



## **Publication of *Gold Survey 2009***

### ***Twin threats of inflation from aggressive fiscal stimulus and 'quantitative easing', and the Federal Reserve's debt monetisation set to fuel gold investment.***

GFMS' latest report on the gold market, *Gold Survey 2009*, was launched today in London, Toronto and Johannesburg. The report comments on how gold investment experienced a dramatic surge in 2008 although the market experienced wide fluctuations in investment activity, including an eventual sharp divergence between that in 'paper' products and in gold's physical investment markets. The report noted that robust speculative inflows in the futures and OTC markets earlier in the year later gave way to an explosive rise in demand for physical investment products. Overall, 2008 saw a growing interest from smaller retail investors, high net worth individuals and, perhaps most importantly, increased participation by a broader group of institutional players in the gold market.

According to GFMS' executive chairman, Philip Klapwijk, speculative inflows into commodities, soaring energy prices, fresh lows in the dollar, inflationary threats and the ongoing credit crisis drove the gold price to record highs in the first quarter, as investors were lured by positive price expectations as well as gold's appeal as a safe haven and dollar/inflation hedge. The report highlights how thereafter, short term investors largely liquidated positions in the months following the spike in prices. Perhaps more interestingly, a dramatic shift took place in the second half, not only in the type of investor active in the market, but also between gold's various investment arenas. Klapwijk noted how the change in the composition of gold investment chiefly began in September, with one of the most important catalysts being the collapse of Lehman Brothers. This, along with plummeting global asset prices and the ongoing deleveraging, resulted in a sharp pull back by the market's more speculative players, particularly from 'paper' gold products. In sharp contrast, retail investment demand for physical bullion bars and coins exploded in the final third of the year. Despite high price volatility and several savage corrections in the price, physical investment demand proved to be almost wholly unaffected, as capital preservation remained paramount for this growing segment of the market. GFMS also note that, similarly, gold ETFs markedly benefited from investors' more defensive mindset, with combined volumes rising to all time highs over the year.

Looking ahead, GFMS expect positive investor sentiment towards gold to drive the bull market into a ninth consecutive year. The *Gold Survey* concludes that sustained concerns over the global economy and the health of the financial system will continue to fuel safe haven interest in the yellow metal. Moreover, GFMS expect interest in gold as a hedge against rising prices and a potential run on the dollar to increase as America's aggressive fiscal stimulus, coupled with the Federal Reserve's plans to buy longer term US treasuries, effectively monetising government debt, signal a growing long term risk to investors.

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**Gold Survey 2009** 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>

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