



Publication of *Gold Survey 2006*

Continued Growth in Investment Forecast to Take the Gold Price to New Highs

A continued surge in gold investment demand has recently pushed the gold price through a series of fresh multi-year highs. In its *Gold Survey 2006*, GFMS forecast that this expansion in investor interest is likely to continue over the next couple of years, driving the price comfortably over the \$600 mark before the end of 2006, with the potential for a new all time high in the longer term horizon.

The generally bullish sentiment towards gold, based on its strong price performance over the last four years, is the prime driver of the growth in investor interest in the metal. Indeed, last year's rally seems to have eliminated much of the anti-gold sentiment that still remained from the disappointing 1990s. Evidence of this change are the growing "core" long position in the market, the apparent lack of interest in shorting the metal (in spite of the attractive contango) and the changing attitude of at least part of the official sector towards gold.

Gold is also benefiting from a more generalised rise in investor interest in commodities both for speculative purposes and as an alternative asset to stocks, bonds and cash. However, this phenomenon is still at an early stage and there remains tremendous scope for further investment in the commodities complex, especially from longer-term investors such as pension funds.

An important motive for many investors in gold is their view (which GFMS share) that the longer the US dollar continues to defy gravity the more likely that a severe devaluation of the greenback will occur. Persisting imbalances in the US economy, coupled with the currency at relatively high levels create a bleak outlook for the dollar. Furthermore, there is some speculation that under its new leadership the Federal Reserve is less likely to continue raising short term interest rates, augmenting the downside potential for the US currency. Despite the link between the foreign exchange value of the dollar and the gold price having weakened over the last year, GFMS expect it will return, should the US dollar fall sharply.

In addition to the potential for dollar depreciation, GFMS expect that, more generally, the economic and political backdrop will continue to make gold an attractive investment. Rising energy prices fuelling inflationary expectations, the possibility of a severe economic slowdown next year, rising tension in the Middle East, due in large measure to Iran's alleged nuclear weapons programme, and the threat of global terrorism will all remain positive factors for the yellow metal.

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Gold Survey 2006 contains over 100 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 £275 or US\$495 / €395 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, Online Shop: <http://shop.gfms.co.uk>

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