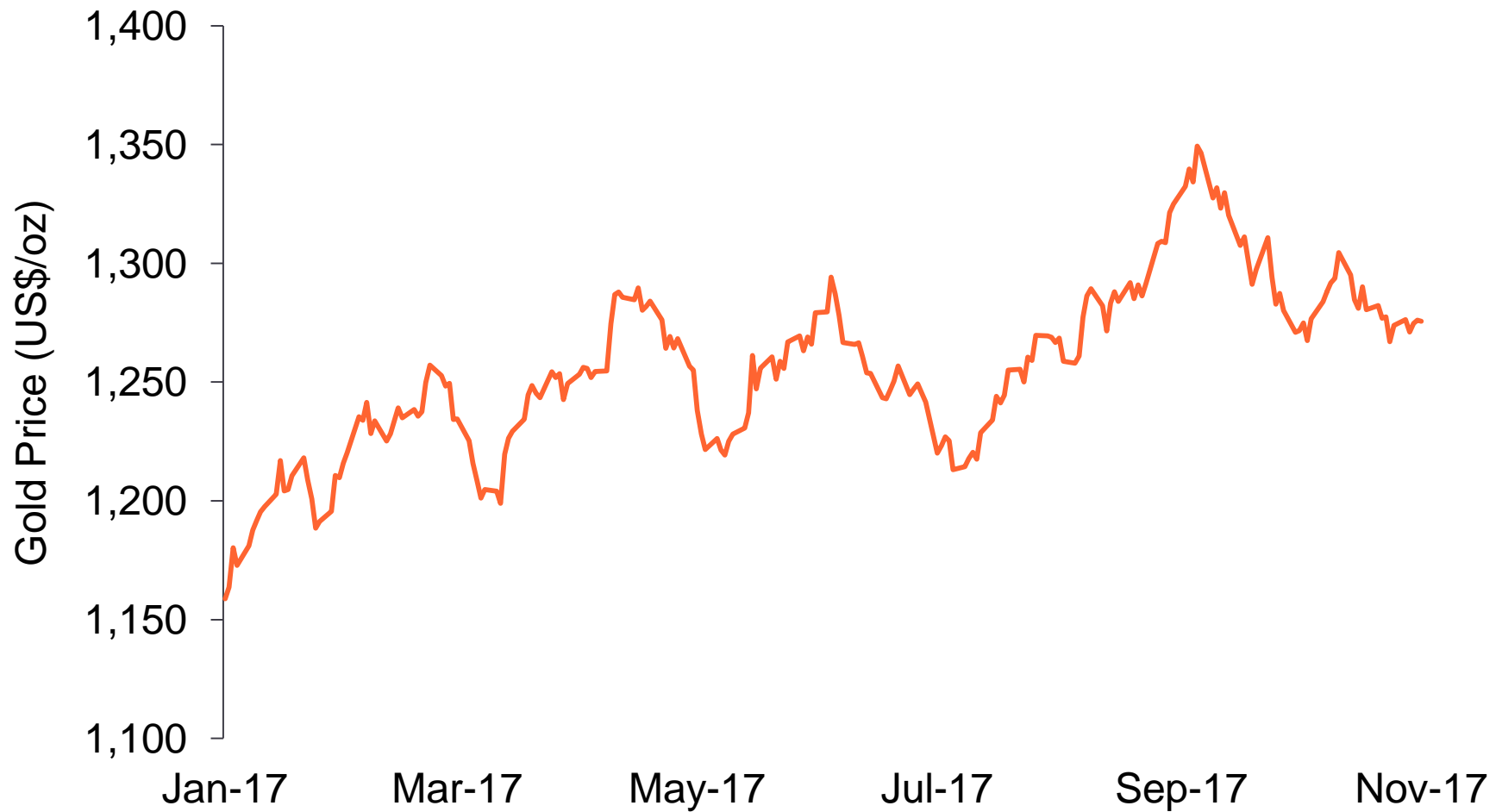
# About Metals Focus

- Independent & Specialised; Focused only on precious metals
- Large & highly experienced team of analysts
- Extensive travel programme to gather data & information

# Presentation Outline

- Recent Developments
- Outlook for Gold Supply & Demand
- Economic Factors Driving Investment
- Conclusions & Price Forecast

# Gold Price Developments

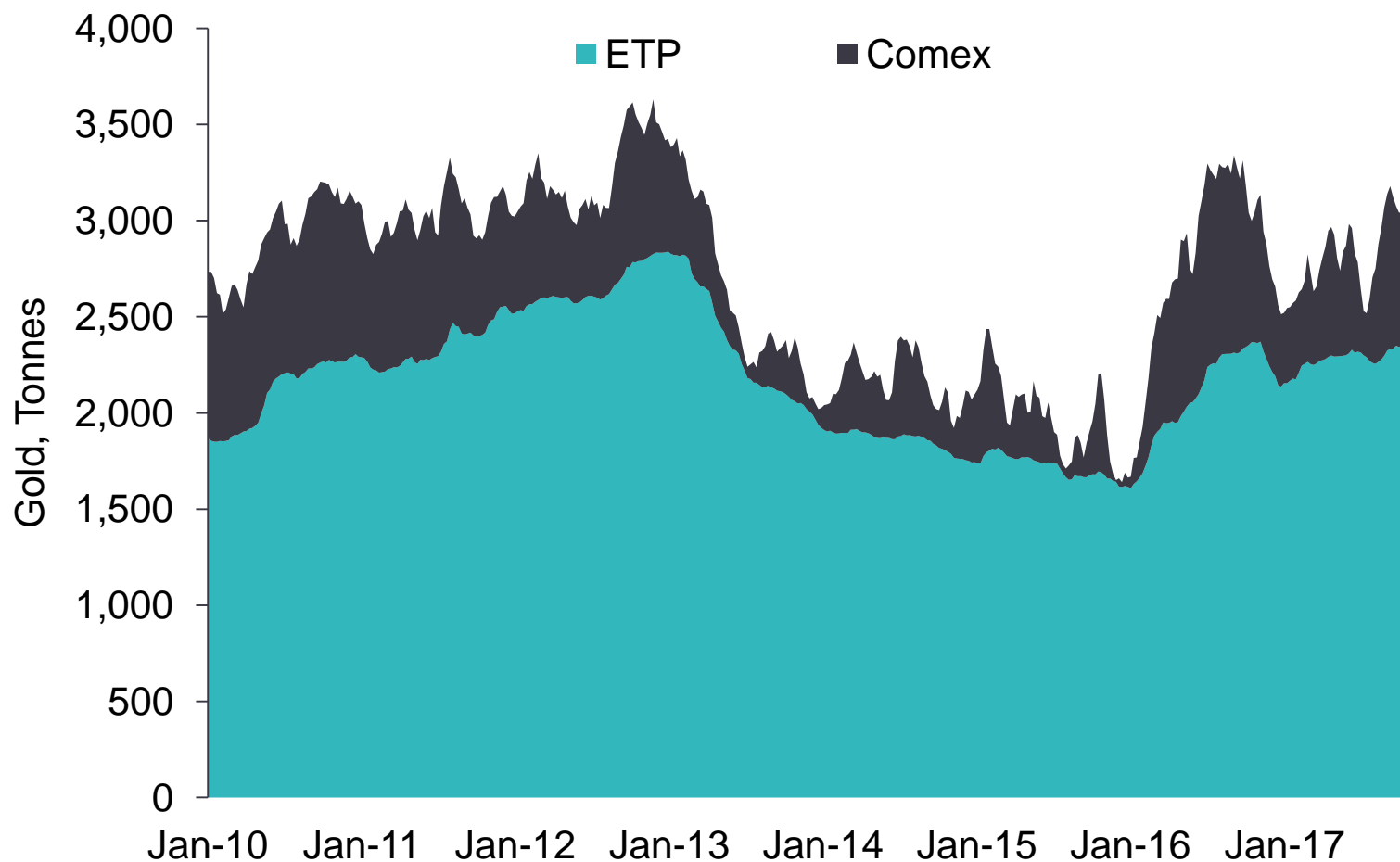


Source: Bloomberg, Metals Focus





# Gold Market Developments

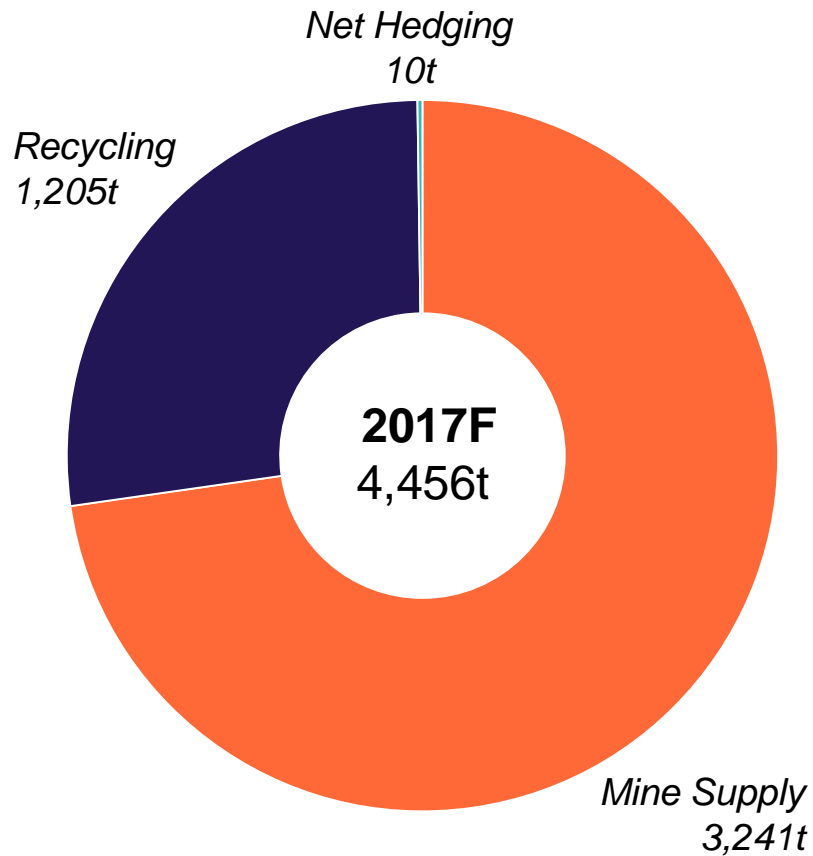


\* Comex Futures Net Position (gross long less gross short position)

Source: Bloomberg, WGC, CFTC, Metals Focus

# Gold Market Developments

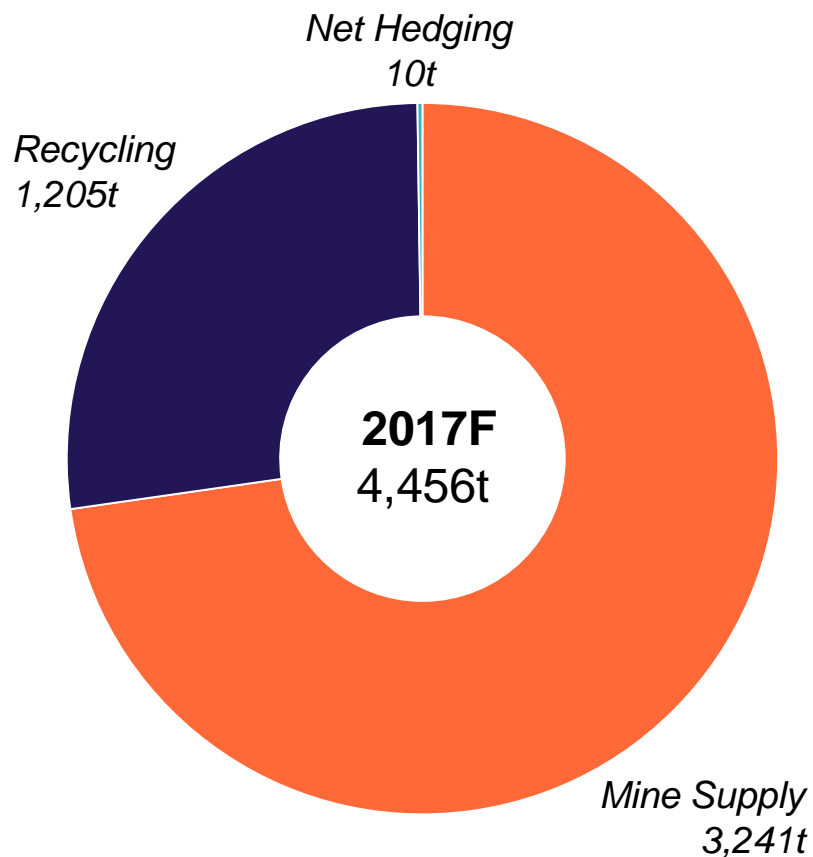
## *Gold Supply in 2017F*



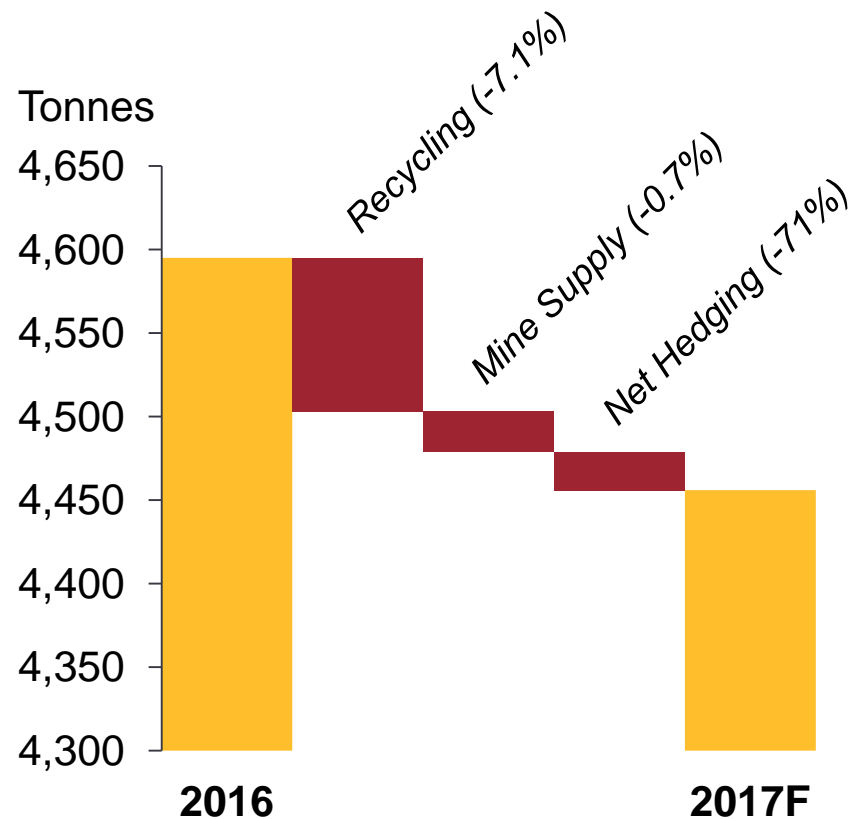
Source: Metals Focus – 5-Year Forecasting Quarterly (October 2017)

# Gold Market Developments

## Gold Supply in 2017F

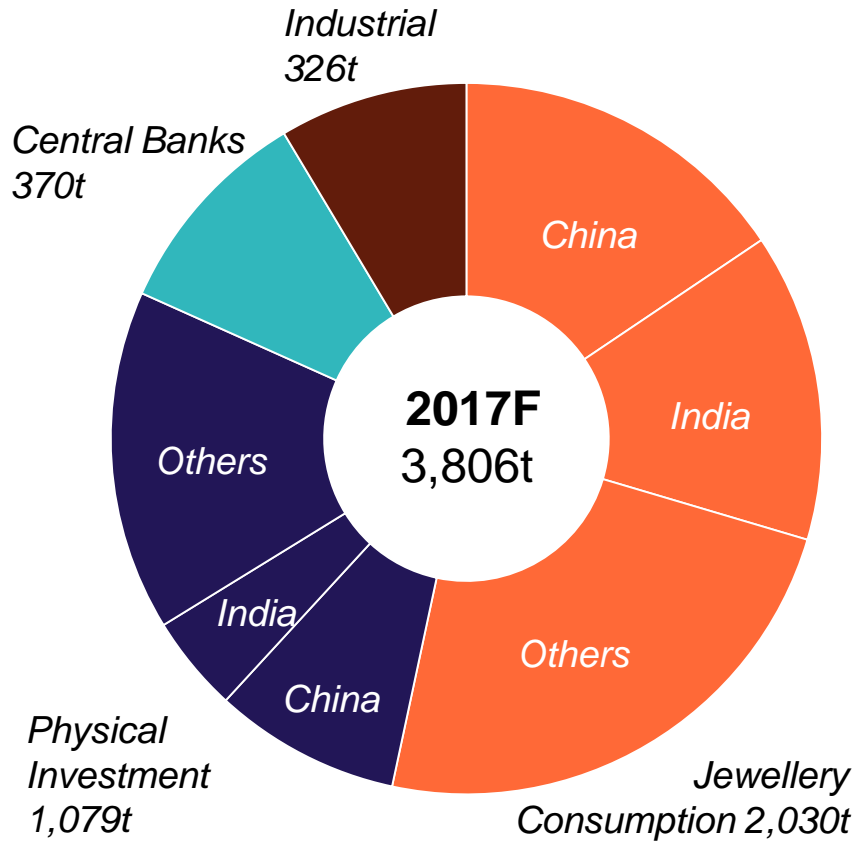


## Year-on-Year Change in Supply



# Gold Market Developments

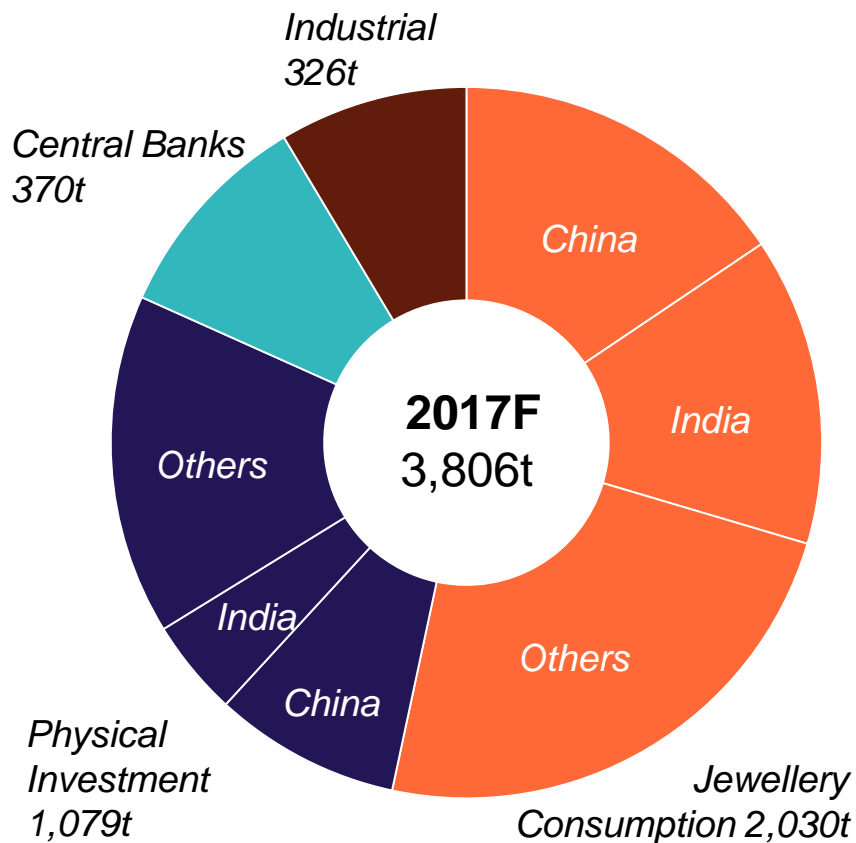
## *Gold Demand in 2017F*



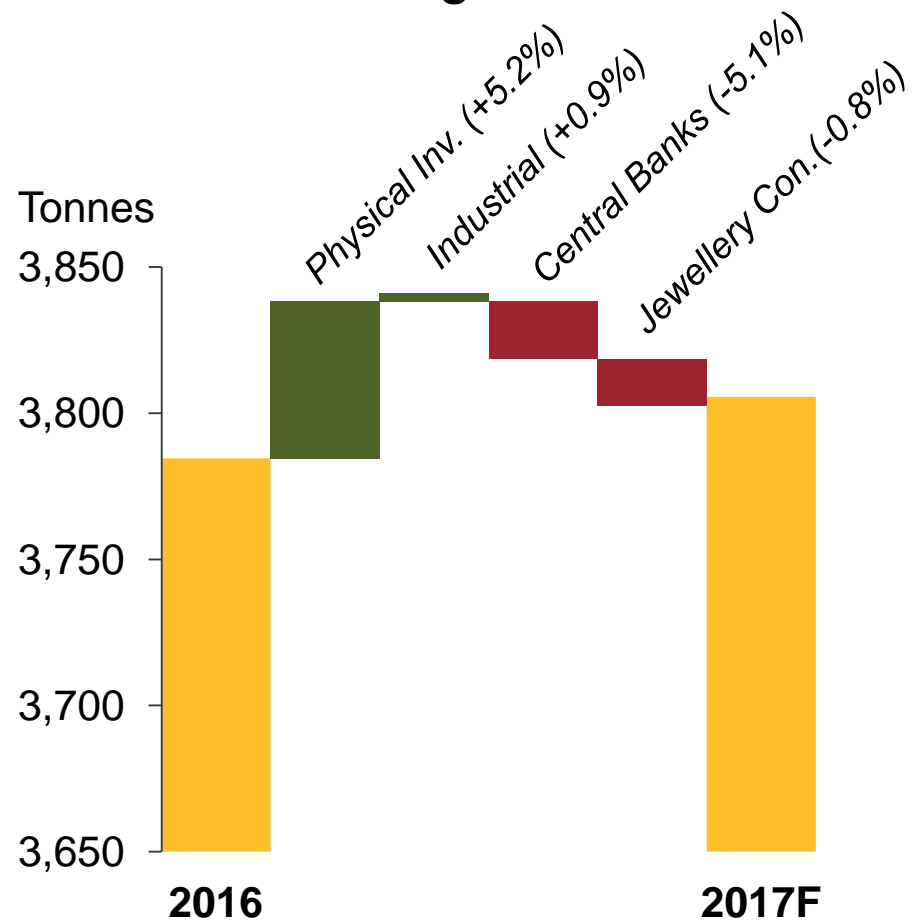


# Gold Market Developments

## Gold Demand in 2017F

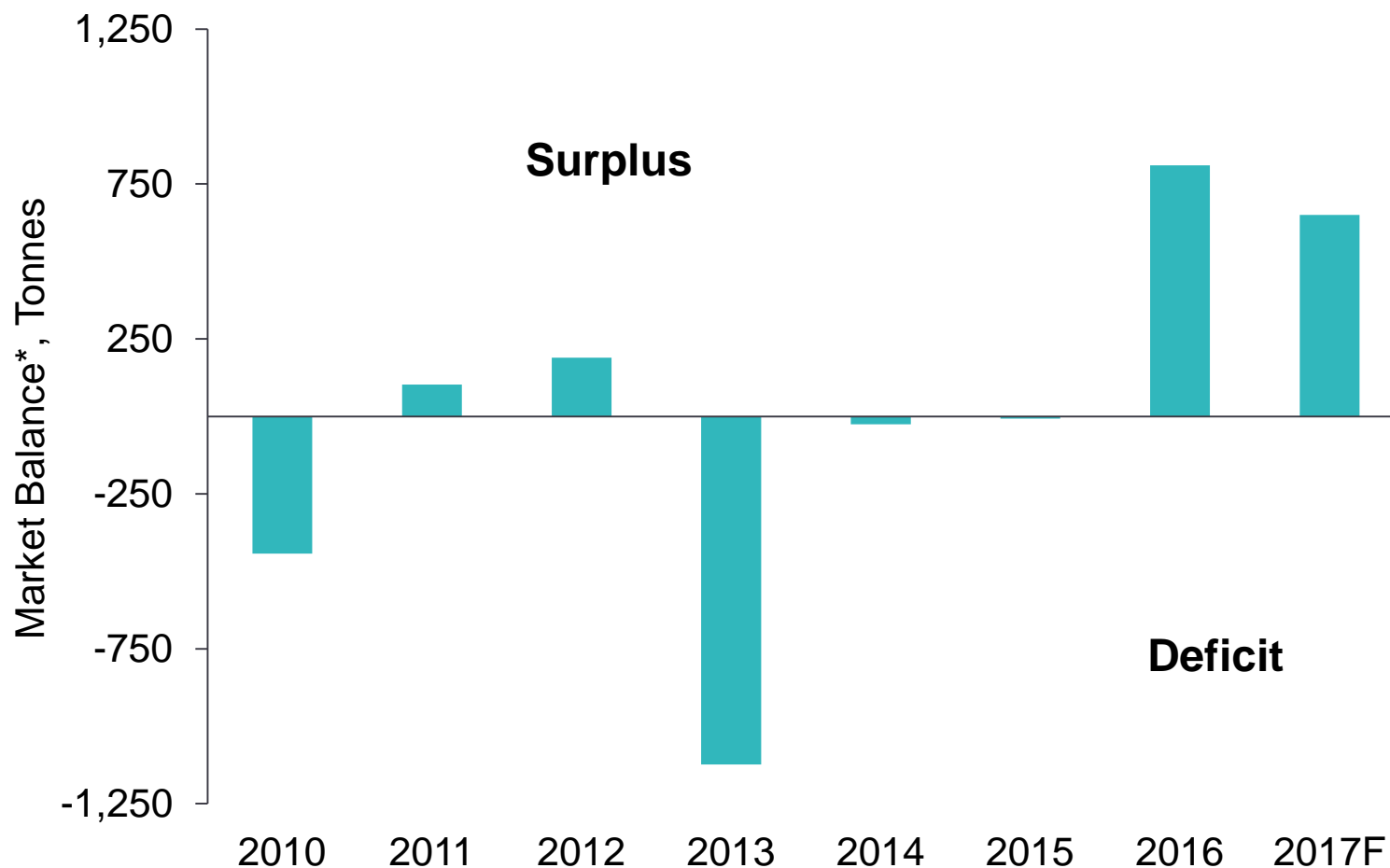


## Year-on-Year Change in Demand



# Gold Market Developments

- The market recorded a second significant surplus in 2017



\* Total Supply (Mine Production, Recycling & Net Hedging) less Total Demand (Jewellery Consumption, Industrial Demand, Net Physical Investment, Net-De-Hedging & Net Central Bank Purchases)

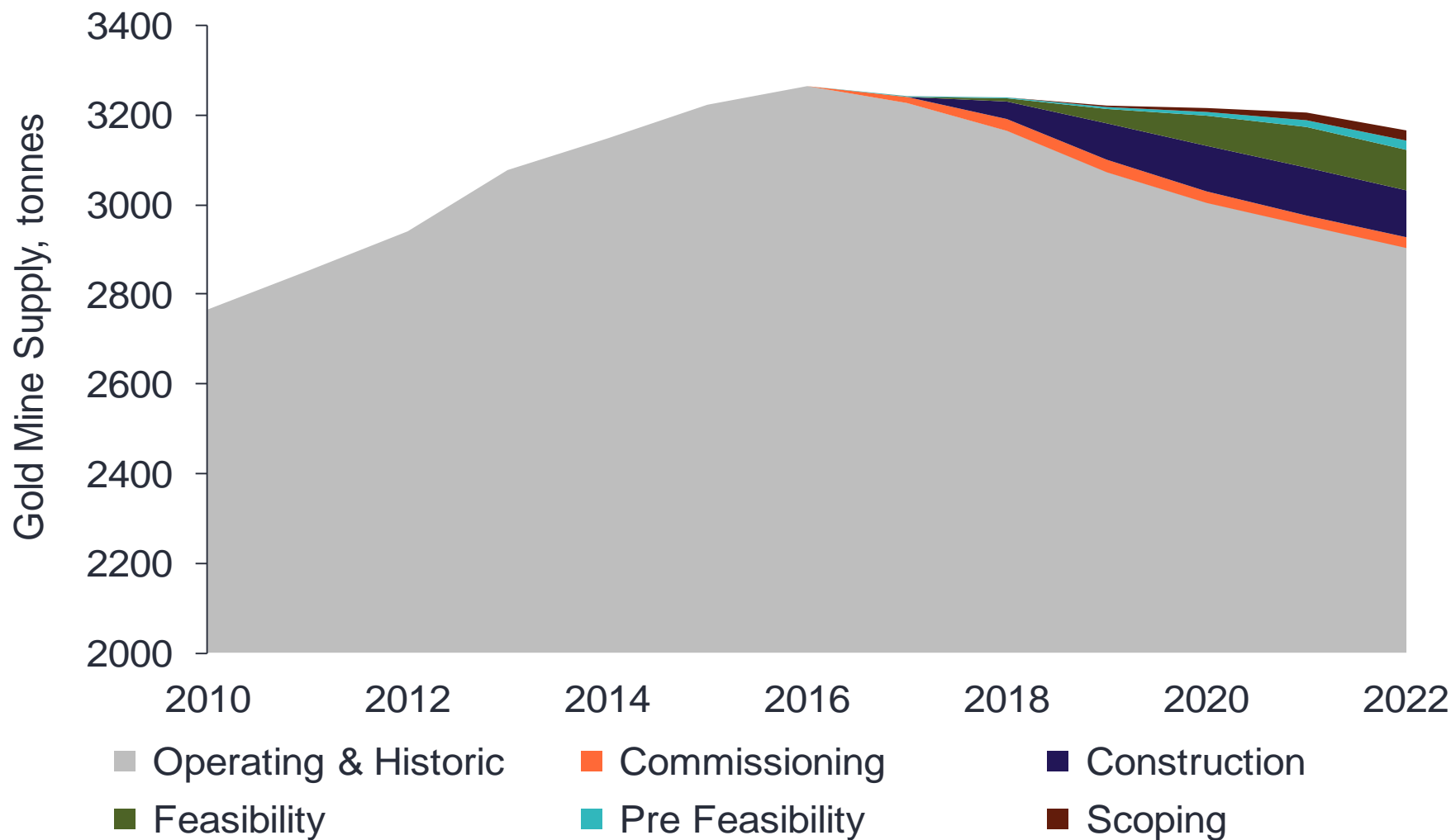
Source: Metals Focus

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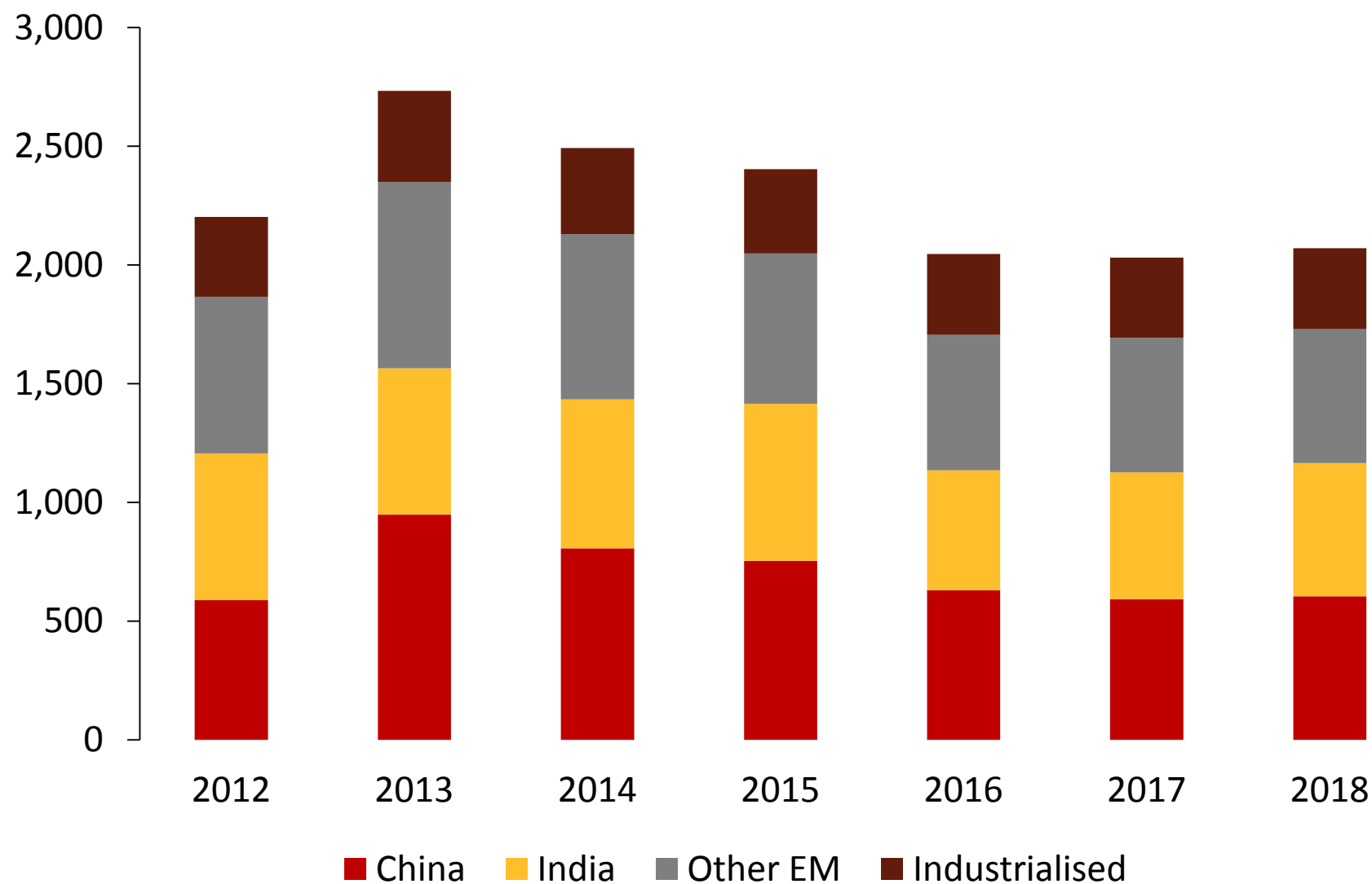
# Gold Mining Outlook

- Gold production expected to plateau before entering a period of decline



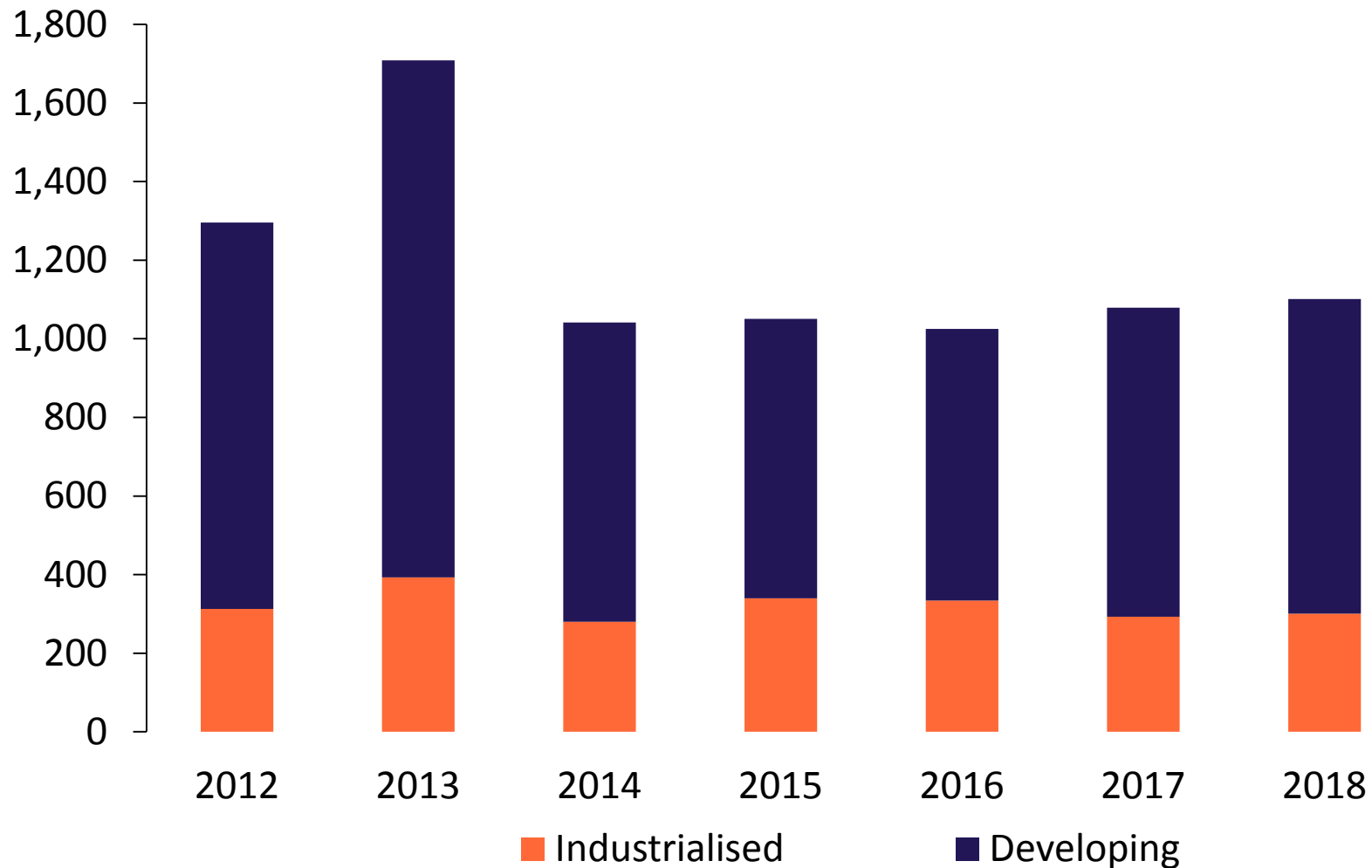
Source: Metals Focus – Five Year Forecasting Quarterly (October 2017)

# Gold Jewellery Outlook



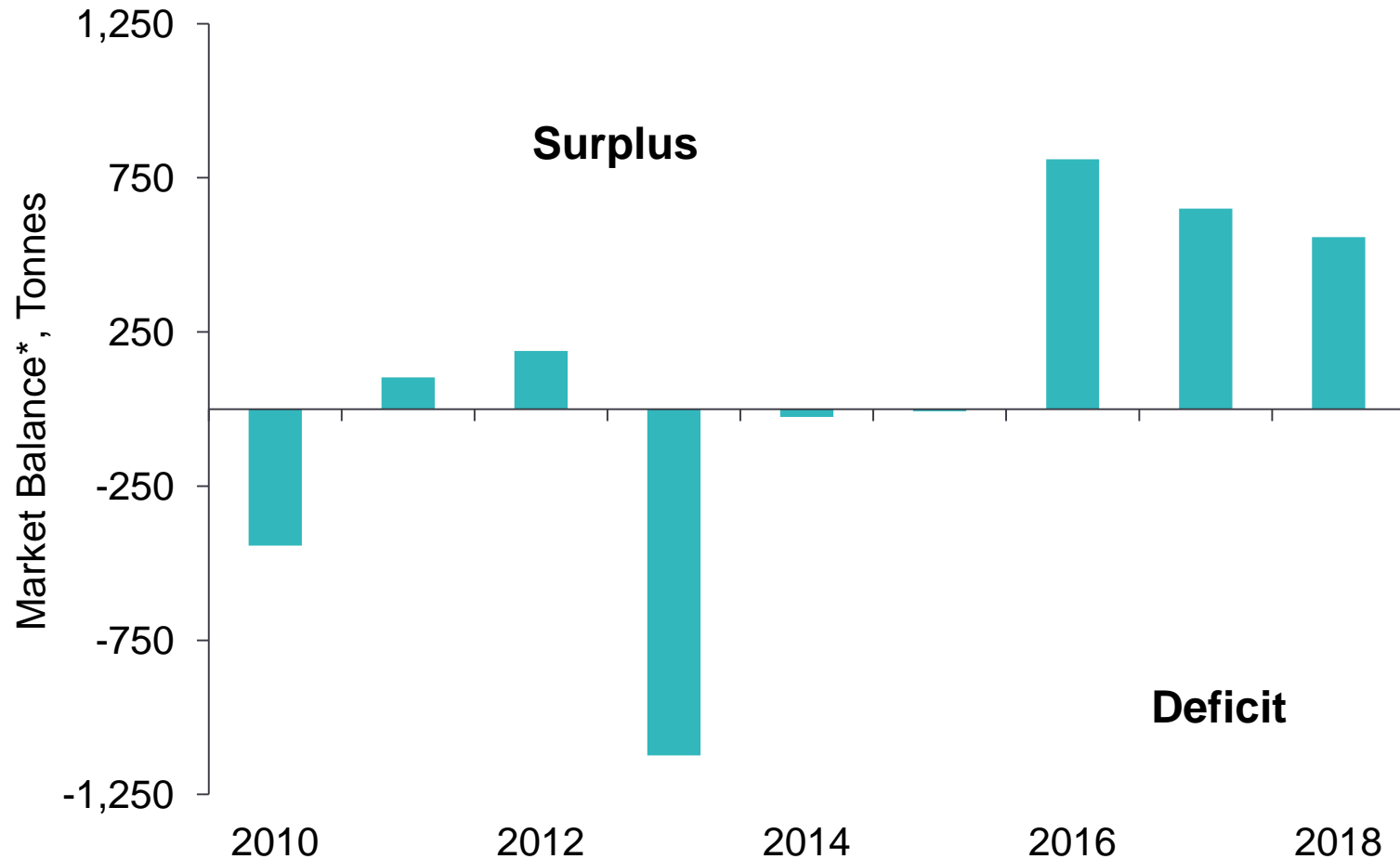
Source: Metals Focus – Five Year Forecasting Quarterly (October 2017)

# Gold Retail Investment Outlook



Source: Metals Focus – Five Year Forecasting Quarterly (October 2017)

# Gold Market Outlook (Supply-Demand Balance)



\* Total Supply (Mine Production, Recycling & Net Hedging) less Total Demand (Jewellery Fabrication, Industrial Demand, Net Physical Investment, Net-De-Hedging & Net Central Bank Purchases)

Source: Metals Focus – 5 Year Forecasting Quarterly (February 2017)

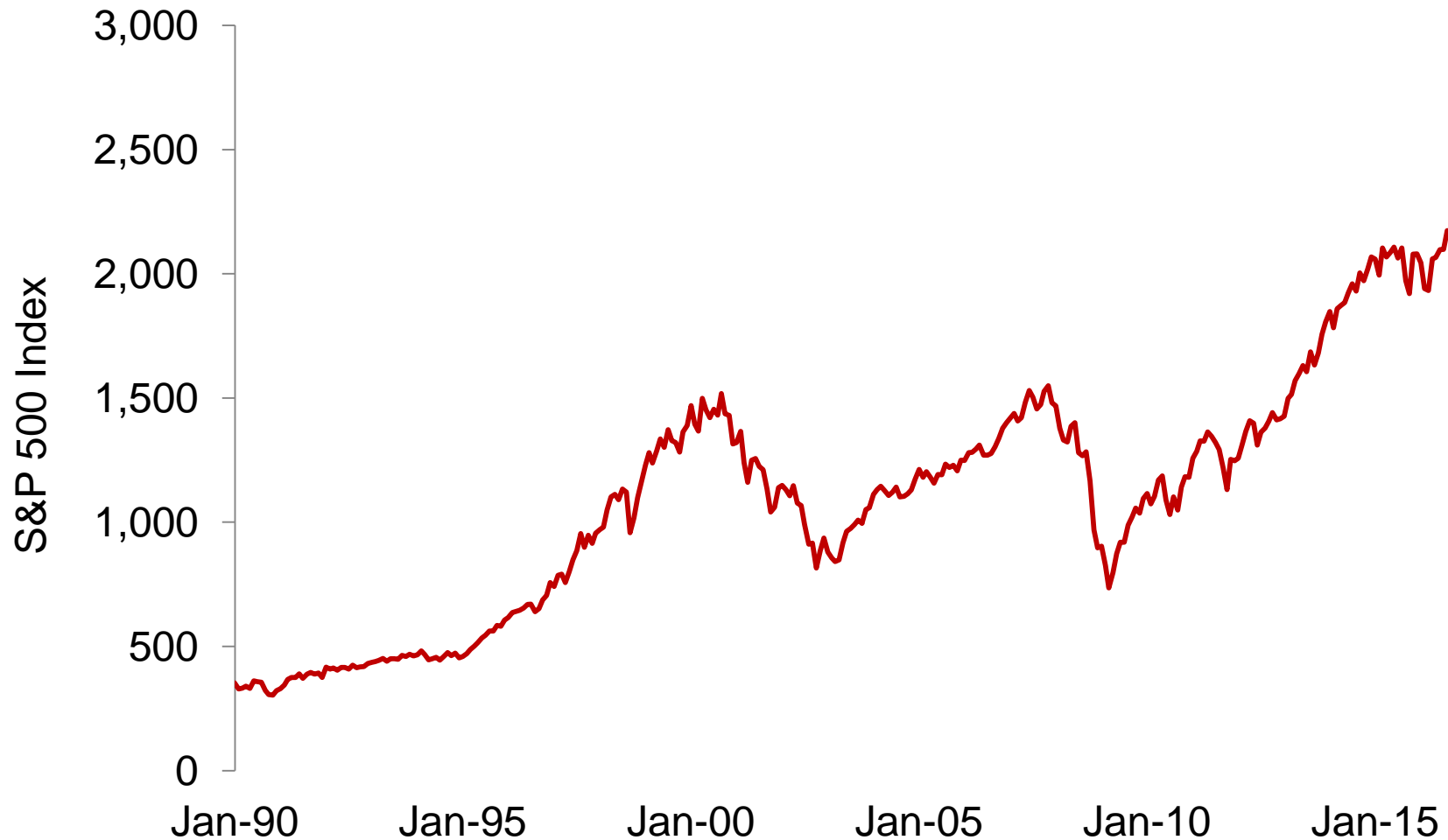
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- **Economic Factors Driving Investment**
- **Conclusions & Price Forecast**



# Economic Factors Driving Investment

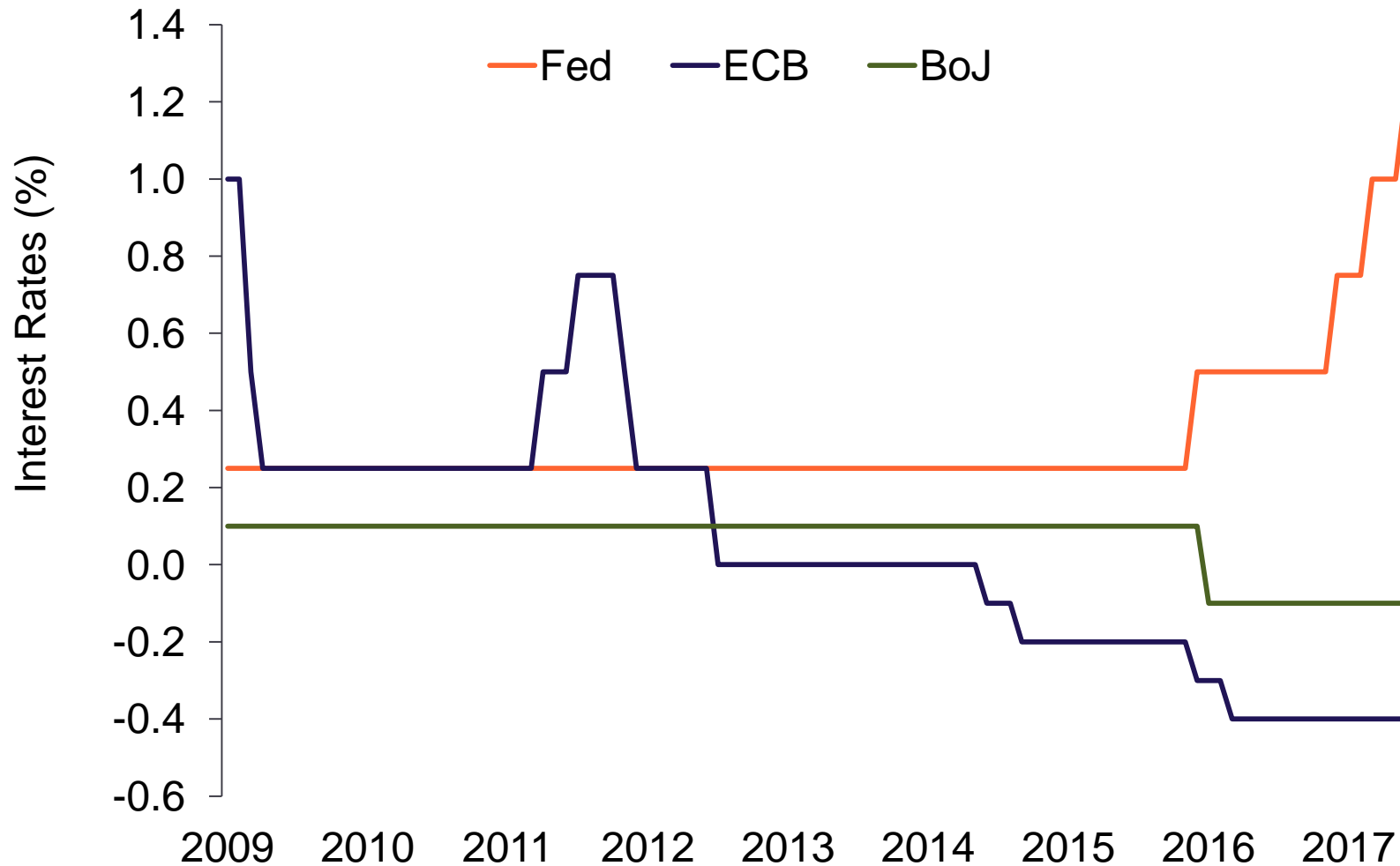
➤ Equities at all-time highs



Source: Bloomberg

# Economic Factors Driving Investment

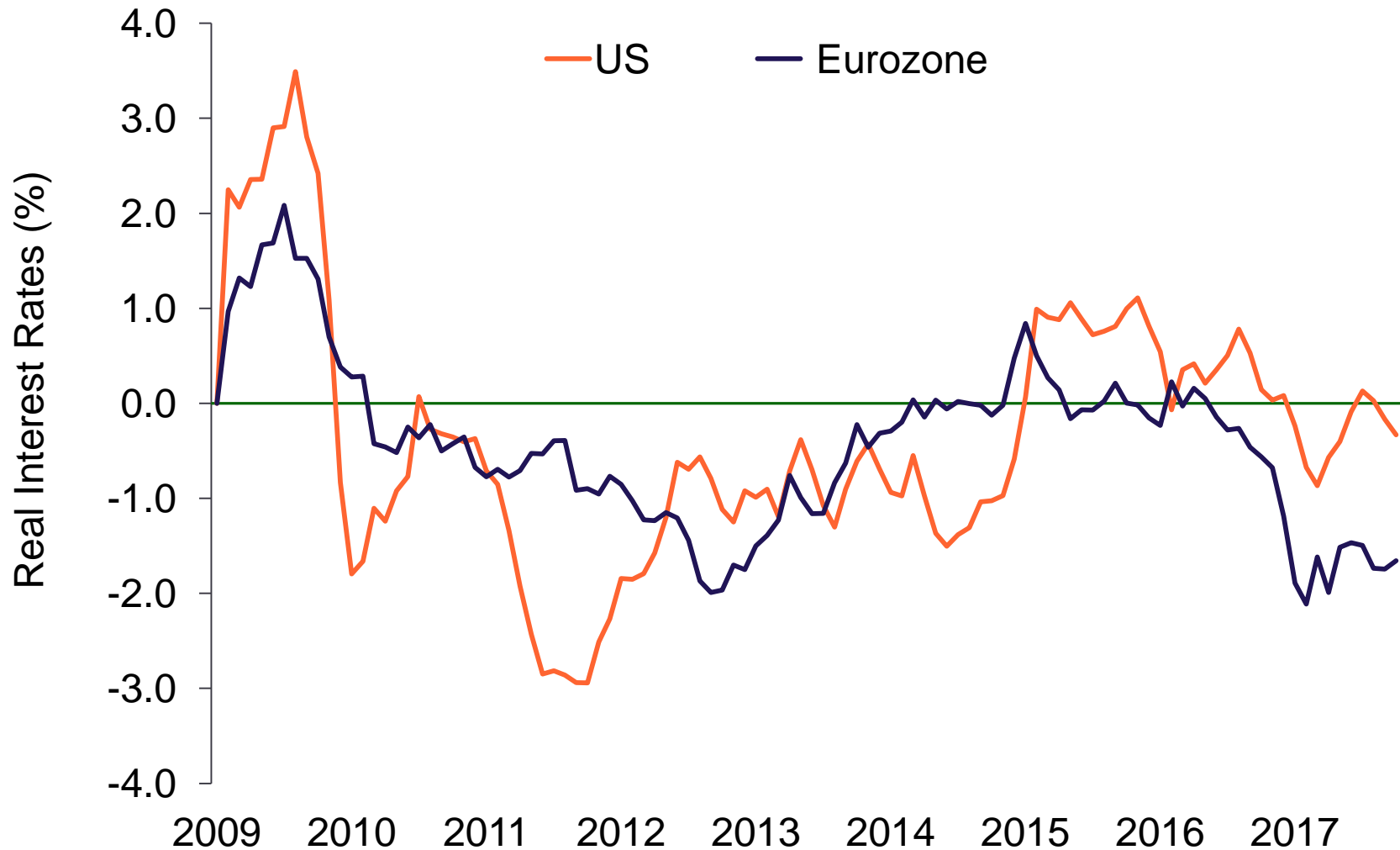
➤ Rates only just started to increase following the GFC.



Source: Bloomberg

# Economic Factors Driving Investment

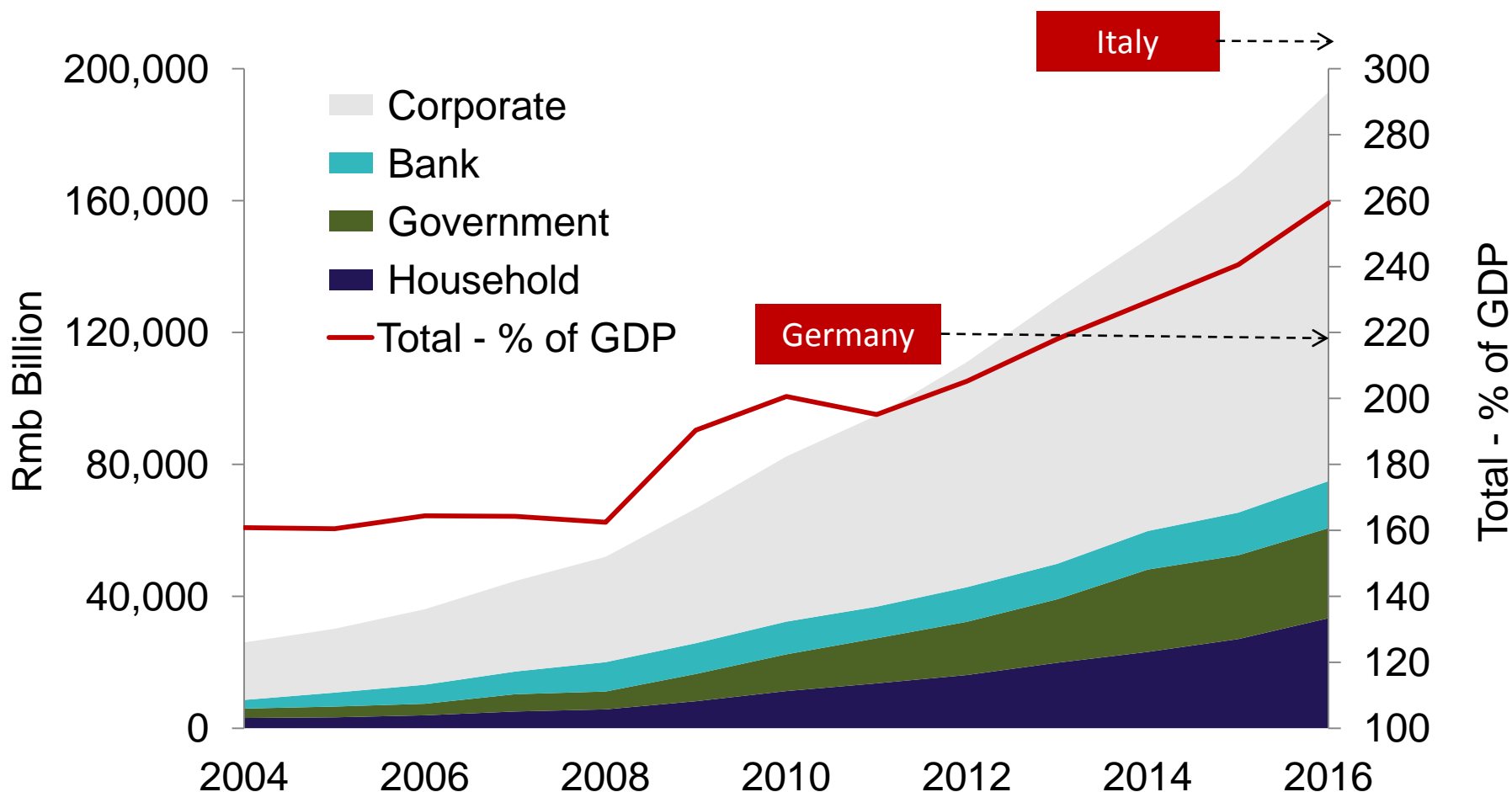
## ➤ Real interest rates in negative territory



Source: Bloomberg

# Economic Factors Driving Investment

➤ Growing Chinese debt, especially corporate, of concern.



Source: Bloomberg, Eurostat

# Economic Factors Driving Investment

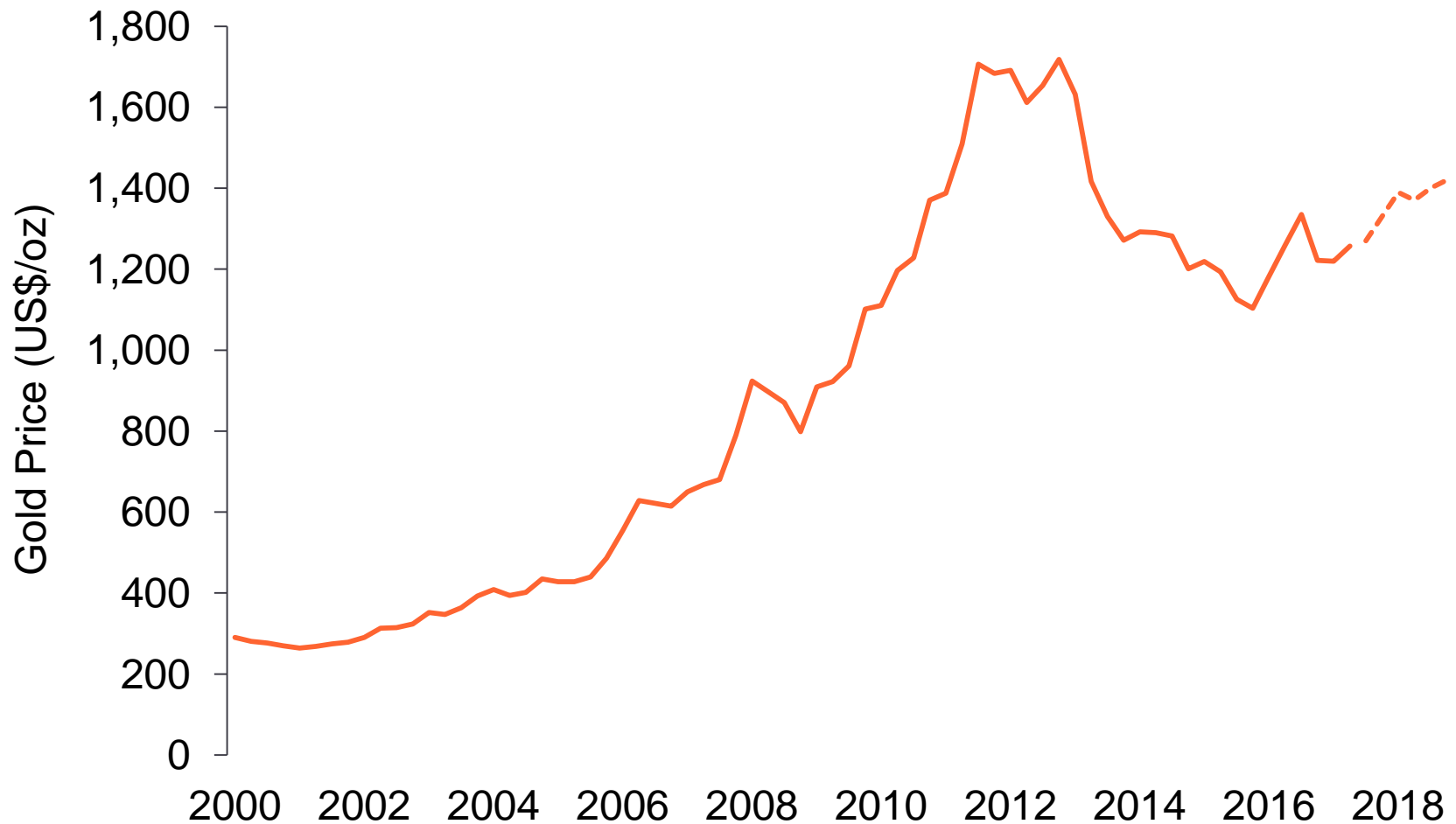
High number of tail risks curtail selling and provide ongoing rationale for investor buying:

- **Rising protectionism** – threat of trade stagnation or even decline
- **Long standing issues** – secular stagnation & ageing populations
- **European politico-economic situation** – Catalonia, Brexit, banking crisis
- **US politics** – Russia links, impeachment, debt ceiling
- **Geopolitical risks** – Middle East, N Korea, Russia; external and internal
- **Policy normalisation** – unwinding of QE, outcome of unorthodox policies

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# Price Forecast



Source: Bloomberg, Metals Focus 5 Year Forecasting Quarterly (October 2017)

# M# METALS FOCUS

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