



Publication of *Gold Survey 2008*

Investors are forecast to drive gold to new record levels this year on the basis of an ongoing credit market crisis, lower US interest rates, rising inflation and heightened political tensions, amidst continued inflows into commodities.

GFMS' latest report on the gold market, *Gold Survey 2008* was launched today in London, Toronto and Johannesburg. One of the main issues the report addresses are the dramatic developments that have taken place in global markets over the last few months and their impact on gold. As Philip Klapwijk, GFMS' executive chairman, noted, "driven by growing risk aversion, a weakening US dollar, a clearly problematic financial services sector and expectations of lower equity prices, investors have increasingly recognised gold's safe haven attributes". This has resulted in its price breaking through a series of initially multi-year and eventually all time highs, peaking at over \$1,030 (on an intra-day basis) on 17th March, before liquidations brought it below \$900 more recently.

Focusing on 2007, although gold investment demonstrated stellar growth during the September to December period, demand over the rest of the year was largely unimpressive. GFMS' estimates in fact suggest that from January through to August, the market was in net disinvestment overall. This partly explains the relatively modest implied net investment figure GFMS have derived for the year, amounting to "only" 158 tonnes. Combined with numbers on bar hoarding and official coin fabrication, this generated a World Investment figure of 531 tonnes for the year, down by close to a third year-on-year.

Klapwijk mentioned that "investments in ETFs, futures and physical metal all experienced marked inflows over the course of 2007". In contrast, the over-the-counter market seems to have seen net selling, due to profit-taking and stop-loss liquidations, primarily taking place in the late April to late August period, as well as due to certain players moving out of such positions and into ETFs and allocated metal accounts. Although demand by small retail investors rose over the year (particularly towards the end), its contribution to the total remained marginal overall. The bulk of demand continued to come from institutional players and high net worth investors.

Going forward, GFMS expect the very positive climate for gold investment will continue at least until late 2008 and quite possibly into the first half of 2009. This view is mainly based on expectations that the credit market crisis will persist in the medium term, perpetuating increased risk aversion as well as creating a bearish outlook for the US dollar, the global economy and equity markets coupled with rising inflationary expectations under conditions of negative real short-term US interest rates. That said, the large involvement of speculators in the market suggests that corrections such as the one experienced recently are likely to be repeated, resulting in a volatile rally to a peak comfortably over the \$1,000 mark later this year or perhaps early in 2009.

© Copyright GFMS Limited - April 2008.

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 2008 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 £325 or US\$595 / €440 per copy. For orders and to receive further product information please contact Elena Patimova - 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>

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, Spain, France, Germany 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

