

Publication of Latest Precious Metals Quarterly Report

GFMS Ltd has just released its most recent **Precious Metals Quarterly** (PMQ), a review of the gold, silver, platinum and palladium markets for the fourth quarter. Each report gives a concise overview of the key developments of the quarter for these metals. It analyses the main factors behind price moves, assessing the core components of the supply and demand balance and their market impact. Some of the highlights for each metal on this occasion were as follows:

GOLD: Investors drive the market higher against the weight of sharply higher official sector sales

- **investment** - the latest quarterly contains a statistical analysis of the market to assess the importance of investment. Key findings include the correlation between the gold price and both the yen:\$ rate and the euro:\$ rate (a good indicator of investor interest) being stronger in Q4 than the first three quarters of 2004. Also of note was the weak link between the price and the Comex non-commercial long, a proxy for fund activity. This part explains why GFMS devoted considerable space in the PMQ to other forms of investment, in particular the new exchange-trade fund, streetTRACKS, whose successful launch and surge in holdings to over 100 tonnes was a key feature.
- **central bank sales** - the report quantifies the surge in end-year net sales (as indicated in early January's *Gold Survey Update 2*), with a rise from just 65 tonnes in Q3 to 234 tonnes in Q4.
- **physical demand** - the consultancy has released its figures for Indian bullion imports in Q3. As forecast in the PMQ for the third quarter, the higher price took its toll on inflows with the drop (in comparison to Q2) now put at 38%, to 127 tonnes. All is not gloom, however. Such a tonnage is 17% higher than at the same time a year ago.

SILVER: The market for the brave with investment ever more speculative and opportunistic Chinese selling

- **investment** - the PMQ reviews in some detail the 'quality' of investment in silver. It concludes that the truly speculative proportion of total investment during Q4 was notably higher than that for gold.
- **sales from stock** - GFMS believe that net Chinese silver bullion exports rose year-on-year in Q4. Much is thought to be covered by the rise in imports of silver-containing concentrates for refining but the consultancy feels there was a fair probability that the Chinese were again sellers from official or 'quasi-official' stocks.
- **physical demand** - the report notes quite divergent performances across the physical markets. Gold's rally was seen to have hit demand during Q4 in price sensitive countries such as India (and perhaps more so than was the case for gold) but industrial offtake in the western economies and in East Asia remained strong.

PLATINUM & PALLADIUM: The consequences of consumer trends and a strong rand come home to roost

- **physical demand** - the PMQ highlights how consumer trends can have a marked impact on bullion flows. High platinum prices, for example, are said to have hit jewellery sales in China, with white gold (containing palladium) and palladium jewellery being beneficiaries. This is indicated in the trade numbers which show Hong Kong's net imports of platinum over the first three quarters falling by 37% whilst palladium rose by 184%. Next door in Japan, the boom in flat-screen televisions and other similar technology items is thought behind the 31% rise in Q1-Q3 net platinum imports as high quality glass production countered stagnant jewellery consumption and steady car sales.
- **mine production** - this was unusually important for price in that the quarter began with prices commanding a premium linked to strike action in South Africa - though the dispute's speedy resolution saw this evaporate in a matter of days. GFMS report that South African platinum production fell by 10% in Q3. This may seem a little surprising given (perceived) strong prices. However, it is important to remember that rand prices are what matter here and the PMQ notes that the average rand price for Q4 was effectively unchanged on that for 2003.





The publication can be ordered from GFMS for £595, US\$995 or €895 for four quarterly issues. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.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, China, India and Russia, and a vast range of contacts and associates across the world.

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