



## **Publication of *Gold Survey 2006 - Update 2***

### ***Gold investment demand to remain the principal driver of gold price changes.***

GFMS released their latest report on the gold market, *Gold Survey 2006 - Update 2*, today. A summary of the findings of the publication was given by Paul Walker, Chief Executive Officer of GFMS, at a seminar in Toronto organised by the precious metals consultancy.

The report suggests that a shift from a primarily buy-sided market in 2005 to a more balanced two-way one last year was the reason for the decline in the implied net investment figure recorded in 2006. (Implied Net Investment is the balancing item or residual in GFMS' summary supply/demand table.) The drop came despite GFMS' information confirming that underlying investor interest in the metal, if anything, continued to rise over the year. It is worth mentioning, moreover, that activity was mainly concentrated in the first half of the year, while the last six months of 2006 were somewhat quiet.

Looking ahead, the consultancy expects a rebound in investor activity will occur in the first six months of 2007 and thus remains constructive towards the gold price. Paul Walker noted that "although the fundamental market provides a firm base for gold prices, the upside potential rests squarely on the shoulders of investment".

Our expectation is largely based on the poor outlook for the US dollar as well as a supportive geopolitical backdrop. Furthermore, a growing core of investors are interested in moving their assets to less risky, safe haven instruments, a tendency that is likely to remain positive for gold investment. Finally, despite the number of investors involved in the yellow metal having grown considerably in recent years, in percentage terms, they remain but a tiny portion of the overall universe, meaning that there is good potential for a further widening of the investor base for the metal.

In addition to the above, the more general positive environment for commodity prices is also likely to continue to aid gold investment. One possible caveat to this benign outlook for investment demand could come in the form of the looming economic slowdown impacting growth in some of the regions where demand has provided much of the fuel for the commodity price boom of recent years. Under such a scenario, however, GFMS expect that investor purchases based on gold's safe haven attributes would more than offset any liquidations caused by a more general bail-out in commodities, leaving the metal a net winner.

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***Gold Survey 2006 - Update 2*** Gold Survey Update 2, published in January, provides a thorough and comprehensive interim analysis of the most recent developments in the gold market. In just 40 pages, Update 2 identifies the most important economic, sociopolitical and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 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>

#### **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, Germany and Russia, and a vast range of contacts and associates across the world.

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