



Publication of *Gold Survey 2007 - Update 2*

Investment Demand Forecast to Drive Gold Price to \$1,000 Level in 2008.

GFMS released their latest gold market report, *Gold Survey 2007 - Update 2*, today. A summary of the findings of the publication was given by Philip Klapwijk, Chairman of GFMS, at a seminar in Toronto organised by the precious metals consultancy.

The report comments on how the final third of 2007 saw a marked increase in investor interest in gold that has spilled over into 2008, in the process driving gold prices to fresh all-time highs. The trigger for this shift in the investment climate was said to have been the credit markets crisis that erupted in August last year. Although it initially led to some selling by funds either looking to raise cash in a hurry or being forced to reduce leverage, the financial turmoil that began in the US sub-prime market eventually saw gold come into favour as a safe haven asset. As Philip Klapwijk noted, "it is probably significant that in recent months much of the investor buying of gold has been in the form of ETFs and other forms of allocated metal, indicating investors' growing concerns about the health of the financial system in the light of huge losses by financial institutions and a couple of high profile bank failures".

Looking ahead, the consultancy expects that investment demand will surge in 2008 on the back of more investors being drawn to gold by the metal's strong performance in recent years and the security it represents both against financial turmoil and inflation, with in the latter case high oil prices at the centre of the debate. GFMS believe that gold investment demand will also be boosted by the second order effect of the financial crisis, namely savage cuts in US interest rates aimed at buoying the financial system and heading off what seems to be an impending recession in the United States. Even looser monetary policy by the Fed is expected to drive the dollar still lower, while not avoiding a major setback to stock prices; two of gold's eternal rivals are thus forecast to face a difficult year ahead. In addition, according to GFMS' Philip Klapwijk, the geopolitical backdrop remains supportive, "as the recent naval incident involving US and Iranian forces has shown, the situation in the Persian Gulf is still very worrying, with plenty of scope for armed conflict to erupt and drive oil prices well above \$100. What price gold under such circumstances?"

Nevertheless, in the short-term, GFMS caution that prices above \$900 are unlikely to be sustainable due to the currently very high level of speculative long positions and a price-induced collapse in fabrication demand. Following what is expected to be a severe correction, however, the consultancy expect prices to trend upwards again, with investors likely to take gold to the \$1,000 level, if not beyond, later this year.

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Gold Survey 2007 - 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 Elena Patimova 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>

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