

Equity Investment Advisers Gold Report



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Central bank gold demand Q1 highest since 2013

The latest figures from the World Gold Council reveal that central banks across the world bought approximately 145.5 tonnes of gold in the first quarter of this year.

The purchase total is the largest since 2013, and 68% higher than the same period last year. The WGC reports that the rolling four-quarter total (Q2 2018 – Q1 2019) is currently at a record high of 715.7 tonnes of gold.

The ongoing US/China trade war, combined with Brexit and the Eurozone slowdown, has seen the desire for safe haven assets rise, with physical gold a popular way to diversify investments. Global gold demand – across investment, jewellery, and industry – was up 7% year-on-year and grew to a total of 1,053.3 tonnes in the first three months. Qatar, Colombia, and the United Arab Emirates (now free from VAT again) were notable buyers in Q1, while Ecuador added to its reserves for the first time since 2014.

It wasn't just the central banks keen on gold in Q1 either. Private investor demand was up by 12% globally. The UK in particular saw demand increase by 58% while Brexit fears still play on the minds of the public and businesses, and the United States experienced a 38% rise in demand as employment nears an all-time high and consumer spending is rising.

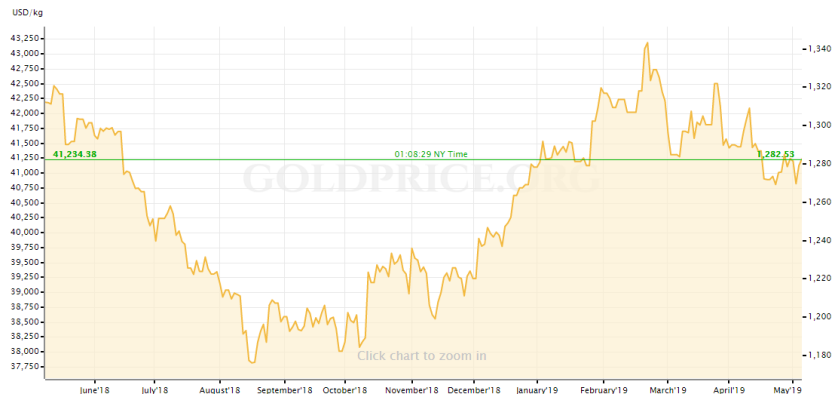
Some smaller nations, such as Iran and Turkey, saw their gold demand shoot up as their domestic currencies suffered under pressure from the US Dollar and Dollar-denominated debts, as well as ongoing sanction due to political differences with the US. Demand from jewellery notably dropped as demand for investment options rose.

India also displayed 4% improved demand year-on-year for gold coins and gold bars, thanks to the steadily growing strength of the Rupee. Demand was limited by much stronger gold jewellery sales than 2018, but gold demand in the country was very healthy regardless of the sector – so much so that Google Pay is now allowing Indians to pay for gold from MMTc-PAMP via its payment platform, alongside other payment providers including PayTM Gold, PhonePe, MobiKwik, and SafeGold.

The World Gold Council also released its gold production figures by country for 2018, with the top six (China, Australia, Russia, USA, Canada, Peru) unchanged from last year. Indonesia improved its output to 136.9 tonnes and jumped to seventh in the top 10 list, while South Africa's output dropped to 129.8 tonnes putting it in ninth, while Mexico's production also fell to 115.4 tonnes, putting it in tenth – still around 40 tonnes ahead of Brazil in 11th.

Australian mining output set an all-time record in 2018, breaking that of 1997 with 317 tonnes, but China's production fell slightly as pollution rules came in to effect, putting several smaller mines and refineries out of action for their inability or failure to comply. A surprise figure was that gold recycling grew by 5%, with the UK leading the way with the largest growth in recycling for 2018.

Gold Price



Silver Price



Gold To Silver Price Ratio

1 Year Gold/Silver

Last Close: 86.27



Why Central Banks Are Going Gaga Over Gold

Central banks are going gaga over gold. They are snapping up the metal at the fastest rate in almost half a century in a trend that looks set to continue.

Over the 12 months through March 31, they purchased a whopping 715.7 metric tons of gold bullion worth around \$29.4 billion, according to a recently published report from the industry group World Gold Council. "In all likelihood, we expect another strong year," says Alistair Hewitt, director of market intelligence at WGC in London. He notes that the volume of gold purchased by such institutions over the most recent four quarters was higher than for any calendar year since 1971. That was when President Richard Nixon pulled the U.S. off the gold standard monetary system at a time when gold was worth \$35 a troy ounce.

Gold was recently fetching around \$1,278 an ounce, down from the year's high of \$1,341 reached on February 19. Prices for the SPDR Gold Shares (GLD - Get Report) exchange-traded fund, which holds bars of solid bullion, have moved similarly. The likely continued buying of the metal should also help lift gold mining stocks such as those held in the VanEck Vectors Gold Miners (GDX - Get Report) ETF, which holds a basket of gold mining shares that tend to benefit when the price of the metal rallies.

Central banks in emerging markets countries such as Russia are driving the push to buy more gold and diversify away from holding U.S. dollars. They started snapping up more of the metal in earnest just after the financial crisis of 2008-2009, reversing a trend of ditching the metal. In 2018 central banks purchased 657 tons of bullion, up from a mere 79 tons in 2010, according to the WGC report.

The Quick Rundown: Australian gold shortages soon

- Australia, the world's second largest producer of gold, could see a major shortage if new sources are not found in the next five years.
- Analysis by S&P Global Market Intelligence warns of a drastic drop in gold production to 197.4 tonnes by 2024; down 37.73% from 2018's official figure of 317 tonnes and down 40.69% if the 2019 forecast of 332.8 tonnes is to be believed.
- The forecast output for 2019 of 332.8 tonnes (10.7 million ounces) is worth approximately \$19.2 billion, meaning Australia could lose between \$7.2 - \$7.7 billion AUD, but a shortage in supply for gold could see the global price for gold rise to compensate the lost precious metal or go even higher.
- Gold production has increased steadily across the world in the past few years as the gold price has risen. Australia produced 289 tonnes in 2017 according to World Gold Council figures and managed to sharply increase this to a record total of 317 tonnes in 2018.

You may also be interested in:

<https://www.bullionbypost.co.uk/gold-news/2019/may/02/nordgold-invests-70-million-guineas-lefa-mine/>

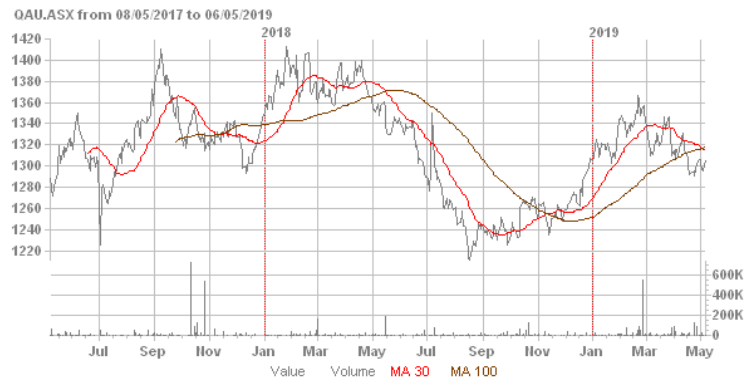
<https://www.kitco.com/news/2019-05-06/Construction-To-Start-on-US-265M-C-te-d-Ivoire-Gold-Mine.html>

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ETF – Betashares Gold



ETF – Physical Gold



ETF – Physical Silver



Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.070	2.265%	\$3.160
Newcrest Mining	0.220	0.890%	\$24.940
Northern Star	0.165	2.010%	\$8.375
Rio Tinto	2.020	2.150%	\$95.960
South32	0.045	1.364%	\$3.345

As at 5:00 pm NZT, 07 May