

# Equity Investment Advisers Gold Report



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## Gold Prices Set to Skyrocket as Beijing Bets Big on Bullion Amid Trade Spat With US

China's record-setting purchase of gold bullion continued its climb in May, growing by some 15.86 tonnes to over 61.61 million ounces total, fresh data from the People's Bank of China cited by Xinhua has revealed.

The purchase marked the sixth straight month of Beijing's gold-buying spree, with China adding previously nearly 58 tonnes of the precious metal to its coffers amid concerns over the escalating trade conflict with the US.

Speaking to Bloomberg, Argonaut Securities (Asia) Ltd. Analyst Helen Lau said the move to gold was a reflection of Beijing's "determined diversification" away from dollar assets. Lau estimates that China may buy as much as 150 tonnes of gold before the year is through.

Gold prices took a tumble in US Monday trading amid an increased appetite for risk among investors. The dip to \$1,330.50 an ounce followed Friday's spike to \$1,348.31 per ounce, its highest level since April 2018. Gold prices are up nearly 5 percent so far in 2019, with Indian consumption expected to boost prices further.

China's gold holdings, the sixth largest in the world after the US, Germany, Italy, France and Russia, are relatively small compared to the overall size of the economic superpower's assets. According to central bank figures, China's foreign exchange reserves stood at a whopping \$3.1 trillion, by far the largest in the world, in May.

Last month, figures from the World Gold Council revealed that Russia bought some 55.3 tonnes of gold in the first quarter of 2019, with China securing 33 tonnes of the metal during the same period. India, Serbia, the Philippines, Hungary, Poland and other countries have joined the club of sovereign buyers, with some of these nations taking the measure amid plans by their central banks to reduce dependence on the US dollar.

The United States has the world's largest gold holdings, with 8,133.5 tonnes of the precious metal said to be stored away in its vaults. With 3,369.7 tonnes of gold in its coffers, Germany has the second-largest reserves. Italy, France and Russia round out the top five, with 2,451.8 tonnes, 2,436 tonnes and 2,150 tonnes, respectively.

On Monday, US President Donald Trump accused China of devaluing its currency, and warned that if Chinese President Xi Jinping does not meet him at the upcoming G20 meeting, new tariffs on \$300 billion' worth of Chinese goods (comprising virtually the entirety of Chinese exports not yet affected by US duties) would step into effect immediately. On June 1, China introduced tit-for-tat tariffs on \$60 billion worth of US goods, in response to a 15 percent spike in tariffs on about \$200 billion in Chinese imports a month earlier.

The trade war between the two countries began in 2018 and has gradually escalated ever since.

## Gold Price



## Silver Price



## Gold To Silver Price Ratio



## Gold seen at 6-yr peak on gloomy global market outlook

INTL FCStone expected gold demand to grow to the extent that prices will hit the highest level seen since 2013, as worries mount regarding heightened trade tensions as well as the health of global economy, Bloomberg reported.

The yellow metal may tap \$1,400 per ounce this year, as investors avoid risky assets, Asia market analysis head Rhona O'Connell told the news outlet via phone.

"All the dominant asset classes have a question mark over them at the moment, which is generally when gold comes into play," O'Connell said.

The precious metal is recovering from few months of bearish performance as investors eye the prospects of a global economic slowdown, while they stepped up their bets that the Federal Reserve will cut interest rates.

Demand for safe-haven assets was boosted as stock markets went volatile by the escalating US trade dispute with China sending the 10-year Treasury yields near a 2017 trough. In addition, the US' biggest banks warned against looming recession risks.

"There's enough elements of risk in the outlook for world economies, there's still a degree of geopolitical risk, currencies are looking volatile, and the fact that the market's looking at a recession, the equity markets are obviously under threat," O'Connell said.

Gold prices on Monday retreated from a 14-month peak, after an agreement between the US and Mexico, averting threatened tariffs against goods imported from the latter.

## The Quick Rundown: Gold-Silver ratio 26 year highs

- The gold – silver ratio is currently at its highest level since 1993, having touched 90.28 at the end of May and 90.17 last week.
- The ratio - how many ounces of silver buys an ounce of gold - is used by investors as price measure for the two precious metals; when the ratio is low, gold is arguably cheap, but when the ratio is high like it is now, then silver can be considered undervalued.
- Silver has been in a bear market for the past decade now, with investment bankers UBS saying that it is falling behind when considering the large industrial usage of silver. In a note to clients, UBS said: "On this front, silver has met challenges given risks to global growth amid higher tariffs and continued trade tensions between the U.S. and China".
- The price of silver is currently £11.64 per ounce but has fallen this year by 4.21% since the turn of the year, while being down 6.89% from 2019's peak price of £12.54 per ounce.

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## ETF – Betashares Gold

QAU.ASX from 07/06/2018 to 07/06/2019



## ETF – Physical Gold

GOLD.ASX from 07/06/2018 to 07/06/2019



## ETF – Physical Silver

ETPMAG.ASX from 07/06/2018 to 07/06/2019



Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.110	2.799%	\$3.820
Newcrest Mining	0.455	1.593%	\$28.115
Northern Star	0.495	4.970%	\$9.465
Rio Tinto	2.060	2.102%	\$100.060
South32	0.020	0.617%	\$3.220

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