



Launch of Chinese Edition of *Gold Survey 2010*

GFMS today launched the 14th Chinese language edition of its annual Gold Survey. The consultancy forecasts that the gold price will breach the \$1,300 mark in the second half of 2010 as investment demand grows.

GFMS today launched the 14th Chinese language version of its annual *Gold Survey* at an event in Beijing co-hosted by China National Gold Group Corporation, the Shanghai Gold Exchange and the World Gold Council. Invited speakers from the Shanghai Gold Exchange and the Shanghai Futures Exchange also made introductory speeches on gold trading in China.

In his presentation to mark the launch of the Chinese language edition, Philip Klapwijk, GFMS' chairman, commented on some of the major supply/demand trends unfolding this year. He noted that the consultancy expected an increase in supply in 2010 due to the IMF programme boosting overall official gold sales (in spite of some buy-side interest elsewhere) and further growth in mine production (albeit by less than 2009's 7% gain), which together would offset a marginal drop in global scrap supply. As regards the demand side, fabrication demand, which is dominated by jewellery, is forecast to recover some of the ground lost in 2009, although year-on-year growth is expected to slow in the second half of 2010 due to higher gold prices.

The market will therefore remain in a substantial surplus in 2010. With limited scope for de-hedging by producers, the gap between supply and demand will have to be filled by investors, who so far this year have considerably increased their holdings of gold in the form of ETFs and physical bullion. In the second half of 2010 GFMS expect investment demand to be volatile but overall to remain on a positive trend due to ongoing concerns about the long-run value of major currencies, particularly in the light of continued ultra-low short-term interest rates and the increase in government debt levels.

In GFMS' view the growth expected, especially in value terms, of investment demand will probably be sufficient to drive prices above the \$1,300 mark during the second half. This process would be aided by physical markets, to some extent at least, adjusting to higher price levels, as indicated by the rebound in fabrication demand and the drop in global scrap supply in the first half, in spite of considerably higher average US dollar gold prices. However, the consultancy cautioned that there was still scope for downside over the next few months if investment demand temporarily faltered, although in the absence of a major change in the economic outlook, it was felt that gold would now be well supported at prices between \$1,150 and \$1,200. As Klapwijk commented, "even though progress is dependent on yet higher inflows from investors, economic conditions still seem to favour such growth in investment over the balance of this year and, indeed, they probably will continue to do so well into 2011. Nevertheless, it should be borne in mind that especially with inflation low in all the major economies and given the tough fiscal measures now being introduced in many countries, any serious tightening of monetary policy in the United States and Europe would quickly transform the outlook for investment and the gold price, even if that possibility currently appears rather remote."

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Gold Survey 2010 Chinese Edition contains statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS. For orders and to receive further product information please contact Emma Hastings - Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk, Online Shop: <http://shop.gfms.co.uk>

Note to Editors about GFMS Limited:

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

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