



## **Publication of *Gold Survey 2009 - Update 1***

### ***De-hedging Demand Plummetts as Scope for Continued Strong Reductions Falls in Tandem with Book Volume.***

GFMS today presented its interim report on the gold market, *Gold Survey 2009 - Update 1*. Included in the publication was an analysis of producers' hedging activity, which showed that in the six months to end-June 2009, producers collectively effected a reduction in the delta-adjusted hedge book of only 31 tonnes.

Activity on both sides of the market was restrained, with only one significant book cut, from AngloGold Ashanti, which reduced the size of its hedge book by 25 tonnes, and two project hedges of note arranged during the period, by Catalpa Resources and Apollo Gold. There were, however, widespread smaller cuts as companies simply delivered into positions as they matured.

Central to the low net figure was the conspicuous absence of many strong de-hedgers. Speaking at a presentation in London, Executive Chairman Philip Klapwijk noted that "rather than a widespread return to hedging, this reflects the much reduced scope for de-hedging to continue to be a strong market component in the near-term, itself a function of the volume of the hedge book, which stands at historically low levels." In recent years mining companies have generally been racing to reduce hedge cover, in response to price expectations and investor pressure.

For the rest of the year, Klapwijk added that, taking into account all existing announcements, notably from AngloGold Ashanti and Barrick Gold, GFMS expects net activity in the second half of the year to be of a greater magnitude than the first.

The GFMS analysis uses the Brady Trinity™ Risk Management and Trading system to calculate the delta hedge against producers' options positions using the Black-Scholes option pricing formula. Using Trinity™, GFMS noted that the collective options portion of the book was serving more as a cap to price upside than as an effective hedge against downward risk, given the dominance of sold call options as a component of the total book.

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**Gold Survey 2009 - Update 1:** In just 40 pages, Update 1 identifies the most important economic, sociopolitical and market-specific issues facing the gold market. The publication can be ordered from GFMS for £250 or US\$460 / €350 per copy. For orders and to receive further product information please contact Elena Patimova - Tel: +44 (0)20 7478 1750, 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:**

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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)

