



Publication of *Gold Survey 2008 - Update 1*

Ups and Downs of the Gold Price - a Correction or a Major Trend Change?

Gold Survey 2008 - Update 1 was released today at GFMS's Precious and Base Metals Seminar. The report suggests the first six months of the year witnessed an impressive surge in investor activity in precious metals, reflected in a new all-time nominal record high posted by the gold price in March. Gold market data published in *Update 1* showing a year-on-year swing in the first half from implied net disinvestment to investment confirm the substantial growth in investor interest. Philip Klapwijk, GFMS' Executive Chairman, commented "the turbulent market conditions and intensifying credit crisis in the USA combined with deepening fears about the weakness of the US dollar, soaring oil prices and the increasing possibility of a recession in the world's largest economy pushed investors towards safe-haven assets such as gold and other precious metals".

Gold's first half rally was however brought to an end by the massive liquidations of investors' positions during the summer that resulted in the gold price dropping to the mid-\$700s in September, a level last seen almost a year ago, as interest in the precious metal was dented by a recovery in the US dollar and a slump in oil prices. Mr. Klapwijk noted "to some it appeared that the summer sell-off marked the end of the bull market in gold. Given the speed and strength of the recovery in the US dollar and the associated collapse in commodities prices it looked for a while as if events were proving the bears to be correct. However, we were and still remain sceptical that a sustainable recovery in the US dollar is possible while the United States continues to be so dependent on other countries' savings, especially at a time when the US-centred financial crisis is going from bad to worse".

Looking at prospects for the final third of 2008, GFMS expect that a deepening financial crisis coupled with the United States entering a recession (or close to it) will result in a further loosening of US monetary policy at the same time that the country's fiscal deficit is exploding. This will lead to a reversal of much of the recent recovery in the US dollar. A weaker dollar, negative real interest rates and turmoil in global financial markets should provide a highly stimulating environment for a rebound in gold investment demand. Indeed, GFMS forecast that the return in strength of investors to the buy-side of the market will drive gold prices back well above the \$900 mark during the fourth quarter.

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Gold Survey 2008 - Update 1 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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