



## **Publication of *Gold Survey 2007***

### ***Investor Interest in Gold Grew Markedly in 2006 and is Expected to Remain Healthy Throughout this Year***

*Gold Survey 2007*, GFMS' latest report on the gold market, was launched today in London, Toronto and Johannesburg. One of the main findings of the report was the 13% decline in World Investment, that reached 743 tonnes in 2006. World Investment comprises of implied net investment - GFMS' balancing item understood to reflect "western" investment demand (excluding primary coin sales) - bar hoarding and coin fabrication demand. Interestingly, in approximate value terms, the figure was up by 18% year-on-year to \$14.4 billion.

Although *prima facie* the decline in the volume of World Investment could be misunderstood to suggest investor interest in the yellow metal weakened last year, the evidence is overwhelming that in fact investor activity enjoyed healthy growth and was the principal driver of price fluctuations. A structural shift in the market, away from the primarily buy-sided model seen in 2005 to a more two-sided variant last year was instead the driver of the net volume decline. Nevertheless it is important to stress, as GFMS' executive chairman, Philip Klapwijk, noted, that "despite there being sizeable investor activity on both the buy and sell sides of the market, overall purchases overwhelmingly exceeded sales".

Dollar weakness, geopolitical tensions and other commodity prices, remained important drivers of investment demand over much of last year. With regards to the latter in particular, a significant portion of activity in gold, and particularly in the first half, came through trading in commodity basket products that contained a weighting in gold.

After years of lacklustre performance, 2006 saw investment in physical metal experience somewhat of a come-back. Interest in gold ETFs as well as in the over-the-counter market also grew last year. In contrast, the evidence suggests that speculative activity in the main commodity exchanges declined in 2006. It is worth noting that for yet another year, the market was dominated by institutional players and high net worth individuals, while the impact of small retail investors remained limited.

As Klapwijk noted, "a continued weakness in the US dollar, ongoing geopolitical tensions and strong commodity prices, coupled with fundamental support appearing on price dips, continue to make the investment case for gold strong". On this basis, GFMS expect investor interest in the yellow metal will persist for at least the medium term, providing essential fuel to the continued rally in the gold price, that could see it reaching a new nominal high for the rally to date in the next 12 months.

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*Gold Survey 2007* contains over 120 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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**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](mailto:gold@gfms.co.uk), web site: [www.gfms.co.uk](http://www.gfms.co.uk)

