

Equity Investment Advisers Gold Report



EQUITY
INVESTMENT ADVISERS LTD

www.equity.co.nz

E-mail: Info@equity.co.nz

Tel: [+64 \(9\)304 0145](tel:+6493040145)

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Countries are Beginning to Sell The U.S. Dollar to Stockpile Gold

Central banks around the world have been eager for gold. They have become one of the foremost purchasers of the yellow metal. According to the Northern Miner, central banks bought 51 tons of gold in 2019. In 2018, central banks increased their gold reserved by 651.5 tonnes versus 375 tonnes in 2017. That's the largest net purchase of gold since 1967.

While central banks have traditionally held gold in reserves for economic reasons, the Northern Miner hints that the reason for these recent purchases is more geopolitical than economic. Many of the countries hoarding gold are at politic odds with the U.S. and are eager to undermine the U.S. dollar as the dominant reserve currency.

The U.S. has imposed numerous economic sanctions against Russia in an effort to change Russian's behavior. In retaliation, the Russian Central Bank purchased 274.3 tons of gold in 2018 while at the same time dumping 84 percent of its U.S. Treasury debts.

Turkey, which is trying to climb out of an economic slump, has been buying gold to revive its sagging economy. It has sold off around 38 percent of its U.S. debt and pushing for the purchase of more gold.

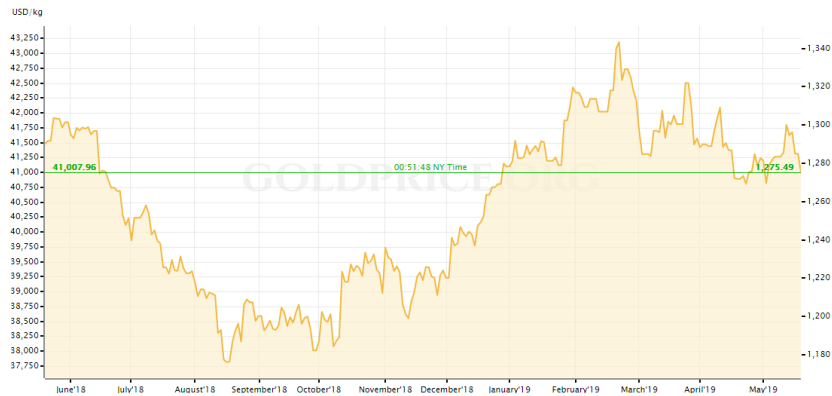
Along with China and Iran, Russia and Turkey are attempting to drive down the value of the U.S. dollar. The current popularity of gold has less to do with it being a hedge against economic downturns than with it being a weapon against the U.S. dollar's preeminent reserve currency.

Following World War II, 44 countries, to become known as the London Gold Pool, agreed to maintain their currency to a fixed U.S. dollar exchange rate. This was known as the Bretton Woods Agreement. At the time, only the U.S. dollar had the strength to deal with the demands of international trade. The global demand for the U.S. dollar grew as the gold-backed currency flooded the globe. By the 1950s, U.S. gold reserves had decreased considerably.

In the 1960s, the Vietnam War continued to escalate, and U.S. military spending skyrocketed. The deficit continued to increase. Several planes filled with gold were flown from the U.S. to London as the London Gold Pool sold tons of gold per day. As the gold reserves of member countries drained, these countries objected to paying for the U.S. war and social reform efforts.

This created a two-tiered gold pricing system. Member countries would maintain a price of \$35 per ounce, while free-market investors could purchase gold at market value. By 1971, President Nixon officially ended the gold standard. The dollar was no longer backed by hard value as the tie between the U.S. dollar, and gold was severed on a global level.

Gold Price



Silver Price



Gold To Silver Price Ratio

1 Year Gold/Silver

High: 89.56 Low: 75.29 ▲10.14 12.93%



Gold turns lower for week after upbeat U.S. economic data

Gold futures moved sharply lower Thursday, registering their lowest finish in a week, pressured by a batch of upbeat U.S. domestic data as equities traded broadly higher, dulling the appeal of the haven metal.

“A good rebound in the U.S. stock market this week has boosted trader and investor risk appetite, which is bearish for the safe-haven metals,” said Jim Wyckoff, senior analyst at Kitco.com. Benchmark U.S. stock indexes climbed Thursday, with the Dow Jones Industrial Average US:DJIA up over 200 points, or 0.9% as gold futures settled, getting a lift after some better-than-expected earnings from Walmart Inc. US:WMT and Cisco Systems Inc. US:CSCO The Dow has so far given up its gain for the week.

June gold US:GCM9 on Comex was off \$11.60, or 0.9%, to settle at \$1,286.20 an ounce, with front-month contract prices posting their lowest settlement since May 9, FactSet data show. July silver US:SIN9 declined 27.3 cents, or 1.8%, to \$14.539 an ounce. Gold turned lower for the week, trading down nearly 0.1%, while silver was looking at a weekly loss of 1.6%. “The yellow metal looks caught in two minds at the moment, with the break below \$1,280 — a major support level this year — failing to generate the downside momentum that you would typically expect,” said Craig Erlam, senior market analyst at Oanda, in a note.

“The rebound hasn’t exactly been convincing either though and looks highly dependent on risk appetite in the markets remaining weak,” he said. “The recent correction in the dollar [was] also supportive for gold over the last few weeks but that could reverse course again, with the U.S. still in a better position than many of its peers, particularly in defensive markets.”

The Quick Rundown: Venezuela sells \$570 mill. of gold

- Venezuela recently sold almost fourteen tonnes of gold in the past fortnight.
- The \$570 million worth generated by the sales are expected to help keep the failing socialist state afloat.
- Venezuela is now believed to have sold a total of 23 tonnes of gold since the start of April.
- The Venezuelan central bank hopes to use the funds – primarily Euros – to restart imports to counteract the shortages in food and medicine.
- The country had hoped to repatriate the majority of its gold reserves from the Bank of England, similar to a previous return made under former president Hugo Chavez, but the BoE has placed the return on hold due to the government uncertainty.
- The latest buyer of the gold is unknown, but rumoured to be the United Arab Emirates.

You may also be interested in:

<http://www.goldtelegraph.com/new-federal-legislation-requires-full-audit-of-americas-gold-reserves/>

<http://www.mining.com/web/controversial-australia-coal-mine-boosted-shock-vote/>

ETF – Betashares Gold

GAU.ASX from 21/05/2018 to 20/05/2019



ETF – Physical Gold

GOLD.ASX from 21/05/2018 to 20/05/2019



ETF – Physical Silver

ETPMAG.ASX from 21/05/2018 to 20/05/2019



Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.110	3.047%	\$3.720
Newcrest Mining	0.215	0.803%	\$26.995
Northern Star	0.230	2.463%	\$9.570
Rio Tinto	0.980	0.957%	\$101.420
South32	0.070	1.994%	\$3.440

As at 5:00 pm NZT, 21 May

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E-mail: Info@equity.co.nz Tel: +64 (9)304 0145 / NZ: 0800 474 669

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