



The Outlook for Gold Prices and US Gold Jewelry Demand

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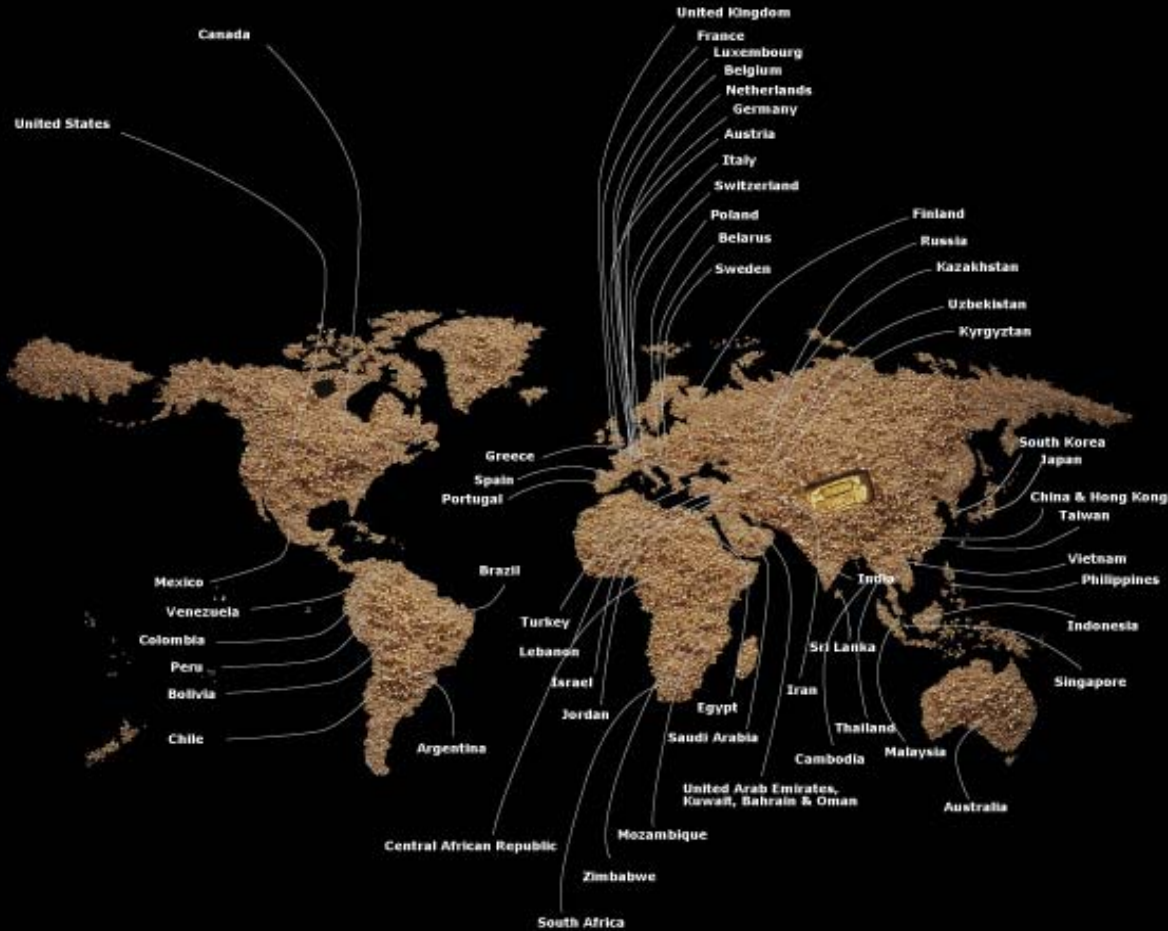


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Presentation Outline

- **Gold Price Outlook**

- **Gold Supply:**

- Growth Potential Limited

- **Gold Demand:**

- Investment Compensating for Weaker Fabrication

- **Price Forecast**

- **Outlook for US Gold Jewelry Demand**

- **Gold Price Impact**

- **Not Just a Gold Price Phenomenon**

- **Competitors to Precious Metal Content**

- **Jewelry's Main Competitors**

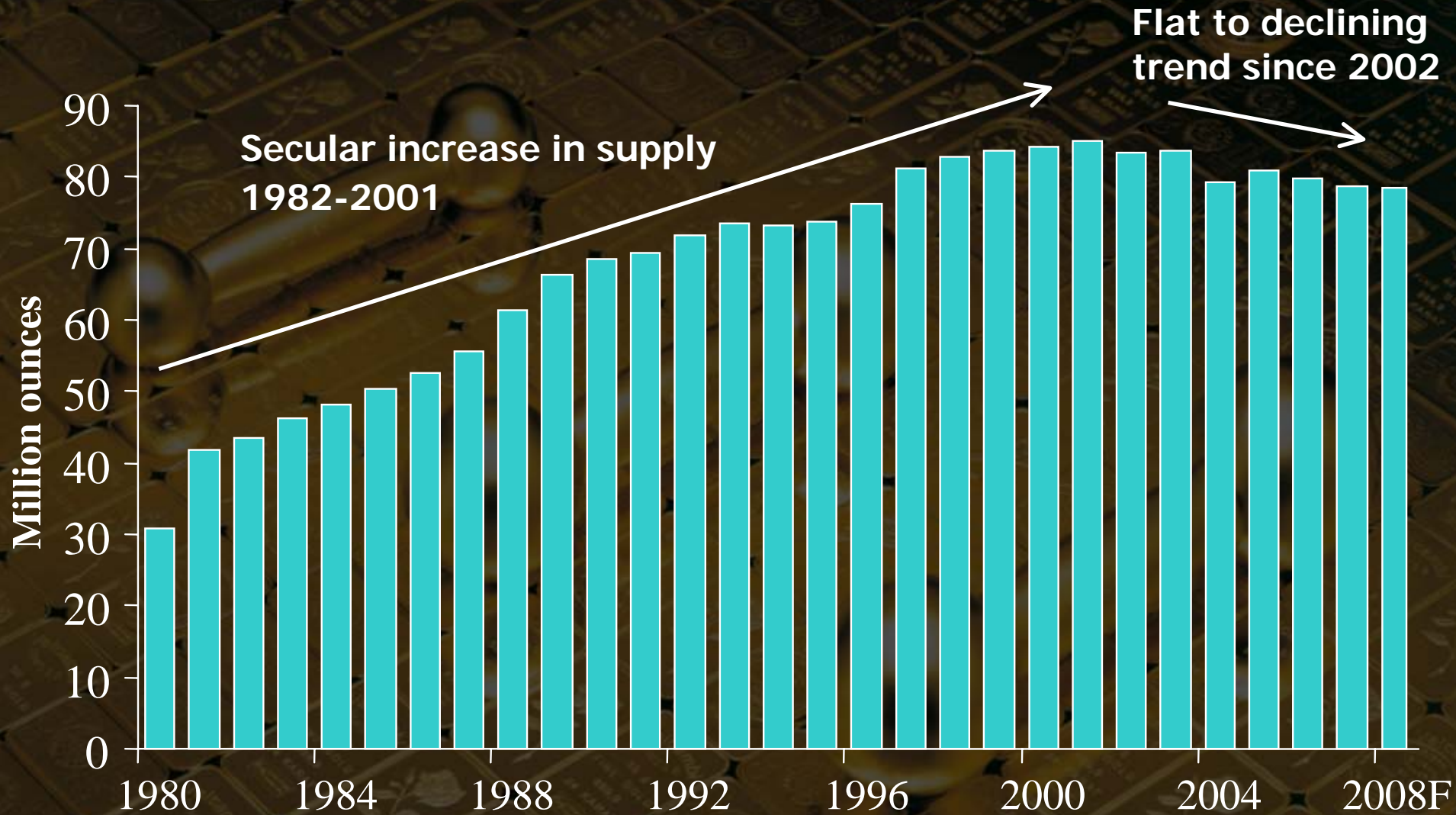
- **Market Summary**

The background of the slide is a dark, textured surface featuring a repeating pattern of gold bars and coins. The bars are arranged in a grid, and the coins are interspersed between them. The overall color palette is a range of gold and brown tones, with a dark overlay that makes the text stand out.

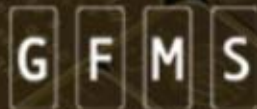
Gold Price Outlook

Gold Supply

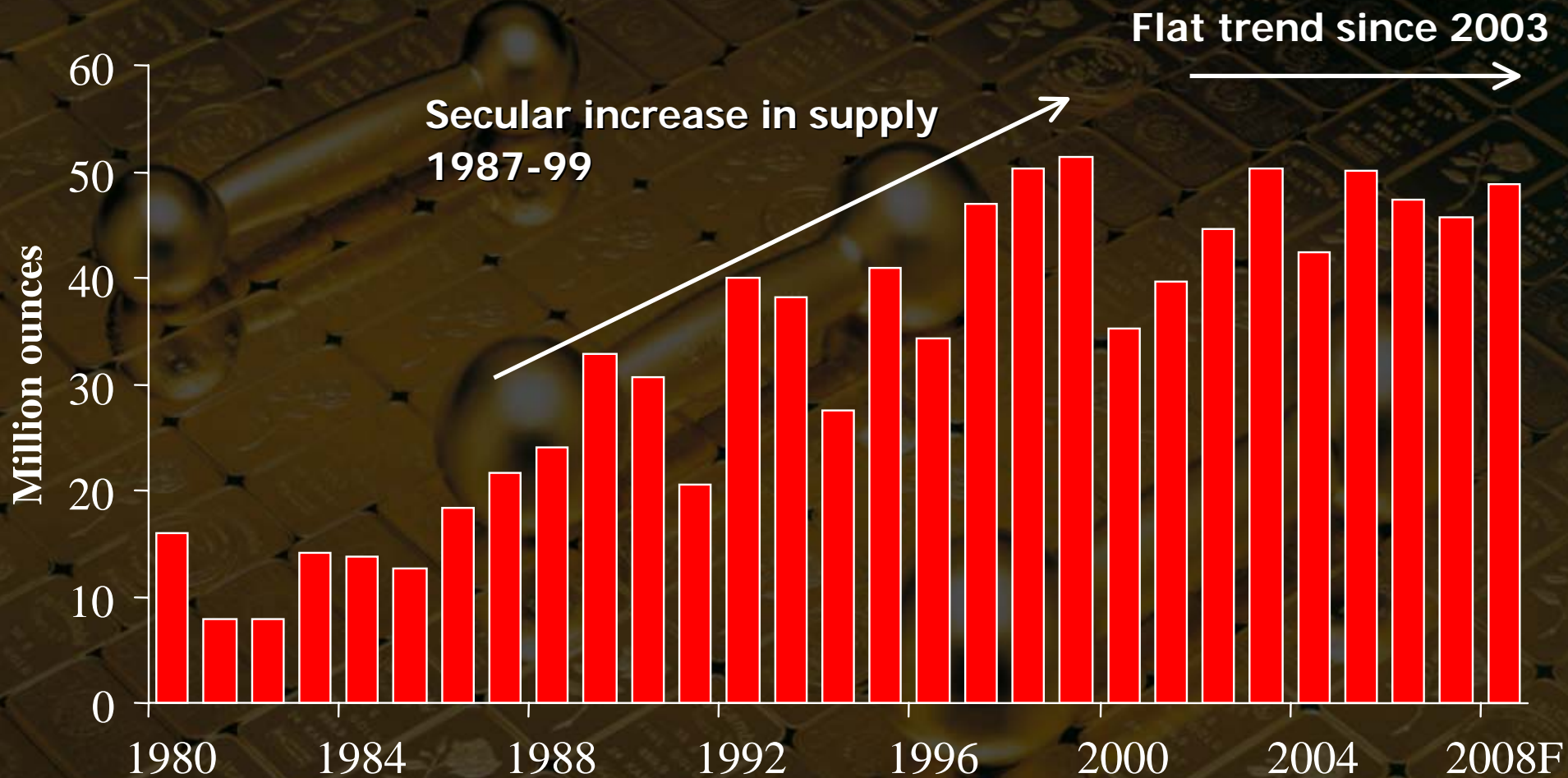
World Gold Mine Production



Source: GFMS



Gold Supply from Scrap, Hedging & Official Sales



Source: GFMS



Gold Demand

World Gold Jewelry Fabrication



Source: GFMS

Economic Backdrop

- Impact of credit markets crisis is broad and ongoing
 - Financial markets directly affected:
 - Liquidity impaired & price discovery compromised
 - Counterparty credit risk to the fore
 - Second order effects considerable:
 - Further blow to housing market
 - Tipping US into recession; RoW slower growth (lower profits and therefore slide in stock prices)
 - Cuts in US interest rates (but growing inflation risks, especially with high oil prices)
 - Weaker US dollar

US Dollar's Long-Term Decline

Long-term chart suggests that US\$/€ could well reach around 1.60 before dollar bear market ends.



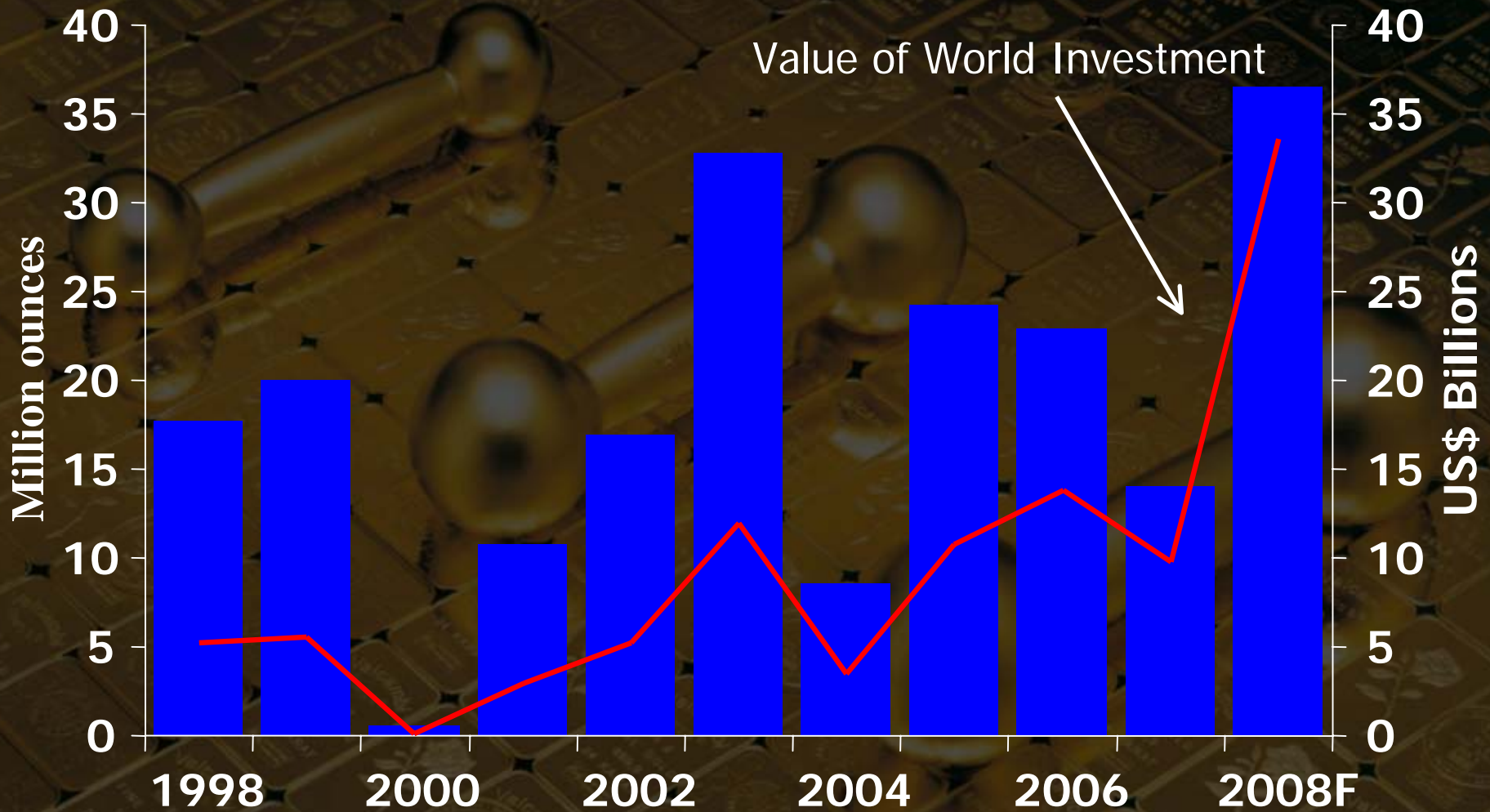
Source: GFMS

*Data prior to 1999 is calculated using the Deutsche Mark spot rate

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 - Cuts in US interest rates (but growing inflation risks, especially with high oil prices)
 - Weaker US dollar
- Positive economic and financial backdrop for gold
 - Flight to quality; safe haven
 - Competing assets unattractive: lower stock prices, weaker US dollar, negative real interest rates

World Gold Investment



Source: GFMS



Gold Price Outlook

- Investment to remain the key driver of gold prices in 2008
- Price volatility set to continue
- GFMS' forecast average price in 2008 of \$950, with low of \$870 and high of \$1,180

The background of the slide is a dark, textured surface with a repeating pattern of gold bars and jewelry. The bars are arranged in a grid, and the jewelry includes several gold rings and pendants. The overall color scheme is dark brown and gold.

Outlook for US Gold Jewelry Demand

Presentation Outline

- **Gold Price Outlook**

- **Gold Supply**
- **Gold Demand**
- **Price Forecast**

- **Outlook for US Gold Jewelry Demand**

- **Gold Price Impact**
- **Not Just a Gold Price Phenomenon**
 - **Competitors to Precious Metal Content**
 - **Jewelry's Main Competitors**
 - **Market summary**

Impact of High Gold Prices

- Retail Price Point Pressure
 - Impact on promotion prices
 - Attrition of gold ounces
 - Lighter pieces
 - Growing use of silver, steel and other materials
 - Growth of 10 karat in 2008 ?
- Open-to-buys
 - Only a short-term impact ?
 - Step change to lower stocks
 - Postponement of orders
- Rising Import Costs
 - Charge for lost gold during manufacturing

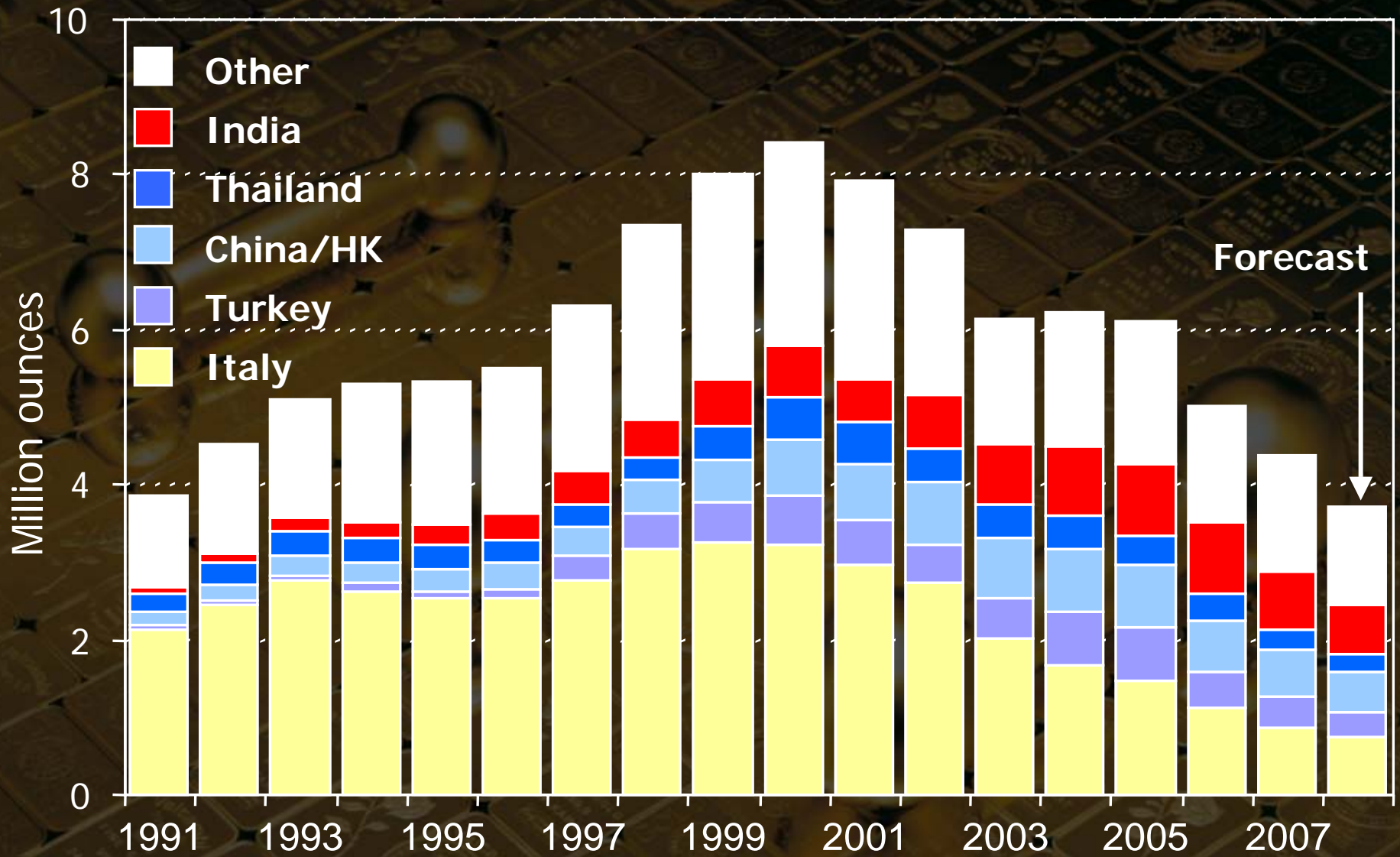
Competitors to Precious Metal Content

- Materials of intrinsic value
 - Diamonds, pearls etc
- Materials of trivial value
 - Steel, rubber, glass, wood etc
- High design / fashion
 - Rising share of labor in total costs
 - Growth of "fast" fashion; purchase for 1-2 seasons
 - Informalization; trend to more casual fashion
- Branded goods
 - Expenditure shift from the intrinsic to the intangible

Jewellery's Main Competitors

- Technology goods
 - cellphones, iPods etc
- Travel & leisure
- Luxury clothing & accessories
 - handbags, shoes, sunglasses etc
 - heavily branded

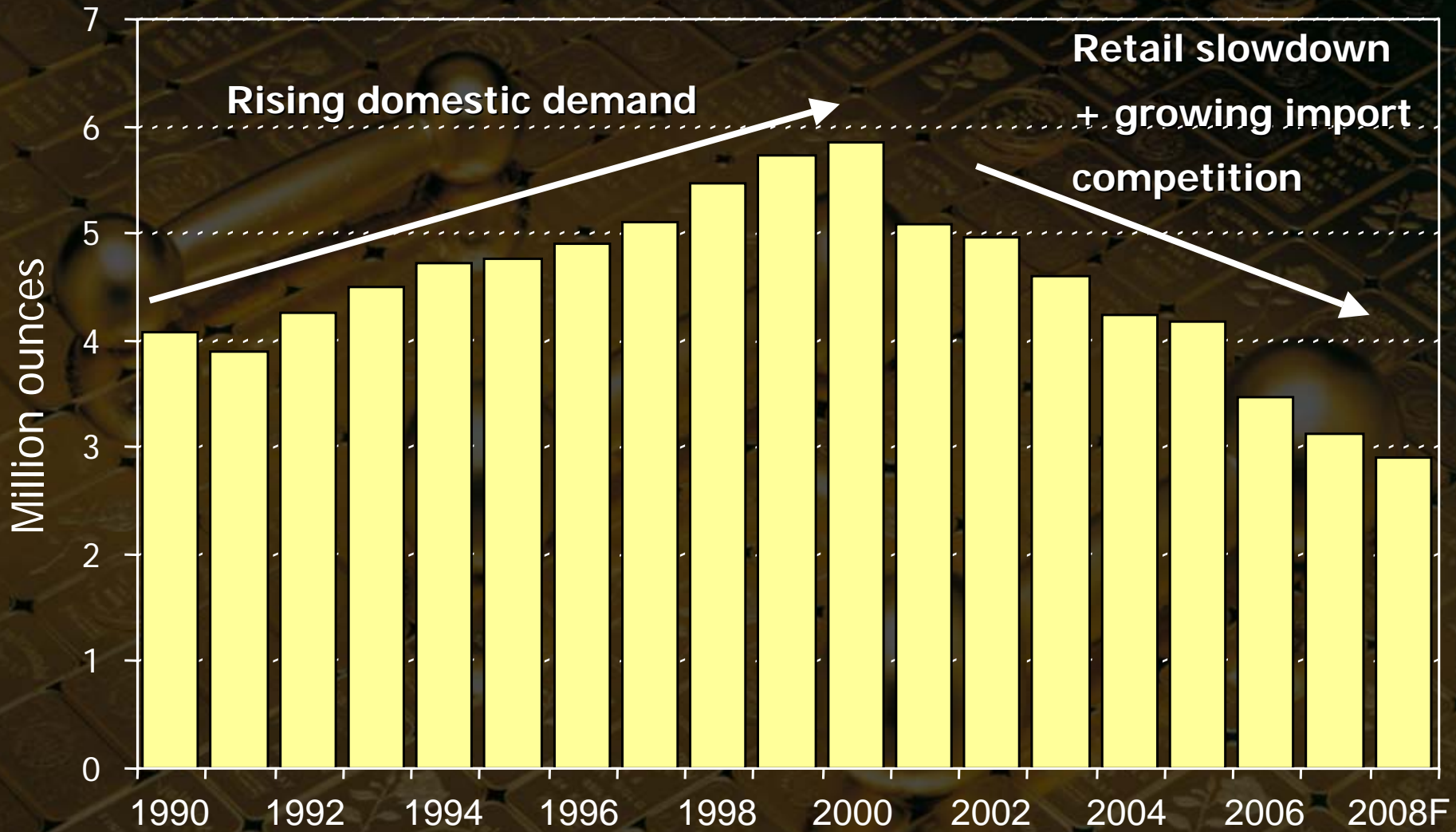
US Gold Jewelry Imports



Source: GFMS



US Gold Jewelry Fabrication



Source: GFMS



Conclusion

US Gold Jewelry Outlook

- Uncertain retail environment
- Gold prices forecast to continue rising
- Further retail price pressure
 - Rising import labour rates; Loss of GSP elsewhere ?
- Shift to other materials
 - Not necessarily a short-term development
- Competition from outside jewelry
- Medium term: falling gold prices
 - Will eventually boost demand for ounces
- Potential for reversal

Thank you for your attention

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