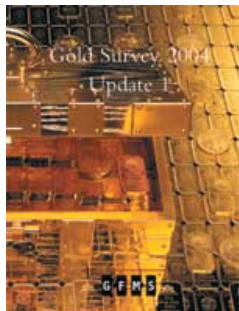


Publication of Gold Survey 2004 - Update 1

Waning investor interest on the back of poor gold price performance



The weakness of investment demand seen so far in 2004 is expected to continue over the next couple of months, although there is potential for fresh buy side interest towards the latter part of the year. This is one of the main conclusions of *Gold Survey 2004 - Update 1*, the report released today by GFMS, the precious metals consultancy. In response to an expected modest rise in the average US dollar gold price, GFMS forecast investment demand to regain some of its lost lustre in the second half of 2004. This was thought to be most likely or pronounced once the uncertainty caused by the US presidential elections has lifted, though the market may well have to wait until 2005 for a major rebound in investor interest.

Nevertheless, further large-scale liquidation of positions by funds and private individuals are deemed unlikely, as investors seem to have grown comfortable with a gold price around the \$400 mark and also because many investors continue to believe that the US budget and current account deficits will eventually result in a further bout of dollar weakness.

Gold Survey 2004 - Update 1 identifies "western" (essentially European and North American) investors as having been the main drivers of the decline in investment, with other forms of investment demand, namely bar hoarding (in developing countries and Japan) and coin fabrication, both registering year-on-year increases over the levels recorded in the first half of 2003. Implied net (dis)investment - GFMS' balancing item that provides a rough proxy for "western" investor activity - on the contrary experienced a swing from the impressive investment levels seen during 2003 to net disinvestment in the first half of 2004, suggesting net selling by funds and private individuals during the first six months of this year.

Other evidence - both public domain data and anecdotal information - strongly supports this contention; indications are that a fair chunk of the metal taken off the market by investors in 2003 has been sold back during 2004. Liquidations were mainly driven by a poorly performing gold price at a time of high expectations, as well as the slight recovery in the US dollar this year against other major currencies. Furthermore, there are indications that some investors have moved to arguably more lucrative markets, for instance base metals as well as energy commodities, particularly oil. This trend seems to apply to activity in futures and options on the different commodity exchanges, to stock exchange listed products, as well as the over-the-counter market.

© **Copyright GFMS Limited - September 2004.** Whilst every effort has been made to ensure the accuracy of the information in this document, GFMS Ltd cannot guarantee such accuracy. Furthermore, the material contained herewith has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient or organisation. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any commodities, securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. GFMS Ltd does not accept responsibility for any losses or damages arising directly, or indirectly, from the use of this document.

Gold Survey 2004 - Update 1 provides a review of the gold market in the first half of 2004 and a forecast for the full year with 40 pages of statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS for £205 or US\$375 / €315 per copy. 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.

Press Contacts: Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: gold@gfms.co.uk, web site: www.gfms.co.uk

