



# Gold Survey 2010

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# Gold Survey 2010

# GFMS gratefully acknowledge the generous support from the following companies for this year's *Gold Survey* and its two *Updates*



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# Presentation Outline

- Gold Prices
- Supply
- Demand
- Outlook

# US Dollar Gold Price

Weekly Averages



Source: GFMS; Thomson Reuters

# Euro Gold Price

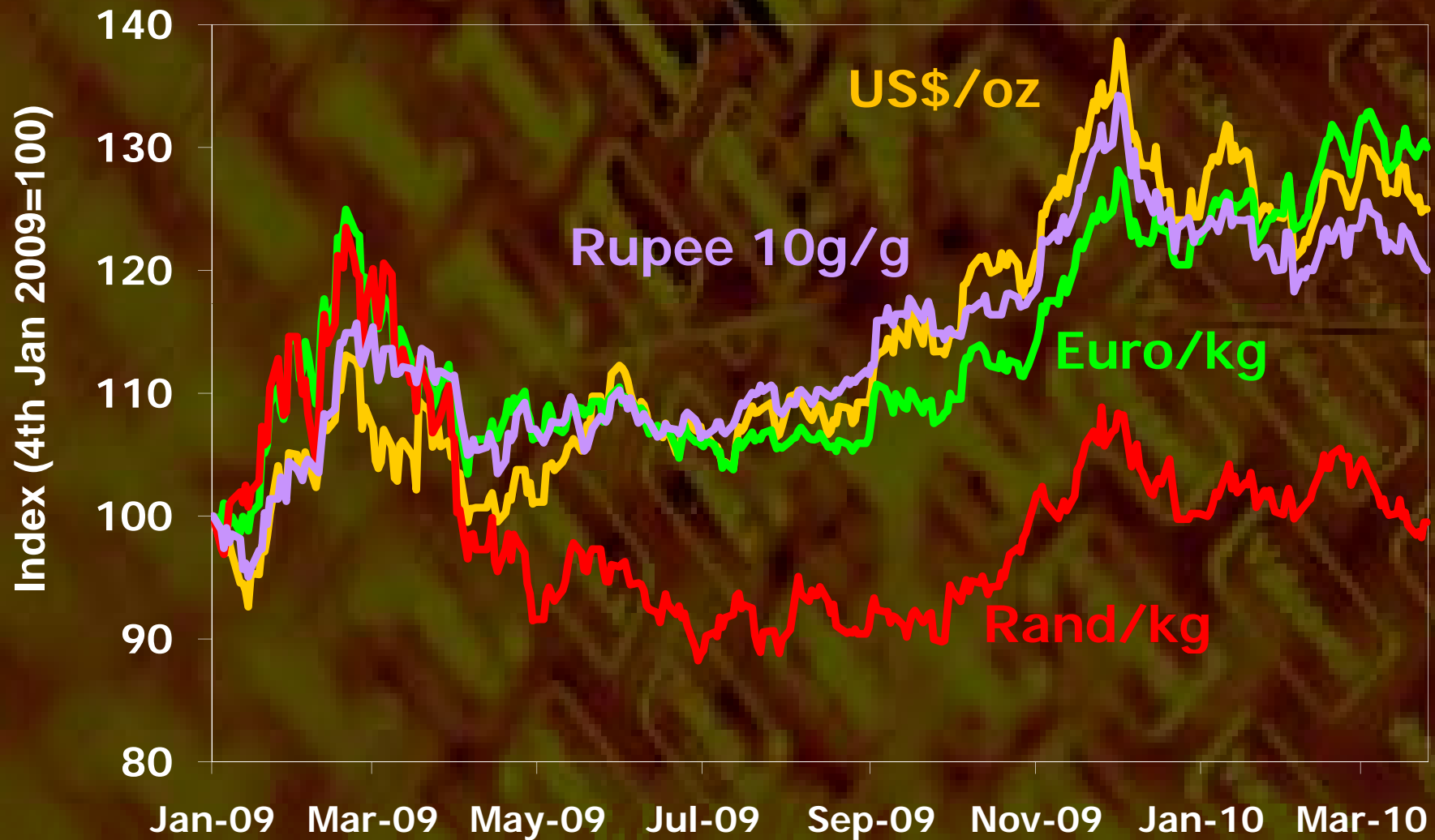
Weekly Averages



Source: GFMS; Thomson Reuters

# Gold Prices in Different Currencies

Indexed Daily Series



Source: GFMS; Thomson Reuters

# Real and Nominal Gold Prices

(real US\$ price in constant 2009 terms)



Source: GFMS, Thomson Reuters

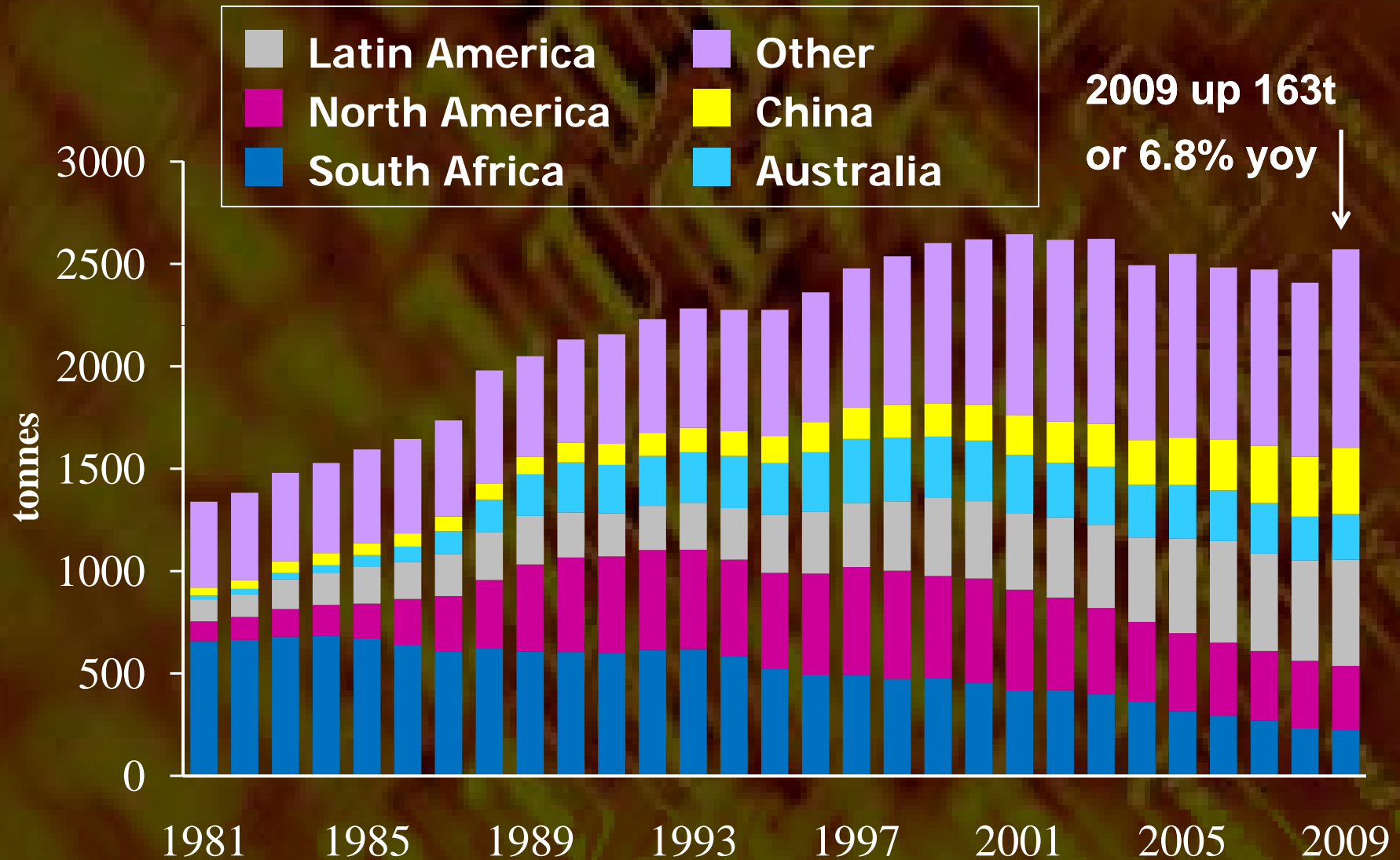


# Supply

# GFMS' Mine Supply Database

- Over 100 companies analysed on a quarterly basis – production/costs/corporate activity
- Over 300 mines recorded on an annual basis – production/costs/reserves/grade
- Over 320 projects – projected production profile, start-up date, capex, reserves, resources
- Informal mine production measured on a country-by-country basis
- Costs measured at 70% of Western World gold production
- Bottom-up cost analysis methodology to assess \$/tonne mining, ore processing and on-site administration costs, plus benchmarking of fuel, power, labour productivity and other key inputs
- Global analysis and forecasting of mine supply, breakdown of industry cost structures and trends, benchmarking

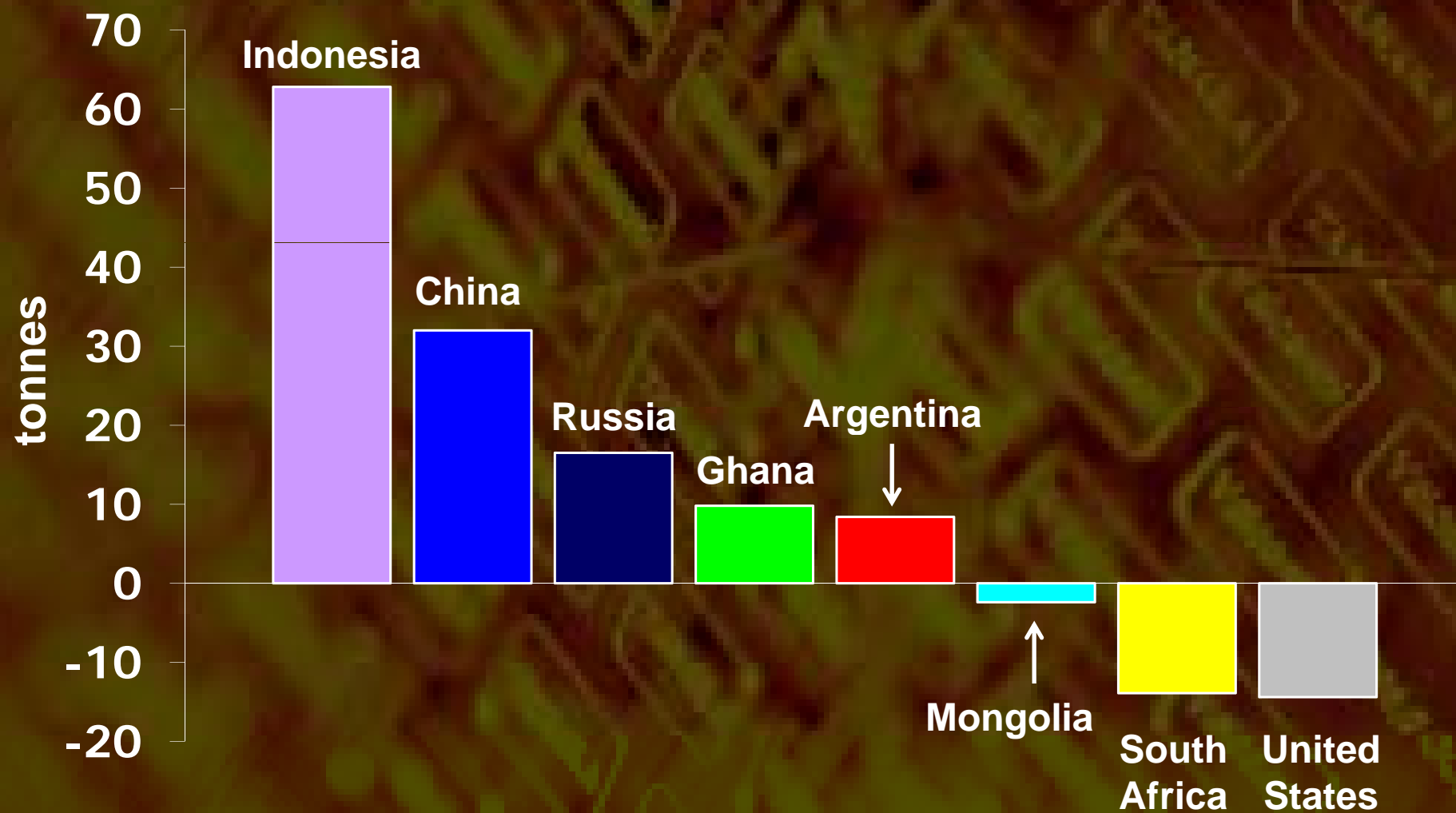
# Gold Mine Production



Source: GFMS (Gold Survey 2010)

# Mine Production: Winners and Losers

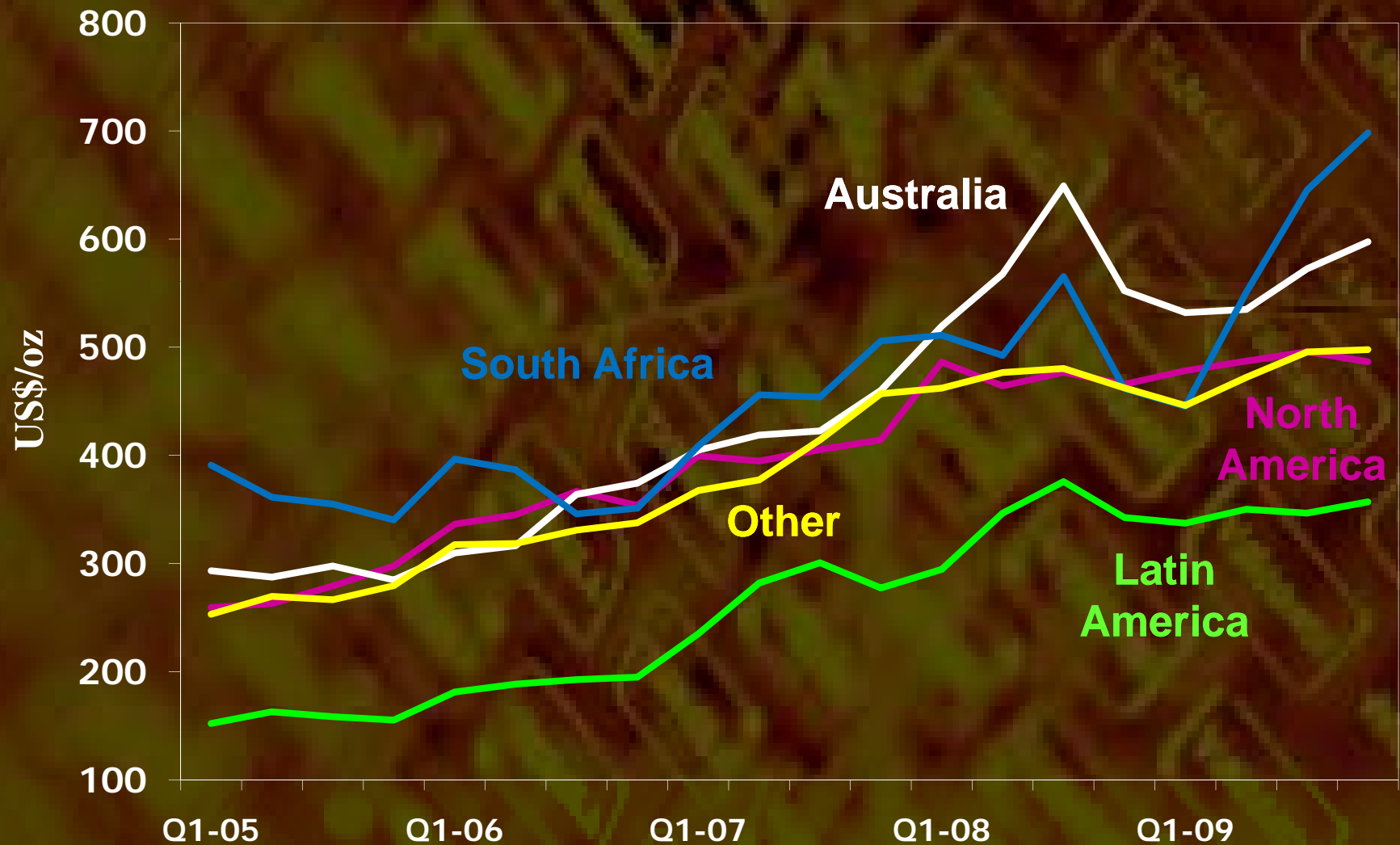
(Figures represent year-on-year change, i.e. 2009 less 2008)



Source: GFMS (Gold Survey 2010)

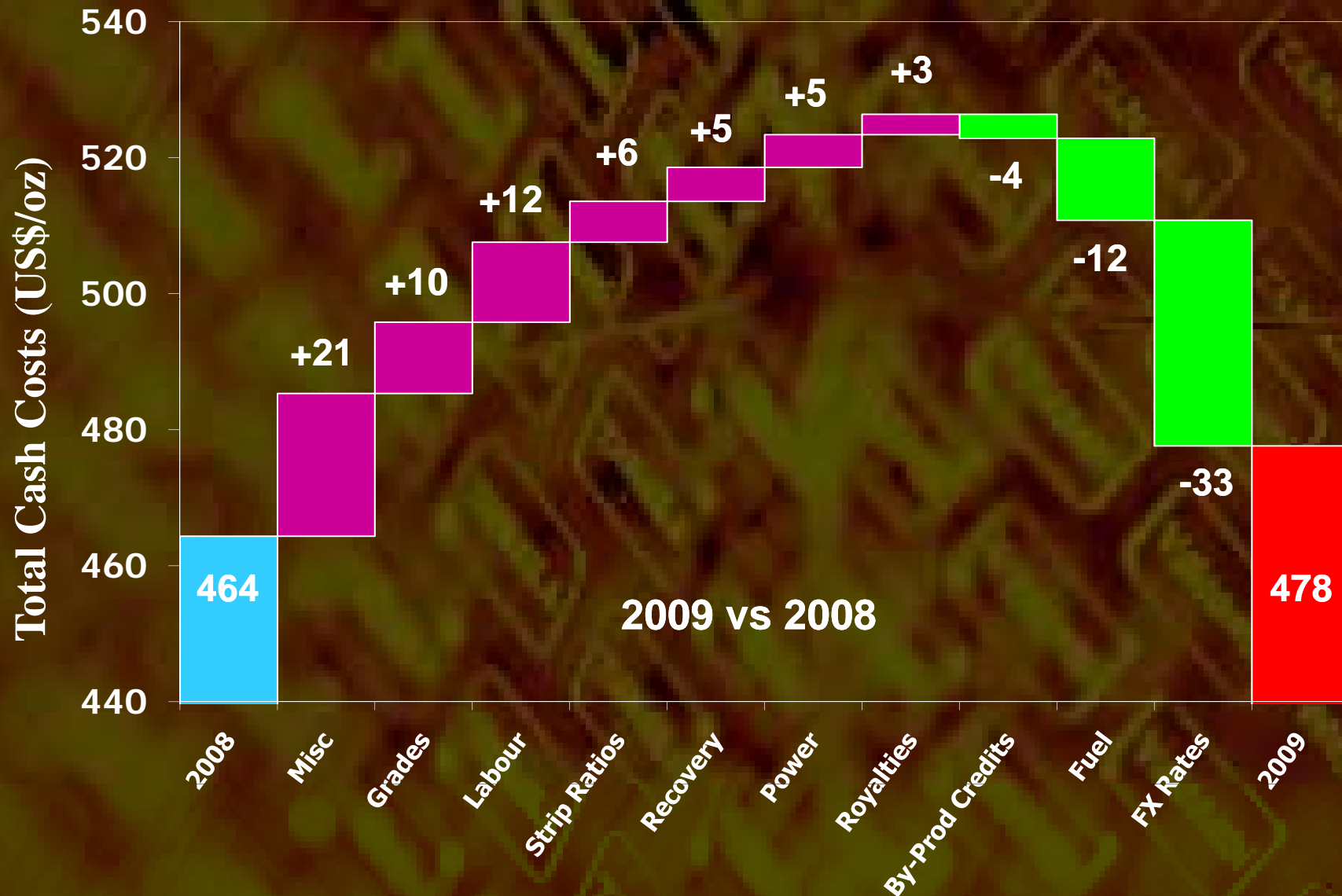
# Major Western World Mines' Cash Costs

(in money-of-the-day terms)



Source: GFMS (Gold Survey 2010)

# Year-on-Year Changes to Cash Costs



Source: GFMS (Gold Survey 2010)

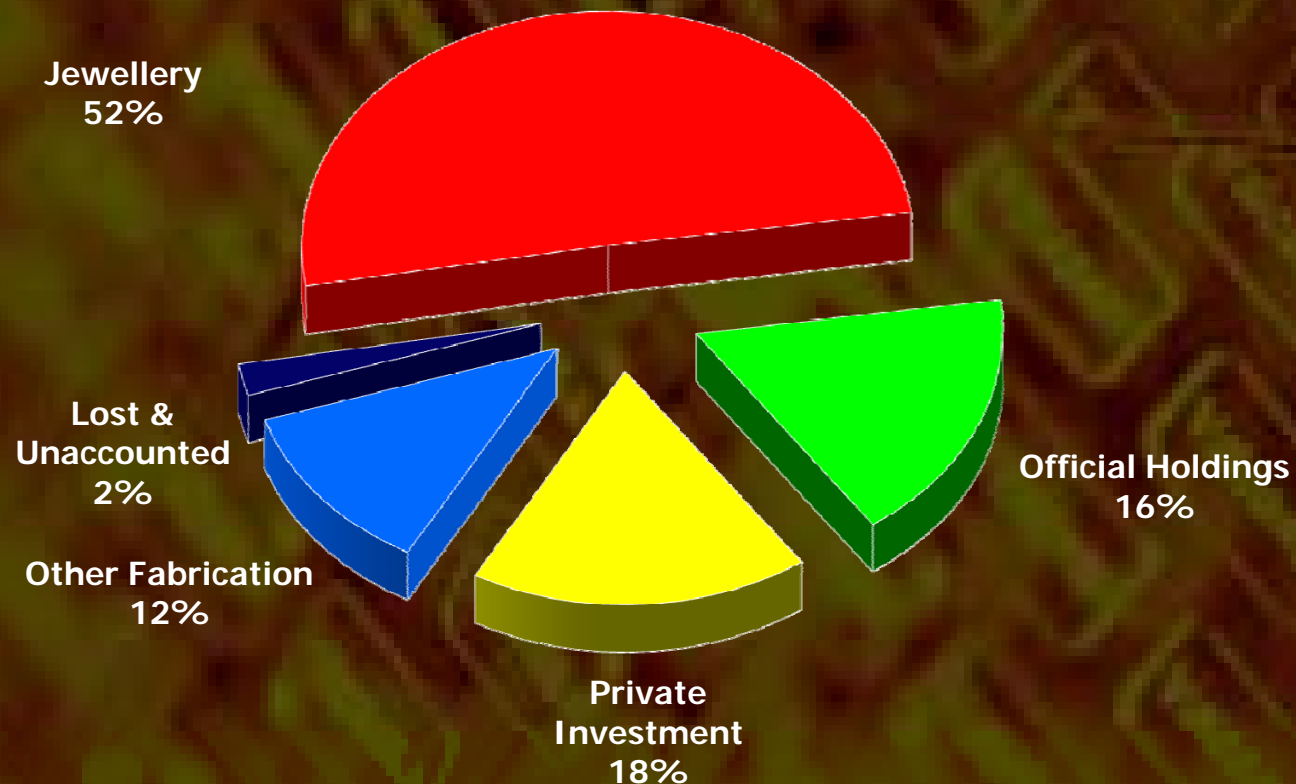
# Mine Production

- 163 tonne increase equal to 6.8% y-o-y in 2009; the first annual increase for three years.
- Strong growth from a suite of new projects and operating mines. Major country gains in Indonesia, China, Russia, Argentina, Brazil and Mexico.
- All regions posted growth, except for North America. Two largest falls at the mine level were seen in the United States.
- US dollar denominated total cash costs increased by an average 3%, or \$14/oz, to \$478/oz in 2009.
- GFMS' proprietary 'All-In' Costs measure increased by 3.9% to \$717/oz.

# Above-Ground Stocks of Gold, end-2009

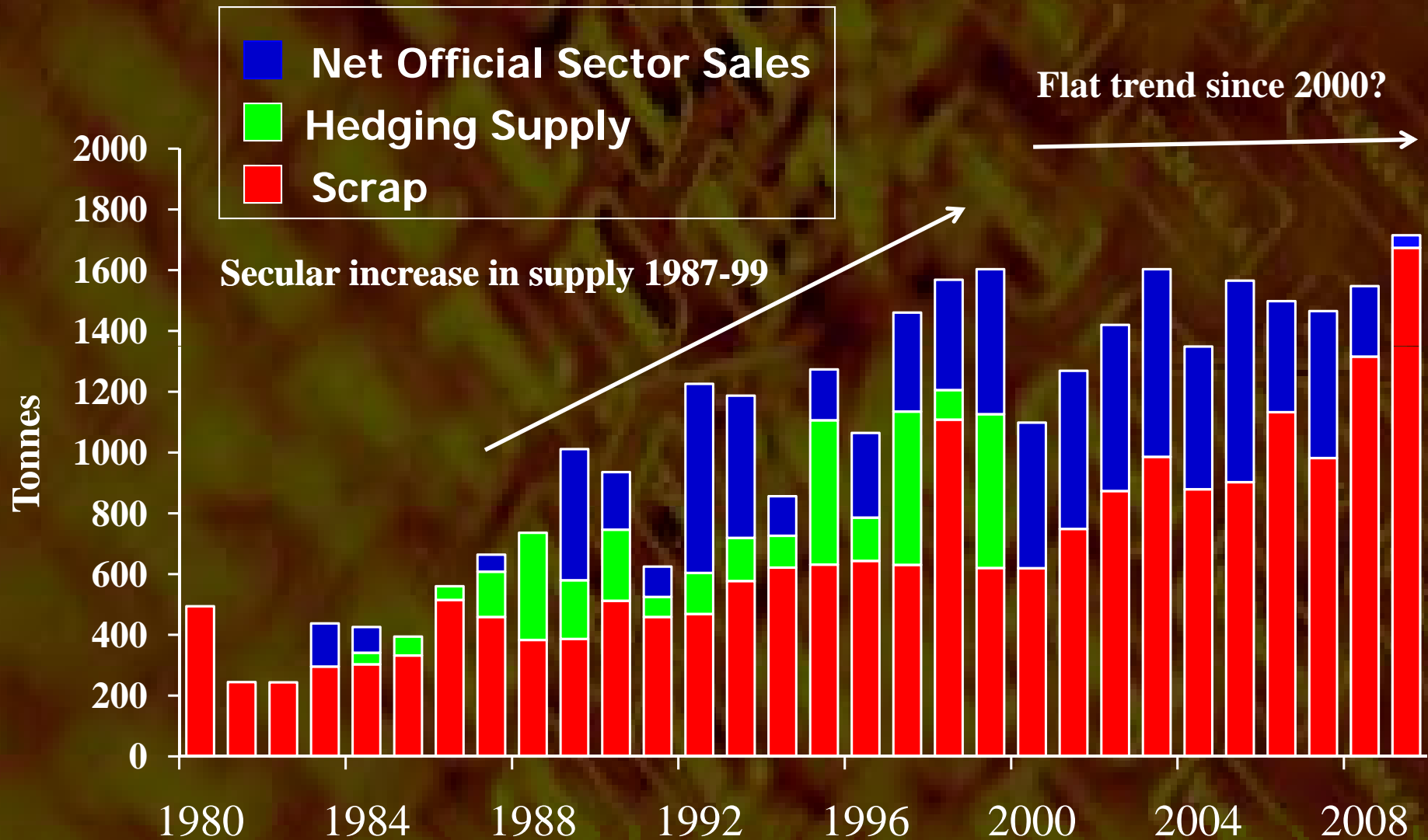
Gold is not “consumed” like most commodities; stocks can be available at the right price...

Above-ground Stocks,  
end 2009 = 166,000t



Source: GFMS (*Gold Survey 2010*)

# Supply from Scrap, Hedging & Official Sales



Source: GFMS

# Change in Supply from Above-Ground Stocks

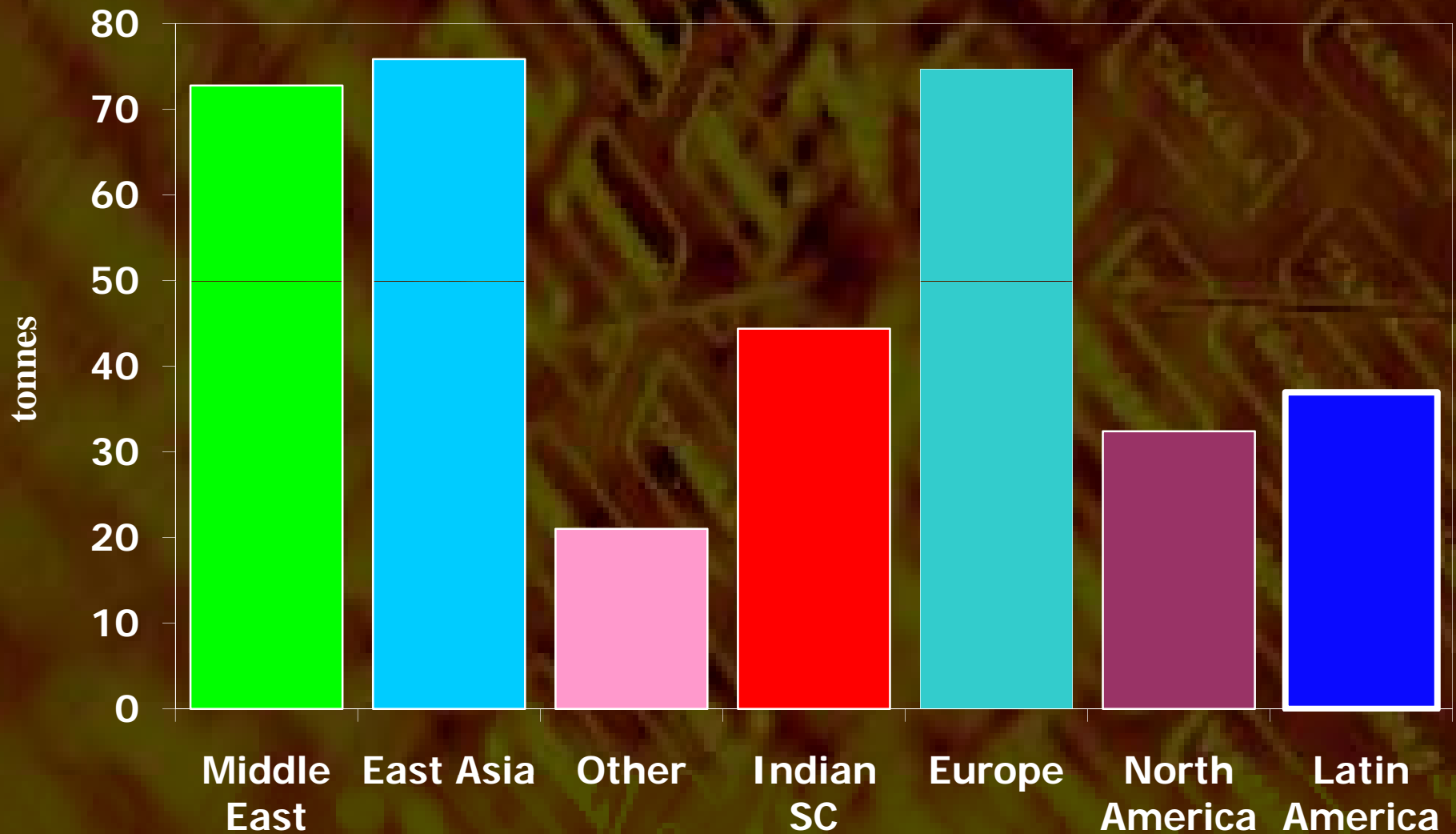
2009 compared to 2008



Source: GFMS (*Gold Survey 2010*)

# Regional Changes in Scrap Supply

2009 compared to 2008



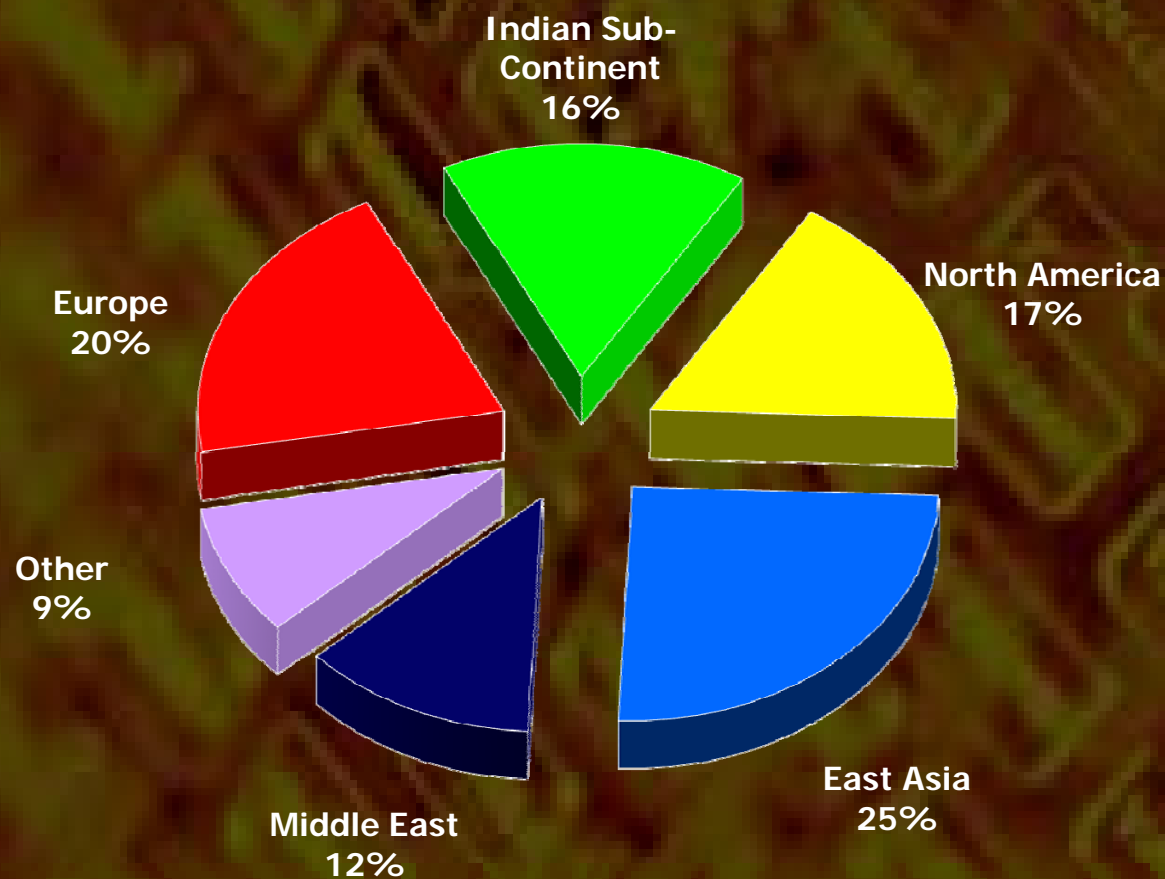
Source: GFMS (Gold Survey 2010)

# Jewellery Fabrication & Scrap Supply



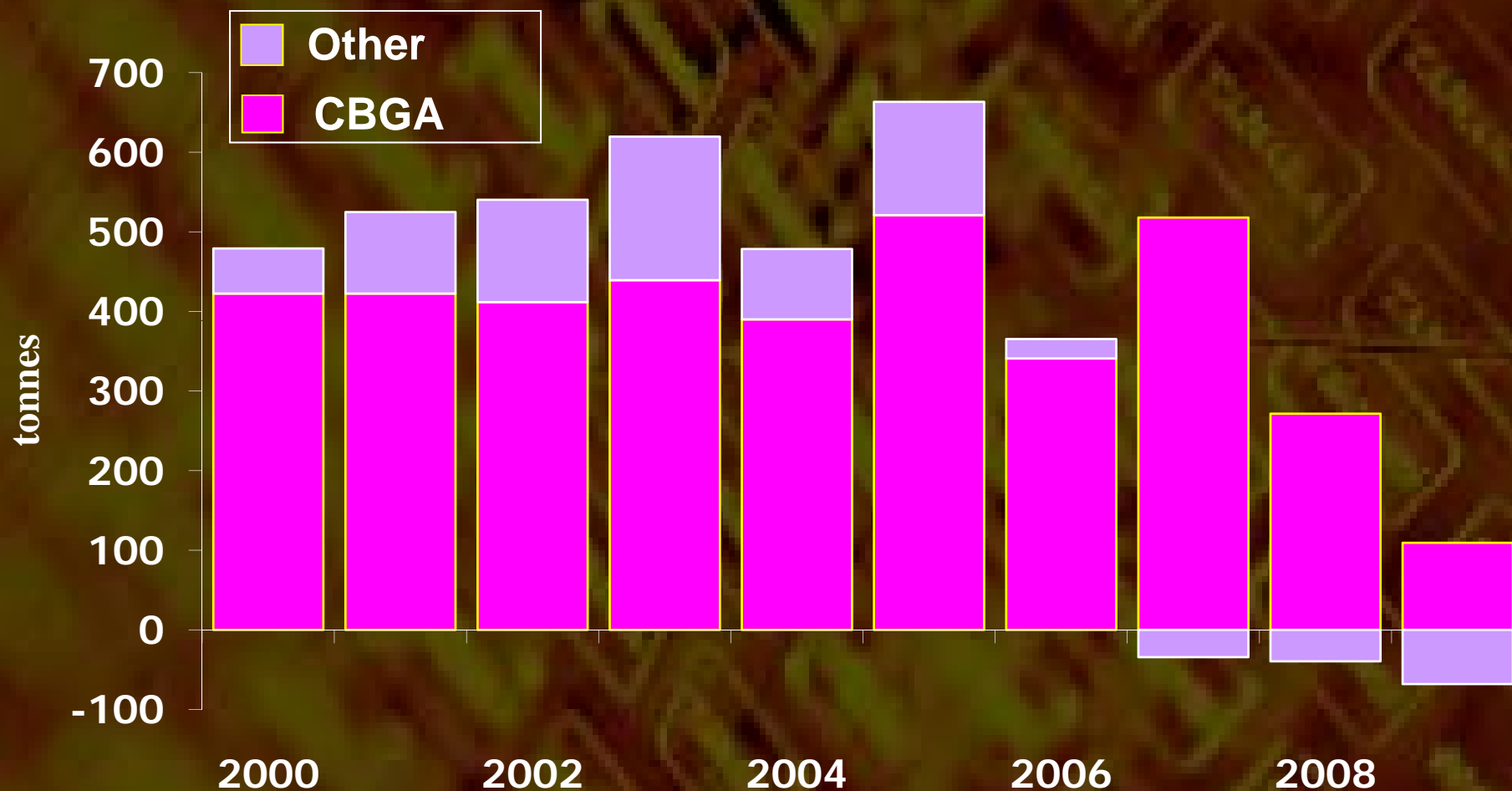
Source: GFMS (Gold Survey 2010)

# Above-Ground Jewellery Stocks by Region, end-2009



Source: GFMS (*Gold Survey 2010*)

# CBGA and Other Gold Sales

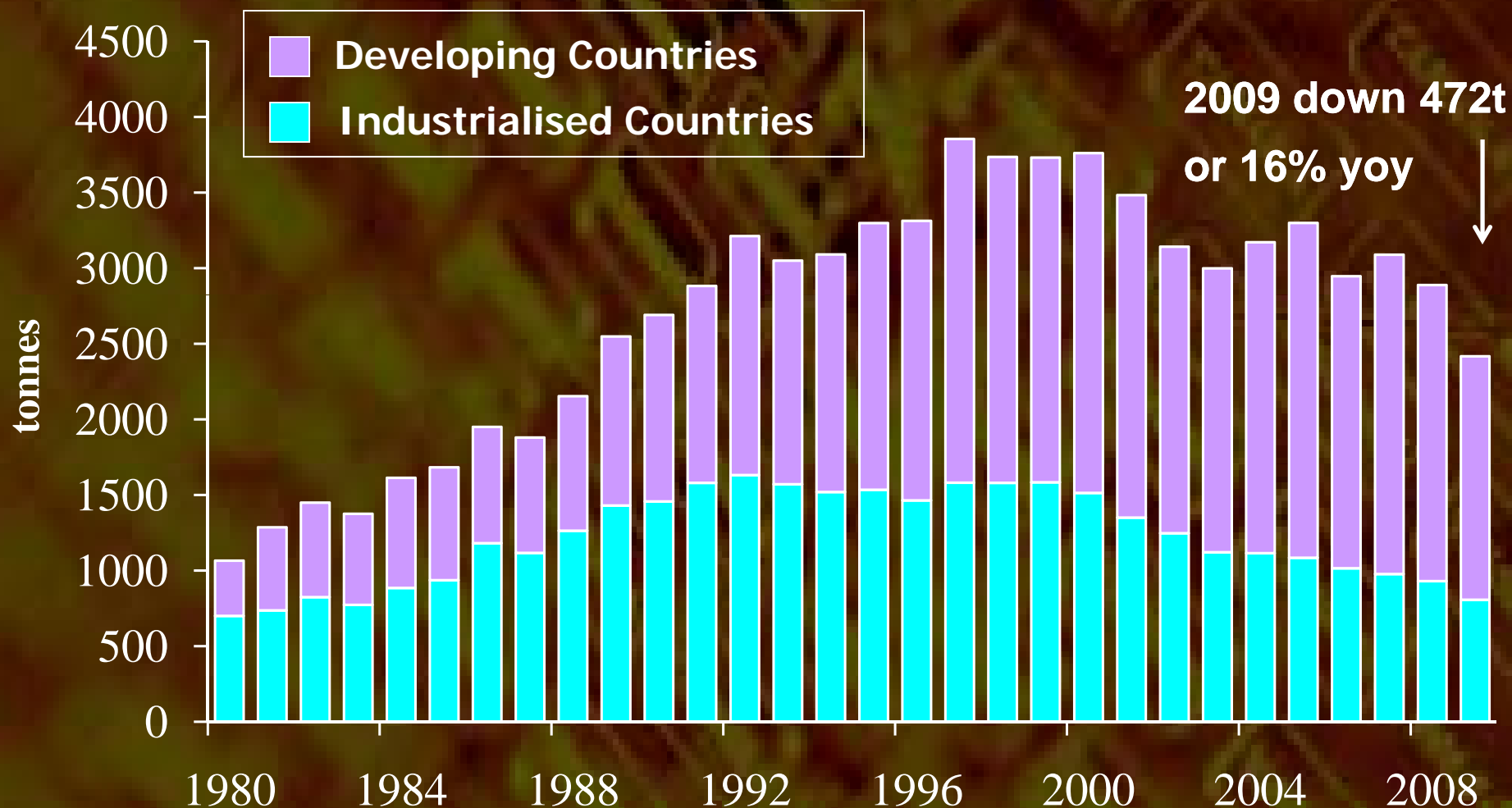


“CBGA” refers to signatories to the Central Bank Gold Agreement  
“Other” refers to all other countries

Source: GFMS (*Gold Survey 2010*)

# Demand

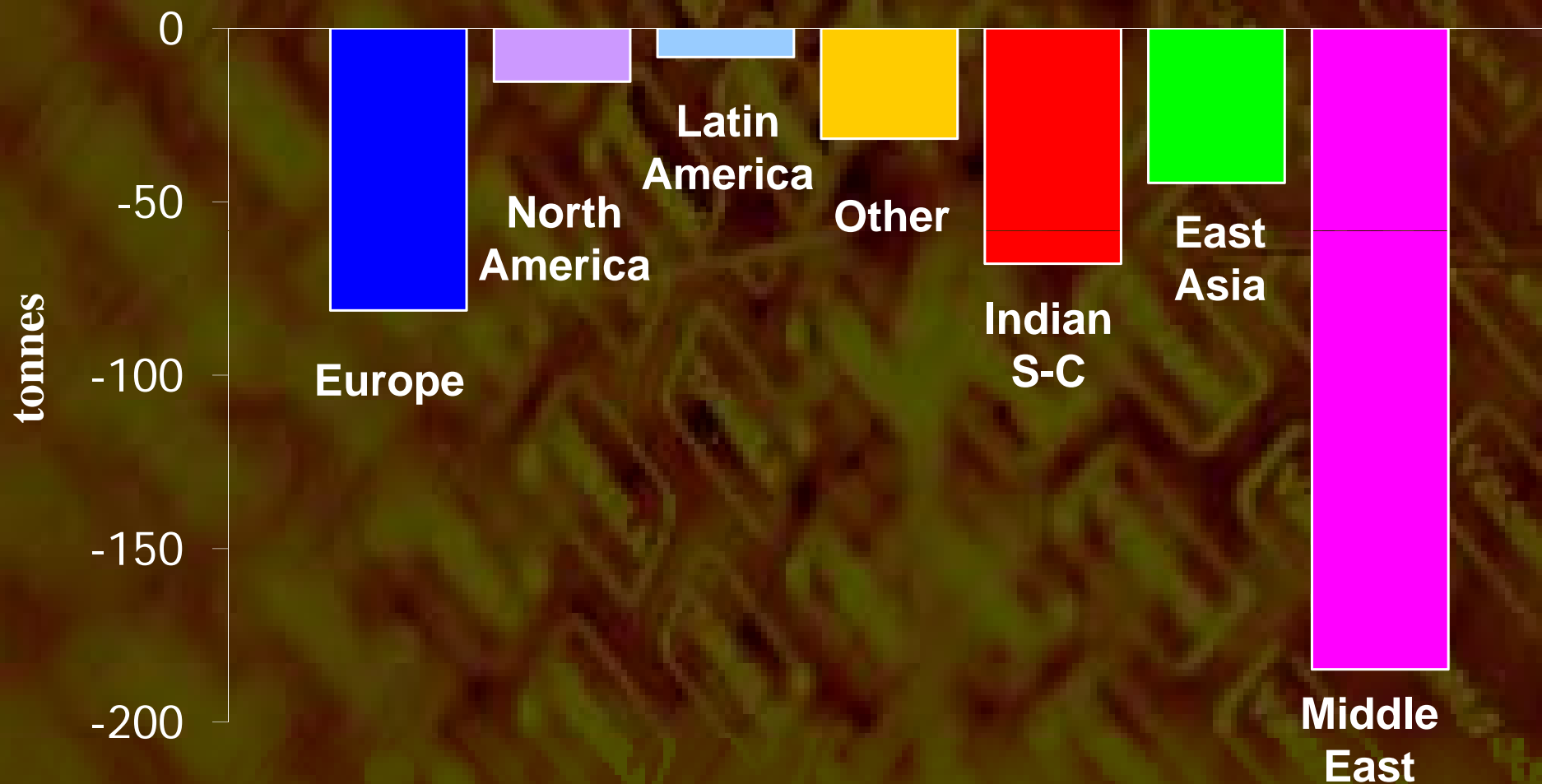
# World Gold Fabrication



Source: GFMS (Gold Survey 2010)

# Jewellery Fabrication: Winners and Losers

(Figures represent year-on-year change, i.e. 2009 less 2008)



Source: GFMS (Gold Survey 2010)

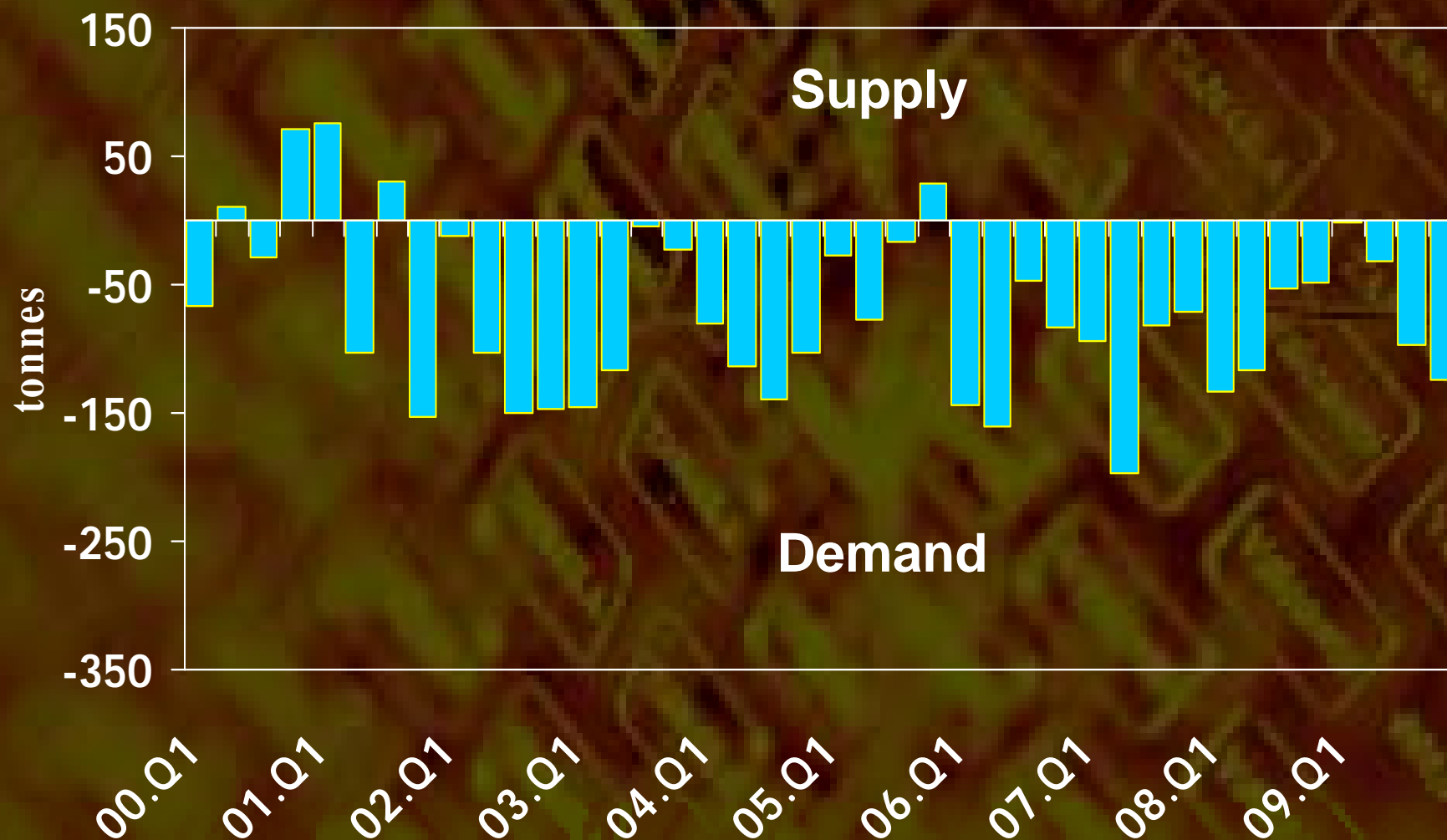
# Fabrication Demand in 2009

- A sharp decline in jewellery demand was the principal driver of the 16% or 472t fall in fabrication demand to 2,417 t.
- Full year jewellery fabrication dropped by 20% or 434 tonnes, with higher gold prices and the economic downturn the primary reasons for the fall.
- Other fabrication fell by just 5.4% y-o-y to 658 tonnes in 2009. However, with all coins excluded, the drop reaches 15%.
- Electronics demand dropped by 16%, largely due to the economic crisis, particularly in the first half.

# GFMS' Hedging Analysis

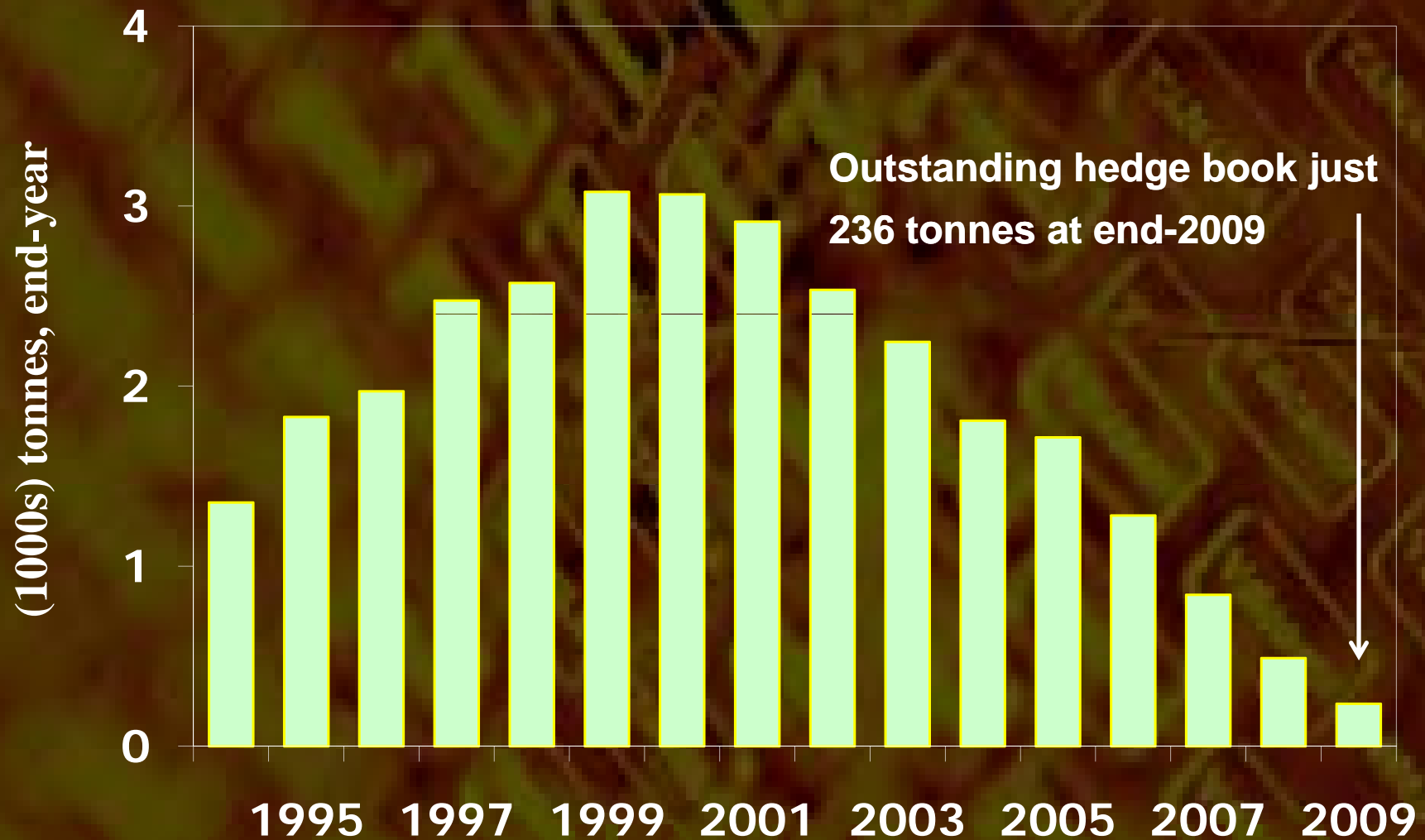
- GFMS enter all hedging transactions into our hedging database and the *Brady Trinity* system.
- Trades are input on a quarterly basis by company, instrument, year of expiry and currency.
- Using detailed market data, accurate deltas and other sensitivities are calculated.
- Comprehensive global hedge book analysis is published once per quarter by GFMS, in association with *Société Générale*.

# Net Market Impact of Producer Hedging



Source: GFMS (Gold Survey 2010)

# Total Accelerated Supply from Producer Hedging\*



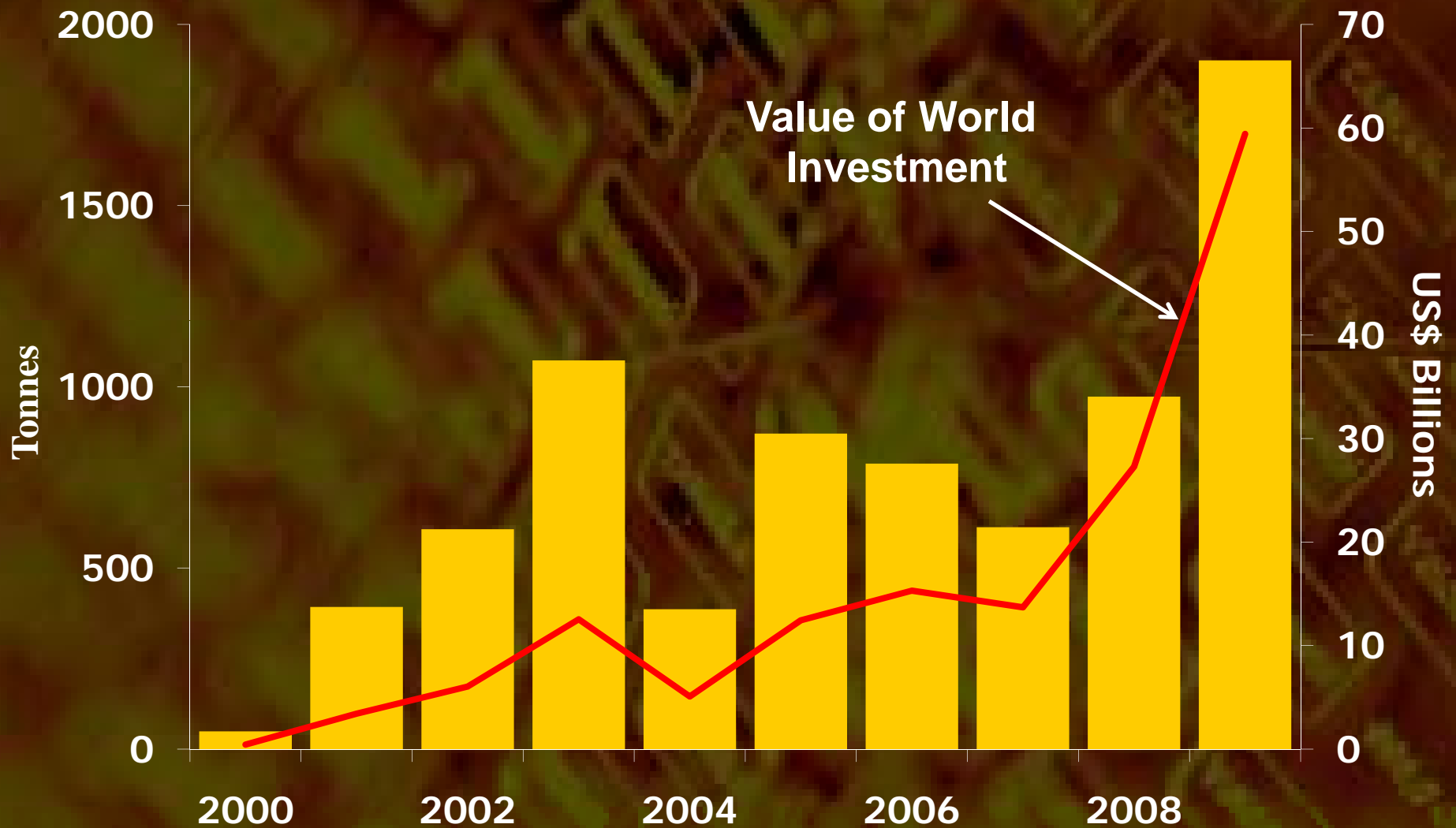
\* outstanding forward sales, loans and net delta hedge against positions

Source: GFMS (*Gold Survey 2010*)

# Investment in 2009

- **World Investment (which includes the implied figure, bar hoarding and all coins) nearly doubled in 2009 to over 1,900 tonnes and reached an approximate value of \$60 billion.**
- **The first few months of 2009 saw a record level of investment demand. Fears about financial stability and economic depression triggered a wave of safe haven buying, particularly in the forms of gold ETFs and physical bullion products.**
- **After a summer lull, investor activity, especially in the OTC and futures markets, picked up strongly from September onwards, primarily driven by a weaker dollar, higher price expectations and growing concerns regarding future trends in inflation. This surge in investment demand drove prices above \$1,200, before a loss of momentum and some profit taking brought about a price correction in the final weeks of 2009.**

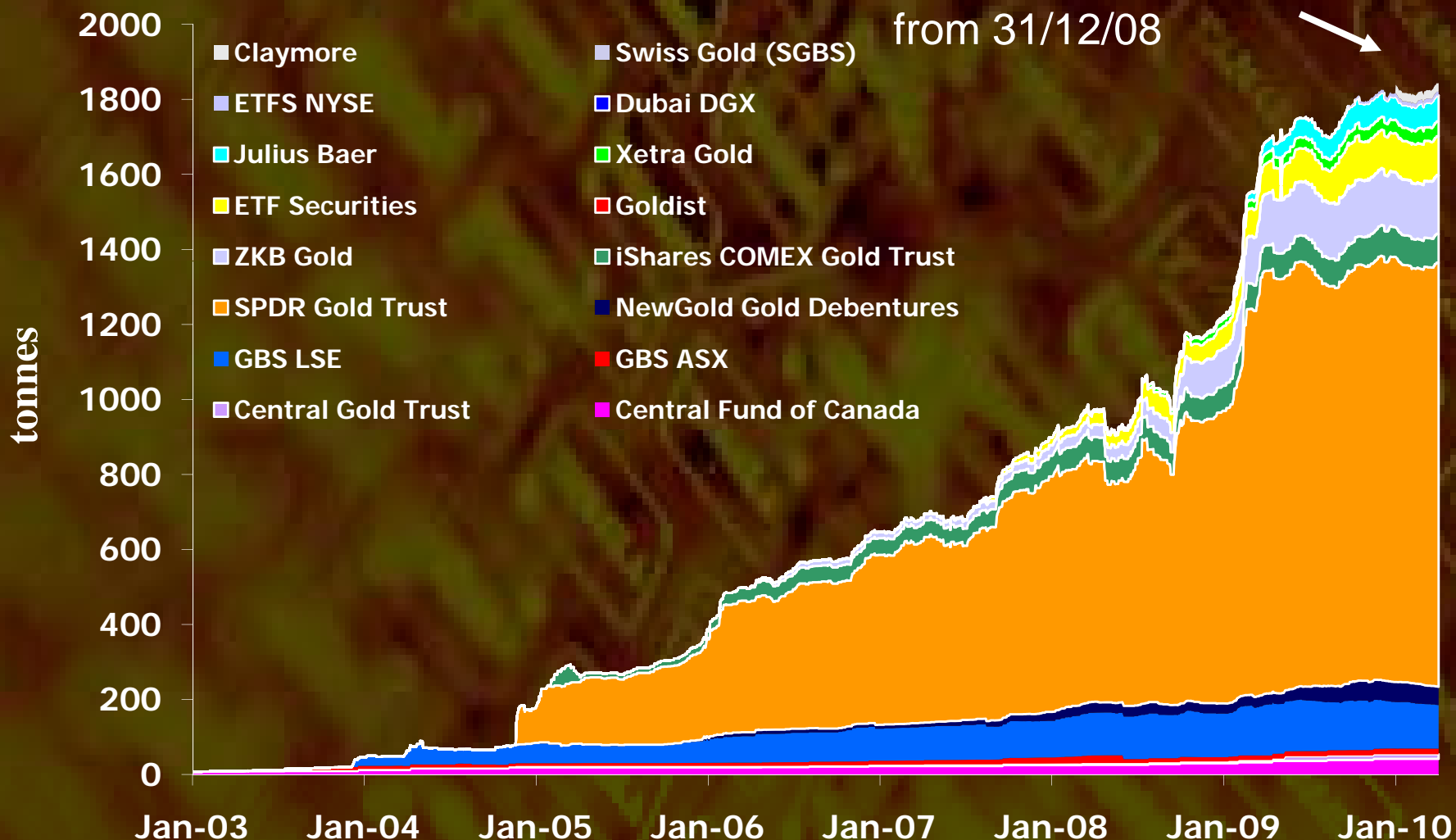
# World Investment\*



\*World Investment is the sum of Implied Net (Dis)Investment, Bar Hoarding and all Coins & Medals.  
Source: GFMS (*Gold Survey 2010*)

# Gold Exchange Traded Funds

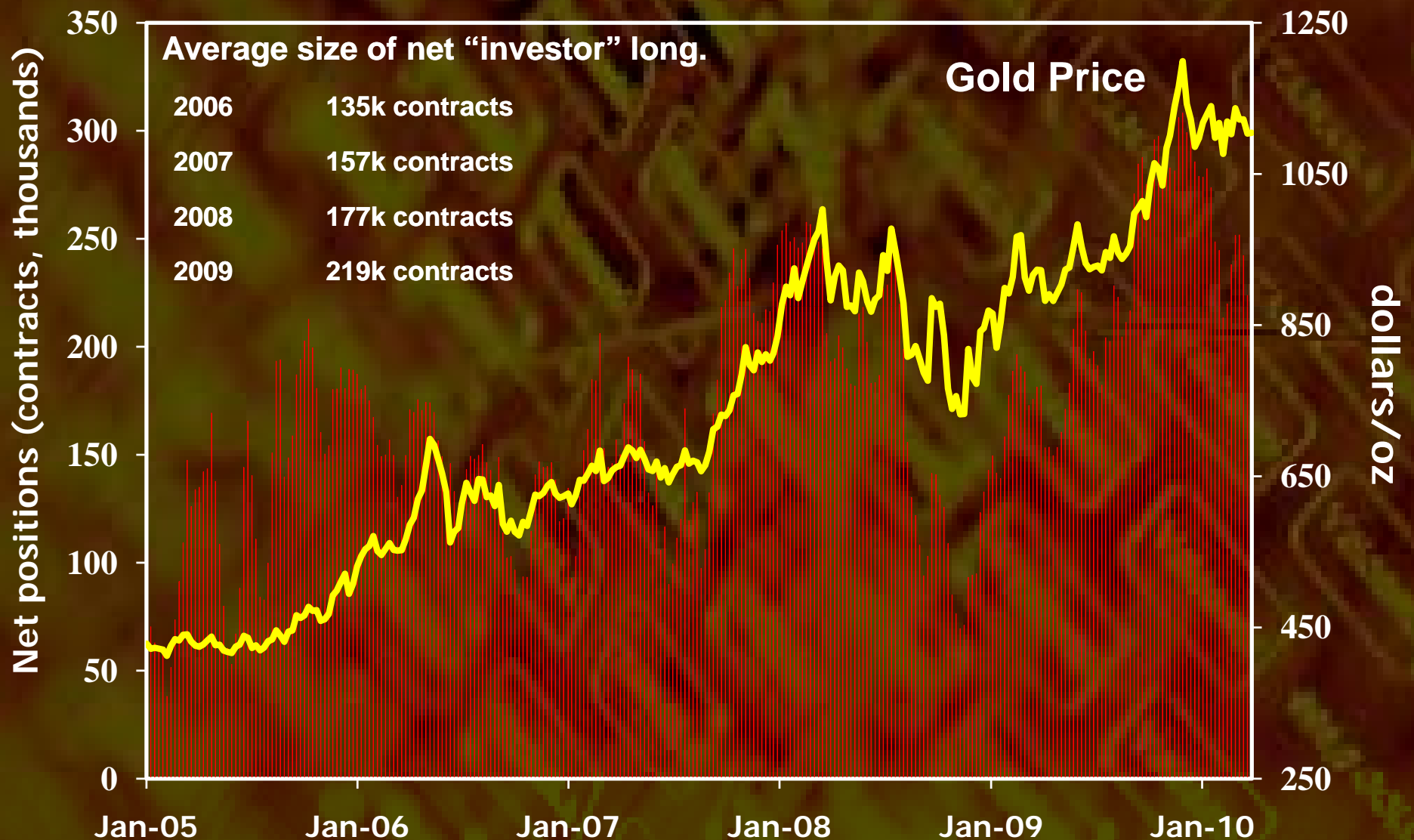
At 31/12/2009, 617t rise  
from 31/12/08



Source: Respective issuers

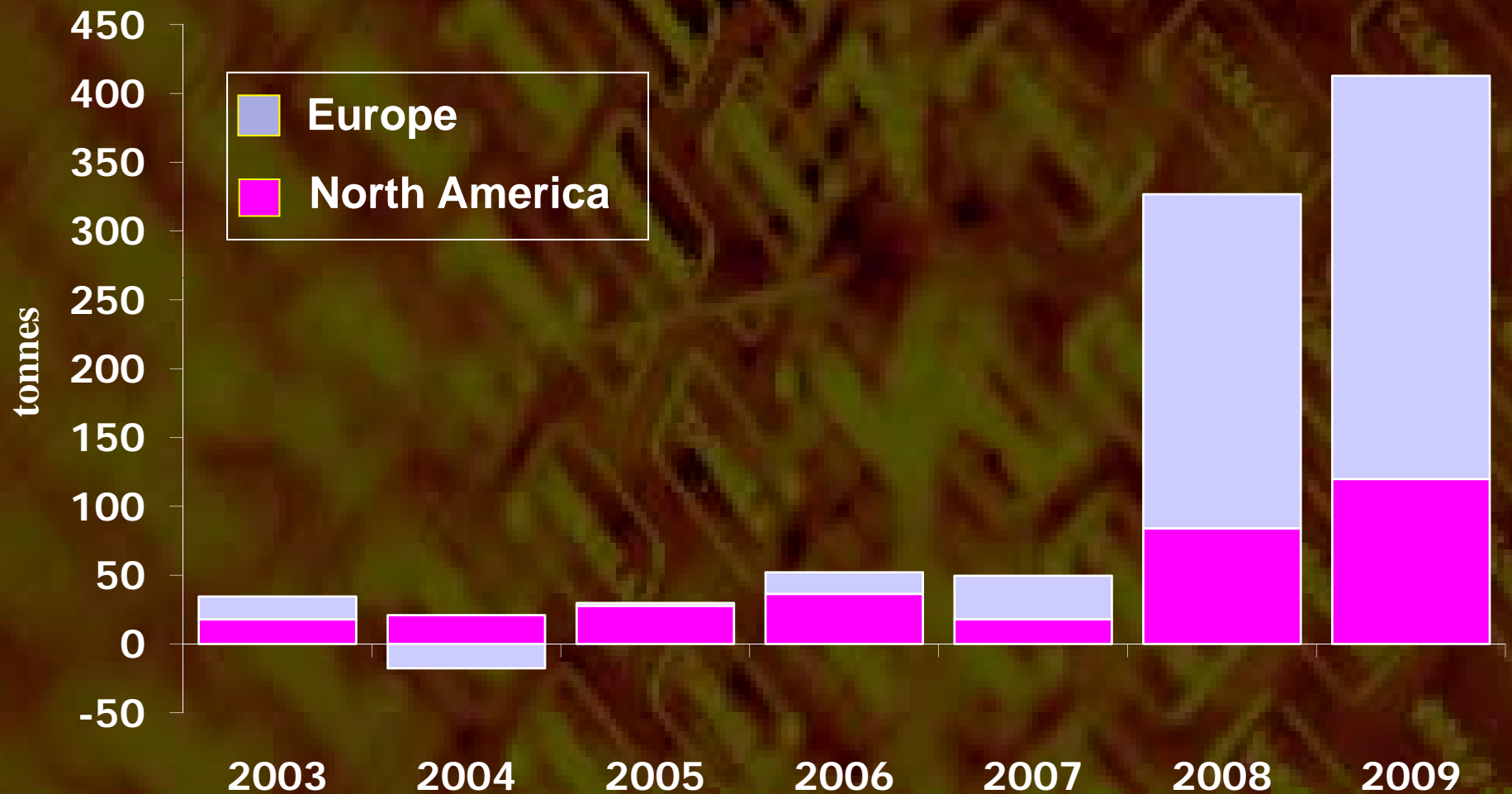
# Investors' positions in gold futures in 2009

(non-commercial & non-reportable positions in Comex & CBOT futures)



Non-commercial & non-reportable net positions in futures taken as proxy for investors' positions.  
Source: CFTC

# European & North American Retail Investment



Source: GFMS (*Gold Survey 2010*)

# Price Outlook

# Gold Supply 2008-2010F



Source: GFMS

# Supply in 2010

- Mine Production forecast to increase this year but at a slower pace, just over 2%, compared to the nearly 7% year-on-year growth seen in 2009.
- Official Sales expected to recover in 2010, mainly driven by 191 tonnes on-market sales by the IMF. Disposals from current CBGA members to be subdued while other countries to be small scale net buyers.
- Scrap forecast to be lower year-on-year in first half but higher in second half, with full year total little changed.
- Overall supply growth in 2010 to slow to perhaps around 5% compared to 2009's rapid 8% pace.

# Gold Demand 2008-2010F



\*World Investment is sum of Implied Net Investment, Bar Hoarding and all Coins & Medals

Source: GFMS

# Demand in 2010

- In spite of a reasonable first quarter, for full year 2010 jewellery demand will recover only modestly, due to higher prices and constrained budgets, especially in light of continued economic weakness in many countries. Concentrated buying expected on price dips.
- Other fabrication set to recover in 2010, due to growth in the electronics sector.
- Prospects for further de-hedging are limited by the now very low outstanding producer hedgebook.
- Investor interest in gold is expected to remain strong throughout this year and potentially well into 2011.

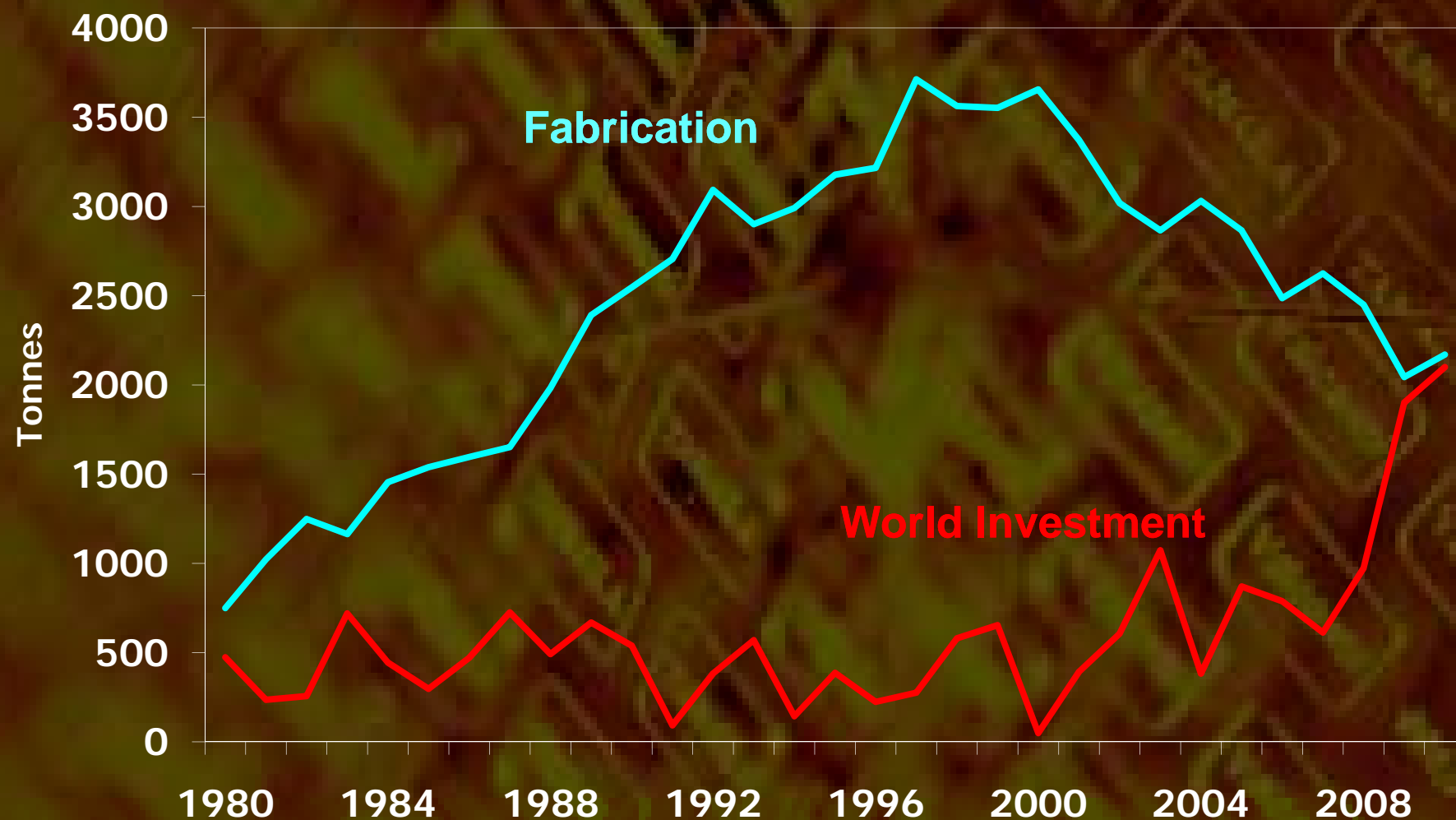
# Investment in 2010?

**Backdrop for investment in 2010 will remain positive as long as:**

- **Zero to negative real short term interest rates continue in all major currencies.**
- **Concerns over sovereign debt increase and crisis spreads from Europe to United States.**
- **Inflation expectations grow, especially in the US with its expected \$1.6 trillion FY 2010 deficit and probable debt monetization.**
- **Notwithstanding the above, risk may be growing of short-term and temporary sell-off by investors if fears of 'double-dip' trigger liquidations across all 'risky assets'.**
- **Longer-term, gold price vulnerability is rising due to investment's exceptionally high share of demand and the increasing size of investors' near-market bullion stocks.**

# World Investment\* & Fabrication (excluding all coins)

(1980-2010F)



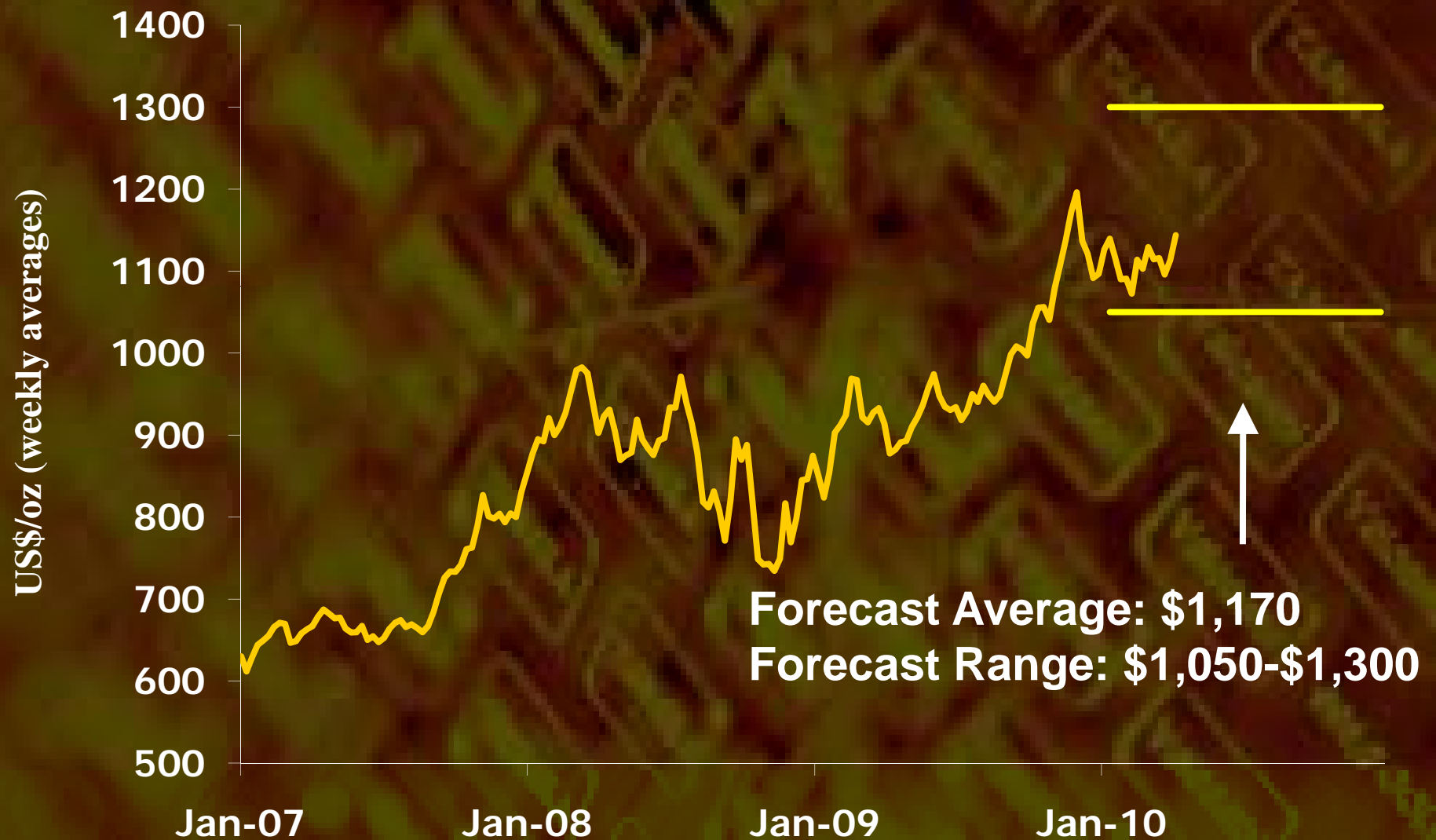
\*World Investment is the the sum of implied investment, bar hoarding and all coins & medals

Source: GFMS

# Price Outlook

- Investors will remain the principal driver of prices this year, with a breach of \$1,300 in the second half still a possibility, although probability has fallen.
- In the short term, prices could retrace from current levels; the mid \$1,000s are a possible low over the next three months, with prices in that region most likely to be eventually pushed up again by bargain hunting and stock replenishment.
- Supply expected to rise fairly strongly in 2010, with growth in mine production, and, from a very low base, official sector sales, the latter also expected to be concentrated in the second half. Scrap supply has fallen year-to-date but should recover in the latter part of 2010 basis higher price conditions. These will also mean that there is only a moderate recovery in fabrication demand for the calendar year as a whole.
- Imbalances in the market suggest that at some point the gold price will have to retreat. Nevertheless, this is most unlikely to occur on a secular basis in 2010 and potentially not until well into 2011 given current economic conditions, which in an underlying sense still favour gold investment.

# GFMS Gold Price Forecast for 2010



Source: GFMS

# GFMS Forthcoming Events

- 22 April 2010: **Platinum & Palladium Survey 2010**
- 27 May 2010: **World Silver Survey 2010**
- September 2010: **Gold Survey 2010 – Update 1**

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