



Publication of *Gold Survey 2008 - Update 2*

Investment surge to be fuelled by record low US interest rates, future inflation threat from debt monetisation and deteriorating outlook for traditional assets.

GFMS released their latest gold market report, *Gold Survey 2008 - 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, after a generally positive first half, gold investment was rather more mixed over the remainder of the year. In the second half, turbulent financial markets and the deepening credit crisis drove many funds to liquidate positions and the bulk of speculative players in large part exited gold's investment arena. This trend however, according to GFMS, contrasted markedly with a high level of physical investment. This divergence between the 'paper' and physical markets became particularly pronounced after the collapse of Lehman Brothers in September. The report highlights that retail investors (motivated by fears over the string of bank failures and stresses in the broader global financial system) pushed volumes of demand for bars and coins to unprecedented levels in some instances, with this class of investor buying predominately for the purpose of wealth preservation. Elsewhere, impressive activity was also registered in gold's physically-backed ETFs, evidenced by the rise in total holdings to record highs.

Looking ahead, GFMS expect renewed price strength in 2009 and the gold bull market to remain in place. A combination of aggressive fiscal policy and short term interest rates at historically low levels in the United States and other major economies are set, according to GFMS, to result (at some future point) in a resurgence of inflationary threats. Additionally, as foreign creditors grow increasingly alarmed over the burgeoning US fiscal deficit and the country's monetisation of debt, the consultancy sees a potential for official inflows into the US government debt market to weaken, an event that would substantially undercut support for the dollar. This, coupled with the ongoing environment of negative real interest rates, GFMS believe, should prove highly supportive of gold. Furthermore, as the global economic downturn continues to erode corporate earnings, the report highlights that interest in alternative assets may again be bolstered by the deteriorating backdrop for equity markets.

GFMS conclude that once fund selling linked to investor redemptions and the like abates, a portion of the large amount of capital that is presently side-lined could well be invested in gold amidst a rise in fresh speculative interest, with this wave of new investment possibly fuelling a price rally that could see gold well above \$1,000/oz during the course of the year.

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Gold Survey 2008 - 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 £250 or US\$460 / €350 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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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, India, Germany and Russia, and a vast range of contacts and associates across the world.

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