



# Gold Yearbook 2018



CPM Group

New York, NY  
27 March 2018

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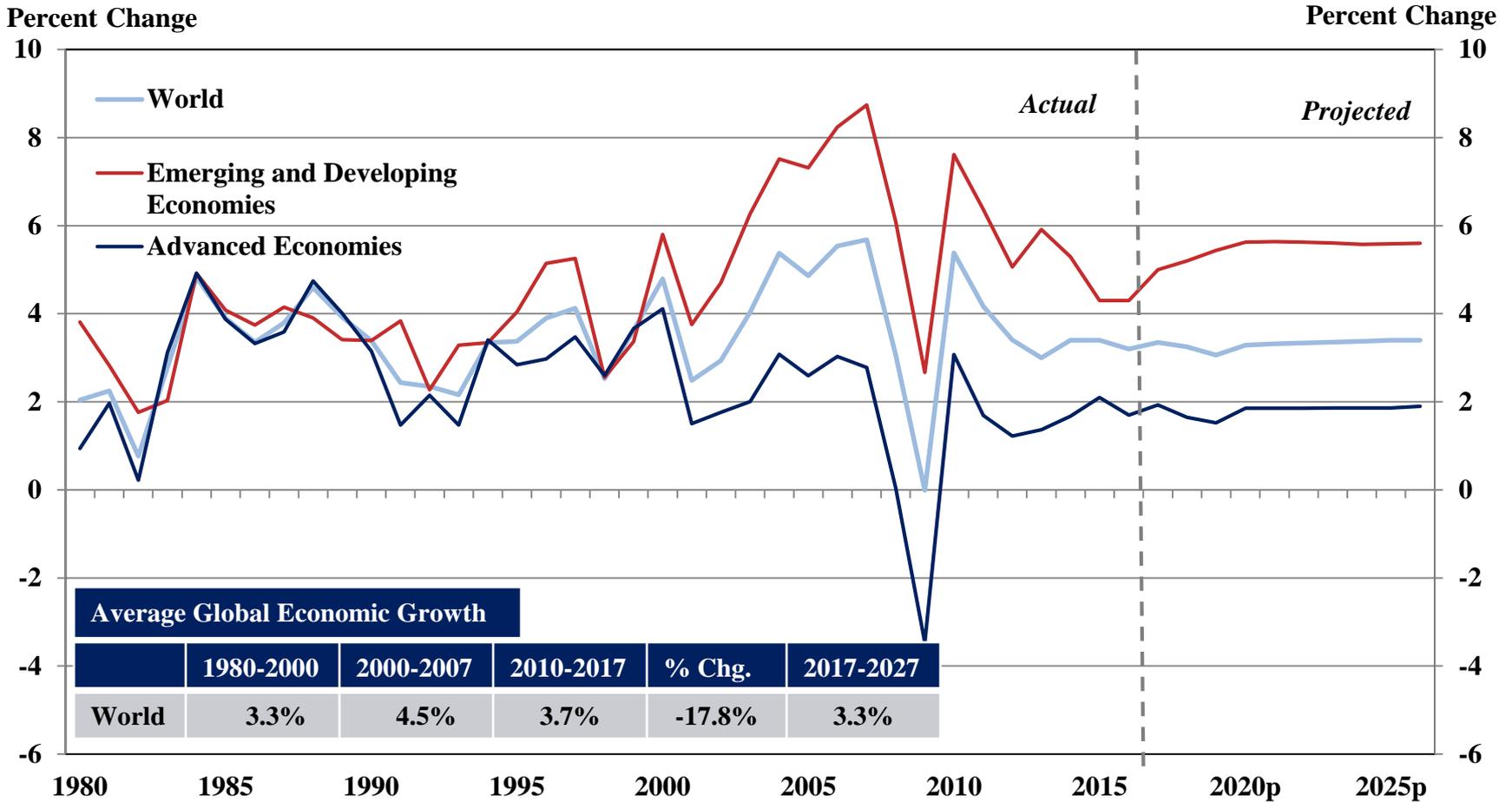
# Gold Prices

Gold Prices: 1 December 2010 to 26 March 2018



# Global Economic Growth

**Real Gross Domestic Product**  
Annual, Projected Through 2027



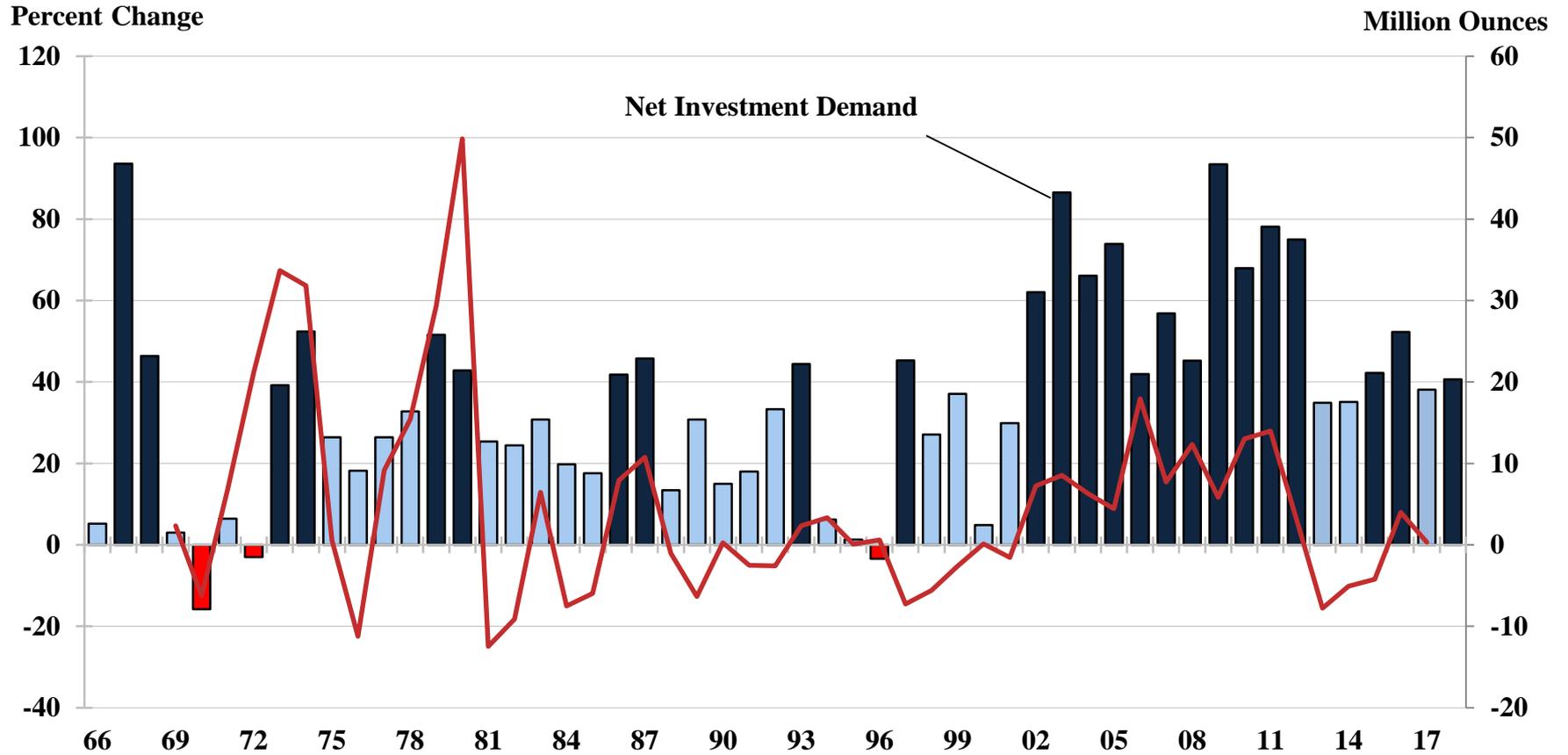
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# *Investment Demand*

# Net Investment Demand

## Gold Investment Demand

Annual, Investment Demand Projected Through 2018, Prices Through 2017



# **Interest Rates Are Rising But That's Not Necessarily Bad For Gold**

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Interest rates are rising in part because of the Fed and in part because investors are diversifying their portfolios away from U.S. Treasuries.

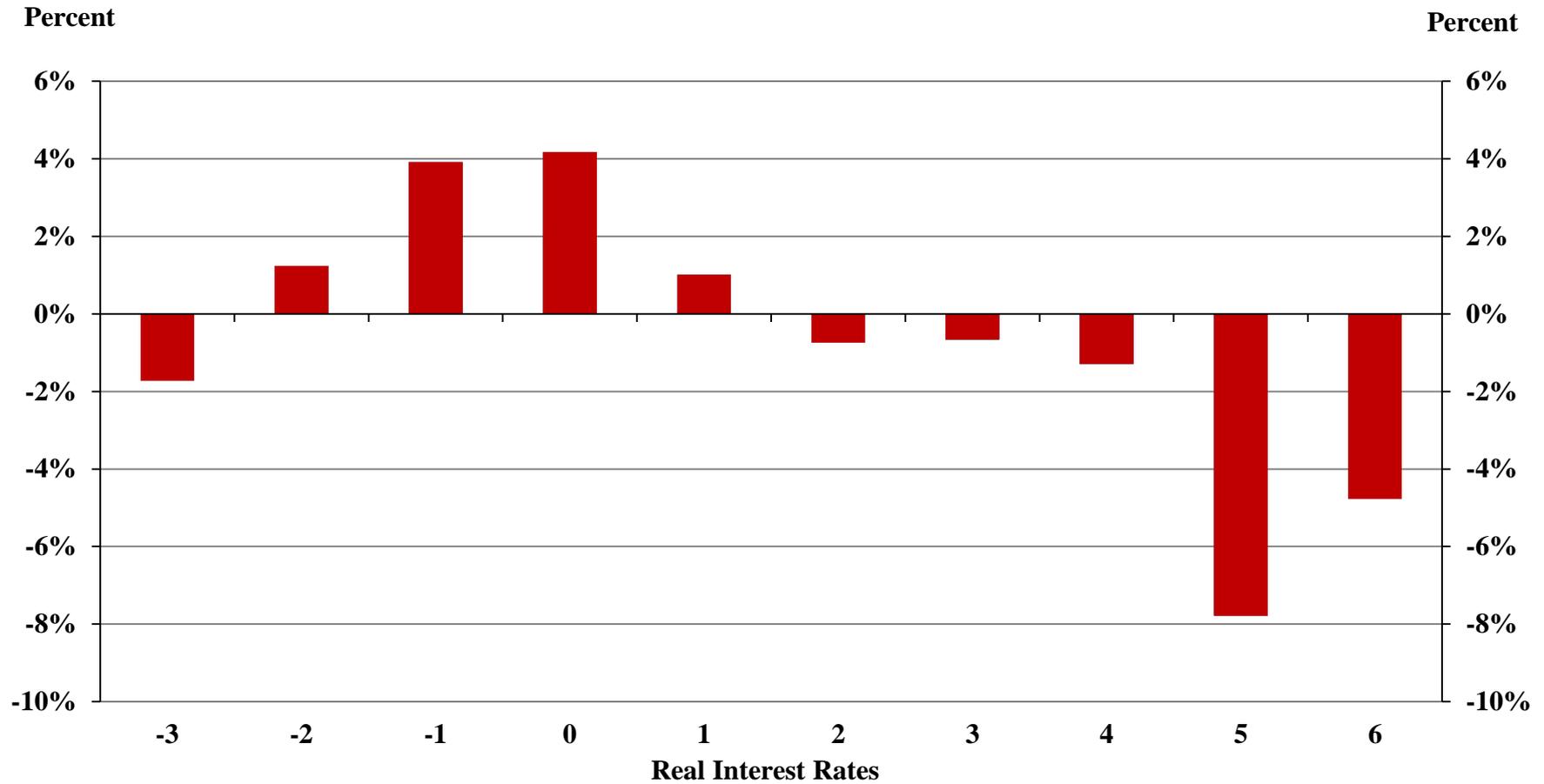
The reduction in demand for new Treasuries from the Fed and investors is coinciding with the need for the US Treasury to sell more securities to finance the ballooning federal deficit.

**While the interest rate increases may act as a mild headwind for gold prices, there are numerous factors that are expected to support gold prices and help them rise in spite of an increase in interest rates ranging from:**

- 1. Asset reallocation**
- 2. Relative value**
- 3. U.S. dollar**
- 4. Real interest rates**

# Gold and Interest Rates

Median Returns on Gold in Different Real Interest Rate Environments



# **Inflation Forecast To Rise Albeit Moderately**

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## **Tailwinds For Inflation**

- Global economy growing in unison for first time post Great Recession
- Ongoing strengthening of jobs market
- Relatively stronger oil prices
- Late stage fiscal stimulus in the United States
- Limited upside for US dollar
- Potential for trade wars

## **Headwinds For Inflation**

- There still is above average underemployment
- Technology continues to weigh on wage inflation
- Limited upside potential for oil prices
- Monetary policy normalization

**Regardless of CPM's views, markets are likely to respond to any signs of strength in inflation as a reason to purchase gold as an inflation hedge.**



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# *Indicators of Investment Demand*



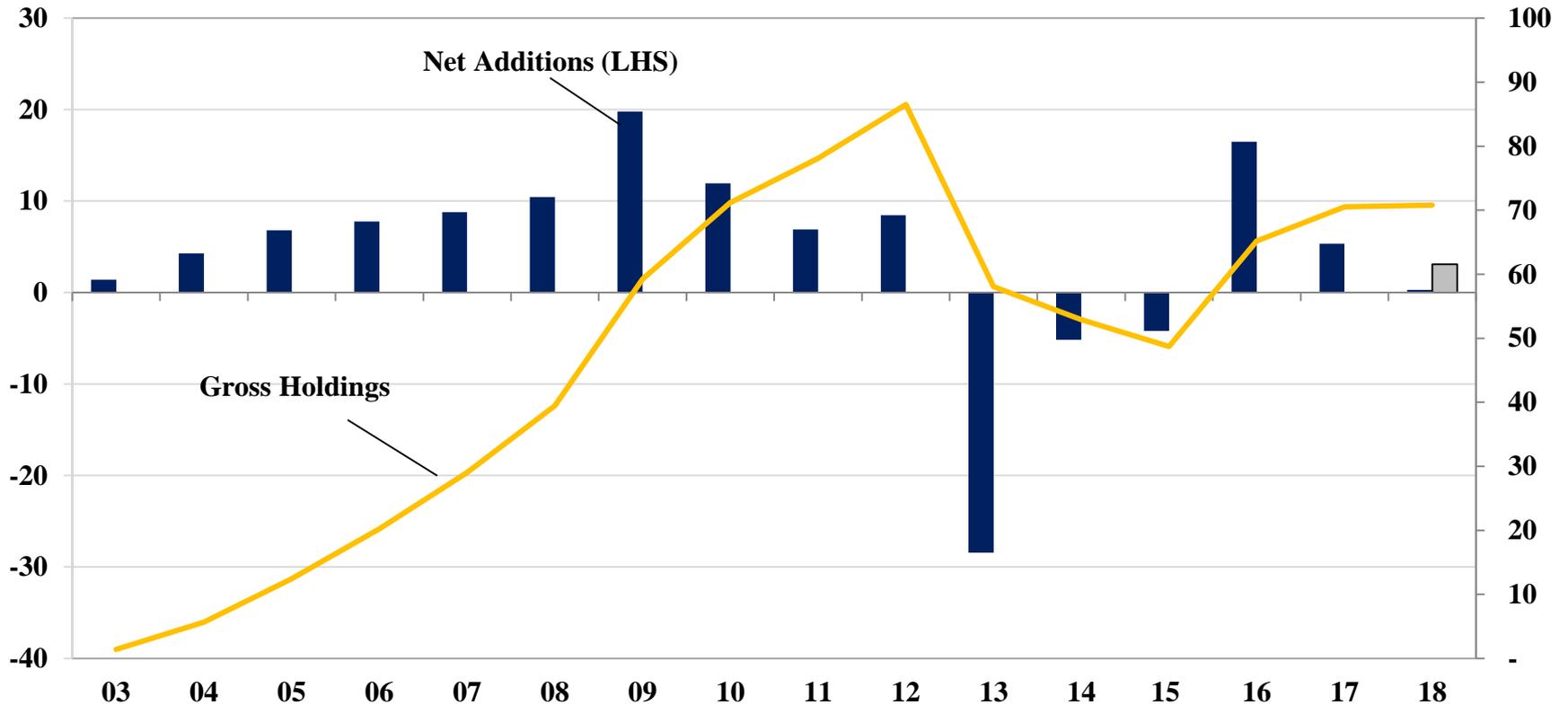
# ETFs Investors Slowed Purchases But Were Net Buyers

## Annual Net Changes to Gold ETP Holdings

Through February 2018

Net Additions Million Ounces

Gross Holdings Million Ounces



Note: Grey bar is net additions in 2017 for corresponding period in 2016.



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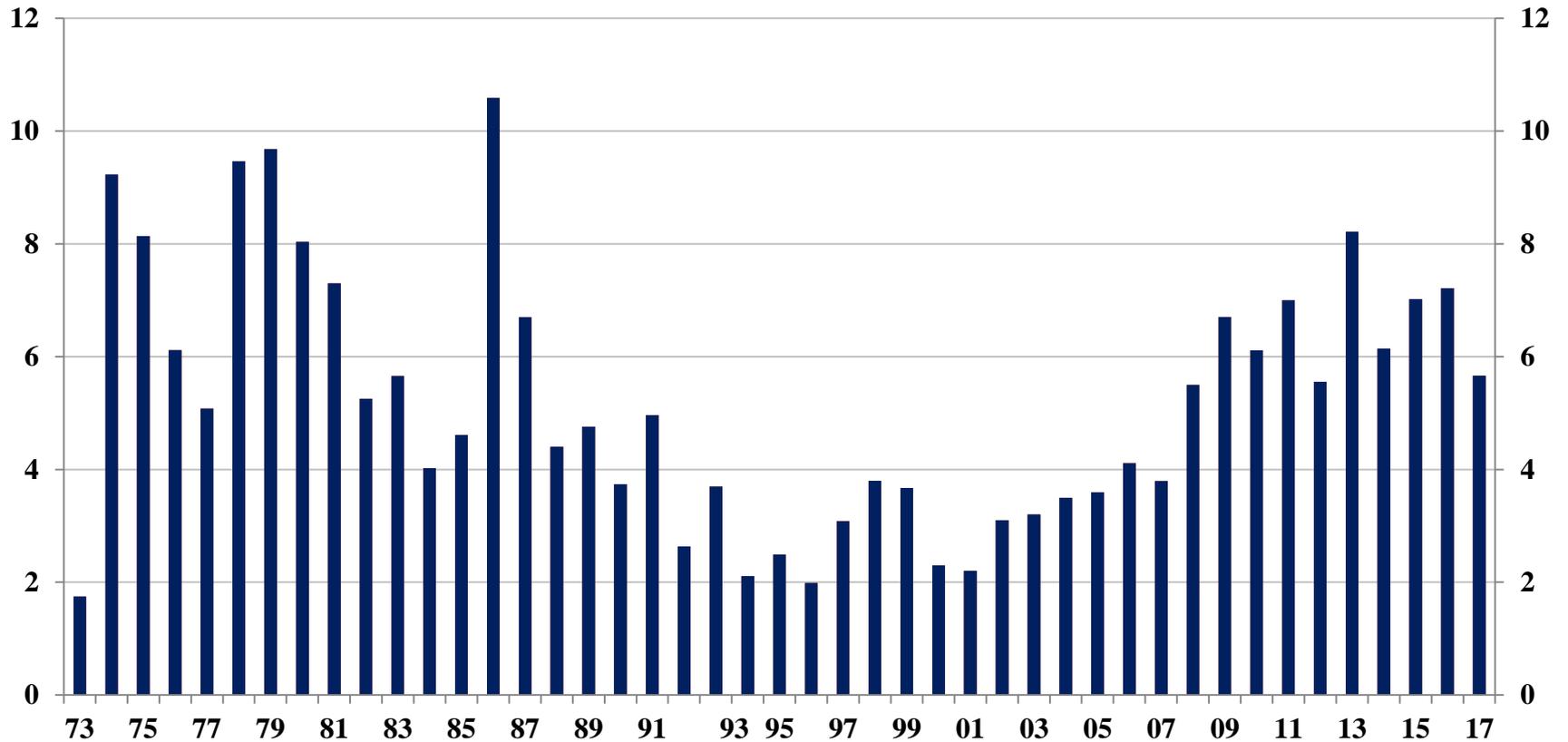
# Gold Coin Demand Slumps

## Gold Coin Demand

Annual, Through 2017

Million Ounces

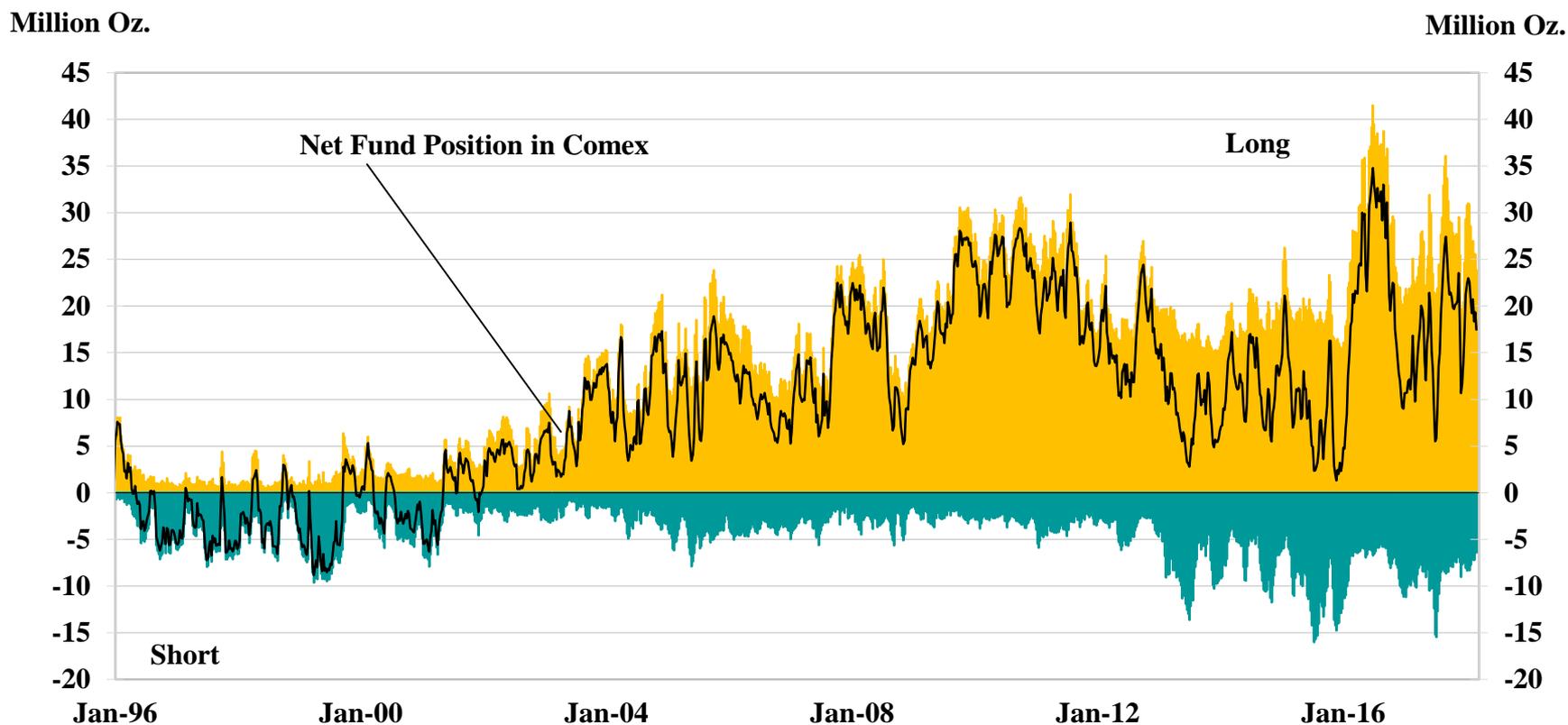
Million Ounces



# Net Long Positions Off Record Highs Reached In 2016. But Still Elevated.

## Gross Long and Short Positions of Non-Commercial Positions

Comex Gold Futures & Options. Weekly, through <sup>13</sup>Mar 2018



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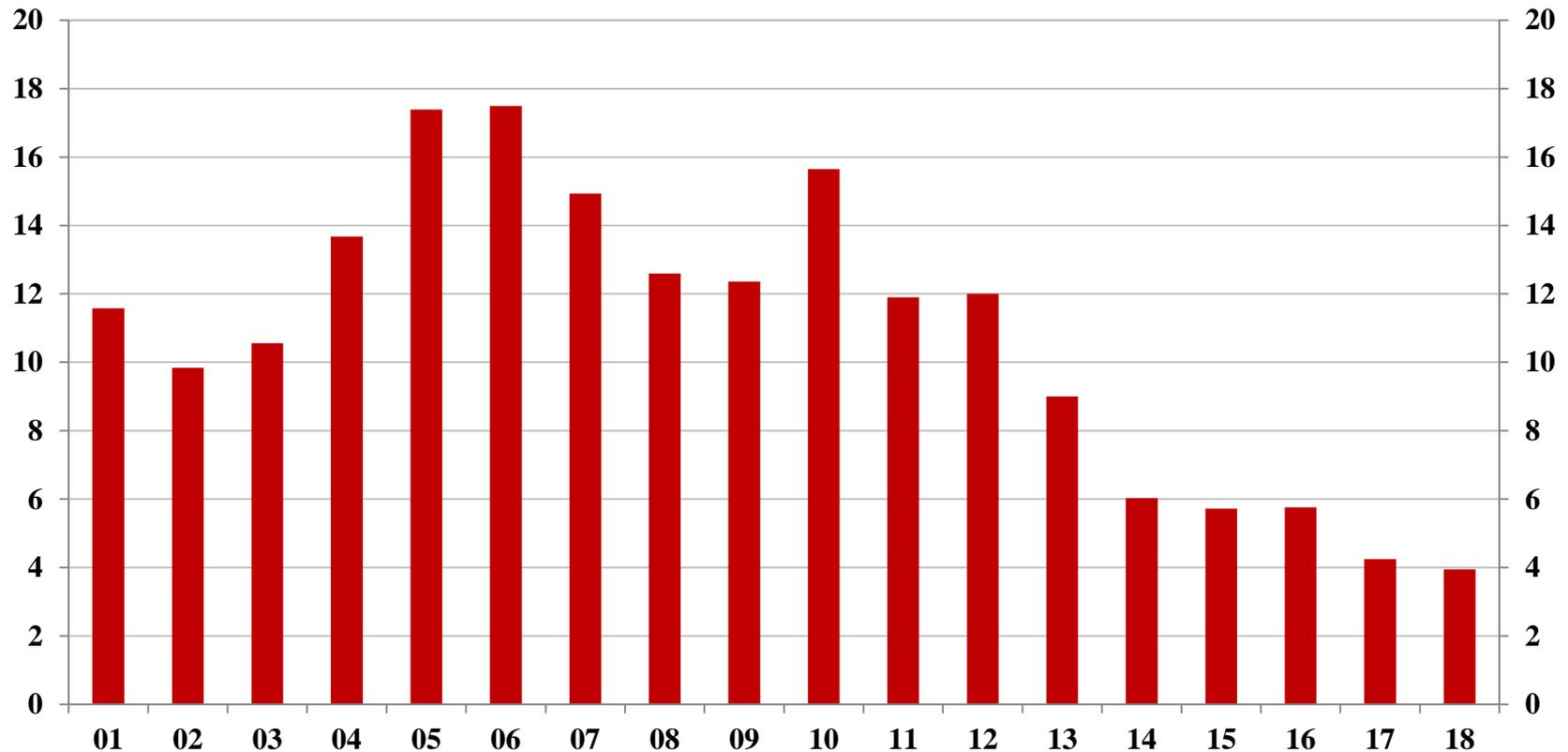
# *Indian and Chinese Investment Demand*

# Indian Gold Investment Demand In Long-Term Decline

## Total Indian Investment Demand

Million Ounces

Million Ounces

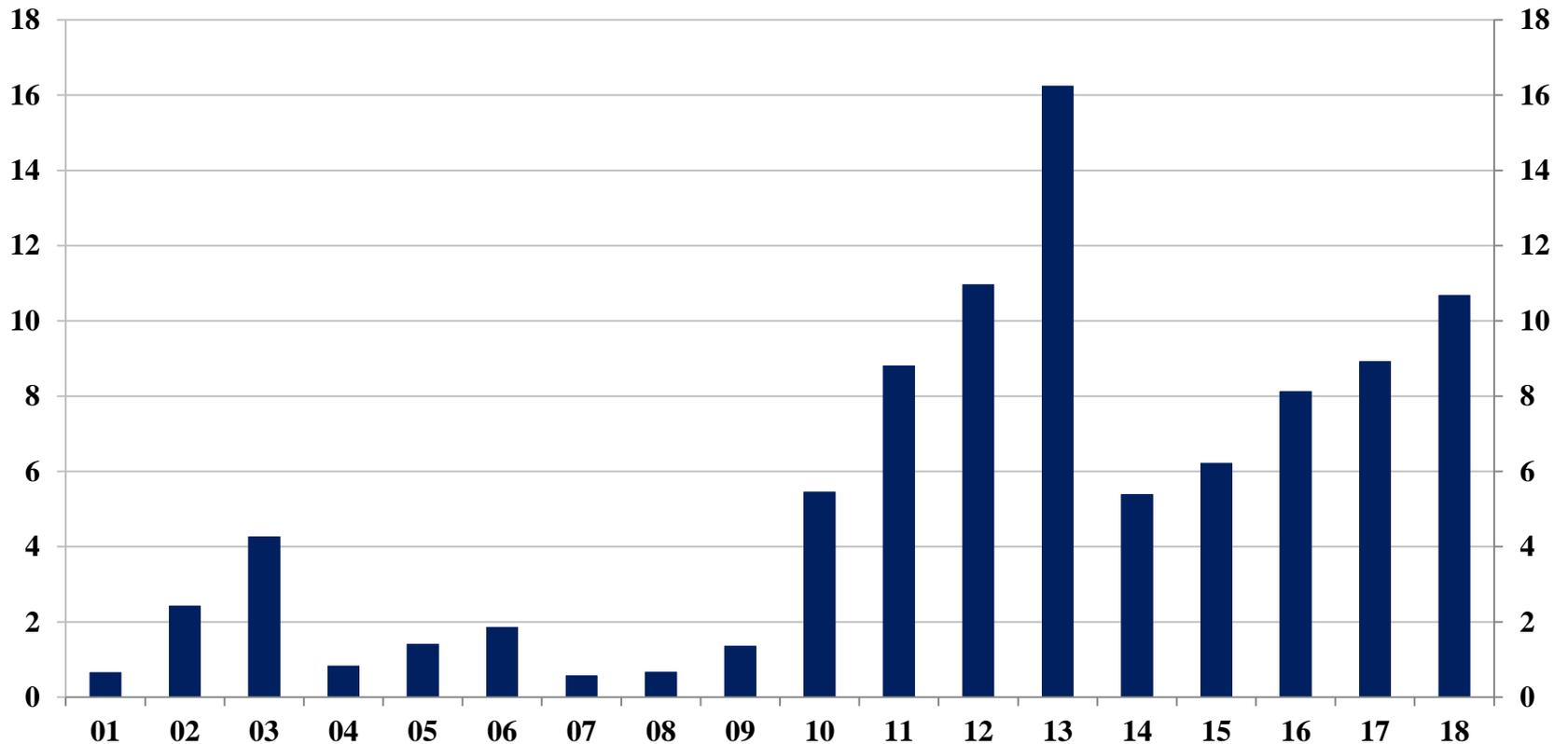


# Chinese Gold Investment Demand Down From 2013 Levels, But Rising

## Total Chinese Investment Demand

Million Ounces

Million Ounces



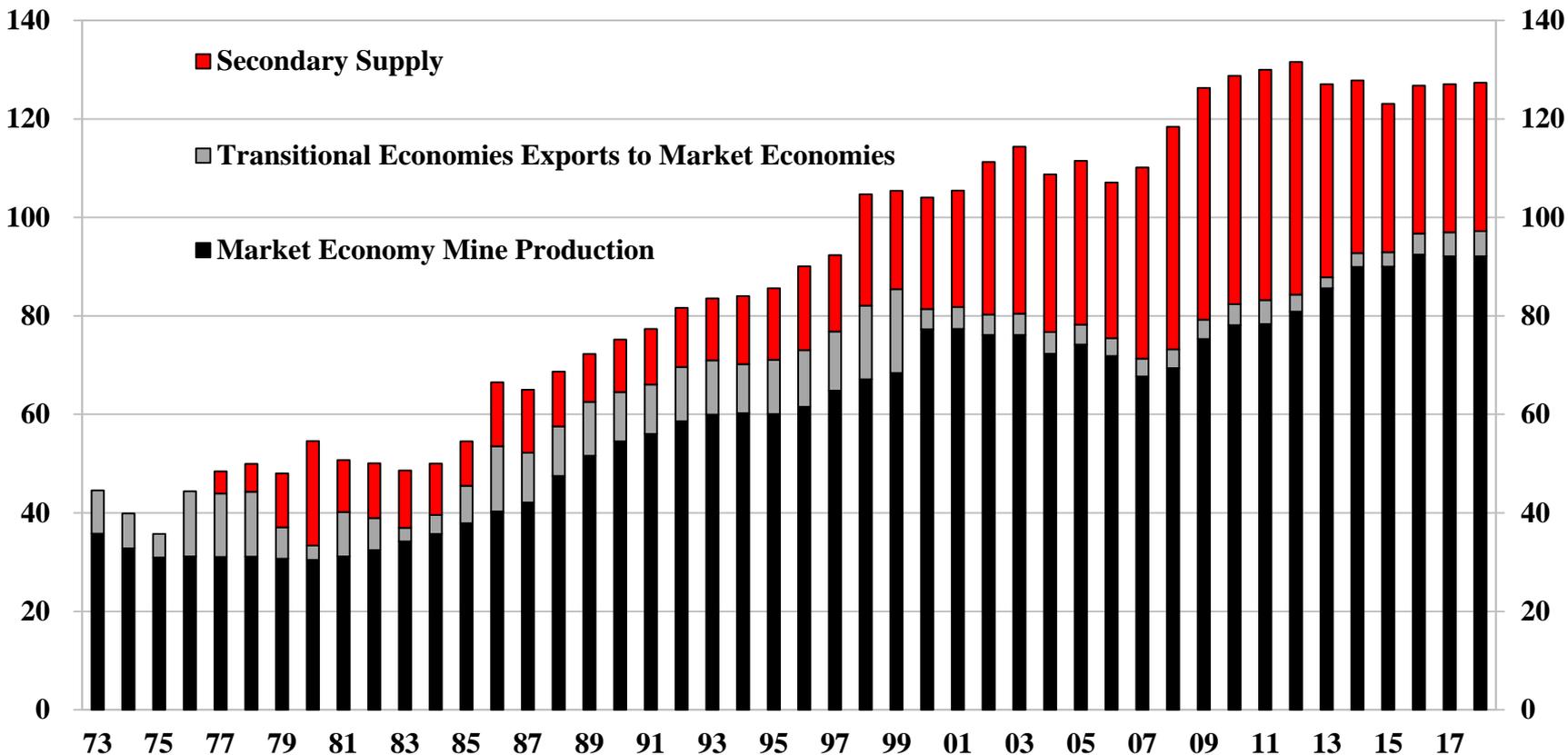
*Supply*

# Total Supply Continues To Creep Higher

## Total Gold Supply

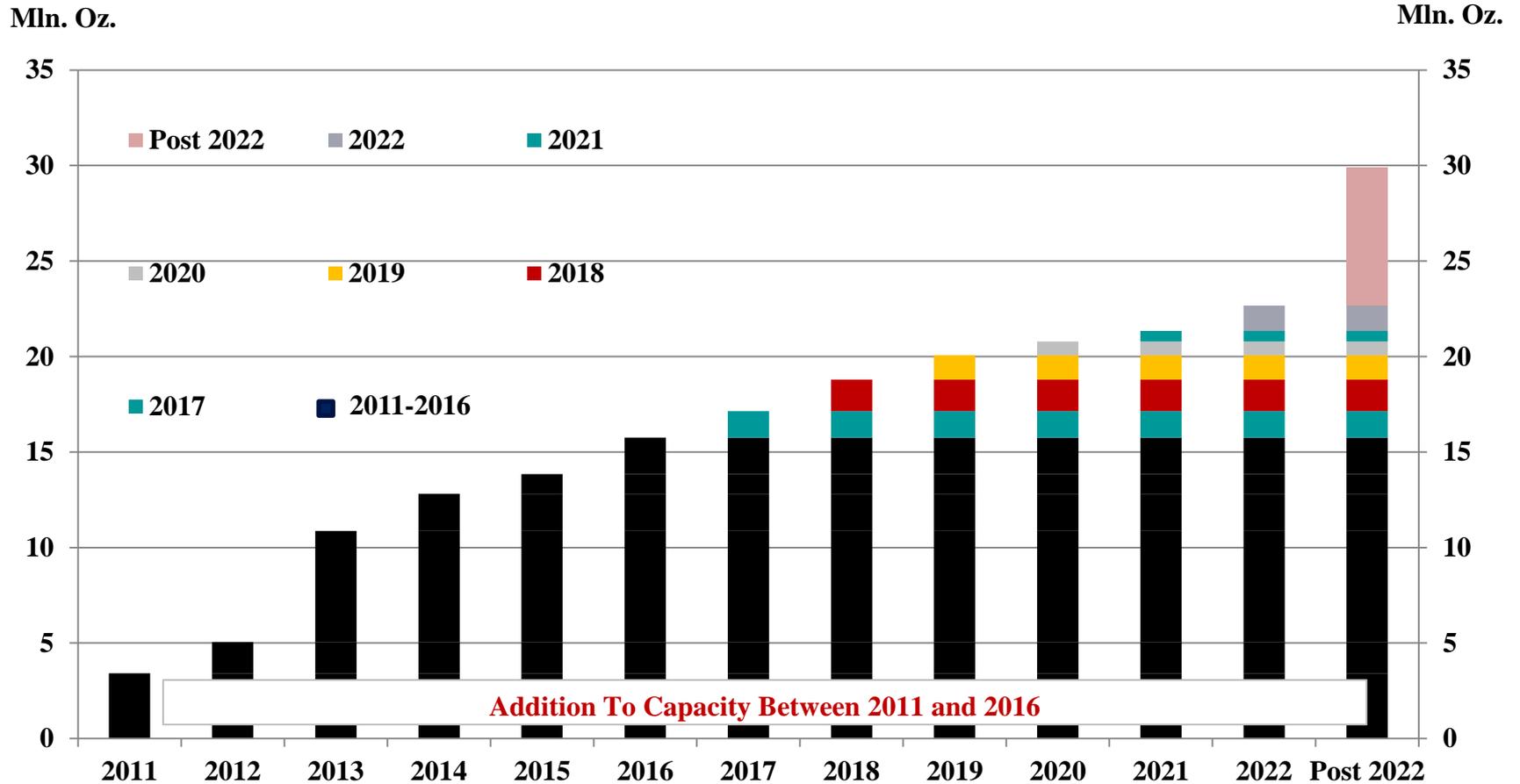
Annual, Projected Through 2018

Mln Oz



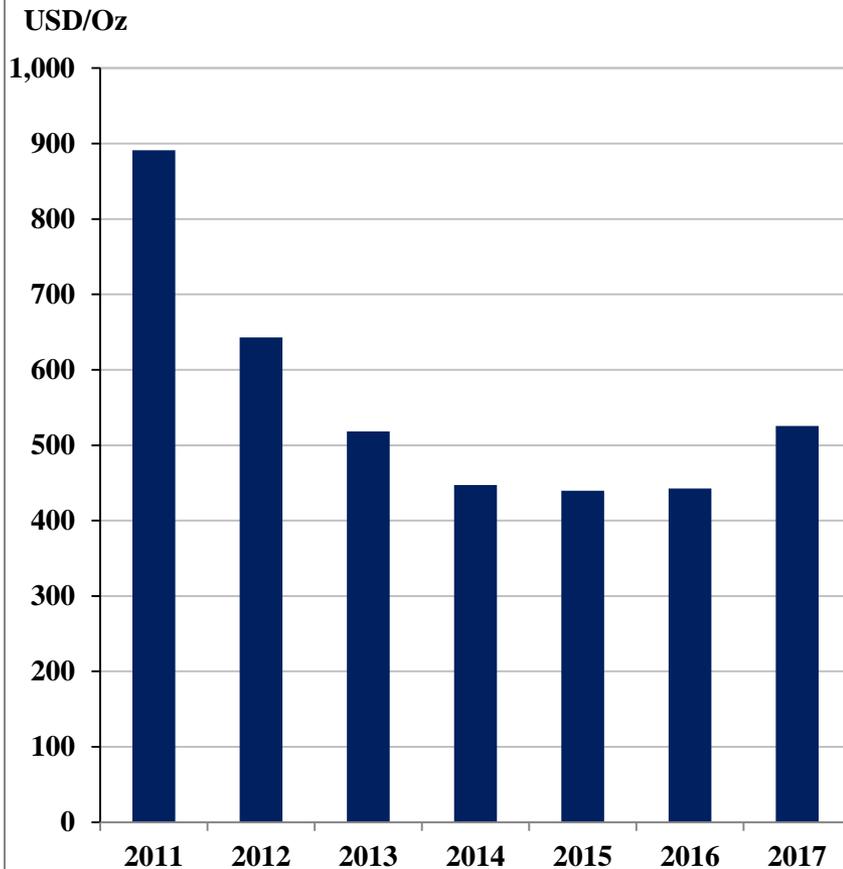
# New Capacity Fraction of Recent Mine Capacity Additions

Dec 2017: Estimated Total Annual Gross Gold Mine Production Capacity Additions Since 2011

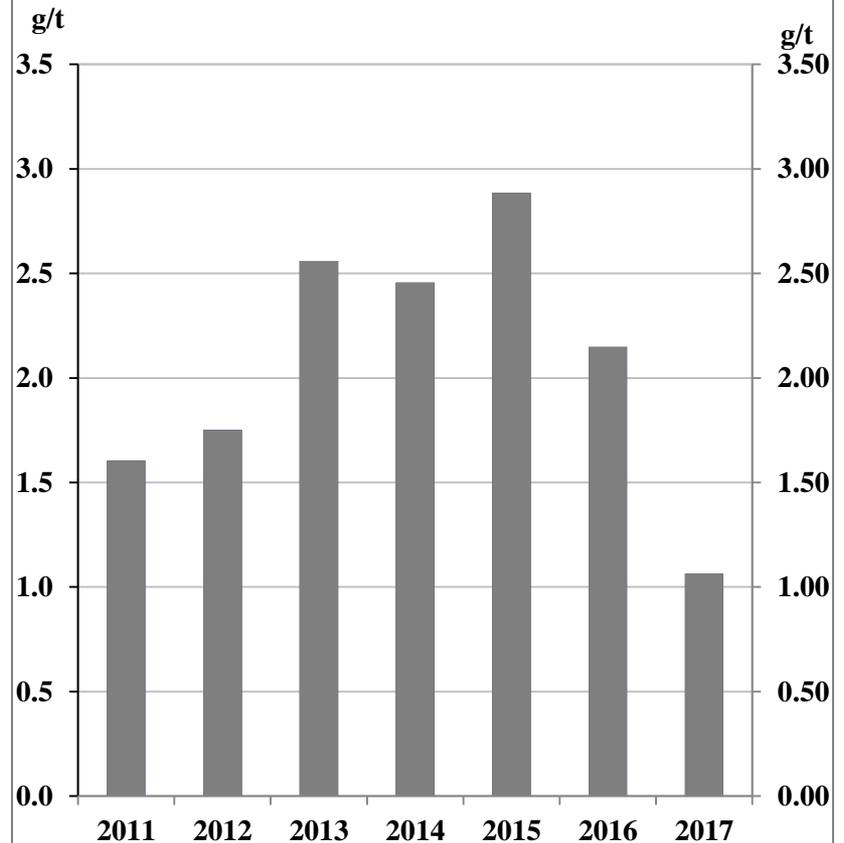


# Lower Cost Projects With Higher Grades Survived The Downturn

**Production Weighted Cash Costs of Recently Developed and New Projects**



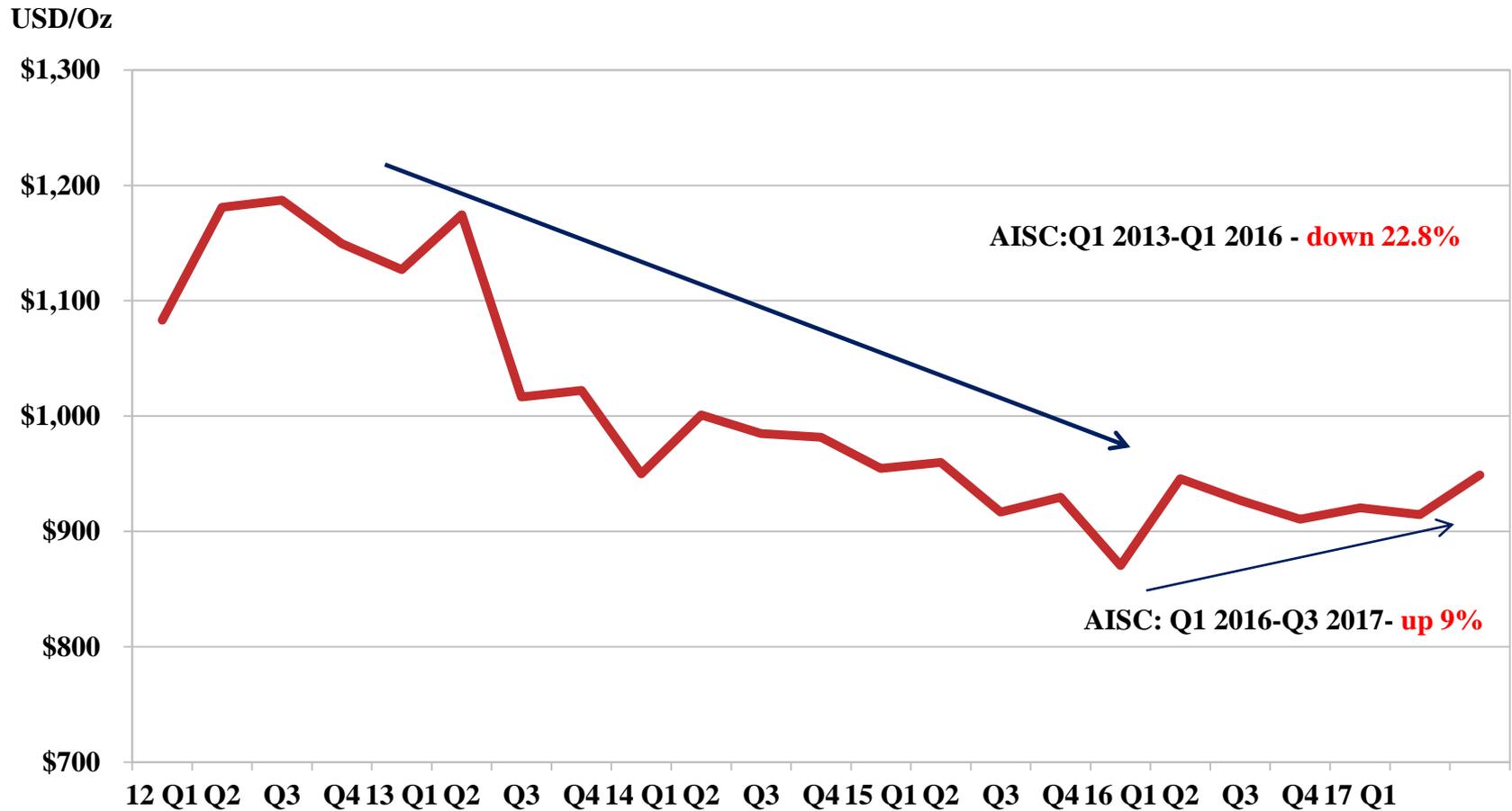
**Reserve Grade, Weighted by Reserves of Recently Developed & New Projects**



Note: Pretivim's Brucejack Project has been excluded from 2017 calculations as its high grade and large reserves skew 2017 figures sharply higher. Including Brucejack 2017 reserve grade would be 10.77 g/t on average.

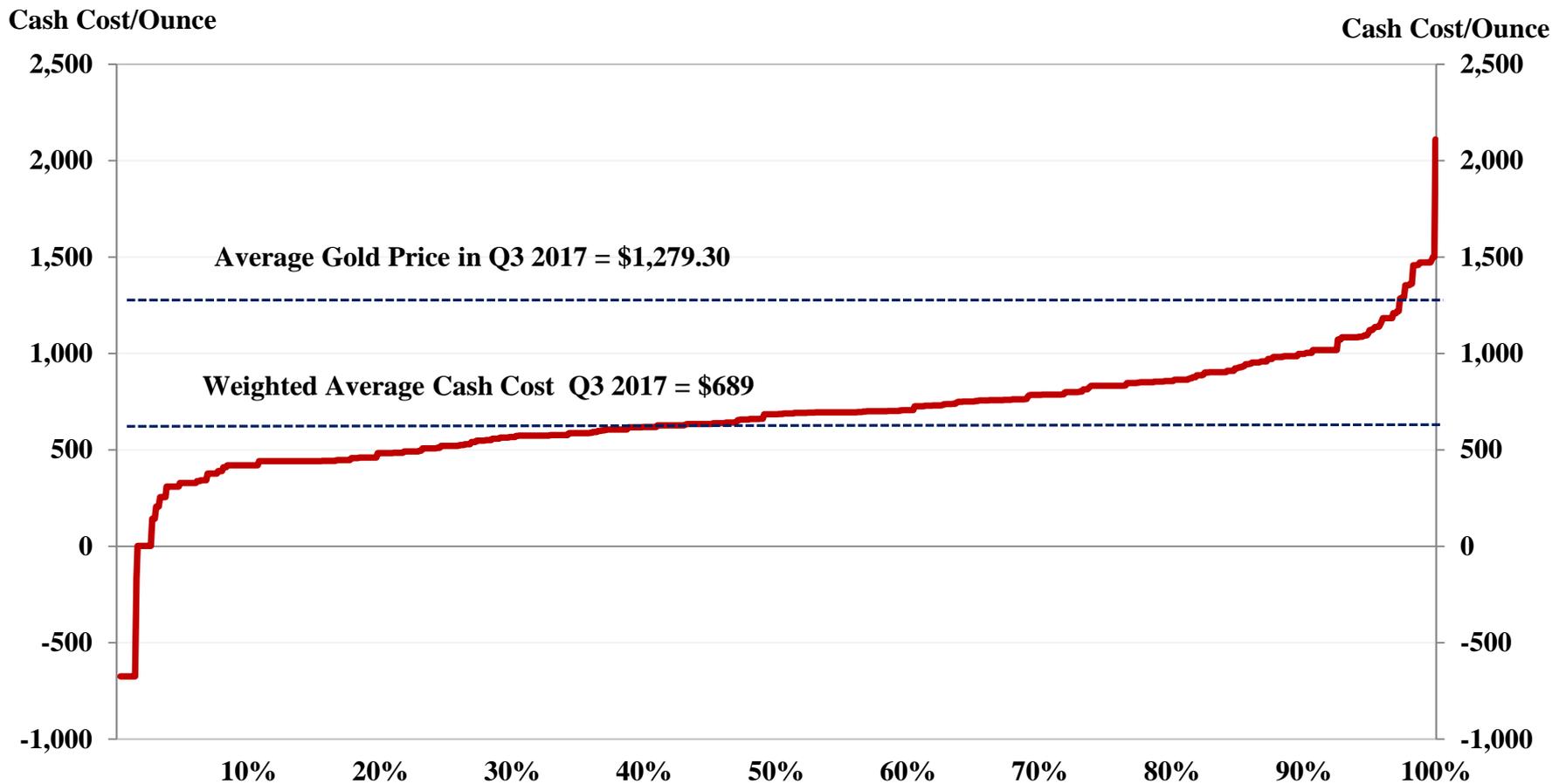
# AISC: At Highest Level Since Q2 2015

Production-Weighted All-In Sustaining Cost (AISC) For Selected Gold Mining Companies



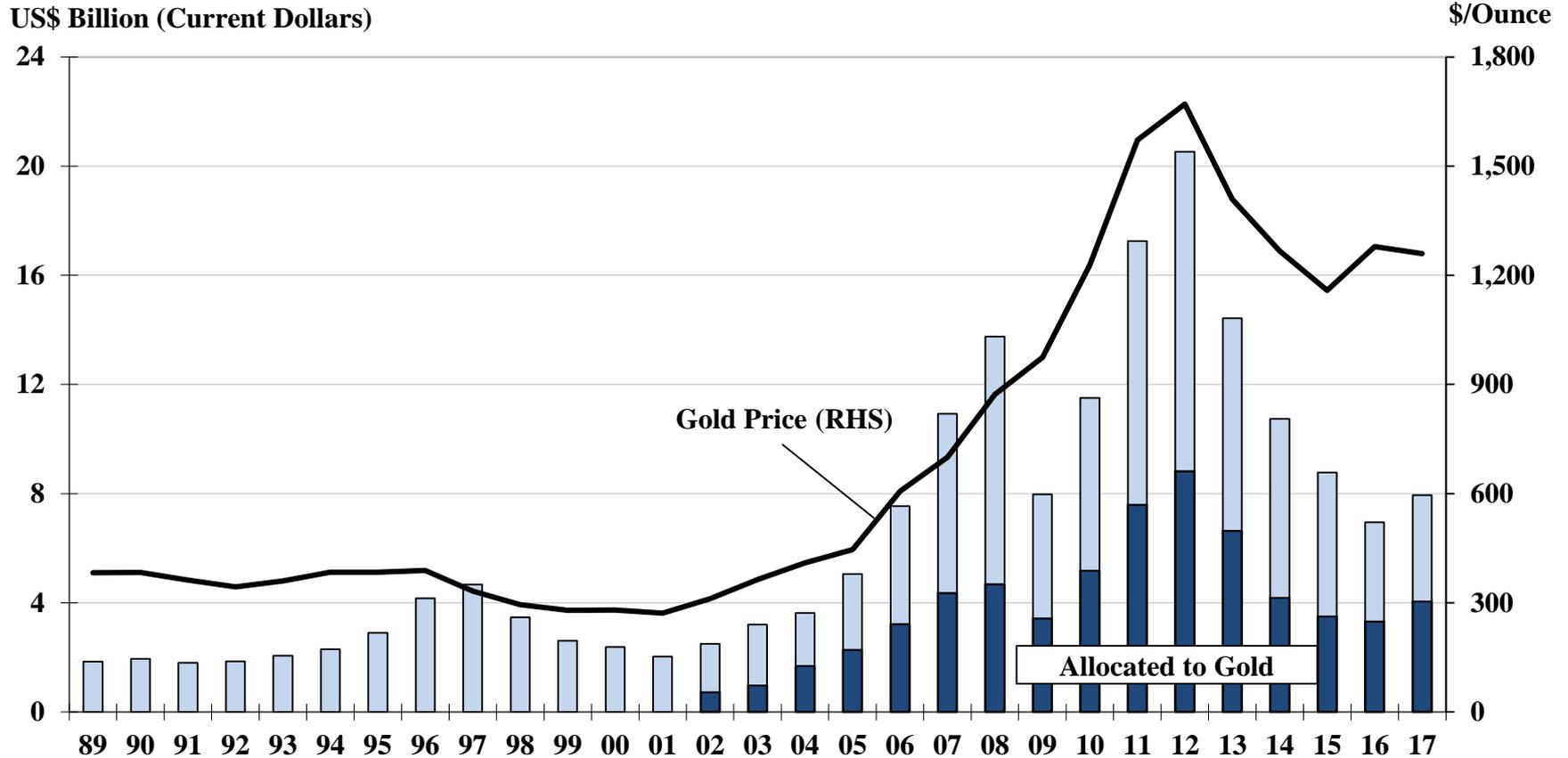
# Cash Cost Inflation Crept Back Up In 2017

## Gold Mine Cash Cost in Q3 2017



# Price Stability Helps Exploration Spending Rise

Worldwide Nonferrous Exploration Budgets And Annual Average Gold Prices

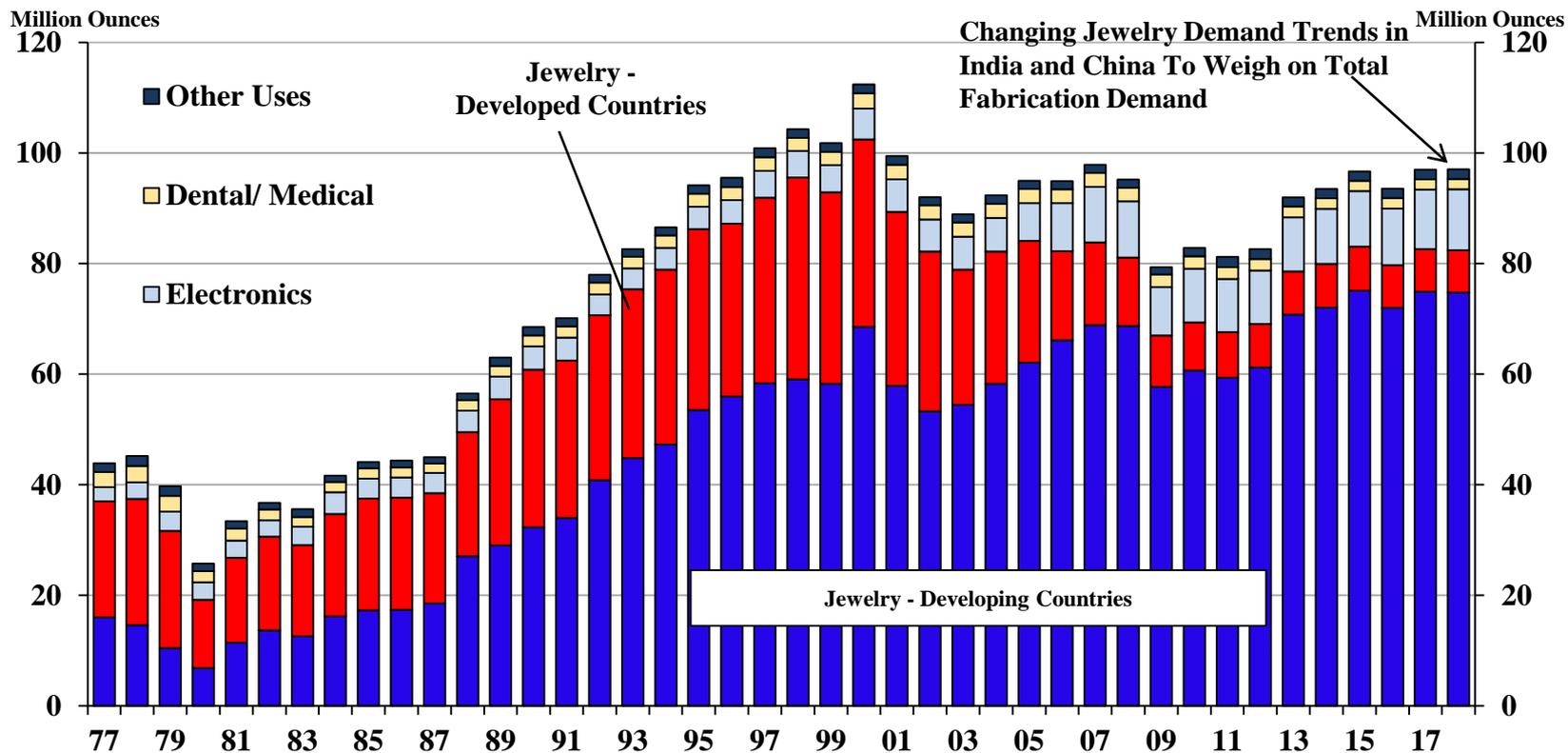


# *Fabrication Demand*

# Gold Fabrication Demand Rebounds From 2016 Slack

## Gold Fabrication Demand

Annual, Projected Through 2018



# A Strong Recovery in Jewelry Demand

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Demand for gold jewelry recovered strongly in China and India in 2017.

- Chinese consumers made a strong return to jewelry purchases due to 1) expectations of further price increases; 2) limited access to various investment venues in the Chinese markets (strict forex controls and tightening measures on the property market); 3) newly-accumulated wealth in lower-tier cities.
- Pull-in demand in India amid following the implementation of Goods and Services Taxes (GST) uncertainty around taxes on gold in July 2017.

## **Fabrication Demand Largely Flat This Year From 2017**

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Strength in gold prices this year to cap jewelry demand growth as jewelry consumption is typically sensitive to prices and price volatility.

Jewelry demand is also tied to income growth. The global economy has been holding up well, but it has yet to translate into significant improvements in wage growth. This will be less supportive of higher jewelry demand.

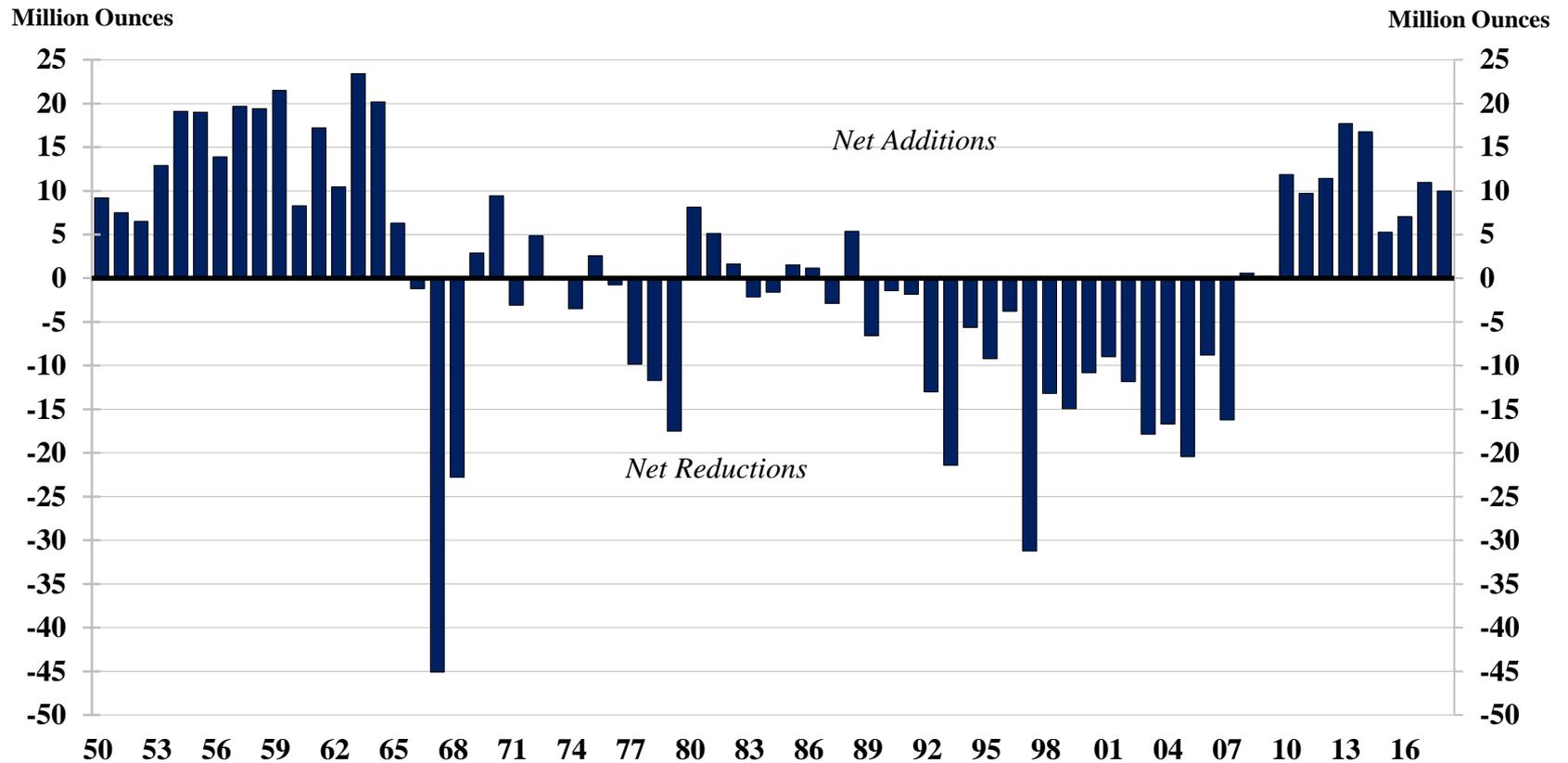
Shifts in consumer spending patterns also continue to weigh on gold jewelry purchases.

# *Official Transactions*

# Central Banks Forecast To Remain Net Buyers Of Gold

## Official Transactions

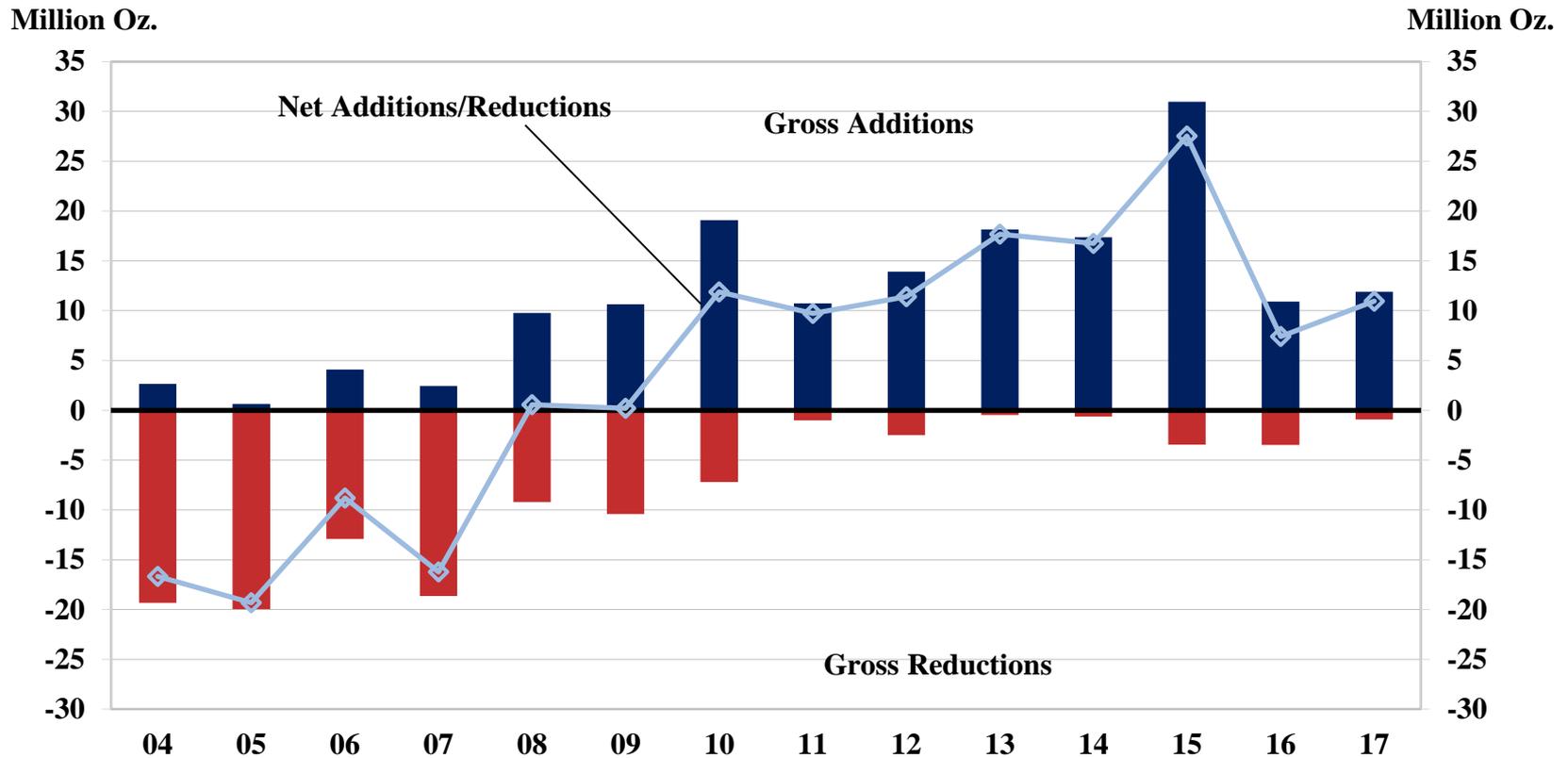
Annual Data, Projected through 2018



# Annual Reported Central Bank Changes in Gold Holdings

## Annual Reported Central Bank Changes in Gold Holdings

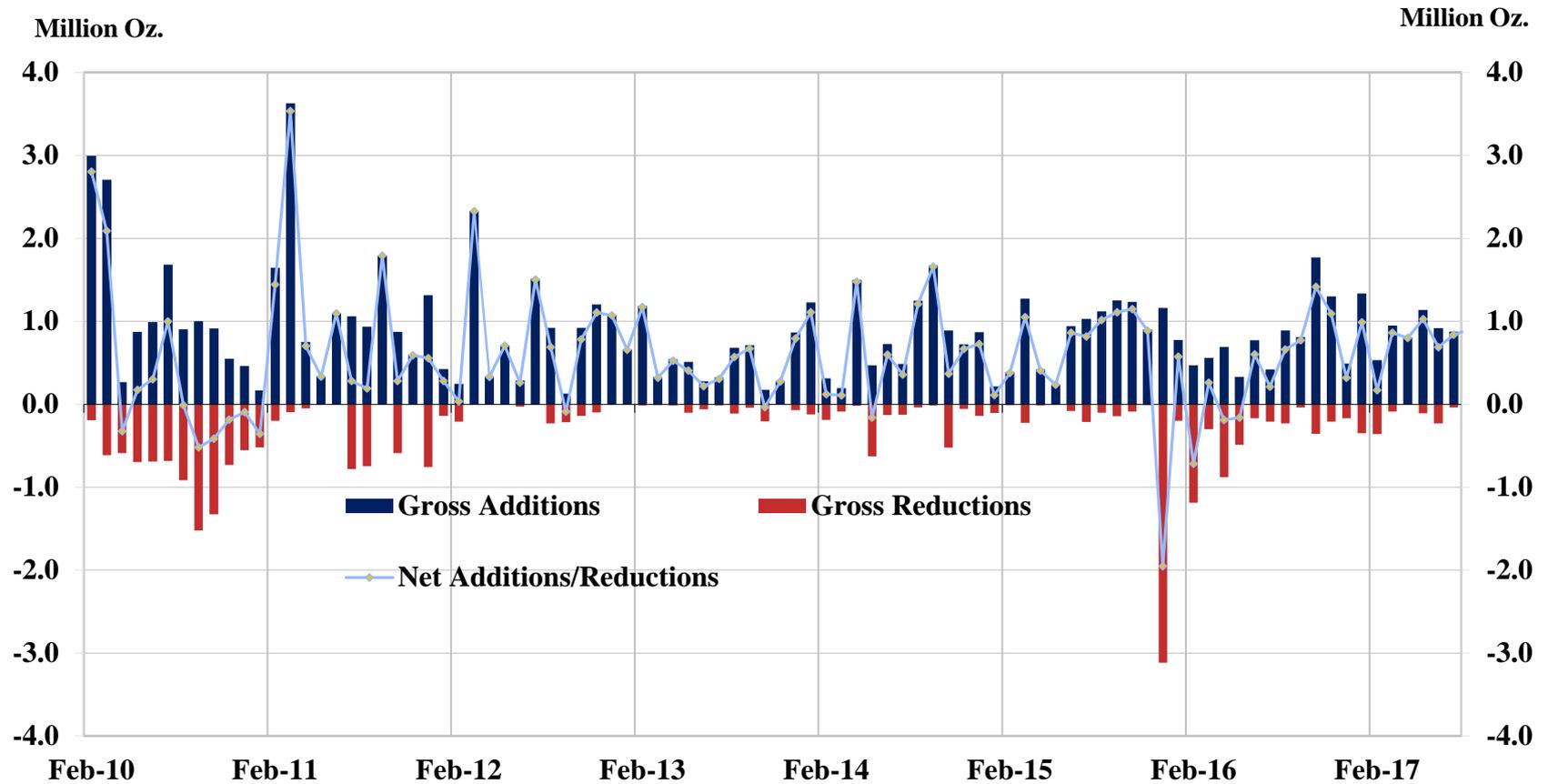
2017 Through December



# Changes to Central Bank Gold Holdings

## Monthly Changes to Central Bank Gold Holdings

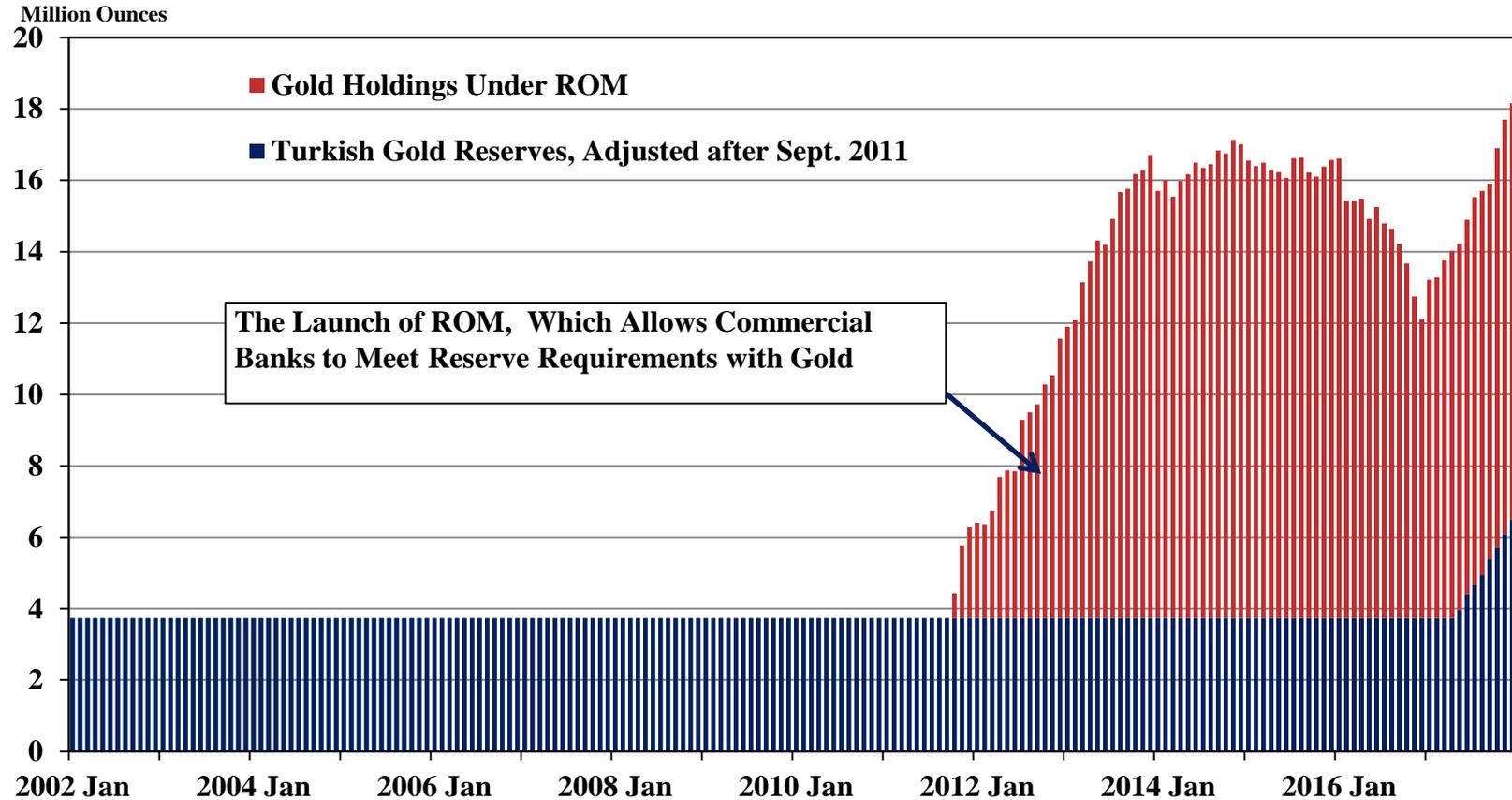
*Excl. China, India, Turkey and IMF Transactions, Through Dec. 2017*



# Turkish Central Bank Started Buying Gold First Time Since 1991

## Turkey's Central Bank Gold Holdings

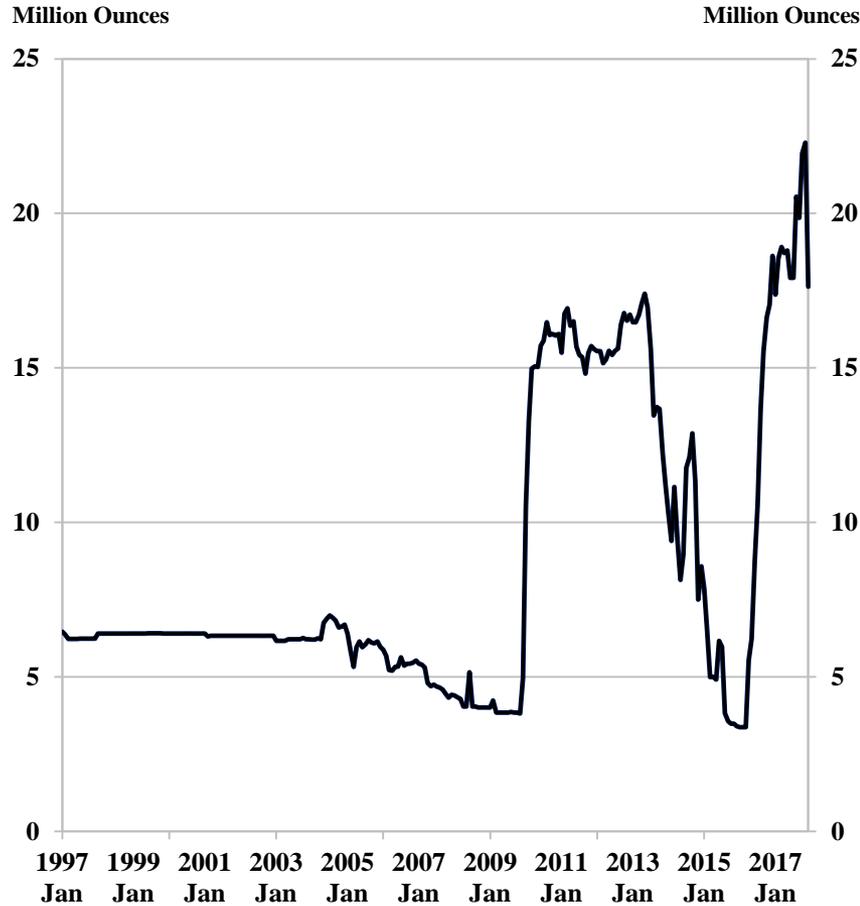
Monthly Data, Through December 2017



# Bank Of International Settlements

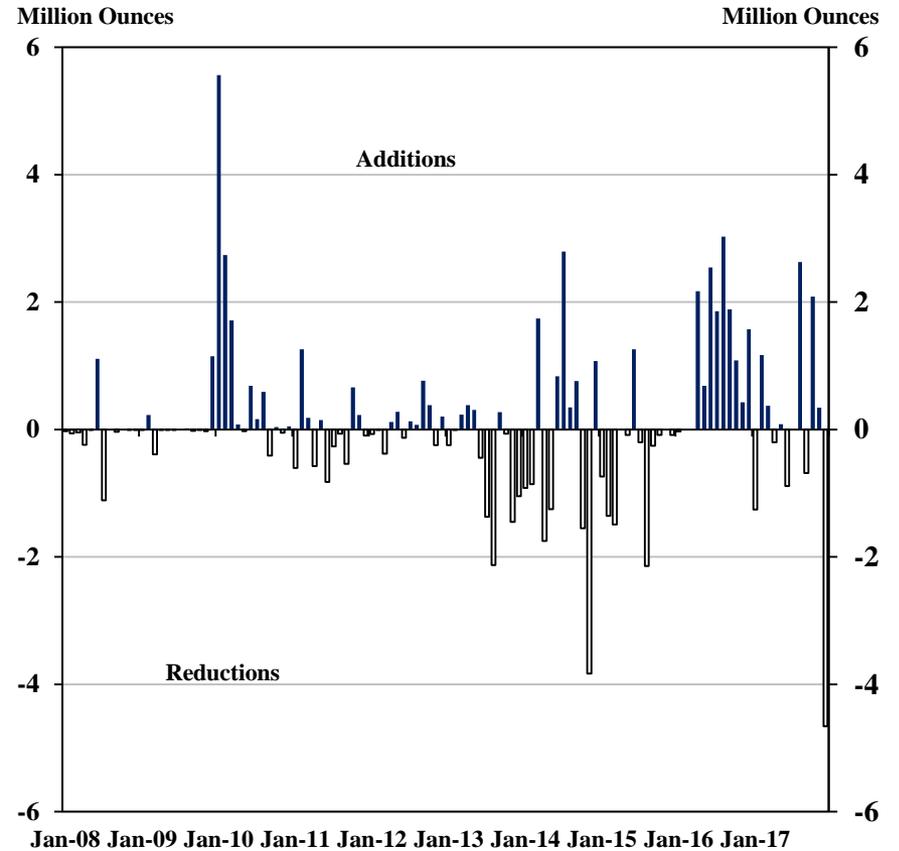
## Bank of International Settlements Gold Reserve Levels

Monthly Data, Through December 2017



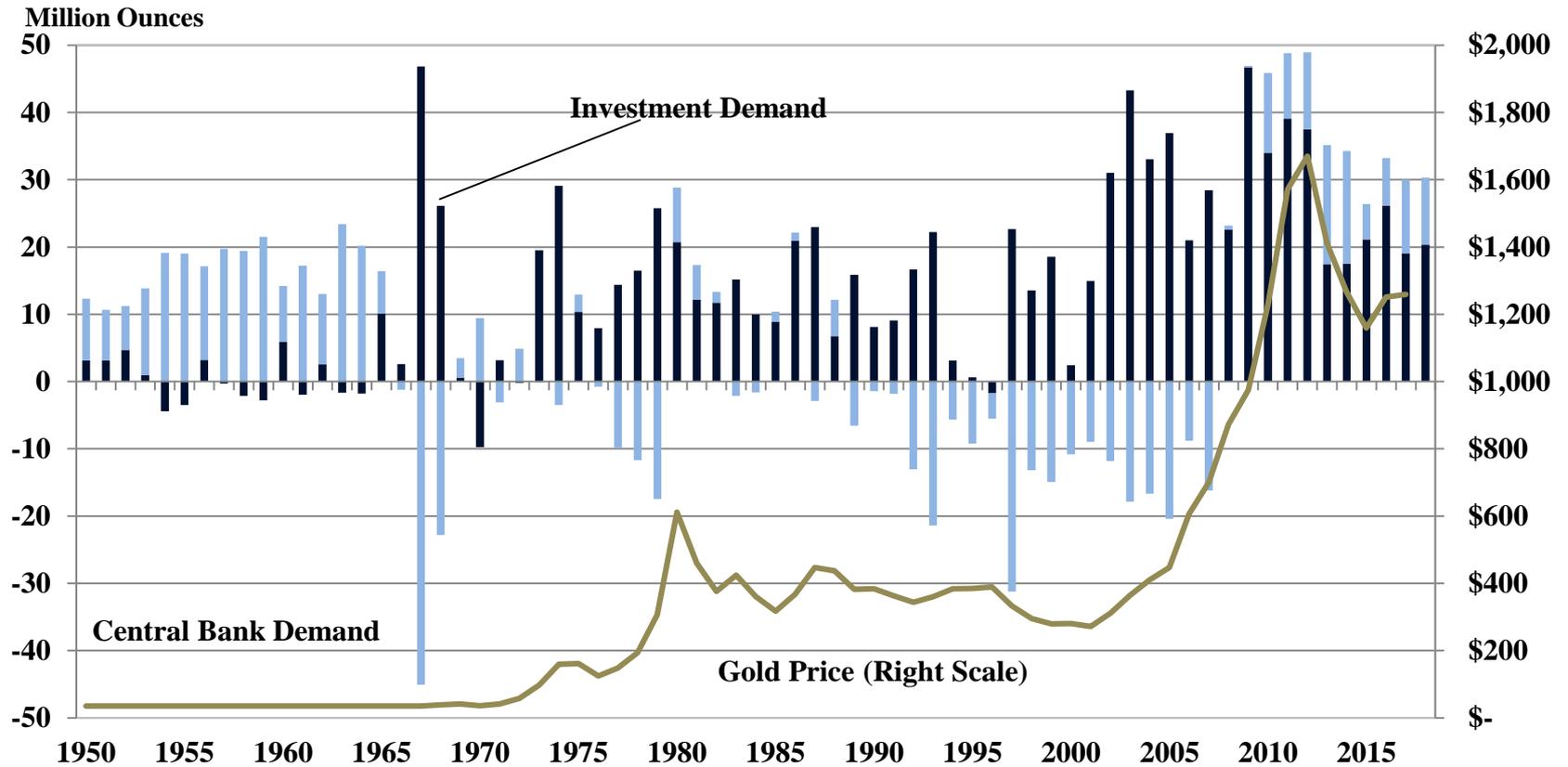
## Monthly Changes at Bank for International Settlements Gold Reserves

From January 2008 to December 2017



# Gold Stock Demand

**Gold Stock Demand and Annual Average Gold Prices**  
*Annual Data, Projected Through 2018*

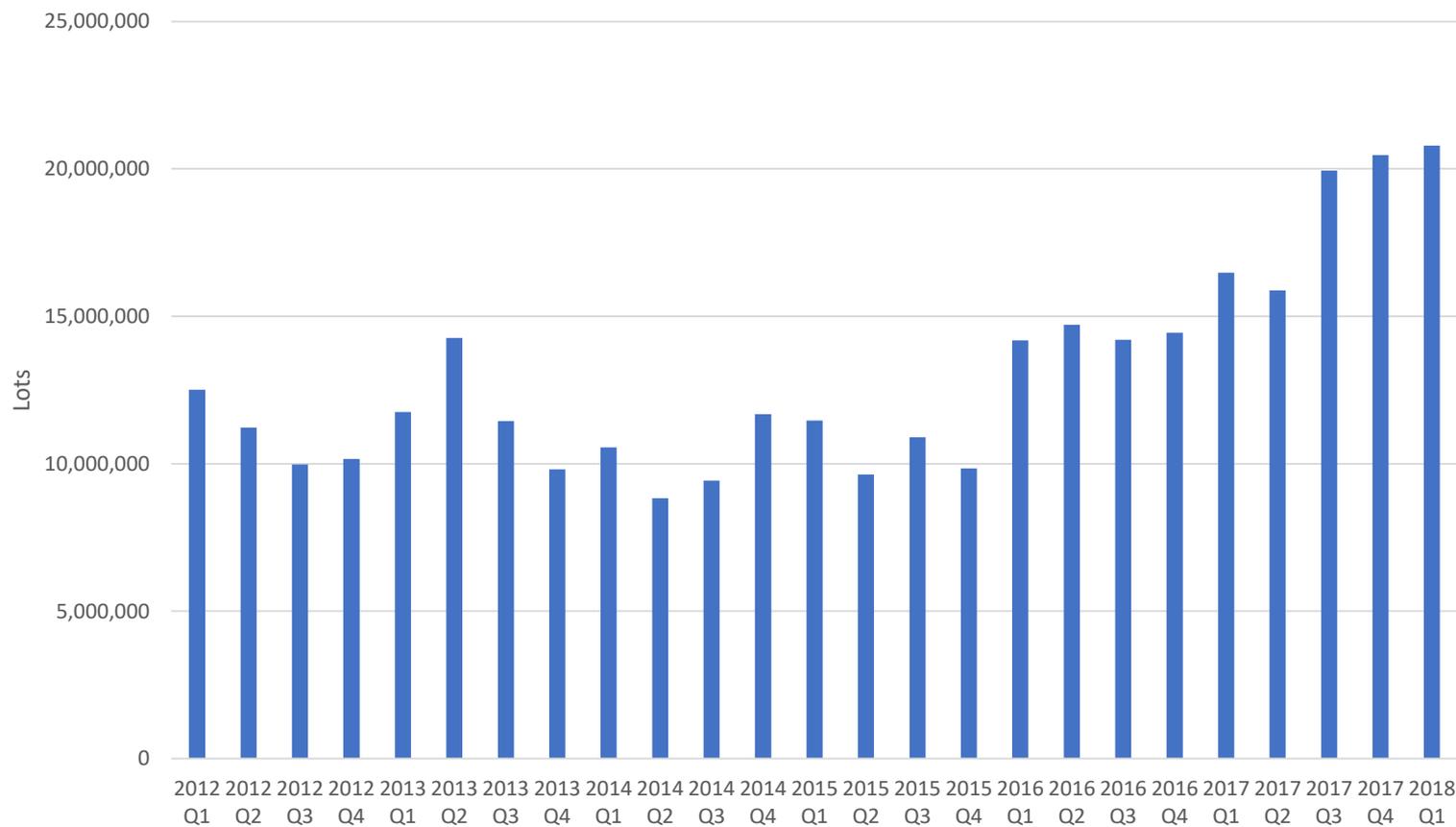


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# *CME Group*

# 3 Consecutive Quarterly Volume Records for GC

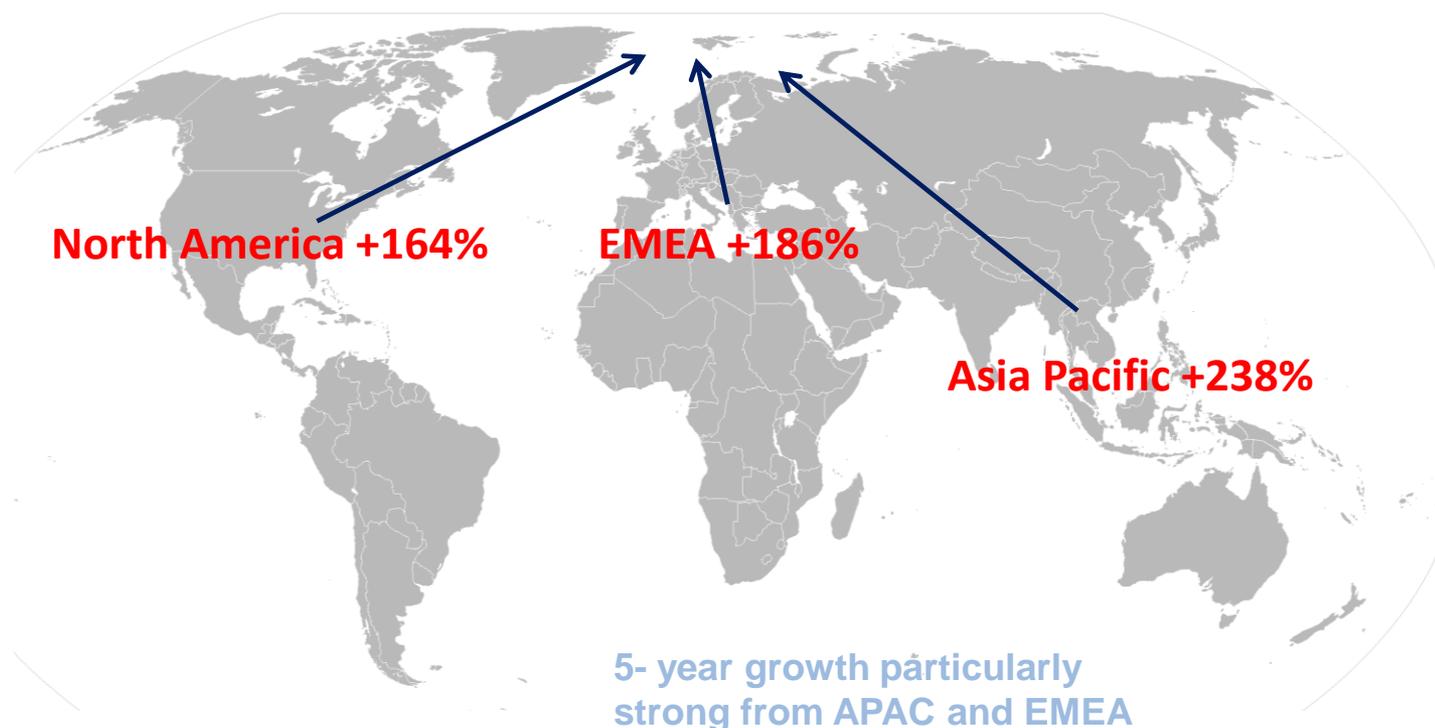
GC Volume By Quarter 2012-2018



# Global Participation in COMEX Gold Futures

- COMEX Gold Futures Price has been seen as an industry benchmark and used for all participants in the world for its efficient price discovery and liquidity.
- Market participants from all over the world contribute to the liquidity of COMEX Gold Futures. Volumes from participants outside of the U.S. accounted for 43% in 2017 and 49% YTD in 2018.

**Gold Futures Traded 7.3 Billion Ounces in 2017 vs 4.3 Billion Ounces in 2012**



# Growth of Weekly Gold Options

- Friday options offer greater flexibility and precision
- Weekly expirations help fit exposure to meet macroeconomic events
- Volume and liquidity has grown to meet marketplace demand for short dated gold options
- Weekly gold options have become as liquid as monthly gold options

Product Description	2017 ADV	2018 ADV	Yr/Yr %YTD
GOLD WEEKLY OPTION	757	1,918	153%

Weekly Gold Options Average Daily Volume



	C Qty	C Bid	C Ofr	C Qty	Strike	P Qty	P Bid	P Ofr	P Qty	
+ 9 Mar 2018 (0.16 DTE) Gold Week2 O...					ATM	1315.0	▼ ▲	11 strikes	- +	
- 16 Mar 2018 (7.12 DTE) Gold Week3...					ATM	1315.0	▼ ▲	15 strikes	- +	
Gold Future Apr18						45	1,316.0	1,316.1	14	+ -
+ 15	36.2	37.0	16	1280.0	199	0.3	0.6	177	+ -	
+ 20	31.2	32.1	20	1285.0	192	0.4	0.7	175	+ -	
+ 25	26.5	27.4	26	1290.0	135	0.7	0.9	172	+ -	
+ 35	21.9	22.7	1	1295.0	129	1.0	1.3	167	+ -	
+ 47	17.5	18.3	48	1300.0	120	1.6	1.9	159	+ -	
+ 62	13.5	14.2	63	1305.0	111	2.6	2.9	151	+ -	
+ 76	10.0	10.6	77	1310.0	103	4.0	4.4	136	+ -	
+ 98	7.2	7.6	81	1315.0	99	6.1	6.5	124	+ -	
+ 101	4.9	5.3	121	1320.0	77	8.8	9.3	107	+ -	
+ 90	3.3	3.7	150	1325.0	65	12.1	12.7	66	+ -	
+ 98	2.2	2.5	179	1330.0	51	15.9	16.6	52	+ -	
+ 106	1.4	1.7	179	1335.0	37	20.1	20.9	38	+ -	
+ 110	0.9	1.2	194	1340.0	27	24.6	25.4	28	+ -	
+ 114	0.6	0.9	198	1345.0	21	29.1	30.0	1	+ -	
+ 116	0.4	0.7	201	1350.0	16	33.9	34.9	16	+ -	

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# CPM Group Precious Metals Yearbooks

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## Launch Dates:

### **2018 Silver Yearbook**

24 April @ New York;

### **2018 Platinum Group Metals Yearbook**

26 June @ New York