



## Gold and Silver Investments For The Short and Long Run



CPM Group

20 January 2019

## Gold And Silver Provide Investors Several Benefits

Catastrophic insurance

Global and Personal

Diversify wealth

Diversify the denomination of one's wealth

Most people have most of their wealth denominated in only their domestic currency; a few have maybe two currencies denominating all of their wealth

Capital Appreciation as well as Capital Preservation

As an Investment

Including diversifying one's portfolio

As Opportunistic short-term investments

## How To Maximize Benefits of Gold and Silver

To maximize the benefits of gold and silver for investors, investors should:

**Treat gold and silver as both long-term and short-term assets.**

It makes sense to do both:

**Long-term buying and holding** gold and silver as insurance, as a diversification of wealth and one's investment portfolio.

**Short-term buying and selling** gold and silver to generate returns taking advantage of the realities that these are markets: Prices rise and fall.

**Additional leverage** and profits can be generated by investing in *well managed* mining companies. Emphasis must be on the management quality of the companies.

## Problems Investors Experience With Gold And Silver

People invest based on beliefs, not knowledge.

Many beliefs are mistaken, based on bad data, bad analysis, emotions.

There are many people who promote gold and silver by circulating inaccurate information, stoking fears that are not realized and perpetuating erroneous beliefs about gold and silver. Others just are sloppy.

Using sober, accurate, unbiased, honest data and analysis can generate outsized returns...

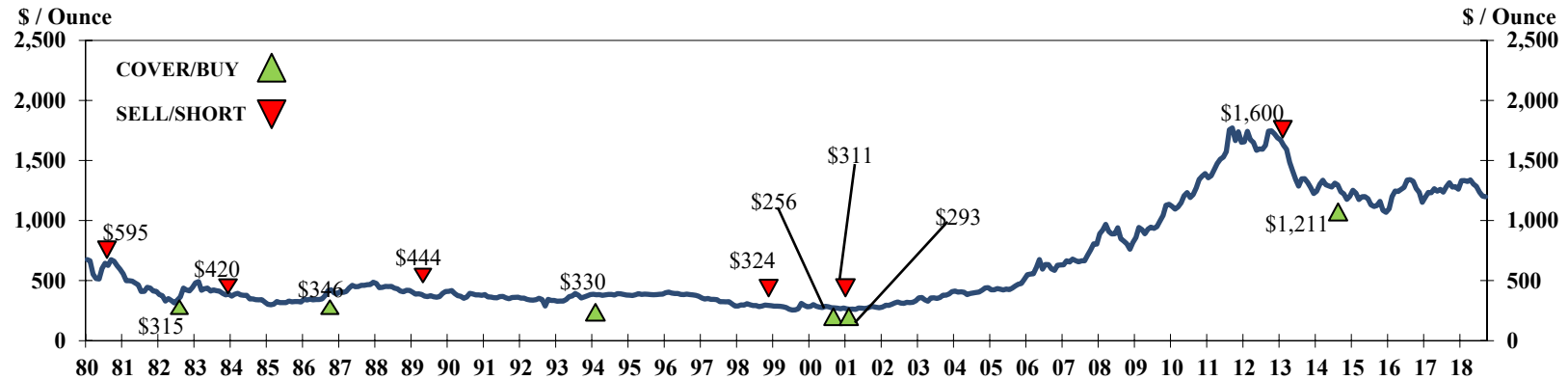
But investors must invest dispassionately and rationally.

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# *The Fruits Of Dispassionate Investing*

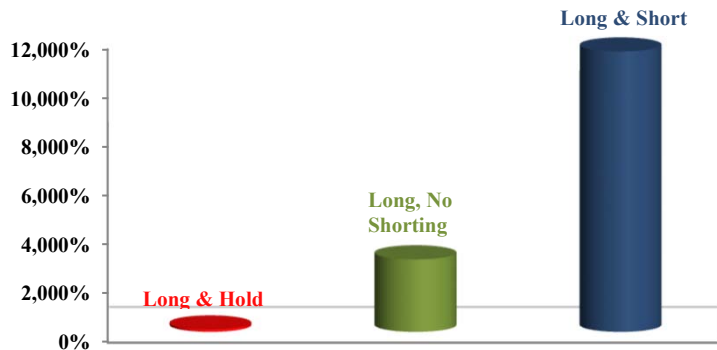
# Performance of Gold Research Intermediate Recommendations

## Research Recommendations for Gold



### Gold Investment Portfolio Returns on Three Strategies

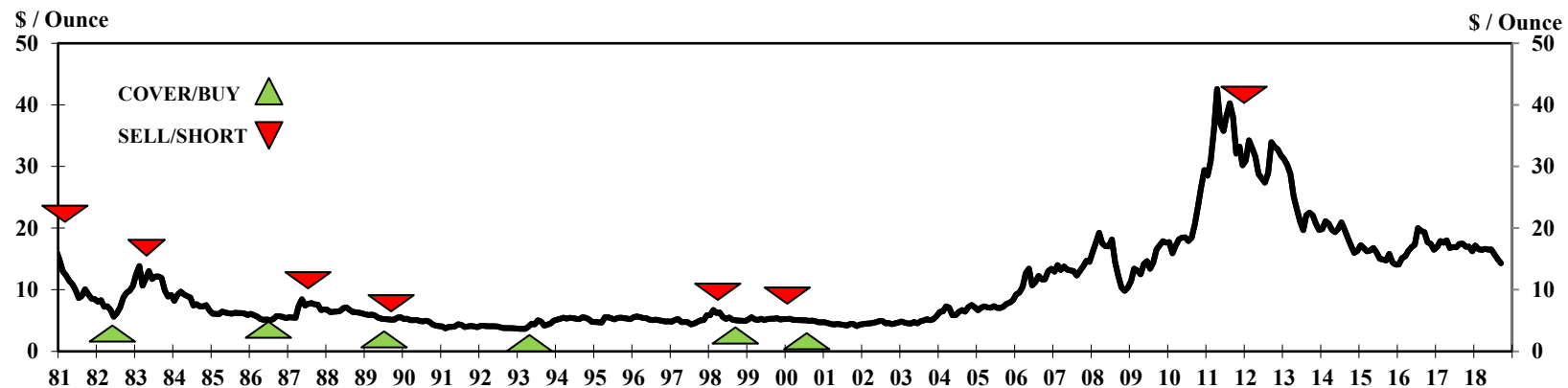
As of September 2018 from Initial Investment \$1 Million in December 1980



|                           | <u>Portfolio 1</u><br>Bought and Held Gold | <u>Portfolio 2</u><br>Bought and Sold Gold | <u>Portfolio 3</u><br>Bought, Sold, & Shorted Gold |
|---------------------------|--|--|--|
| Initiated Positions       | \$1,000,000                                | \$1,000,000                                | \$1,000,000  |
| Value as of Sept 2018     | \$1,922,293                                | \$30,581,479                               | \$115,708,018                                      |
| Return as of Sept 2018    | 92.2%                                      | 2,958%                                     | 11,471%  |
| Annualized Rate of Return | 1.86%                                      | 9.42%                                      | 13.3%  |

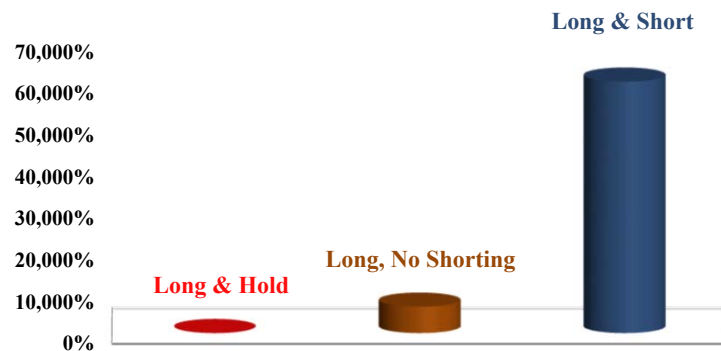
# Performance of Silver Research Intermediate Recommendations

## Research Recommendations for Silver



### Silver Investment Portfolio Returns on Three Strategies

As of September 2018 from Initial Investment of \$1 Million in December 1980



|                           | <u>Portfolio 1</u><br>Bought and Held Silver | <u>Portfolio 2</u><br>Bought and Sold Silver | <u>Portfolio 3</u><br>Bought, Sold, & Shorted Silver |
|---------------------------|--|--|--|
| Initiated Positions       | \$1,000,000                                  | \$1,000,000                                  | \$1,000,000  |
| Value as of Sept 2018     | \$1,042,944                                  | \$64,436,053                                 | \$601,811,259  |
| Return as of Sept 2018    | 4.3%   | 6,344%                                       | 60,081%  |
| Annualized Rate of Return | -0.34%                                       | 11.59%                                       | 18.8%  |

## Short Term CPM Trade Recommendations: Hypothetical Returns

CPM Group Gold Trade Recommendations and Hypothetical Returns on Shorter Term Investing. Based on CPM short-term recommendations published on Goldex App.

Results for Trade Recommendations 13 July 2018 through 2 January 2019

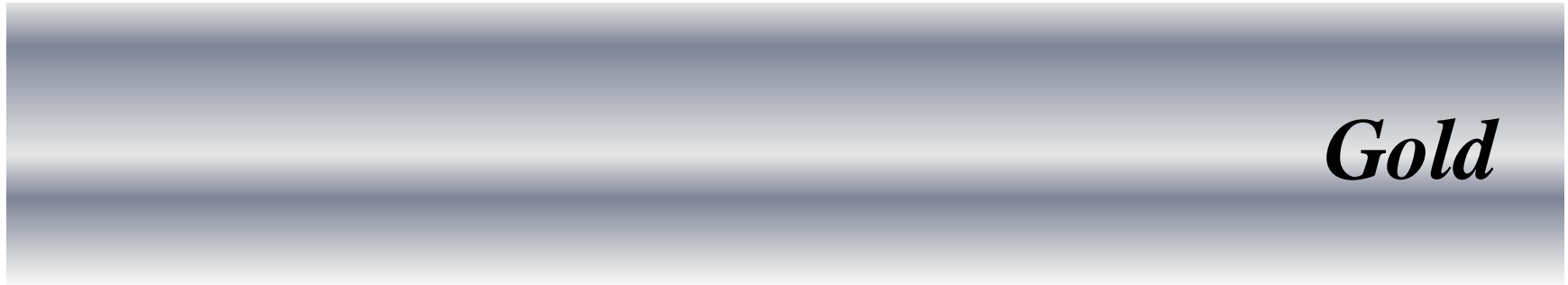
- Average number of trading days positions were held 4.0
- Total Return \$88.80
- Average percentage return per trade 0.38%
- Total return as percentage of \$1,241.80 at program inception 7.2%

Direction, Percent of Total

- Buy 65.5%
- Sell 31.0%
- Stand Aside 3.4%
- Total number of Recommendations 29

*See Notes in Appendix.*





***Gold***

# What's Happening In Gold

Gold prices actually have performed as they should have been expected.

The idea that gold prices ought to be higher is nonsense, based on misunderstanding of economic and political conditions, and gold market fundamentals.

There is ample gold for investors, but investors are waiting to buy.

Investors have bought reduce amounts of gold in the past two years, dissatisfied with price performance and distracted by better performing assets.

Central banks have bought more gold in 2018, taking advantage of the lower prices.

# What Happens To Gold, Short and Long Term

Gold prices are likely to rise modestly in 2019, more sharply at some future time.

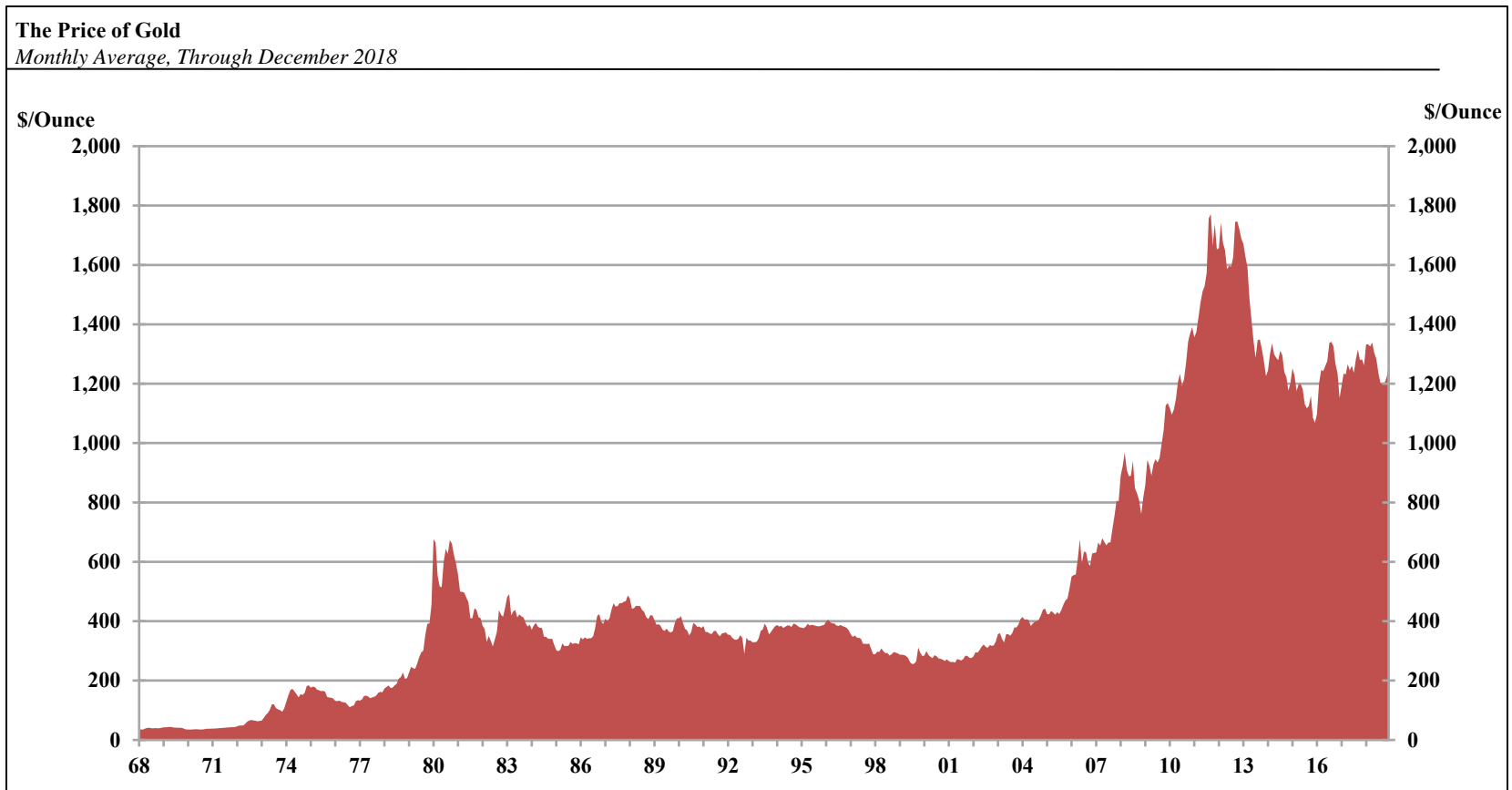
Most of the rationales you hear about why gold prices must rise sharply soon are not based on reality.

Market participants are reading the tea leaves for confirmation of their beliefs, not for comprehension of content.

Even so, prices are likely to rise sharply at some point. It may be beyond 2019, maybe beyond 2020. CPM is looking toward 2023 – 2025.

# Gold Prices Through The Ages

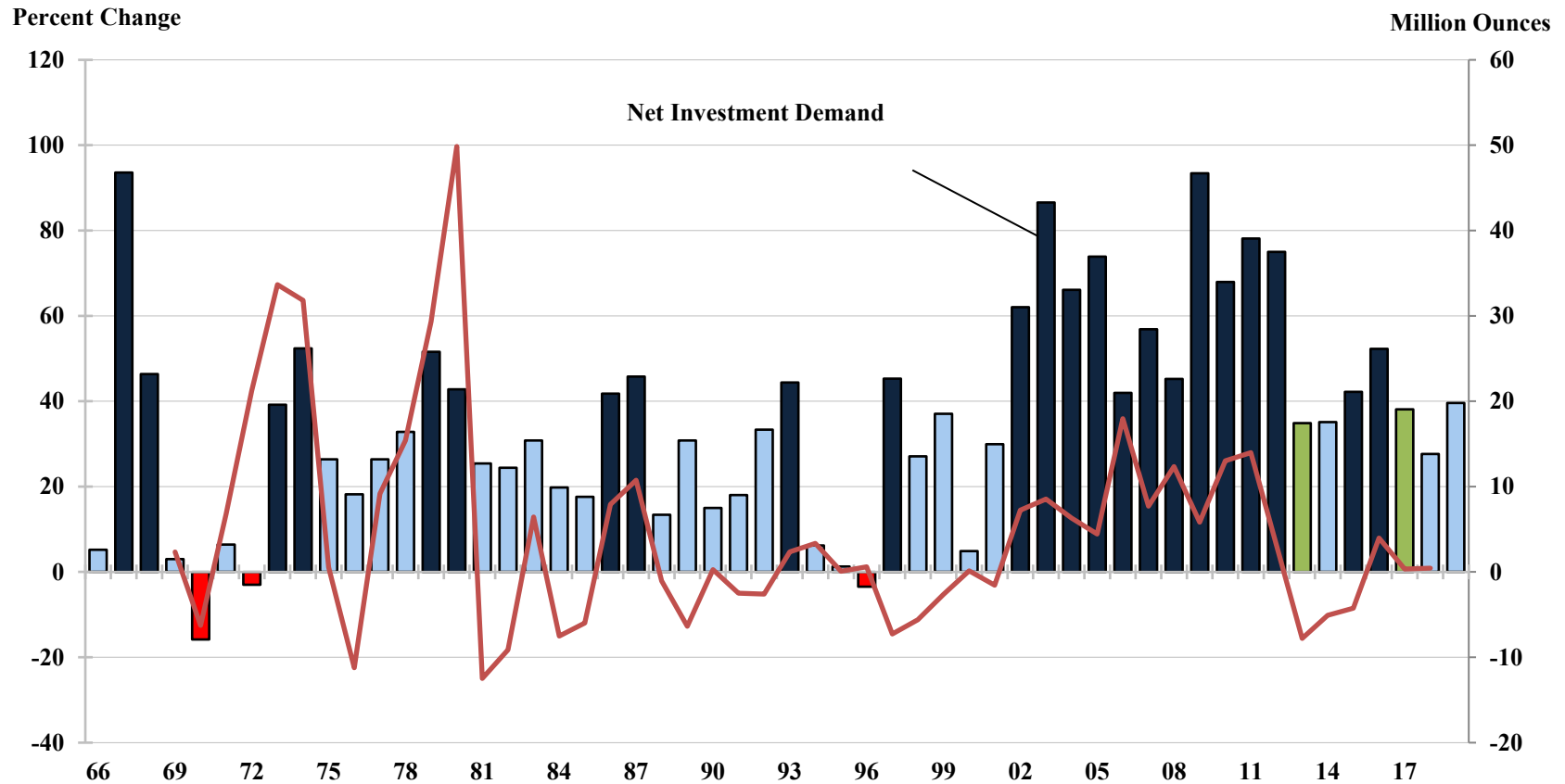
Gold prices rise sharply every few decades, and then they subside, but not to their earlier levels.



# Gold Investment Demand

## Gold Investment Demand

Annual, Investment Demand Projected Through 2019, Prices Through 2018



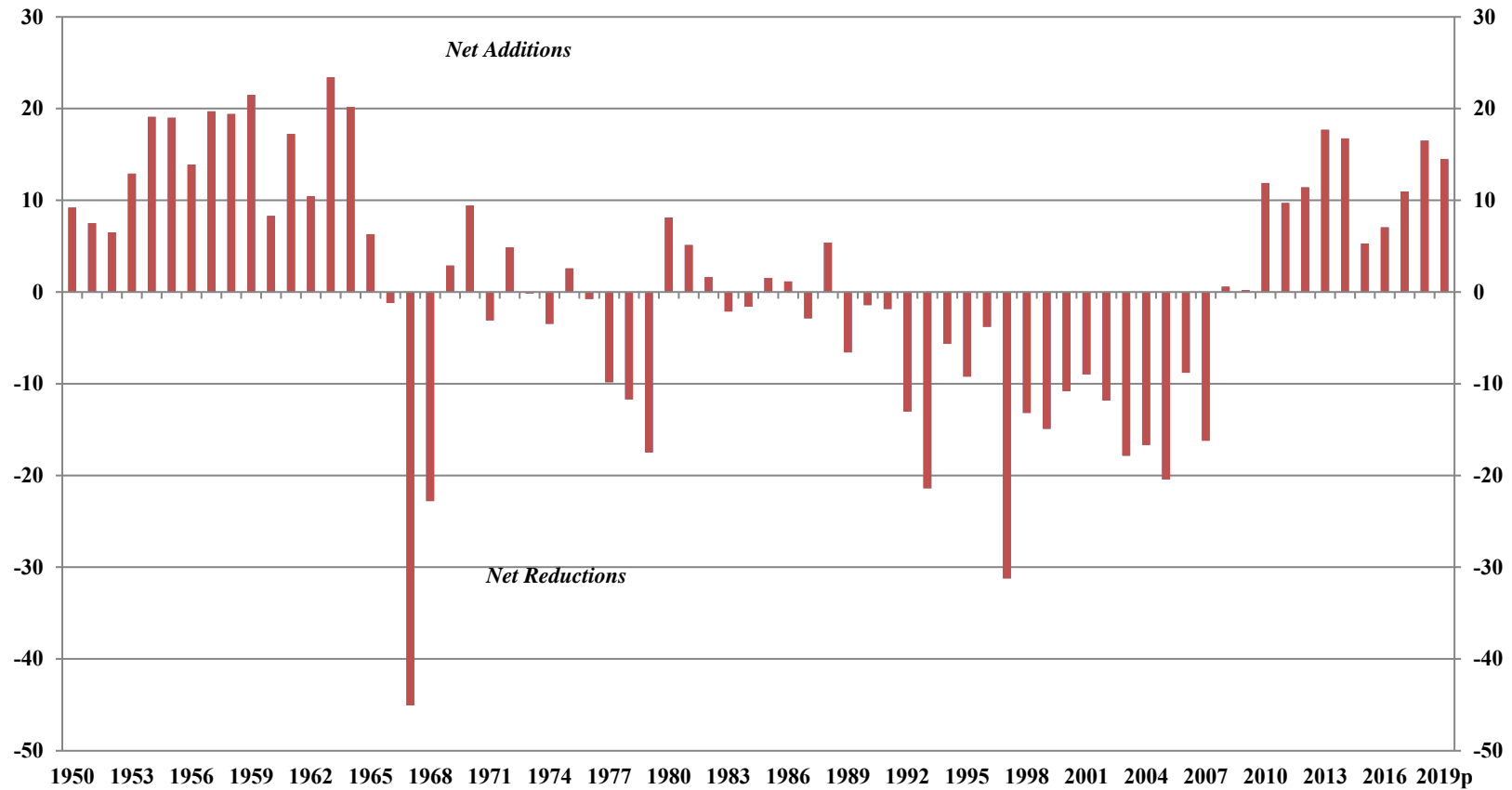
# Official Gold Transactions

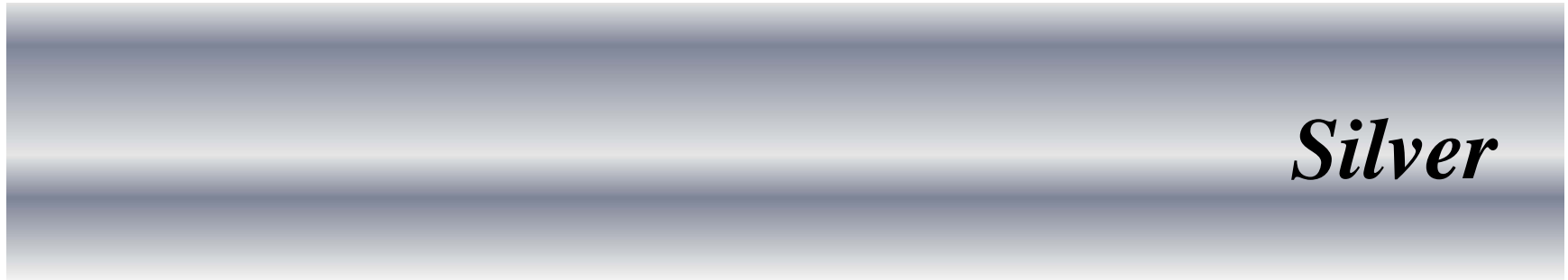
## Official Transactions: Net Central Bank Gold Purchases and Sales

Annual Data, Projected Through 2019

Million Ounces

Million Ounces



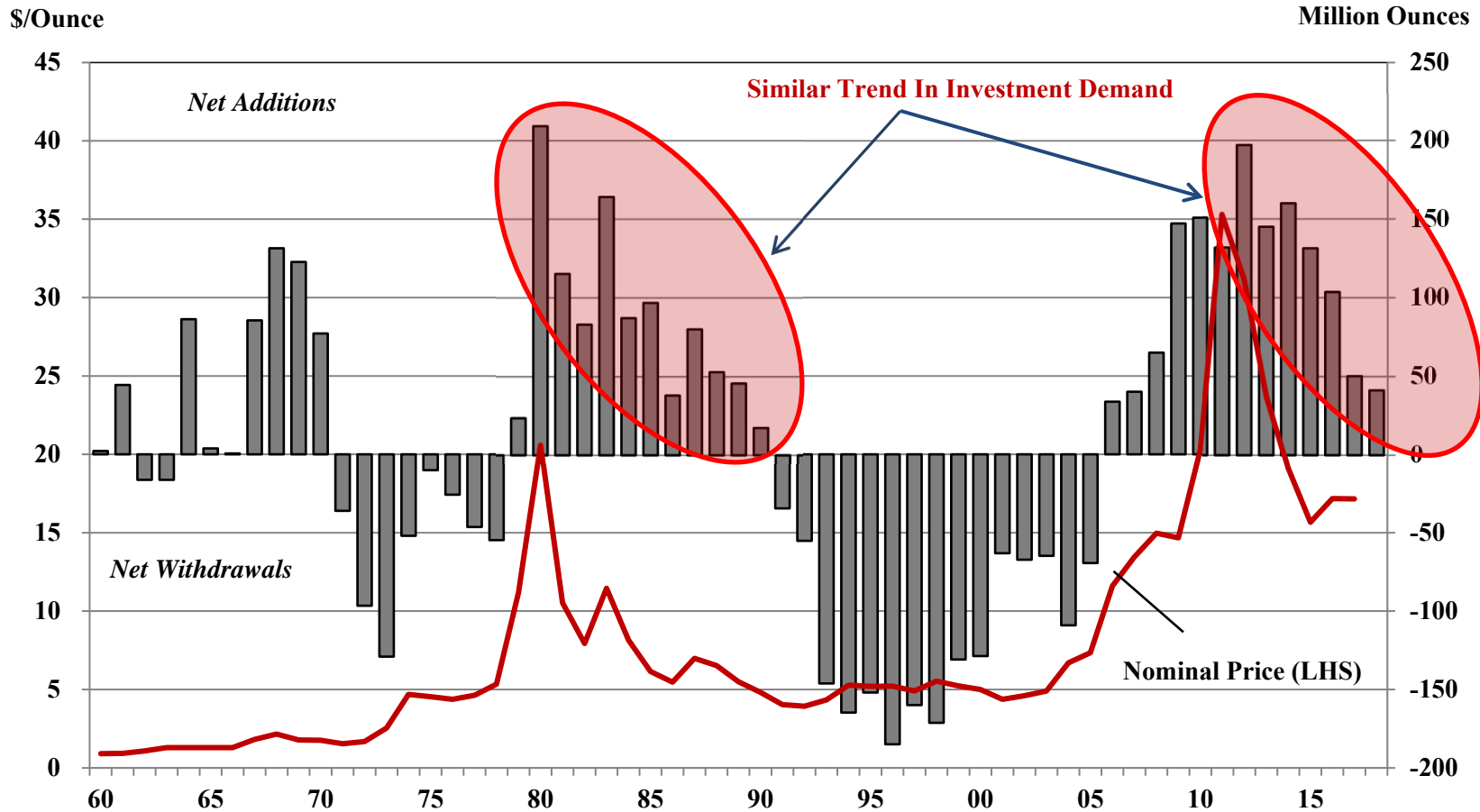


*Silver*

# Investors Are Buying Less Silver

## Silver Market Balance – Net Changes In Inventories

Annual, Projected Through 2018. Prices through 2017.



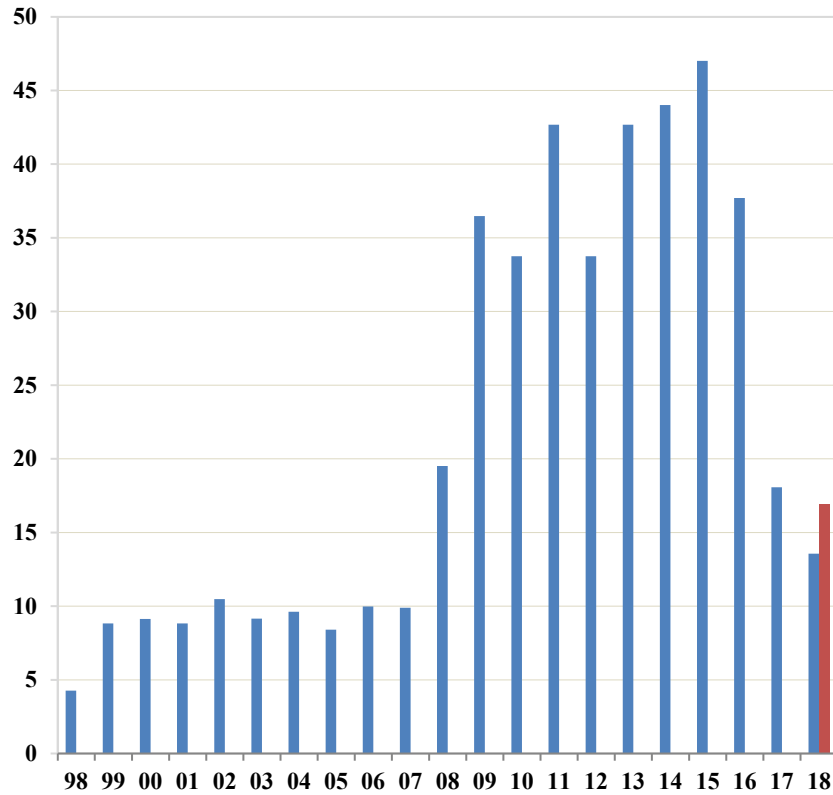


# Silver Coin Sales Have Slumped

## Annual U.S. Mint Silver Coin Sales to Dealers

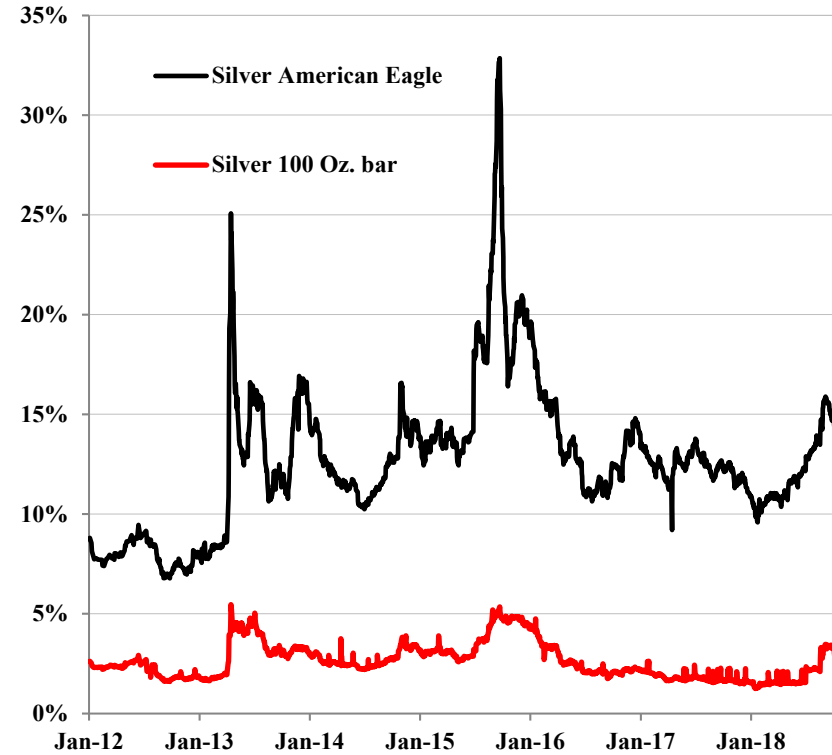
October 2018

Million Ounces



## Dealer Premia on U.S. Mint Silver Coins

Daily Data through 31 Oct. 2018

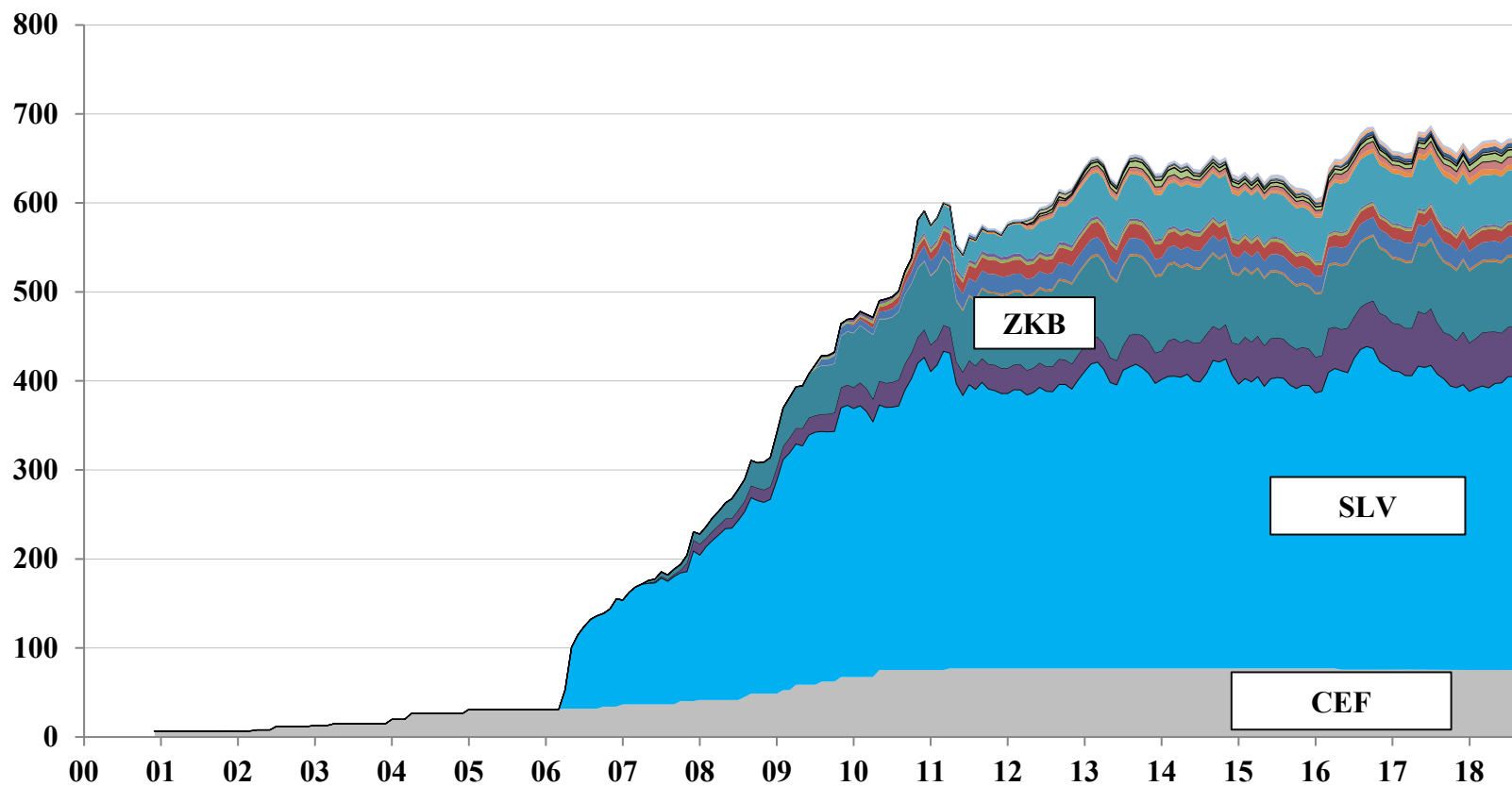


# Silver ETFs Holding On

## Monthly Silver ETP Holdings

October 2018

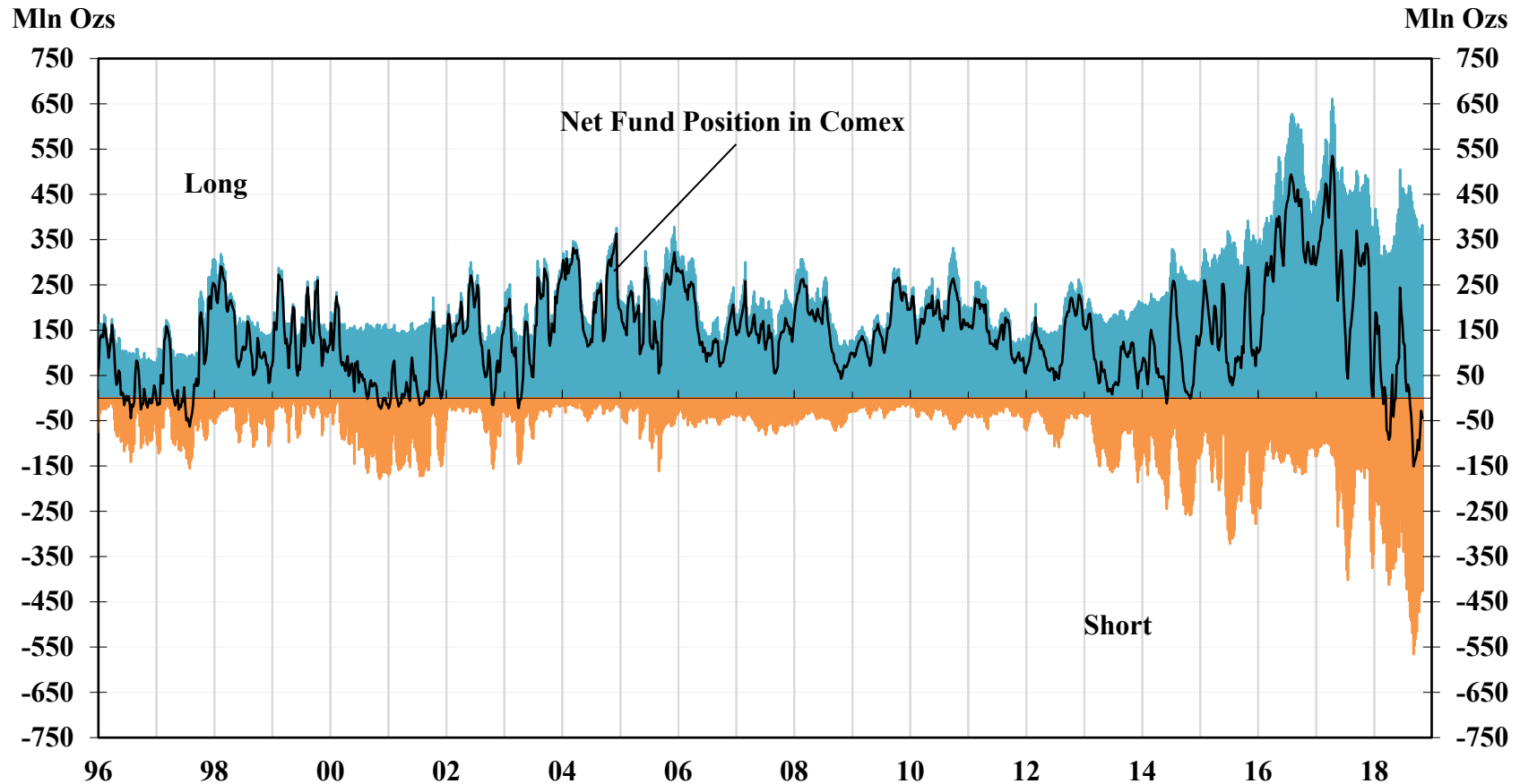
Mln Oz



# Institutional Investors Remain Net Short Silver

## Non-Commercial Gross Long and Short Silver Positions

Comex Futures & Options. Weekly Data, Through 30 Oct. 2018



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# *Appendix*

# Notes on Hypothetical Returns Statistics

## *Notes related to data on page 10.*

Hypothetical returns are based on actual published CPM Group Trade Recommendations. The prices are based on Comex nearby active futures contract prices. The actions of investors based on these Trade Recommendations are not known to CPM. Thus, all of these Outcomes and Potential Profits and Losses are HYPOTHETICAL. If a target prices is reached during the time frame, the position is calculated either at the time a new Recommendation is issued or at the day's close. If a target price is not reached, then the settlement prices on the last day of the target range is used as the outcome prices at the end of the trading period. Outcome time stamps are estimated and applied from 8 a.m. to 5 p.m. NY time. These are static, mechanical recommendations. CPM and other investor groups would traded within the five days, possibly closing out positions if they were profitable before the end of the targeted time frame, and possibly modifying positions if prices moved adversely to the strategy.

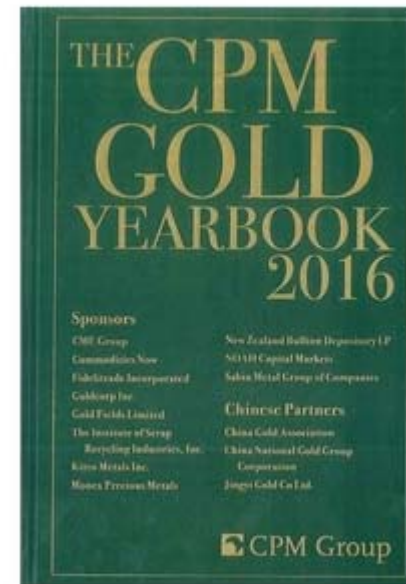
*Last update 3 January 2019*

*CPM Group*

# Research-Driven Research and Consulting

Thank You.

- Research
- Consulting
- Asset Management
- Commodities Management
- Investment Banking Advice



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**Perspective Flies Out The Window**

*This month's report has two articles up front. The first concerns the volatility that has rattled all financial markets, and some governments, over the past month. Much of the volatility originated in changes the Chinese government and People's Bank of China (PBOC) initiated, beginning in July but becoming more apparent in August. Many of these changes will bear long-term positive fruit. The shift to a new world paradigm for financial and monetary markets caught a lot of investors by surprise, however. Furthermore, the changes and the market reactions spawned an obscene amount of totally preposterous and over-sized fears in global commodities, equities, fixed income, and currency markets.*

*The first article deals with precious metals markets over the past month, and where they are likely to head.*

*The second article focuses on the immediate and long-term implications for gold markets and prices of a major shift in the PBOC's posture toward gold.*

After falling sharply in July and early August, precious metals prices recovered by the end of the month. Gold prices had the strongest recovery, finishing the month at \$1,132, up from \$1,085.30 on 5 August, the lowest settlement price since February 2010, and up from \$1,094.90 on 31 July 2015. Other precious metals prices were also up from the lows that they reached during the first few days of August, but silver and palladium remained below their settlement prices at the end of July while platinum rose 2.6% over the course of August to \$1,010.50 from the end of July.

The rebound in gold prices, primarily, reflected investors covering previously established short positions. There was some increase in fresh long demand, but most of the buying seemed to be from investors buying back their short positions. Total open interest on the Comex gold futures market dropped -7.4% from the low of gold prices on 24 July to 1 September.

**Report Contents**

|                               |                                   |         |
|-------------------------------|-----------------------------------|---------|
| Perspective Flies Out The Win | Platinum.....                     | p.20    |
| down.....                     | Palladium.....                    | p.28    |
| Price Targets.....            | Pt Shortness.....                 | p.45    |
| Gold.....                     | Precious Metals Price Tables..... | p.46    |
| SIEM.....                     | Equities & Metals Tables.....     | p.47-48 |

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