Forecast 2007

Forecast 2006 – A Review

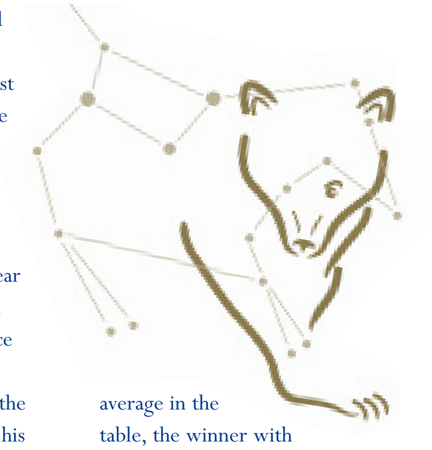
I always avoid prophesying beforehand. It is much better to prophesy after the event.

Winston Churchill

Last year proved an especially difficult time to make precious metal prophesies, as prices scaled multi-year highs in gold and silver and platinum ascended to new highs. Such were the ranges of prices that in two out of four metals – silver and platinum – the market outpaced even the most optimistic bull in the *Forecast*. With gold trading at $535 at the beginning of last January, only one contributor was brave enough to believe that the metal could sustain an average above $600. Ross Norman's prediction of $618 put him at the top of the table and within $15 of the actual average of $603.721. While $15 might seem a bit far away – given that some winners in the past have come within pennies – it's worth noting that the second highest contributor was $48 below Ross.

Silver was trading around $9.00 as the participants submitted their predictions last January, and the average of all the averages received was close – at $8.663. The prize here goes to Adam Graf, whose prediction of $10.50 was 73 cents above the next highest entry, but nonetheless over a dollar away from the actual annual average of $11.5492.

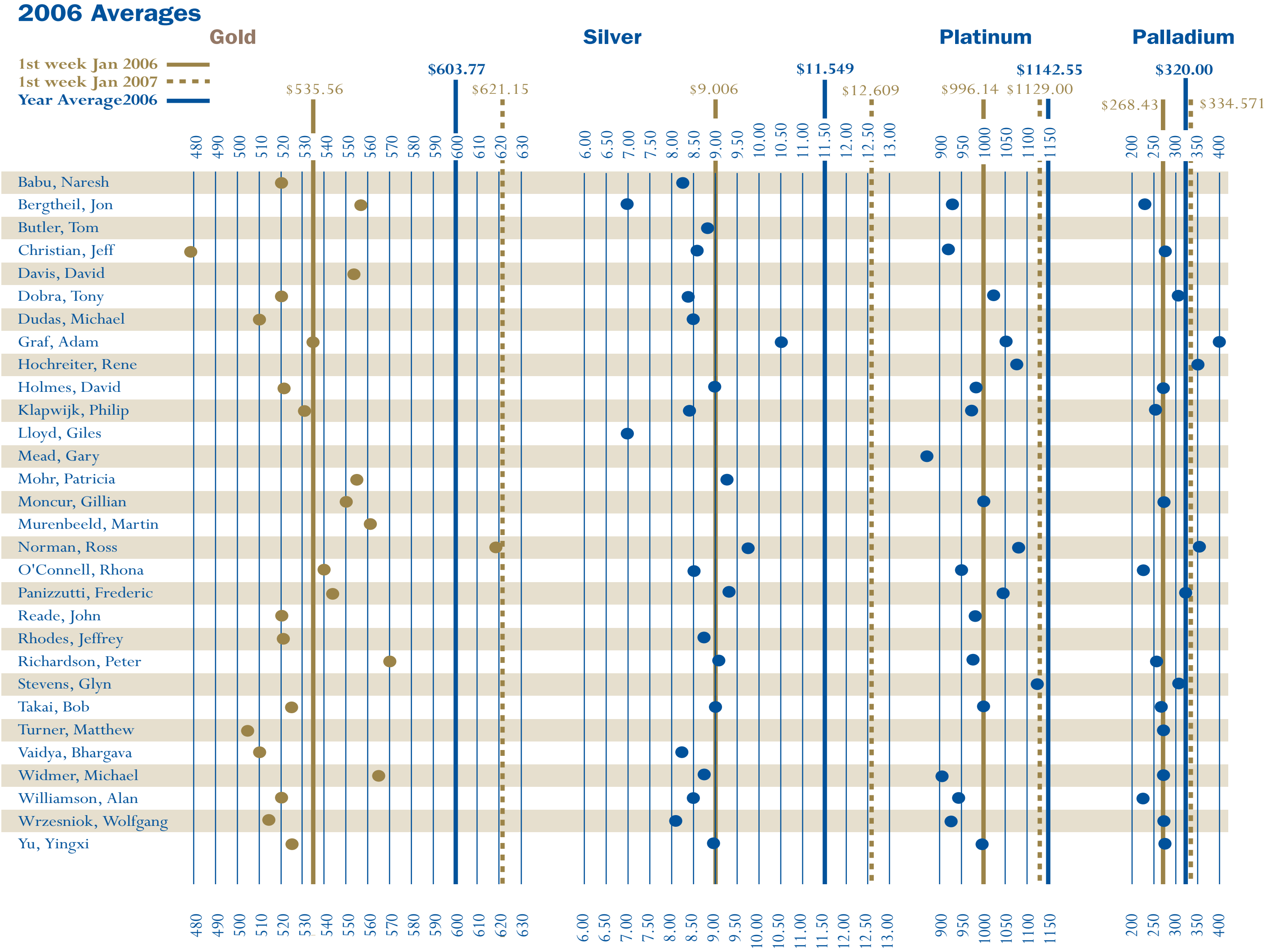
With platinum trading just under the $1,000 mark as we went to print last year, predicted annual averages were almost evenly split above and below that level. But the final fixing for the year of $1,124 brought the actual average to $1,142.554 – once again, higher than anyone's forecast. Glyn Stevens takes the gold prize in platinum, with his estimate of $1,125.



Palladium was the tamest of the four metals. It still paid to be bullish here – but a cautious bull rather than a rampant one. The annual average finished at $319.999, making Frederic Panizzutti, the fourth highest average in the table, the winner with an estimated average of $321.

Each of the four winners will receive a one-ounce gold bar, generously donated by PAMP SA, Switzerland. Our congratulations to them, and our thanks to PAMP and to all the contributors.

2006 Averages



Forecast 2007 – Summary

There comes a time in the affairs of a man when he must take the bull by the tail – and face the situation.

W. C. Fields (American comic and actor, 1880-1946)

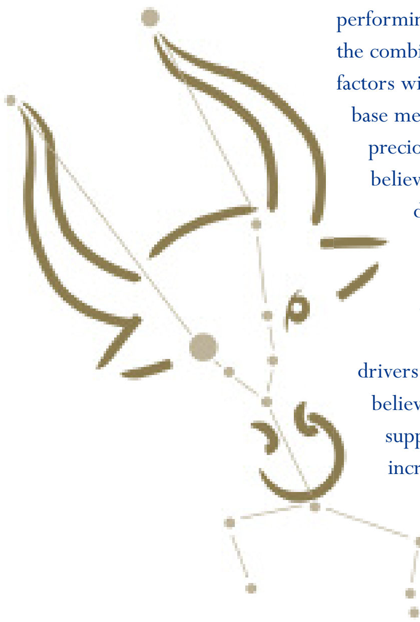
Increased market volatility has translated into increased interest in the *Forecast*. This year, we've gathered together predictions from a record 29 contributors in gold, 25 in silver, 25 in platinum and 22 in palladium.

Broadly speaking, the contributors are all in agreement on one thing: everyone is more bullish – even the bears. The lowest average predicted in gold – $580 – is one hundred and one dollars higher than the lowest prediction of 2006, and the average of all the averages is $117 higher year on year. In silver, the annual average of averages rose nearly $4, from $12.570 to $12.492. Platinum's average of averages climbed $187 to $1,171, and even palladium has joined the crowd: its average of averages has risen $63 year on year.

But if the contributors are united by general bullishness, there are still sharp differences of opinion about how much, when and why.

This year, $175 separates the high and low averages in gold, compared to a gap of $139 in 2006, and $83 in 2005. Contributors in silver differ by a huge margin of $5.75 (versus $3.57 in 2006 and $1.55 in 2005). The difference in platinum has again widened by $100 (from $175 in 2005 and $275 in 2006), and palladium has increased from a $189 difference in 2006 to $220 this year.

To plot your own course to where the bulls and bears will appear in the evening skies this year, read on.



Jon Bergtheil

JP Morgan Chase Bank, London

● Gold

***Range:** $570 – $750*

***Average:** $678*

● Silver

***Range:** $10.00 – $14.00*

***Average:** $12.30*

● Platinum

***Range:** $980 – $1,250*

***Average:** $1,094*

● Palladium

***Range:** $290 – $430*

***Average:** $404*

Our key assumption for 2007 is that the key cause of any weakness in the dollar will be an under-performing USA economy and that the combination of those two factors will be more detrimental to base metals than it will be to precious metals. We further believe that precious metal demand growth lags base metal demand growth in newly-emerged economies.

Given those broad drivers, for gold specifically, we believe that near-static mine supply will cause a need for increased central bank sales, which will not be forthcoming.

We expect platinum to lose market share to palladium, and our 2007 platinum forecast is therefore close to recent trading levels, while our palladium forecast is far higher. We expect the sky-high zinc and lead prices to create silver oversupply from future new projects and expansions at zinc-lead-silver producers and expect a 2007 silver price little-changed from recent trading levels.

Adrien Biondi

Commerzbank International SA, Luxembourg

● Gold

***Range:** $505 – $675*

***Average:** $580*

● Silver

***Range:** $9.75 – $13.70*

***Average:** $11.25*

● Platinum

***Range:** $1,058 – $1,235*

***Average:** $1,115*

● Palladium

***Range:** $295 – $425*

***Average:** $350*

During 2006, gold caught up with years of 'unpriced' inflation, but the industry has accepted these higher levels. For 2007 the long-term uptrend will be broken for both gold and silver. Although the market is currently happy with the trading levels of both metals, we will see consolidation as both metals experience some profit taking.

The ongoing demand for platinum and palladium from the growing economies – notably China and India – as well as higher standards of air pollution policies globally will underpin the demand for both metals. We also expect the jewellery sector to keep demand stable for both.

Stephen Briggs

Société Générale, London

● Gold

***Range:** $500 – $675*

***Average:** $580*

We broadly share what is probably still the consensus view that gold's internal fundamentals remain positive, although we note that jewellery demand finally succumbed last year in the face of high and volatile prices, falling sharply, and we expect mine production to be stronger and de-hedging to ease off this year. Our mild bearishness is rather based on a) the SGCIB house view that the long US dollar bear market – the most important factor in gold's bull run – will essentially come to an end in 2007, and b) our belief that the latter stages of the commodities bull market constituted a bubble, which is in the process of deflating. We expect the gold price to slip towards $500 in the coming months, although it could recover modestly in the second half on the back of seasonal factors and solid underlying physical demand.

● Silver

***Range:** $8.00 – $13.75*

***Average:** $9.75*

Silver's bull market has, in our view, been more speculatively based than gold's, although it can be argued that a key driving force, the ETF, has become a fundamental in its own right. We consider the other fundamentals to be indifferent overall – in particular, photographic demand is almost in freefall; jewellery has, like gold, been hit hard by high and volatile prices; and mine production should increase faster this year. Silver markedly outperformed gold last year, but unless the ETF continues to sweep metal up at the same rate, we would expect it to underperform in 2007. Prices could eventually slide towards $8.

● Platinum

***Range:** $900 – $1,200*

***Average:** $1,000*

Platinum probably has the most favourable fundamentals of all the precious metals. The market may have moved out of physical deficit, but this is only because demand, especially that for jewellery, has been curbed by high prices. The underlying position is sound and demand would pick up strongly on any material price weakness. New supply, meanwhile, is likely to continue growing at only a modest pace. Platinum would not be immune to losses elsewhere but we would expect it to be well supported, at perhaps $900, a still impressive level by historical standards.

● Palladium

***Range:** $200 – $375*

***Average:** $255*

In contrast, palladium's fundamentals are still on the poor side overall. Aggregate demand has recovered strongly in recent years, due mainly to the emergence of stand-alone jewellery, and investors continue to be attracted by the potential for further positive substitution, but we believe that the market remains physically well supplied, if still reliant on Russian stocks. If the major precious metals do weaken on the back of waning speculative interest, the palladium price could eventually drift down towards $200.

Tom Butler

Virtual Metals, London

● Silver

***Range:** $9.00 – $16.00*

***Average:** $13.00*

While gold gained most of the headlines during 2006, silver put in a more remarkable performance with the average price for the year ending up 58% higher than in 2005 and the gold/silver ratio falling from 58 to 49. Industrial demand for silver has continued to hold up well, with its growing use in new applications such as flat screen televisions, pharmaceuticals and solders partially offsetting the decline in demand from the photographic sector. The key new factor has been investment, however: hedge funds have moved into silver, attracted by its volatility and by its dollar diversification role, while the introduction of a silver exchange traded fund in April 2006 attracted other investors as well. In the year ahead the most important outside factor will be the dollar, which will be supportive for silver if, as is widely expected, it remains under pressure. Investment interest is also expected to be a positive influence on prices, but expect volatility to remain at a high level, especially as investment gains in importance to the market.

Jeffrey M. Christian

CPM Group, New York

● Gold

***Range:** $550 – $850*

***Average:** $616*

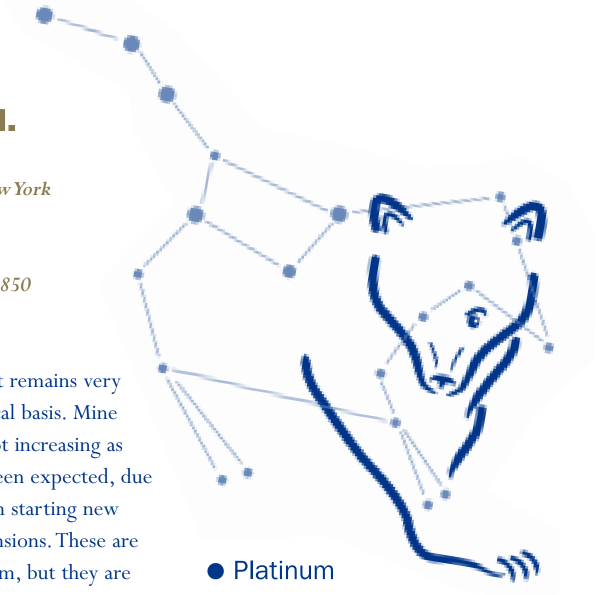
The gold market remains very tight on a physical basis. Mine production is not increasing as rapidly as had been expected, due to bottlenecks in starting new mines and expansions. These are coming on stream, but they are coming more slowly than had been expected by the mining industry. Central bank sales meanwhile are declining, as central banks have sold much of the gold they wish to sell. This tightening of supply has run into investment demand that has remained high, and risen, reaching record volumes in 2006. While investment demand may cool somewhat in 2007, investors are expected to find enough economic and political developments around the world to keep them interested in gold as a safe haven.

● Silver

***Range:** $10.50 – $18.50*

***Average:** $12.50*

Silver prices are expected to be pushed upward by strong investor demand, stimulated by a combination of political and economic uncertainties, and growing illiquidity in the silver market. Investors emerged as net buyers of silver in 2006, for the first time after 16 years of consistent net selling of long-held inventories. The silver ETF contributed importantly to this buying, but investors were motivated by a range of economic and political factors. The ETF was a convenient vehicle. Silver use in some applications will rise, even as silver continues to lose market share and volumes in the photographic film market. As with gold, the potential for a spike to higher levels appears greatest during the first half of the year, after which investor zeal and prices may quiet down somewhat.



● Platinum

***Range:** $900 – $1,400*

***Average:** $1,100*

Platinum prices have the capacity to rise once more, possibly exceeding May 2006's record $1,347, at least briefly. Any such move would be based on continued investor and speculative buying. Platinum's fundamentals suggest lower prices this year. Supply will increase in 2007 from South African and other mines, while secondary recovery rises in response to both higher prices and the increased availability of platinum-bearing spent auto catalysts. Fabrication demand growth meanwhile may be relatively weak. Demand will be healthy for use in auto catalysts, although weaker auto production and sales in the U.S. will offset some of the strength in demand in other regions. Jewellery use of platinum is likely to remain weak, reflecting higher prices, while demand in other fabricated products will rise modestly.

● Palladium

***Range:** $290 – $400*

***Average:** $340*

The palladium market is at an interesting crossroads in 2007. Investors who bought palladium at prices around $150 to $200 in 2002/2003 have been taking their profits lately. Other investors have been building fresh long positions. Fabrication demand meanwhile is strong in several industries, including auto catalysts, jewelry, electronics, dental applications, and chemical process catalysts. Supplies are rising, and industry stocks are high, but investment demand appears to be strong enough to keep prices strong and high. Prices may mount another run toward $400, and should be expected to find support from fresh investor and fabricator buying for inventory whenever prices dip lower.

David Davis

Credit Suisse Standard Securities, Johannesburg

● Gold

Range: $600 – $725

Average: $665

Our analysis continues to indicate that gold supply will fall behind demand over the next five years as the diminishing number of new reserves fails to compensate for dying mines. This has been happening for some time, but until now the effect has been masked by official sector sales and producer hedging. However, official sector sales will likely lessen in the future and central banks could become net buyers of gold.

We believe this transition, together with our forecast of an increase in investment demand (through ETFs and exchanges) and consumption of jewellery – China's is likely to increase significantly over the next ten years – and diminishing mine supply will be the time when the supply–demand imbalance really affects the gold price. This will trigger a quantum upward change enough to sustain a new gold price/USD equilibrium, a process that has already begun.

Some of the other major drivers, which collectively support the gold price, are: US economic fundamentals – many commentators continue to be concerned about the long-term health of the USD; high energy and commodity costs – these cause inflationary pressures. The significant increase in commodity costs means high capital sums are required to exploit mineral reserves, which is likely to deter investors from investing in mines as project margins are squeezed; de-hedging – likely to continue to draw on supply; and geopolitical turmoil – terrorism threats and political tensions cause short-term volatility.

Richard England

Standard Bank, London

● Gold

Range: $575 – $700

Average: $660

We remain mildly bullish for gold during 2007. ETFs will continue to underpin the price, but how long before they realise they are creating their very own overhang? Shorter term it will take something special to move gold to new highs and it's difficult to see what this could be: the dollar at 1.50 v the euro, unlikely even given a structural rebalancing of US debt; hyperinflation – over the collective central bankers' dead bodies. That leaves atrocities, which would only produce blip price increases.

However, whilst the above sounds a bit bleak, we do think gold will be underpinned by a slightly weaker USD and the continuation of the commodities boom based on the Asian economies.

● Silver

Range: $11.50 – $14.00

Average: $13.10

Silver will track gold; the only major price distortion would be the creation of two or more large ETFs, which we believe to be highly unlikely. Funds will continue to use it as their plaything, whilst fundamentals will barely cause a ripple.

Peter Fertig

Dresdner Bank, London

● Gold

Range: $540 – $700

Average: $620

● Silver

Range: $10.00 – $13.50

Average: $11.75

● Platinum

Range: $950 – $1,300

Average: $1,125

● Palladium

Range:$280 – $400

Average: $350

The price of oil is also important for the development of precious metal prices. In fact, the correlation between the price of gold and WTI is even slightly closer than between gold and the US dollar index. If the price of oil continues to range trade below the highs of 2006, as we anticipate, this would not point to a rally in precious metals during Q1, but would support a recovery from Q2 onwards. OECD industrial production also has a significant impact on how precious metals prices develop. The economic downturn in the US and Japan should have a more noticeable impact on manufacturing. This is likely to be felt in H1 particularly. In H2, our economists expect a slight recovery. Weaker growth and declining inflationary risks, which would also result in the Fed cutting rates, should also result in speculative accounts lowering their net positions. Overall, the price of gold could test the $550 mark again before a weaker USD and US economic recovery result in prices rising again (though it should not breach the 2006 high of around $725 on a sustained basis).

The factors mentioned above are also the main driver for other precious metals in our fair value models. Therefore, we do expect a similar path for silver and the PGMs. We do not expect that a platinum ETF will be launched. Thus, fears of a supply shortage due to buying from financial asset management companies might re-emerge but should be rather short-lived.

Adam Graf

Federated Global Investment Management Corp, New York

● Gold

Range: $620 – $785

Average: $755

A second fiddle during the metal price boom of 2006, gold did not benefit from the secular changes that drove many base metals and bulk materials. Currency, liquidity, and fund flows continue to be the dominant controls on gold price (not supply-demand). A weakening USD, continued fund flows and lower net central bank selling should drive pricing higher in 2007; while global liquidity levels should transition from a supportive to a neutral influence.

● Silver

Range: $12.70 – $18.30
Average: $15.50

Higher gold prices, speculative investment, and higher global industrial usage should support prices and volatility. However, increased supply from new primary and by-product mine production should be a tempering fundamental influence. These off-setting factors should cause silver to largely trade sideways in 2007.

● Platinum

Range: $1,054 – $1,426
Average: $1,240

While many observers express concern about supply growth, higher secular global demand influences should keep the platinum market fundamentally tight. Given tight supplies, and platinum's recent connection to gold, pricing should continue to rise vs. its 2006 average.

● Palladium

Range: $276 – $614
Average: $445

At the risk of sounding like a broken record, palladium price continues to trade on negative perception of supply/demand fundamentals – despite a lack of market transparency. However, supply continues to be constrained while demand growth should be spurred by the unsustainable spread between platinum and palladium. The irrational selling of invisible stockpiles continues to be the principal price impediment.

James Gutman

Goldman Sachs, London

● Gold

Range: $600 – $775
Average: $700

We believe that gold has regained its historical correlation with the US dollar, and we expect a weakening dollar to support a higher gold price trend through the end of 2007. The dollar is expected to weaken significantly in the coming months, as interest rate differentials are no longer sufficient to offset the structural imbalances, such as the current account deficit, which are creating pressure for depreciation.

Gold has historically traded in close correlation to the US dollar, reflecting its easy availability (given the large above-ground reserves held by central banks, investors, and in the form of jewellery) and relatively few industrial applications. As a result, gold trades to a great extent based on its characteristics as a store of value and medium of exchange, thus allowing it to function as a quasi-currency with a relatively stable "equilibrium exchange rate" with a US dollar basket.

Beginning in August 2005, however, this relationship appeared to break down, as the price of gold rose sharply while the US dollar remained relatively firm. We believe this was only a period of readjustment to a new, higher equilibrium exchange rate, as the financial markets absorbed the impact of expanded investor liquidity via the ETFs, less global net central bank selling as emerging markets (including Russia and China) showed increasing interest in building gold reserves, and stronger income growth in countries (including China, India and Japan) with a high consumer propensity to amass gold.

We believe this re-equilibration process has largely been completed. Accordingly, we expect the price of gold in the coming months to closely track the dollar.

Helen Henton

Standard Chartered Bank, London

● Gold

Range: $580 – $680
Average: $613

We expect 2007 gold prices to peak in Q1. While the bearish outlook for the USD is supportive in 2008 and beyond, periodic USD strength will weigh on the gold market in 2007. After decoupling in 2005 when the USD strengthened, gold's inverse relationship with the USD has reasserted itself in 2006 with renewed currency weakness. In 2007, our FX strategists expect some renewed USD strength beyond Q1 as the Fed cycle turns, although the longer-term outlook continues to be bearish.

While gold's investment case was strong enough to withstand periodic USD strength in 2005, it will likely struggle to buck the trend this year. Inflation concerns were key to gold's strong performance in 2005, but this is unlikely to be repeated in 2007, given our forecasts for slightly lower oil prices. In the medium to long term, gold will be supported by the diversification of central bank reserves. This trend will provide general support for prices, but is likely to occur at too gradual a pace to drive gold higher during periods of USD weakness. Consumers are progressively raising the acceptable price for gold, which seems to have settled around the $580-590 level for now.

● Silver

Range: $10.50 – $13.50
Average: $12.00

Investor support remains firm, but more measured than during 2006 when the price peaked at over USD15 per ounce. Silver will likely follow gold's lead in 2007, although it will be more affected by a modest slowdown in global growth.

● Platinum

Range: $950 – $1,250
Average: $1,100

Platinum's fundamentals are broadly supportive. Continued strong growth in demand from the autocatalyst sector should offset weakness in jewellery demand, keeping pace with improving supply growth. The market expected to be near balance in 2007. In reality, however, prices are likely to be more driven by investment demand and the USD, and will be heavily influenced by gold.

● Palladium

Range: $280 – $330
Average: $300

Despite an excess of supply over demand and substantial above-ground stocks, palladium prices outperformed gold and platinum in 2006, driven by projected growth in jewellery demand and substitution for platinum in the auto-catalyst sector. The market is critically dependent on investment demand remaining strong, and is vulnerable to correction during periods of USD strength.

Rene Hochreiter

James Allen, Johannesburg

● Gold

Range: $590 – $750
Average: $620

● Silver

Range: $10.00 – $16.00
Average: $12.00

● Platinum

Range: $1,050 – $1,600
Average: $1,200

● Palladium

Range: $250 – $500
Average: $350

Au: Greater uncertainty about US foreign policy and US spending, higher oil prices coming off the current levels ($50/bbl) and a decided lack of new gold mines being announced compared to the last few years should see the gold price improve further.

Ag: Its link to precious metals should see it dragged along in the direction of its more valuable periodic table neighbours.

Pt: According to my calculations, the platinum market remains in deficit, mainly due to

About the *Forecast*

Contributors supply their estimates for the coming year of the high, low and average price for up to four metals: gold, platinum and palladium based on the London PM fixing and silver based on the London fixing. Contributors also provide a brief commentary on what they see as the main influences and price trends. A prize is awarded to the contributors whose averages have come closest to the actual averages in each metal. In the case of a tie, the prize is awarded to the closest estimate for the annual high and low.

Gold

	Name	Company	City	High	Low	Average
1	Graf, Adam	*Federated Global Investment Management Corp.*	New York	785	620	755
2	Norman, Ross	*TheBullionDesk.com*	London	850	580	716
3	Reade, John	*UBS Investment Bank*	London	800	580	700
4	Widmer, Michael	*Calyon Corporate and Investment Bank*	London	800	550	700
5	Gutman, James	*Goldman Sachs*	London	775	600	700
6	Steel, James	*HSBC Bank USA NA*	New York	720	580	680
7	Bergtheil, Jon	*JPMorgan*	London	750	570	678
8	Murenbeeld, Martin	*Dundee Group of Companies*	Vancouver	755	565	674.50
9	Klapwijk, Philip	*GFMS Ltd*	London	752	602	674
10	Davis, David	*Credit Suisse Standard Securities*	Johannesburg	725	600	665
11	Richardson, Peter	*Deutsche Bank*	Sydney	720	590	660
12	England, Richard	*Standard Bank*	London	700	575	660
13	Panizzutti, Frederic	*MKS Finance*	Geneva	750	580	652
14	O'Connell, Rhona	*ROC Consultancy Ltd*	London	750	570	650
15	Weldon, Gregory	*Weldononline.com*		750	550	650
16	Tully, Edel	*Mitsui Global Precious Metals*	London	715	520	650
17	Jacazio, Costanza	*Barclays Capital*	London	730	570	645
18	Wrzesniok, Wolfgang	*Heraeus Metallhandelgesellschaft m.b.H.*	Hanau	730	585	645
19	Vaidya, Bhargava	*BN Vaidya & Assoc*	Mumbai	725	550	645
20	Turnbull, Trevor	*Scotia Capital*	Toronto	750	575	640
21	Turner, Matthew	*Virtual Metals*	London	750	560	640
22	Hochreiter, Rene	*James Allen*	Johannesburg	750	590	620
23	Fertig, Peter	*Dresdner Bank AG London Branch*	London	700	540	620
24	Christian, Jeffrey	*CPM Group*	New York	850	550	616
25	Henton, Helen	*Standard Chartered Bank*	London	680	580	613
26	Rhodes, Jeff			730	540	610.50
27	Takai, Bob	*Sumitomo Corporation*	Tokyo	680	540	600
28	Biondi, Adrien	*Commerzbank International SA*	Luxembourg	675	505	580
29	Briggs, Stephen	*SGCIB*	London	675	500	580
	AVERAGES:			**742.138**	**566.103**	**652.379**

Silver

	Name	Company	City	High	Low	Average
1	Graf, Adam	*Federated Global Investment Management Corp.*	New York	18.30	12.70	15.50
2	Reade, John	*UBS Investment Bank*	London	20.00	10.00	14.00
3	Panizzutti, Frederic	*MKS Finance*	Geneva	18.00	12.00	13.75
4	Klapwijk, Philip	*GFMS Ltd*	London	16.20	11.80	13.75
5	Norman, Ross	*TheBullionDesk.com*	London	14.85	11.95	13.60
6	England, Richard	*Standard Bank*	London	14.00	11.50	13.10
7	Richardson, Peter	*Deutsche Bank*	Sydney	13.50	12.40	13.06
8	Rhodes, Jeff			18.25	10.25	13.03
9	Widmer, Michael	*Calyon Corporate and Investment Bank*	London	17.00	11.00	13.00
10	Butler, Tom	*Virtual Metals*	London	16.00	9.00	13.00
11	Steel, James	*HSBC Bank USA NA*	New York	14.00	11.50	12.80
12	Turnbull, Trevor	*Scotia Capital*	Toronto	15.00	10.50	12.75
13	Christian, Jeffrey	*CPM Group*	New York	18.50	10.50	12.50
14	Tully, Edel	*Mitsui Global Precious Metals*	London	14.80	9.80	12.50
15	Vaidya, Bhargava	*BN Vaidya & Assoc*	Mumbai	14.75	9.50	12.40
16	Bergtheil, Jon	*JPMorgan*	London	14.00	10.00	12.30
17	Hochreiter, Rene	*James Allen*	Johannesburg	16.00	10.00	12.00
18	Takai, Bob	*Sumitomo Corporation*	Tokyo	15.00	10.00	12.00
19	Henton, Helen	*Standard Chartered Bank*	London	13.50	10.50	12.00
20	Wrzesniok, Wolfgang	*Heraeus Metallhandelgesellschaft m.b.H.*	Hanau	14.20	9.95	11.95
21	Fertig, Peter	*Dresdner Bank AG London Branch*	London	13.50	10.00	11.75
22	O'Connell, Rhona	*ROC Consultancy Ltd*	London	15.00	10.40	11.50
23	Biondi, Adrien	*Commerzbank International SA*	Luxembourg	13.70	9.75	11.25
24	Weldon, Gregory	*Weldononline.com*		16.50	8.50	11.00
25	Briggs, Stephen	*SGCIB*	London	13.75	8.00	9.75
	AVERAGES:			15.532	10.460	12.570

Platinum

	Name	*Company*	City	High	Low	Average
1	Stevens, Glyn	*INTL Commodities*	London	1,600	1,050	1,375
2	Norman, Ross	*TheBullionDesk.com*	London	1,495	1,075	1,350
3	Graf, Adam	*Federated Global Investment Management Corp.*	New York	1,426	1,054	1,240
4	Reade, John	*UBS Investment Bank*	London	1,500	1,050	1,225
5	Panizzutti, Frederic	*MKS Finance*	Geneva	1,450	1,050	1,225
6	Steel, James	*HSBC Bank USA NA*	New York	1,350	1,075	1,225
7	Prest, Rupert	*Standard Bank*	London	1,300	1,070	1,210
8	Klapwijk, Philip	*GFMS Ltd*	London	1,420	1,100	1,206
9	Hochreiter, Rene	*James Allen*	Johannesburg	1,600	1,050	1,200
10	Tully, Edel	*Mitsui Global Precious Metals*	London	1,450	1,020	1,200
11	Richardson, Peter	*Deutsche Bank*	Sydney	1,280	1,120	1,188
12	Wrzesniok, Wolfgang	*Heraeus Metallhandelgesellschaft m.b.H.*	Hanau	1,275	1,050	1,173
13	Widmer, Michael	*Calyon Corporate and Investment Bank*	London	1,250	1,000	1,150
14	O'Connell, Rhona	*ROC Consultancy Ltd*	London	1,400	1,050	1,130
15	Fertig, Peter	*Dresdner Bank AG London Branch*	London	1,300	950	1,125
16	Jacazio, Costanza	*Barclays Capital*	London	1,300	1,020	1,120
17	Biondi, Adrien	*Commerzbank International SA*	Luxembourg	1,235	1,058	1,115
18	Christian, Jeffrey	*CPM Group*	New York	1,400	900	1,100
19	Takai, Bob	Sumitomo Corporation	Tokyo	1,300	1,050	1,100
20	Henton, Helen	*Standard Chartered Bank*	London	1,250	950	1,100
21	Mead, Gary	*Virtual Metals*	London	1,290	900	1,095
22	Bergtheil, Jon	*JPMorgan*	London	1,250	980	1,094
23	Briggs, Stephen	*SGCIB*	London	1,200	900	1,000
	AVERAGES:			**1361.783**	**1022.696**	**1171.565**

Palladium

	Name	*Company*	City	High	Low	Average
1	Stevens, Glyn	*INTL Commodities*	London	680	280	475
2	Graf, Adam	*Federated Global Investment Management Corp.*	New York	614	276	445
3	Norman, Ross	*TheBullionDesk.com*	London	550	290	435
4	Bergtheil, Jon	*JPMorgan*	London	430	290	404
5	Richardson, Peter	*Deutsche Bank*	Sydney	390	320	365
6	Klapwijk, Philip	*GFMS Ltd*	London	415	310	355
7	Hochreiter, Rene	*James Allen*	Johannesburg	500	250	350
8	Biondi, Adrien	*Commerzbank International SA*	Luxembourg	425	295	350
9	Fertig, Peter	*Dresdner Bank AG London Branch*	London	400	280	350
10	Wrzesniok, Wolfgang	*Heraeus Metallhandelgesellschaft m.b.H.*	Hanau	440	290	342.50
11	Turner, Matthew	*Virtual Metals*	London	420	260	340
12	Christian, Jeffrey	CPM Group	New York	400	290	340
13	Prest, Rupert	*Standard Bank*	London	380	275	340
14	Panizzutti, Frederic	*MKS Finance*	Geneva	400	300	330
15	O'Connell, Rhona	*ROC Consultancy Ltd*	London	360	310	320
16	Takai, Bob	*Sumitomo Corporation*	Tokyo	360	290	320
17	Steel, James	*HSBC Bank USA NA*	New York	350	290	320
18	Jacazio, Costanza	*Barclays Capital*	London	380	250	303
19	Widmer, Michael	*Calyon Corporate and Investment Bank*	London	370	250	300
20	Henton, Helen	*Standard Chartered Bank*	London	330	280	300
21	Tully, Edel	*Mitsui Global Precious Metals*	London	380	250	290
22	Briggs, Stephen	*SGCIB*	London	375	200	255
	AVERAGES:			**424.955**	**278.455**	**346.795**

autocatalyst demand and slow expansion rates in South African mines. But the rhodium market is likely to remain in greater deficit (as a percentage) than that of platinum!

Pd: Excess surface stockpiles in Russia and Zurich remain the dominating problem in allowing the palladium price to rise. Metal catalysis efficiencies will not allow the price to rise much above one quarter that of the platinum price.

Costanza Jacazio

Barclays Capital, London

● Gold

Range: $570 – $730

Average: $645

We see some upside potential for gold over the course of 2007 as a series of key price-determining factors are set to turn more positive for the metal. From a fundamental perspective fabrication demand has shown signs of stabilising following last year's sharp fall and – barring another surge in price and volatility – demand is likely to consolidate and firm up gradually over the year. On the supply side positives and negatives look somewhat balanced, with the potential for lower sales from the central banks offset by reduced scope for producer de-hedging in line with a shrinking global hedge book. Despite a fairly neutral market balance, prospects for gold are buoyed by the combination of forecasts for dollar weakness and oil price strength, and in addition by a tense geopolitical environment that is unlikely to turn more benign in the short to medium term.

● Platinum

Range: $1,020 – $1,300

Average: $1,120

Volatility is likely to stay high in 2007 as low inventory levels will combine with a fairly balanced market, leaving scope for price movements in either direction. With its demand now driven predominately by industrial uses the performance of the global economy will be a presiding factor in platinum demand. We are positive on the macro-economic environment though risks have risen and sharp price corrections are likely in the event of any perceived deterioration in the state of the global economy. The auto-catalyst sector is set to benefit from continued tighter emissions legislation but jewellery demand is likely to continue suffering from high prices. On the supply side, Russian stocks have been heavily depleted but overall supply is set to rise with increasing availability of auto-catalyst scrap and rising production in South Africa. As is the case for other precious metals speculative involvement will be key.

● Palladium

Range:* *$250 – $380

Average:* *$303

As it was the case for 2006, investor interest will be the primary driver of palladium prices. From a fundamentals perspective, the demand side looks positive, and gains are likely to materialise in both the autocatalyst and jewellery sector, helped by palladium's relatively low price in a context of increasingly tighter emission legislation. The upside, however, looks capped by plentiful supplies. The large inventory overhang, fast-growing scrap metal supplies and additional mining production all weigh on the prospects for the metal, leaving prices highly exposed to any downward shift in sentiment.

Philip Klapwijk

GFMS Ltd, London

● Gold

Range:* *$602 – $752

Average:* *$674

Narrowing interest rate differentials, slower economic growth, with a chance perhaps even of a US recession before year-end, should lead to a softer dollar this year against other major currencies. Gold ought to benefit disproportionately. In addition, the stellar performance of that other eternal rival – the stock market – is most unlikely to be repeated if the economy loses momentum, especially given the already record share of profits in GDPs of many countries, including the United States. These factors, plus growing concerns that military action will be taken against Iran, with all its consequences, is a strong argument in favour of renewed investor inflows into gold that will eventually propel prices to new highs. There should also be support in 2007 from some of the other fundamental supply/demand factors. Jewellery demand has started to adjust to higher prices and will provide a strong floor above the $600 mark. Similarly, producers may lend support on price dips through accelerated de-hedging. Another positive (or at least, smaller negative) is that net central bank sales are expected to remain "low" compared to levels seen in the 2000-05 period due to the CBGA group again undershooting its quota maximum and some buy side interest emerging elsewhere. Finally, scrap supply, having soared last year, should moderate in 2007 until the price vaults the $700 barrier.

● Silver

Range:* *$11.80 – $16.20

Average:* *$13.75

Silver has shifted dramatically in the last few years from a "deficit" to a near "surplus" market. Private sector bullion stocks are growing again, most obviously in the form of the successful ETF. Indeed, investors have driven prices to well beyond what would otherwise be equilibrium levels. At some point silver could therefore plunge, but in spite of potential weakness across much of the rest of the commodity complex, 2007 is unlikely to be the year of the great sell-off. The main reason is that silver is more likely to follow gold higher on the back of fresh buy-side interest from investors and speculators.

● Platinum

Range:* *$1,100 – $1,420

Average:* *$1,206

Among the "big 4" precious metals, platinum has the strongest fundamentals, even at $1,100 to $1,200 prices. With jewellery now arguably reduced to its less price-sensitive core and continued gains in the larger autocatalyst sector, the demand side is looking pretty solid. Only a much worse economic outcome than the consensus could provide an upset over the next 12 months. Furthermore, on the supply front the price is vulnerable on the upside to any disruptions to current, or downgrades of future, output. Finally, unlike sister metal palladium, existing above-ground bullion stocks are very limited, as evidenced by the November 2006 "squeeze" in the platinum market.

● Palladium

Range:* *$310 – $415

Average:* *$355

Palladium has managed to confound the sceptics and hold up above the $300 mark, and this floor should also be maintained in 2007 unless existing investors bail out of their substantial long positions, which is on balance unlikely. Indeed, assuming gold has a strong run to well above $700, then the chances are good of this spilling over into a speculative rally in palladium, taking its price to at least the $400 level.

Gary Mead

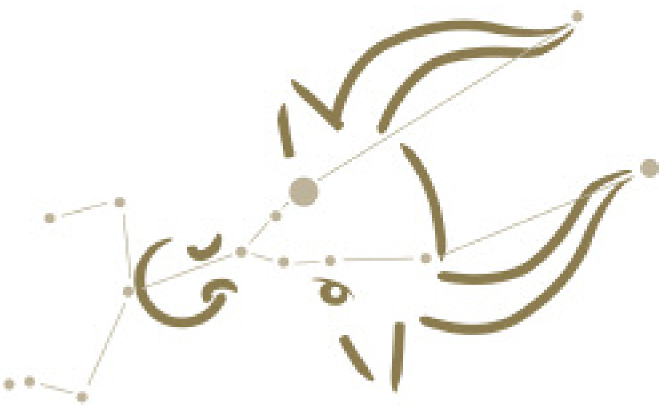
Virtual Metals, London

● Platinum

Range:* *$900 – $1,290

Average:* *$1,095

Platinum in 2006 first moved above $1,000 on 10 January and for the year the metal notched up an impressive 16% gain, the relatively high price defying expectations that it would lead to swift and inevitable demand destruction (in jewellery) and substitution (in autocatalysts). Yet investors' warm feelings about platinum cooled towards the end of the year, particularly after the rumours of a platinum-based ETF – which coincided with a hike to the year's peak of $1,355 (on 21 November) – swiftly fizzled out. By the final week of 2006, investors had cut their positions on NYMEX and TOCOM markedly compared with the position one year previously. With supply and demand nearly in balance, apparent resilience in the jewellery market despite the recent high price, and surging growth of diesel-engine vehicles worldwide, platinum's outlook is still positive. There are some key unknowns however, mostly on the demand side, which might counteract any more irrational exuberance – particularly if platinum stays strong and if palladium were to crumble, then the lure of substitution, both in jewellery and industrial uses, would intensify.



Martin Murenbeeld

M Murenbeeld & Associates, Inc., Vancouver

● Gold

Range: $565 – $755
Average: $674.50

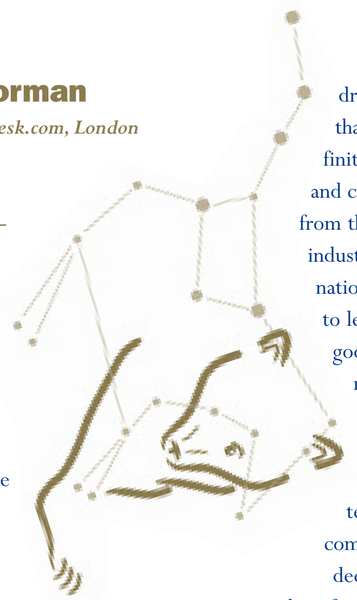
A number of factors are likely to affect the gold markets in 2007, but it isn't necessarily as clear to what degree as this time last year.

I am a gold bull because, in the first instance, I am a dollar bear. I think the dollar is seriously overvalued against the Asian currencies, and the new Democratic majority in the US Congress, likely to be less forgiving of US trade and current account deficits, could force a realignment of the dollar's value in 2007. Yet the dollar has shown surprising strength from time to time since 2001 (principally because of direct official and indirect official support for the currency in Asia). 2007 may therefore be another year when the dollar weakens only marginally further, helped by a modest interest rate cut on the back of a somewhat weaker US economy.

There are at least seven other medium-term bullish factors in our gold outlook, however, which we have balanced off against the near-term bearish factor of higher real interest rates. These include potential and actual dollar reserve diversification (by OPEC and Asian central banks – either into other currencies or gold). There is the potential for easier monetary policies in the event the world economy staggers under a significant US economic setback and when government finances become "demographically" stretched. The supply outlook is benign, furthermore, whereas infrastructural demand developments in Asia are quite revolutionary. Gold and many commodities are in a long-run bull cycle – on an inflation-adjusted basis, only copper broke above its 1970s high in recent quarters. Last, the geopolitical environment favours gold; indeed, a blow up in the gold price is possible at any time as the result of a geopolitical disaster.

Ross Norman

TheBullionDesk.com, London



● Gold

Range: $580 – $850
Average: $716

We remain manifestly bullish for gold. Over the last five years gold has notched up a successive 23%, 25%, 5%, 20% and now a 23% rise; for 2007 we expect the gold price to rise by a comparatively modest 18%, with a possible spike to an all-time record high of $850. Whilst a weakening US dollar, stagnating mine production, buoyant oil prices, ongoing geopolitical tension and the spectre of inflation may provide a positive backdrop, we expect that sentiment will also be supported by institutional investors demand growth arising from a broader access to gold both across a broader geographic spectrum as well as in terms of more products such as ETFs and bullion-linked indices. However, the fragmentation of the gold market that follows in consequence may well lead to increasing problems with liquidity, and thus price volatility is also expected to remain high.

● Silver

Range: $11.95 – $14.85
Average: $13.60

Despite less than inspiring fundamentals, silver confounds the critics, having put in successive gains of 28%, 38% and 42% over the last three years. Even these very significant rises pale compared to the increases seen in the base metals sector, where many of those metals play host to silver as a by-product (rises of between 44% for copper and 148% for nickel were seen in 2006). Investor demand, however, remains resolute and is driven by the belief that mine supply is finite, while industrial and consumer demand from the newly industrialising BRICS nations are likely to lead to levels of demand for goods that the West now takes for granted. The consensus seems to be that the long-term impact on commodities will be deep. Silver remains a beneficiary of that mood and we forecast 'stronger for longer'.

● Platinum

Range: $1,075 – $1,495
Average: $1,350

After years of a supply deficit, South African miners have been working hard to close the gap – but it just keeps racing away from them. There has been an ongoing concern that high yet volatile prices could trigger massive spend by industrials looking for substitutes. With the possible exception of fuel cells, the all important auto and industrial sector remain wedded to platinum, and strength in the US and Asian economies is likely to continue to fuel demand. However, jewellery demand is expected to suffer again in 2007, with platinum as wedding bands being more than compensated for by demand for allocated loco Zurich investment platinum.

● Palladium

Range: $290 – $550
Average: $435

Late 2006 and early 2007 have seen supply disruptions of oil, gas and indeed palladium from Russia that are vaguely reminiscent of the palladium shenanigans of eight years ago. The effect back then was explosive upon the palladium price and there is the merest possibility that a second round of Russian-delayed supplies may be brewing up, which could potentially become the main issue affecting palladium in 2007. That aside, we remain positive about palladium prices notwithstanding concerns of a slowdown in the US economy as industrial demand slows. As a comparator to platinum, palladium remains very cheap while sharing most of the same chemical properties, while palladium jewellery demand is at last establishing itself. We are bullish for palladium in 2007 and expect the auto sector to continue to drive the market higher (pun intended) as palladium makes inroads (pun intended) into platinum usage on diesel catalytic converters.

Rhona O'Connell

ROC Consultancy Ltd., London

● Gold

Range: $570 – $750
Average: $650

As is so often the case, the outlook for the currencies is one of the key drivers behind the gold market. A falling dollar of itself does not dictate that gold prices will rise, but if the dollar's fall is associated with economic, financial or political concerns, then that does imply higher gold prices as a result of risk management. The outlook for this year suggests that the Asian bloc currencies may be among the strongest, and while this may be more supportive for the platinum group metals sector than for gold, it will help to underpin both professional and "grass roots" investment. The "global imbalances" argument is not new, but will not go away. Possibly one of the most interesting features will be the impact on gold of a sustained slide in the commodities sector; on balance it is likely to benefit from risk management and be the outperformer in such conditions. With continued geopolitical tension, the possibility of a swift run towards $750 cannot be discounted.

● Silver

Range:* *$10.40 – $15.00

Average:* *$11.50

Silver has a justified reputation for being fractious, and so much silver supply is price-inelastic that the determination of the market clearing price effectively lies in the hands of the consumer. The price performance during 2006 was driven in good measure by investor and speculative activity, and market sentiment has been fragile at prices much above $13. Strong gold is likely to help to keep silver prices at levels that are considerably higher than justified by the fundamentals (i.e., closer to $6 than to $10), but the risks lie more to the downside than the upside. Wide swings and vicious recoils are a near inevitability, and speculators are likely to continue to take relatively short term positions.

● Platinum

Range:* *$1,050 – $1,400

Average:* *$1,130

The prospect of strengthening Asian currencies and renewed concerns about the changing regulations in the Japanese financial sector are likely to underpin investment in platinum in Japan during at least the first part of 2007, and this is likely to be one of the key features affecting dollar prices during the year. While the market is moving gradually into surplus, it remains well underpinned by a low prevailing level of inventory and, despite the fact that the global automotive market is expected to stagnate, demand in the sector will be sustained by continued tightening in environmental requirements. The prospects for an ETF are remote given the low level of inventory, but the speculation about such a fund in late 2006 demonstrates how volatile this market can be, and price spikes cannot be ruled out. A shake out in the commodities sector would be likely to affect platinum, but it, like gold, should be one of the stronger performers in such an eventuality.

● Palladium

Range:* *$310 – $360

Average:* *$320

Palladium looks to have established itself as reasonably well bid above the $300 level, with steady physical demand coming from the automotive and jewellery sectors in particular, along with steady electronic and dental demand. Although the precious metal prices are high, strong nickel prices are likely to deter any further switch away from the precious metals into the base metal sector, and industrial demand is likely therefore to remain robust. While mine supply continues to increase, the market remains in a fundamental deficit between production and consumption, but regularly moves into a surplus as inventory is shipped out of Russia. Russian export quotas are under some question at the start of the year, but if there is any disruption, then it is likely to be ironed out over the year as a whole. The market has a long memory with respect to the resolution of previous disruptions to Russian shipments and this, coupled with high inventory levels, suggests that the price should be steady and strong, and less volatile than the rest of the sector.

Frederic Panizzutti

MKS Finance S.A., Geneva

● Gold

Range:

$580 – $750

Average:* *$652

Gold rose over 20% in 2006, the 5th consecutive year of positive price performance. In 2007 we expect gold to further strengthen. The prevailing factors, especially in the first half of the year, shall be the expectation of a weaker USD on easing monetary policy in the context of a widening US trade deficit. Less predictable factors such as geopolitical tensions might again raise global concerns, from time to time, and generate a certain sentiment of ongoing insecurity and instability in specific areas, prompting additional asset re-allocation into "safe-haven" hard assets, including gold. We do not underestimate this factor, but did not include it in our price forecast due to its unpredictable and irrational nature. Last but not least, we expect the presidential elections in some European countries this year and in the US next year to add volatility to the stock and currency markets, which may result in additional gold buying. We also anticipate a slight increase in physical demand in 2007, especially in Middle East and Far East.

In short, 2007 will be a year to expect several volatile trading sessions, with erratic movements both up and down.

● Silver

Range:* *$12.00 – $18.00

Average:* *$13.75

With over 40% positive price performance in 2006, silver out-performed the other precious metals. The launch of a silver ETF last year and the broader speculative and investment interest in silver will enable the metal to trade more and more like a financial asset rather than a "pure" industrial commodity. We believe the industrial supply and demand balance to prevail in 2007, but expect the fresh inflow of investment assets to somewhat tighten the physical availability over time, and result in short lived but ample upside rallies. Still, while we forecast silver to move toward $18.00 during the course of the year, we do not see it being able to hold this level for long. This year again, silver will remain one of the most volatile and unpredictable precious metals.

● Platinum

Range:* *$1,050 – $1,450

Average:* *$1,225

The physical squeeze and astronomical interest rates experienced in 2006 might happen again in 2007. The very tight supply/demand balance and fragile equilibrium in the platinum market may result in a certain level of sensitivity to sudden and unexpected changes in supply or demand. Chances are that we will see periods of panic buying and higher interest rates as a result of tighter demand and/or short-lived supply shortages. Furthermore the increasing speculative and investment interest expected this year might add further volatility and feed the eventual rallies triggered by supply/demand imbalances. Should the rumoured introduction of a platinum ETF materialise, we might experience some acceleration in the upside swing, mainly triggered by additional concerns of possible physical shortages.

● Palladium

Range:* *$300 – $400

Average:* *$330

We expect palladium to trade in a narrow band in 2007. The ample physical availability of palladium should hinder any consistent upside move. Still, our expectation for the three other precious metals to strengthen in the course of 2007 might trigger some non-physical-related speculative buying in palladium, resulting in a spike to around $400. While we believe a rally is likely, we do not believe that the $400 psychological target is sustainable or justified in the context of sufficient physical metal availability and stable demand, and would expect any upside move to remain short lived.

Rupert Prest

Standard Bank, London

● Platinum

***Range:** $1,070 – $1,300*

***Average:** $1,210*

The supply/demand picture will remain tight for platinum in the coming year, so we can expect continued strength in the price and, at times, high levels of volatility. Speculators will surely look to take advantage of such a finely balanced market, and we may again see liquidity squeezed and unruly price movement. Even though jewellery demand is likely to retreat in 2007, we can expect autocat demand to be strong and China to maintain a healthy appetite for the metal.

● Palladium

***Range:** $275 – $380*

***Average:** $340*

The supply/demand situation for palladium is very different; however, with the whole complex staying strong in 2007, we do not expect palladium to fall away sharply. We can expect jewellery and industrial demand to grow, with speculative interest to be strong as the price comes lower.

John Reade

UBS Investment Bank, London

● Gold

***Range:** $580 – $800*

***Average:** $700*

With the dollar set to fall in 2007, at least according to our forecasts, we expect the dollar-denominated gold price to move higher. But this alone will not make gold exciting: between 2001 and mid-2005 gold moved slowly and steadily higher, with only intermittent periods of excitement and little sustained non-dollar price action. 2007 could be a repeat of this performance, with little to interest non-US dollar or non-metals specialists. But gold could turn in a performance as in 2006, when the metal acted as a highly geared play on the US dollar, with movements of about three times the magnitude of the change in the greenback, although in the opposite direction, obviously.
If global financial liquidity (howsoever defined) remains ample, as we expect, then gold should continue to attract considerable investment and speculative flows. But if this liquidity is rapidly removed, gold, along with other investment driven assets could disappoint.

● Silver

***Range:** $10.00 – $20.00*

***Average:** $14.00*

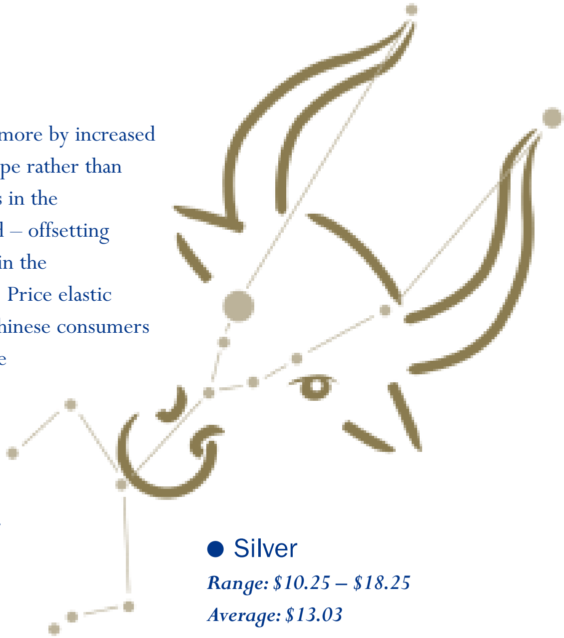
Silver will take its direction mostly from gold in 2007, as was the case in 2006, as investment and speculation rather than supply and demand fundamentals drive the market. But unlike gold, silver has the potential to benefit from a physical bullion shortage if inflows into the silver ETF continue. We estimate that there are only about 400 million ounces of silver bullion available to the market – and of that about 120 million ounces are held by the ETF, effectively locked away and unavailable to the market. Should the ETF continue to attract inflows, a squeeze looks likely at some point.

● Platinum

***Range:** $1,050 – $1,500*

***Average:** $1,225*

We expect platinum to average $1225 in 2007, although the metal is again likely to trade in a wide range. Events of the fourth quarter of 2006 demonstrated that after seven years of deficit there is a very limited amount of physical platinum available to the market – and that any scramble for liquidity could again trigger a major spike higher. We remain concerned that any technical difficulties with smelters and refineries could result in production interruptions; the concentrated nature of platinum production and bottlenecks in smelters and refiners would exacerbate the impact of such events. Fundamentally the market should remain in approximate balance in 2007, with strong demand from the autocatalyst sector – driven more by increased loadings in Europe rather than strong auto sales in the developed world – offsetting likely weakness in the jewellery sector. Price elastic demand from Chinese consumers should buffer the price to a certain extent, barring physical scarcity.



Jeffrey Rhodes

● Gold

***Range:** $540 – $730*

***Average:** $610.50*

Gold posted its best performance since 1980 last year, with the key drivers being record breaking energy prices in the early part of 2006, fuelled by growing geo-political tensions in the Middle East, North Korea and Nigeria, a weaker dollar, which lost 11% versus the euro over the year, and strong investment demand from the investment community. Gold took centre stage as the growth of ETFs helped to push the yellow metal into the mainstream as an asset class. The continued absence of producer hedging, talk of central bank reserve diversification away from the dollar and a positive technical picture were also supporting factors last year. The mood of the market as we enter 2007 appears to be universally bullish, with the same factors still very much in play, and I will admit to being one of the herd. However, I have tempered my views, as there are warning signs on the horizon for gold with a strong outlook for global equity markets in 2007, mixed views on the US economy and the likely direction of interest rates and the dollar, and, importantly, concerns that slowing global growth could impact demand for crude oil and base metals, pressuring the commodity sector lower.

● Silver

***Range:** $10.25 – $18.25*

***Average:** $13.03*

Silver – the most industrial precious metal – was swept along last year by the general wave of investment interest in commodities, while the advent of silver ETFs, with their obvious impact on silver lease rates, was a bullish factor. Investment interest is likely to be an important driver of the silver price once again in 2007. The general bullishness surrounding gold is likely to spill over into silver, with strong technical support at $10.25 providing a solid platform for growth in 2007. Chart watchers will be eyeing blue sky if key resistance pegged at $15 is penetrated, with a break likely to bring $20 onto the radar screen.

Dr. Peter Richardson

Deutsche Bank AG, Melbourne

● Gold

***Range:** $590 – $720*

***Average:** $660*

● Silver

***Range:** $12.40 – $13.50*

***Average:** $13.06*

● Platinum

***Range:** $1,120 – $1,280*

***Average:** $1,188*

● Palladium

***Range:** $320 – $390*

***Average:** $365*

Gold is expected to be the main beneficiary from a slowdown in US growth and a related shift in US monetary policy. Fading interest rate support for the US dollar and declining real interest rates are expected to intensify investor concerns over the ability the US to finance its external deficit, putting further downward pressure on the TWI of the USD. Given the well-attested inverse relationship between the value of the USD and USD gold prices, annual average USD gold prices are expected to rise further following last year's 56.0% rise to $605. At the same time, both gold and silver are expected to continue benefiting from investment inflows into exchange traded funds for both metals, as this new vehicle taps into hitherto unsatisfied retail and professional investment demand for the precious metals. With the gold/silver ratios trending lower, annual average silver prices are expected to rise by 12.7% in 2007. We also believe the case for robust PGM demand and prices remains firmly intact. Legislative changes in Europe and the US are expected to drive continued growth in demand for platinum in auto catalysts, while strong growth in Chinese automotive production is expected to do the same in Asia. Palladium demand is also expected to benefit from the wide price spread between platinum and palladium in the catalytic converter and jewellery markets. Supply constraints in South Africa are likely to be price supportive for both metals.

James Steel

HSBC Bank USA, New York

● Gold

Range: $580 – $720

Average: $680

Gold prices have retraced from the 2006 highs on a general correction in commodity prices and intermittent rallies in the US dollar. Key determinants governing prices in 2007 will be world growth, US dollar levels, inflation rates, oil and other commodity prices and unpredictable geopolitical events. Income growth in the emerging world is likely to support gold demand, should prices fall below $600. The potential for a resumption in US dollar weakness is also likely to be bullish for gold. However, world inflation levels may not be sufficient to support sustained price hikes over $700, and commodity prices have retraced and may remain under pressure. Unforeseen geopolitical events have the potential to influence gold to the upside, especially if they propel oil prices higher. The prospect of limited central bank selling is also likely to be supportive for gold, as is the continued success of the ETFs.

● Silver

Range: $11.50 – $14.00

Average: $12.80

Silver prices have pulled back in line with the retreat in gold prices. However, the lack of government stocks or central bank reserves and years of production/consumption deficits have left silver in a good position to build on further gains. Although silver continues to suffer market share loss in the photographic sector, industrial demand for the metals is likely to be good. Importantly, new investor demand in the form of the silver ETF is absorbing a significant portion of new silver demand and helping to tighten production/consumption balances.

● Platinum

Range: $1,075 – $1,350

Average: $1,225

● Palladium

Range: $290 – $350

Average: $320

Although platinum production is slated to increase substantially this year and beyond, the demand for platinum is also likely to increase. Consequently production/consumption balances are likely to be wafer thin, with the market tottering between a slight surplus or deficit. Due to environmental legislation and the lack of viable substitutes, platinum demand is highly inelastic for autocatalytic and other uses, and the market can bear even significant increases in price without denting this component of demand. The only major component of demand that is likely to suffer at high prices is jewellery demand, particularly Chinese. How jewellery demand reacts to price is likely to be the major arbiter of the platinum price this year. Years of persistent deficits have essentially worn down above-ground stocks, which should further support prices. Palladium supplies, however, are abundant by comparison to platinum. And platinum production is likely to increase palladium supplies indirectly also in South Africa. Significantly Russian stockpiles will continue to be sold into the market.

Glyn Stevens

INTL Commodities Inc, London

● Platinum

Range: $1,050 – $1,600

Average: $1,375

Tightening emissions legislation worldwide and growth in market share of diesel vehicles will once again lead the way for platinum in 2007. Add to this continued investor interest in precious metals generally, and the downside price risk is limited. Declining jewellery demand and increasing South African production may subdue the bulls, but good electronics, glass and chemical sector offtake will take up some of the slack.

● Palladium

Range: $280 – $680

Average: $475

It is difficult to make a fundamental case for a rise in the palladium price. Stocks remain plentiful, primary and especially secondary supplies continue to increase, whilst demand is muted. However, this is currently the "junior" platinum group metal in terms of price, and an assault by speculators is highly likely. The current low level of investor interest in palladium can only exacerbate the situation as participants scramble to re-establish long positions.

Bob Takai

Sumitomo Corporation, Tokyo

● Gold

Range: $540 – $680

Average: $600

● Silver

Range: $10.00 – $15.00

Average: $12.00

● Platinum

Range: $1,050 – $1,300

Average: $1,100

● Palladium

Range: $290 – $360

Average: $320

According to the oriental zodiac, 2007 is considered the year of the wild boar. This sign represents trees and plants that are on the verge of bending due to the weight of their branches, flowers and fruits. How appropriate a symbol this is for the commodity market!

The five-year trend of rising commodity prices led by the energy and metal complex evidently came to an end during the second half of 2006. This development coincided with the Bank of Japan's zero interest rate policy change which, in turn, is strongly correlated with the market correction. A significant factor in the generation of this commodity bull market was excessive liquidity provided through the yen carry trade. The unwinding of these positions has helped put the brakes on the rise of the commodity market that we are currently experiencing.

I foresee the price action during 2007 following the trend of last year's macro-commodity picture as markets adjust to the fundamentals of increased supply and tempered demand. An exception to this prediction might prove to be the precious metals, particularly gold, whose monetary feature will facilitate its increasing strength if we encounter continued dollar weakness. These factors will combine for less volatile markets throughout the year.

Edel Tully

Mitsui Global Precious Metals, London

● Gold

Range: $520 – $715

Average: $650

We anticipate that gold will continue its upward trend into 2007. While the rate of de-hedging is unlikely to be at levels analogous to the first half of the year, and therefore will not provide a similar cushion as evident in 2006, it remains likely that producers will continue the process of de-hedging in the current price environment. Rumours regarding potential central banks diversifying into gold, particularly China, continue to persist and are expected to materialise in the future, however, the nature of this remains uncertain. The point where physical demand returns to the market and supports the gold price will help determine the strength of the metal in 2007 and its abilities to remain over $600. Gold ETF investment continues to gain momentum and will be a supporting factor to the metal. Adding pressure to the USD and supporting gold are potential geopolitical occurrences, and incessant discussions of central banks diversifying reserves out of the USD. In addition, interest rate cuts in the US, which may materialise if inflation concerns ease and a struggling US economy persists, would provide a platform for higher gold prices into 2007.

● Silver

Range: $9.80 – $14.80

Average: $12.50

Silver has benefited strongly from rallies experienced in other precious and base metals over the course of the year. Silver is largely expected to take direction from gold, however, there are a number of clouds on the horizon for the white metal. While investment demand for silver is growing, as indicated by the silver ETF, there is a question of whether we have reached saturation. Further, the basic supply and demand fundamentals are not positive. Growing mine production and the threat of global economic weakness on industrial demand are negative factors that silver may face. The price enjoyed a near 60% increase on the average 2005 price. We do not expect this trend to continue. A more muted average price is appropriate for the forthcoming year, with bias to the downside.

● Platinum

Ranges: $1020 – $1450

Average: $1200

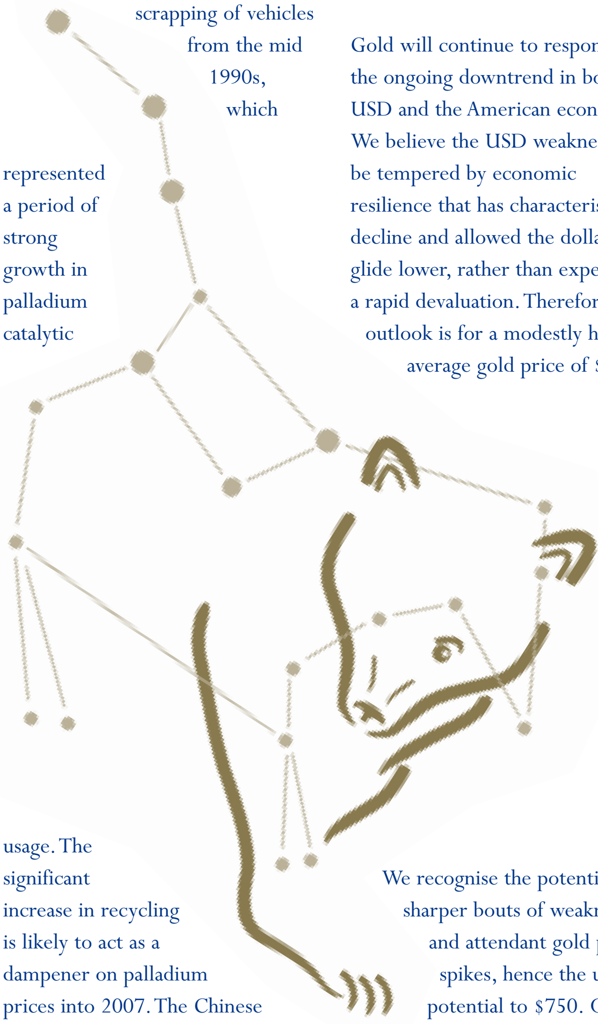
2006 proved to be a very volatile year for the platinum group metals. Market participants will not forget the recent price behaviour of platinum, as persistent ETF rumours coupled with option expiry at the end of November led to explosive price swings. The outlook for platinum remains optimistic in the auto catalyst sector into 2007. Evidence suggests that the US is moving towards increased acceptance of diesel vehicles. Coupled with tighter legislation, the platform is set for increased platinum consumption in the US. The European markets appetite for platinum auto catalysts continues to grow. We estimate that the European diesel market has potential for 10% more market share in the short term, which translates to 150,000 ounces more platinum demand and a similar amount less palladium demand. Therefore, coupled with tighter legislation, the platform is set for increased platinum consumption. Jewellery continues to erode its position and demand has fallen across all regions for the fourth consecutive year. Despite this, consumption at the high end of the jewellery market will remain buoyant.

● Palladium

Ranges: $250 – $380

Average: $290

Palladium remains a market with considerable overhang. Palladium-based autocatalysts recycling is expected to grow substantially in 2007 due to increased scrapping of vehicles from the mid 1990s, which represented a period of strong growth in palladium catalytic usage. The significant increase in recycling is likely to act as a dampener on palladium prices into 2007. The Chinese jewellery market, once a supporting factor to the market, will continue to suffer on the back of remaining inventories and increased recycling. As the US auto market continues to weaken, and given the dominance of the gasoline market in this region, this will be a further weakness for palladium-based autocatalyst demand. In contrast, the Chinese auto industry is growing rapidly, albeit from a small base, and represents a positive factor for palladium given the lack of a diesel market in this region. While palladium may benefit from increased switching from platinum, the potential of a large increase in diesel production in the US is the single largest threat that will impact on palladium demand and, in turn, the price.



Trevor Turnbull

Scotia Capital, Toronto

● Gold

Range: $575 – $750

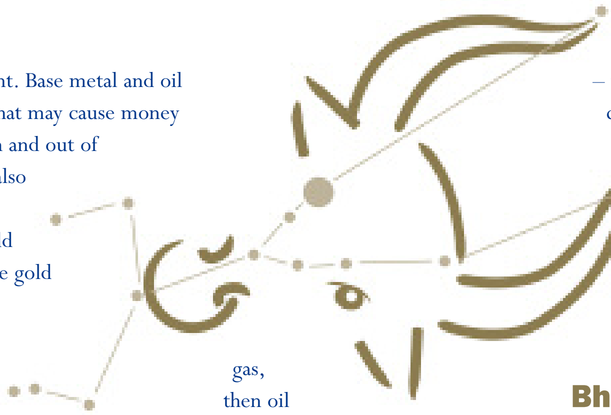
Average: $640

Gold will continue to respond to the ongoing downtrend in both the USD and the American economy. We believe the USD weakness will be tempered by economic resilience that has characterised its decline and allowed the dollar to glide lower, rather than experience a rapid devaluation. Therefore, our outlook is for a modestly higher average gold price of $640.

We recognise the potential for sharper bouts of weakness and attendant gold price spikes, hence the upside potential to $750. On the downside, gold could slip below $600 through a combination of periodic positive US economic news and cheaper oil prices.

Supply and demand fundamentals remain supportive of $600+ gold, with near flat mine output, potential central bank and pension fund buying and continued

ETF investment. Base metal and oil price swings that may cause money flow to shift in and out of commodities also have the potential to add volatility to the gold price in 2007.



● Silver

***Range:* $10.50 – $15.00**

***Average:* $12.75**

Silver keeps benefiting from a wide range of industrial applications, and new uses should help to offset the potential impact of any economic slowdowns. Silver remains a minor cost component of many products that utilise it, contributing to low price elasticity. We believe growing middle-class demand worldwide, along with increased computerisation and telecom penetration in emerging markets, lend sustainability to silver's demand fundamentals. Furthermore, the new silver ETF products just debuted last year, and will likely attract additional buying that could prove to be "sticky" investments – much like the gold ETFs. There is some mine supply growth expected next year, but approximately 70% of silver continues to be sourced as a by-product of base metal and gold mines.

Therefore, we have a slightly more bullish scenario for silver than gold. We believe the gold:silver price ratio will continue to trend lower towards 50:1, implying an increase in silver prices to an average of $12.75 in 2007.

Matthew Turner

Virtual Metals, London

● Gold

Range: $560 – $750

Average: $640

Gold will have a solid, but not spectacular 2007. Commodities as an investment class are getting increasingly disparate, with first gas, then oil and now copper falling off the wagon. This must be making investors nervous about the rest, and as such, expect a greater focus on the fundamentals. In gold, will they like what they see? Dehedging is likely to decline, but central bank sales will probably fall short as long as Germany remains aloof. Demand may be the key, and jewellery offtake may stage a weak recovery, as high prices seem less high.

Yet two external factors – the dollar, and the Middle East – may swamp these. Nearly everyone expects the US currency to fall, which on past practice suggests it will rise. Or fall. Either way it is likely to have an impact. In the Middle East, Iraq is likely to give way to Iran as the focus. Expectations are against a US war with Iran, so if it does happen, gold could spike sharply higher.

● Palladium

***Range:* $260 – $420**

***Average:* $340**

Palladium has long since left the dark days of below $200, but it's not clear how much further it can rise, particularly if platinum is struggling. The core supply/demand situation has improved, thanks to jewellery offtake and steady growth in other categories. The price, however, has been kept down by large Russian stock sales, and the assumption must be that they have been balanced by large investor accumulation. This is an optimistic sign in itself, but it does rather leave the metal vulnerable to any change in sentiment, and fund liquidation. If demand can continue its steady improvement on jewellery and continuing catalyst demand – both in petrol and diesel – then maybe further small gains can be made. Bigger ones will need either signs that stock sales are finishing, or another spurt of investor interest. Rumours of a palladium ETF, anyone?

Bhargava N Vaidya

B.N.Vaidya & Associates, Mumbai

● Gold

Range: $550 – $725

Average: $645

Gold will continue to be volatile in 2007. Investor /fund interest has increased, and ETFs will be launched in few more countries, including India. The US economy is still a concern. Geopolitical pressures in the Middle East and North Korea, and terrorist threats will keep people interested in gold. All this will contribute to a higher price.

The de-hedging pressure from miners is over. We believe there will be some hedging from producers as high prices and contangos start to interest them in securing some profits. There will also be some downward pressure from derivative positions. Gold's biggest enemy is itself: it does not get destroyed or consumed.

Physical demand for jewellery in the Indian subcontinent and the rest of Asia will be flat to negative at high prices.

● Silver

***Range:* $14.75 – $9.50**

***Average:* $12.40**

Silver – true to its character – will remain volatile. Huge supplies can appear at higher levels, which can come from non-traditional sources, such as Asian government stocks. This will cap the upper limit. Silver's relationship with gold and base metals such as copper will also contribute to a higher and volatile price run for the metal.

Gregory Weldon

Weldononline.com

● Gold

Range: $550 – $750

Average: $650

Gold's volatility has contracted significantly since bullion prices peaked in May of 2006. More 'tellingly', after appreciating against almost every major paper currency in the world during early 2006, such has not been the case of late, as bullion prices have moved sideways in USD, but lower in other currencies.

It appears that we may see a time-line reversal in 2007, with early-year weakness becoming an increasing risk, as global central banks, including both the Bank of India and the People's Bank of China, become more intense in their pursuit of a credit-growth slowdown.

Anything 'worse' than a credit-money slowdown (outright credit contraction) could derail bullion bulls in the intermediate term. Likely in such a scenario, the global central banks, led by the Fed, would, again, ramp up the printing presses.

The worst-case-scenario 'risk' to gold is a situation where CB printing of more money no longer stimulates demand for credit. A global 'Japanese-styled' debt-deflation, particularly as it relates to the current US housing market dynamics, would likely be overtly bearish for gold, even if gold were to hold up against paper, on a relative basis.

Still, overall, global credit and money supply is making new highs in every major 'region' in the world, both nominally and in terms of the growth rates. This remains a strong monetary underpinning, from the macro-monetary standpoint for the maintenance of a long-term secular bullish exposure to bullion.

We remain friendly, long term but apathetic, at current levels.

● Silver

***Range:** $8.50 – $16.50*
***Average:** $11*

We have a wide potential price range for silver, as we believe that any extended push towards intensified monetary-policy hawkishness could provide the catalyst to crack silver, as might be defined by a liquidation scenario.

However, as with gold, the top-down macro-monetary dynamic remains bullish from the secular perspective, particularly as it pertains to our belief that late-2007 into-2008 risk to the USD may become a greater factor. This is especially true given the vast amount of USD reserves held by global central banks, primarily those in Asia led by China, and, more acutely, the enormous cache of USD supply accumulated by the Russian Central Bank.

Subsequently, we could envision a weak first half of 2007, with an exaggerated move in silver, relative to gold … followed by a liquidation low, and resumption of a longer-term secular bull move during the second half of 2007. Whether gold and silver outperform paper on the downside in a debt-deflation, or whether gold and silver outperform on the upside in a USD-depreciation/reflation scenario, is up to central banks. Ultimately this will be determined by how hard they are willing to push, monetarily.

Michael Widmer

Calyon Corporate and Investment Bank, London

● Gold

***Range:** $550 – $800*
***Average:** $700*

Last year's rally was strongly driven by exceptional levels of liquidity creation. Fundamentals still look supportive, however, as central banks have tightened, the main focus on the gold market has been shifting away from liquidity to exchange rates. This is reflected in the recent rise of the correlation between USD/EUR and gold. The downward pressure on the dollar should continue this year, in part because the ECB is set to tighten further, while the Fed will probably lower interest rates later in 2007. Gold should also be supported by the deceleration in global economic growth, which means, for instance, that investors may choose to increase investment in a safe asset like gold. The biggest threat to further price rises this year is a situation similar to that in May 2006, when speculators took money off the table, reducing their exposure to commodities across the board, without taking account of gold's fundamentals.

● Silver

***Range:** $11.00 – $17.00*
***Average:** $13.00*

Despite having many of the characteristics of an industrial metal, silver is often driven by the same macroeconomic variables as gold. This means that silver should find support in the continued downward pressure on the USD and the current macroeconomic environment. It is worth noting, however, that silver has outperformed gold in the recent past, reflected in a decline of the gold:silver ratio to 49.2 in January 2007 from 58.6 in January last year. This has at least in part been influenced by the launch of a silver ETF in April 2006. This investment vehicle has been phenomenally successful and contributes to expectations that the silver market may face some liquidity issues (which have so far not occurred). It will be worthwhile observing whether attempts will be made this year to increase the size of the silver ETF, which would be very bullish for silver prices.

● Platinum

***Range:** $1,000 – $1,250*
***Average:** $1,150*

Platinum has held up very well in 2006, in part because it attracted further speculative investment along with all the other commodities, but also because the market once again did not make it into a significant surplus. The picture may be similar in 2007. Although new supply is now coming through (the ramp-up at Aquarius Platinum's Everest and Impala's Two Rivers mines continues), it is unlikely that this will be sufficient to ease the very tight market significantly, which has been in deficit for the past eight years. Also, the risk of further supply disruptions persists, as reflected for instance in the leak at Lonmin's number one furnace in December 2006. In addition, demand –in particular from the autocatalyst producers –is expected to remain high, especially in the US and Japan. Putting all these variables together, it is likely that prices will fall, albeit remain at a high level.

● Palladium

***Range:** $250 – $370*
***Average:** $300*

Palladium will likely remain relatively unexciting in 2007, as the market is forecast to remain in surplus. This means that, unless something unforeseen happens, prices should remain within the ranges seen in the recent months. Palladium demand from the autocatalyst sector is forecast to be supported by a further shift away from platinum where possible. However, this will to some extent be offset by the increasing popularity of diesel vehicles (whose engines use platinum-based catalysts) in Europe. Developments on the supply side are set to be similar to those in platinum, with output rising, as producers increase production.

Wolfgang Wrzesniok-Rossbach

Heraeus Metallhandelgesellschaft m.b.H., Hanau

● Gold

***Range:** $585 – $730*
***Average:** $645*

We expect gold to get back on track after a weak first quarter if investor demand rises again. If German investors alone would put just 5% of their assets in gold, several years of production would be taken out of the market. One only has to look at the price to realise that such a process hasn't really started – an obviously huge potential for future price development. While we do not expect any sudden change in the behaviour of the investment community, that could change dramatically in the event of a political or economic development with global implications. We expect a slight shift in new investment towards physical metal, mainly from private individuals, and towards OTC products from institutional investors, at the expense of futures. The ETF growth rates seen in 2005 and 2006 will not be repeated again.

Although jewellery's share of the market has declined in recent years and now represents "only" some 60% of global off-take, the market still depends very much on its health. We think that the worst is over, and any decline in price should immediately trigger buying, while higher prices would result in only limited cutbacks, as at current levels a growing portion of demand is not as price sensitive.

On the supply side central bank sales will fall further as a result of major European central banks not using the original sales quotas. Given that central banks are more and more reluctant to sell gold, we don't expect the IMF to start selling either, despite mounting pressure to reduce its operating losses. However, we also doubt that they will substantially purchase gold.

We do not expect a major rise in production in 2007, as new projects coming on stream will serve to offset a decline in production in existing mines. This might be somewhat neutralised by a decline in de-hedging, which surged to around 400 tonnes in 2006, but will most likely slow down considerably.

Even if the price manages to reach another 25-year high in 2007, we doubt that it will be able to build a lasting base there. At the end of the year we expect the metal to close only marginally above today's level, before it then reaches out for an even higher orbit again in 2008.

● Silver

Range: $9.95 – $14.20

Average: $11.95

The driving force behind silver's surge last year was investment demand. Admittedly, industrial off-take rose in some sectors too, especially electronics, but that was at least partially neutralised by a slight increase in production and yet another decline in demand by the photographic industry, where not only private consumers, but other sectors such as medical, are switching to digital photography.

There is also no good news for silver bulls from the supply side, where we expect more growth in the next 12 months as a result of globally expanding base metal production.

What positive news is left comes mainly from investment. While a major portion of the price rise last year was on the back of short-term speculative money flowing into silver on the back of announced plans of an ETF, the ETF itself proved a tremendous success. In addition, we (and surely others) have seen a lot of physical buying in the last 12 months. We are convinced that these purchases, like those of the ETFs, were made with a very long investment horizon.

But will this positive momentum remain? We are doubtful, which is why, unlike gold, our long-term outlook for silver is somewhat negative.

● Platinum

Range: $1,050 – $1,275

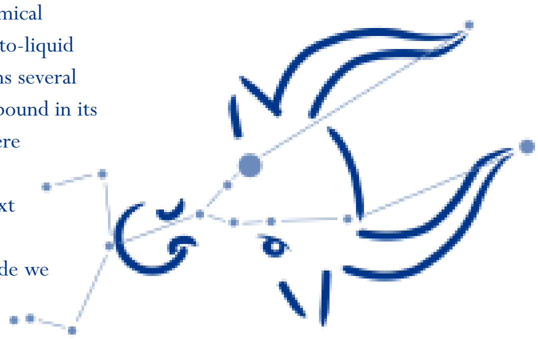
Average: $1,173

Most of platinum's surge last year was due to sound fundamentals. Demand from the car industry was surprisingly strong, first of all due to the rising share of diesel-powered cars in Europe. The announced substitution of platinum in the catalytic converters of diesel cars by palladium has taken much longer than expected. We now think that the full effect will not appear before 2008, and even then it will be neutralised by the growth in particulate-filter technology and the increasing market share of diesel- powered cars and light trucks in the US and other global markets.

This has neutralised most of the decline in jewellery off-take, where the high prices caused a substantial drop in 2006. Most of the price sensitive end of the jewellery market has probably backed out by now, and we don't think that the remaining consumption is seriously threatened as long as the price stays in reasonably realistic spheres.

We expect further reduction in demand by the glass industry, where there are increasing signs of overcapacity in that segment. However, that decline will be more than offset by growing needs from the electronic, chemical and petrochemical industries. One gas-to-liquid facility alone contains several tonnes of platinum bound in its installations, and there are several projects planned over the next five years.

On the supply side we expect mine production to rise slowly but surely, mainly because of expansion in South Africa. The strength of the rand is not going to be a major threat in 2007.



● Palladium

Range: $290 – $440

Average: $342.50

Probably no metal divides market observers more than palladium. While the pessimists point to huge above-ground stocks, which have yet to find their way to the consumer, bulls argue that the metal has been in deficit in recent years and that it is only a matter of time until these stocks are consumed. The optimists themselves mainly point to growing demand by the car industry, with increasing consumption in diesel-powered cars (see above in the platinum section) and at a booming jewellery sector, which seems to have peaked in early 2006, but nonetheless provides an additional source of off-take that wasn't there before 2004.

New production is expected to grow this year – one reason being that the South African mining industry will automatically produce more of the metal when expanding its platinum output.

We tend to position ourselves nonetheless in the bull camp, expecting demand to remain high due to ongoing growth in the global economy. ■

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