



Publication of *Gold Survey 2005 - Update 2*

Strong Investment Demand will Continue Driving the Gold Price to New Highs

GFMS released *Gold Survey 2005 - Update 2* today, their latest report on the gold market. A summary of the findings of *Update 2* was given by Philip Klapwijk, Executive Chairman of GFMS, at a seminar in Toronto organised by the precious metals consultancy.

Having generally remained lacklustre for the better part of the first half of 2005, "western" investment demand in the last six months of the year expanded impressively, with this eventually pushing the gold price to a 24-year high. Investor interest in gold was somewhat rejuvenated by the yuan revaluation of 21st July. But it was not until September, as the impact of Hurricane Katrina became apparent and energy prices soared, that demand really took off. The months that followed saw increased investor activity, mainly fuelled by rising inflationary expectations, talk of central bank gold buying and a weakening Japanese currency, the latter encouraging investment in yen-denominated gold. The expansion in investment was very much focused on the main commodity exchanges and the Over-The-Counter (OTC) market. The period also saw significant inflows into the five active gold ETFs while, in contrast, direct investment in physical bullion remained disappointing.

Looking ahead, in spite of considerable scope over the near term for long liquidations, which would result in some price correction, GFMS expect investment to remain generally buoyant over much of 2006, and for this demand eventually to drive the gold price to fresh highs. The persistence of a positive climate for investment in commodities in general, the bullish outlook for the price of the yellow metal, our contention that the strength the US dollar enjoyed in 2005 cannot be sustained plus ongoing political tensions, particularly in the Middle East, are the main drivers we expect will fuel the above-mentioned trend. The strong fundamental support the gold price is expected to enjoy (from reduced net official sector sales, resurgent fabrication demand on any price dips and continued de-hedging) and, just as importantly, speculators' understanding thereof, is another reason we expect investors to remain generally positive towards gold. Finally, the ongoing expansion of the investor base for "alternative assets" should continue to benefit the yellow metal, particularly in light of the small relative size of the gold market in comparison to mainstream investments and, therefore, the "weight of money" that is still potentially available to drive prices higher.

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Gold Survey 2005 - Update 2 provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 2* identifies the most important economic, socio-political and market-specific issues facing the gold market.

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, Germany, Spain and Russia, and a vast range of contacts and associates across the world.

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