

Equity Investment Advisers Gold Report



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China's Gold Mystery: Slowly Increasing Gold Reserves?

The case for China raising its gold holdings seems compelling. A potential trade war with the U.S. that threatens growth, simmering tensions on the Korean peninsula and this year's slump in gold prices are reasons to buy. But People's Bank of China data show the country's gold reserves haven't risen since Donald Trump was elected President in 2016. Still, this wouldn't be the first time the central bank has kept silent while adding to its stash.

"The strategic imperative is probably still there to add some gold to reserves quietly bit by bit," said Philip Klapwijk, managing director of Precious Metals Insights Ltd., a consultancy based in Hong Kong. "The reason to own gold as a portfolio diversification is even better given the rather strained relations with the U.S.," said Klapwijk, who has tracked precious metals for nearly 30 years.

China has officially kept its gold holdings unchanged at 59.24 million ounces since October 2016, or 1,843 metric tons, valuing them at \$74.1 billion at end-June. Globally, central banks continue to increase gold reserves, albeit at a slower pace, adding 371.4 tons in 2017, according to the World Gold Council.

The PBOC referred Bloomberg inquiries to the State Administration of Foreign Exchange, which didn't respond to a faxed request for comment. SAFE manages China's foreign exchange and gold reserves and foreign currency assets.

Russia Ditches U.S. Dollar For Gold As Tensions Rise

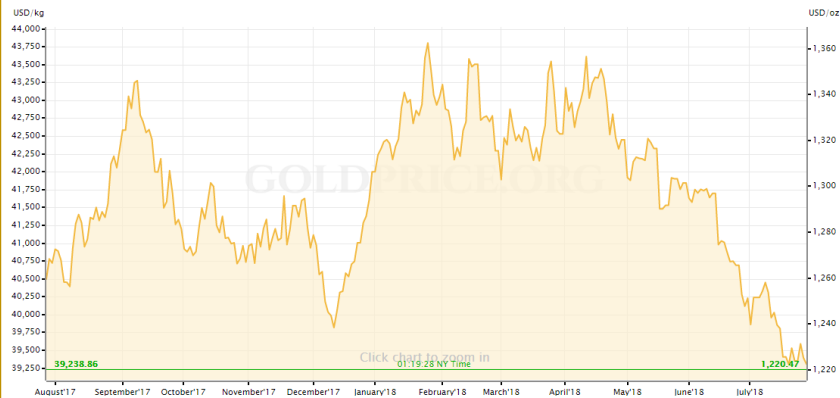
Russia's U.S. dollar reserves have shrunk from \$96.1 billion in March to just \$14.9 billion in May, according to the Russian Central Bank. Its governor, Elvira Nabiullina, says the decision will help protect the Russian economy and diversify the bank's reserves. Back in March, Russian President Vladimir Putin called the monopoly of the U.S. dollar "not reliable enough and dangerous for many". Notably, the Bank of Russia has been buying gold every month since March 2015, overtaking China as the fifth-biggest sovereign holder of gold.

Russia added 500,000 ounces of gold (15,551.74 tons) to reserves in June and bought some 106 tons of gold since the start of the year, with total reserves now approaching the 2,000-metric-ton mark. Last year, Russia added a record 224 tons of gold to the reserves. The U.S. is still the largest owner of metal, followed by Germany--8,134 and 3,374 tons, respectively. Both political and economic reasons prompted the Russian central bank's decision.

First, mindful of geopolitical tensions, the regulator has apprehensions that Russia-owned treasuries can be frozen. Ironically, the recent meeting between Trump and Putin, not only failed to ease tensions, but amped them up, with some American legislators calling for tougher sanctions against Russia.

The Russian central bank hinted that it could invest the money from the USD sale not only into gold, but also into IMF bonds and Chinese bonds.

Gold Price



Silver Price



Gold To Silver Price Ratio

1 Year Gold/Silver



Indian Gold Imports Rise 22% to USD 33.5 billion in 2017-18

India's gold imports, which have a bearing on the current account deficit (CAD), increased by 22.31 per cent to USD 33.65 billion in 2017-18, according to Commerce Ministry data. Imports of the yellow metal stood at USD 27.51 billion in 2016-17 financial year. In 2015-16, the imports aggregated at USD 31.7 billion.

CAD, which is the difference between the inflow and outflow of foreign exchange, jumped to USD 48.7 billion, or 1.9 per cent of GDP, in 2017-18 fiscal. This was higher than USD 14.4 billion, or 0.6 per cent, CAD in 2016-17 fiscal. Increase in gold imports pushed the country's trade deficit to USD 157 billion in the last fiscal, an increase of about 45 per cent as compared to the year ago period.

India is the largest importer of gold, which mainly caters to the demand of the jewellery industry. In volume terms, the country imports 700-800 tonnes of gold annually. To mitigate the negative impact of gold imports on trade deficit and CAD, the government took certain measures to cut the inbound shipments of the yellow metal.

Those measures include imposition of restriction on duty free gold imports from the South Korea as allowed under the existing India-Korea free-trade agreement, and imposition of self-use condition on Premiere Trading House/Star Trading House authorised to import the precious metal (gold) directly from overseas bullion supplier.

These steps yielded desired results as the imports dipped by 31.25 per cent to USD 6.05 billion during April-May 2018. According to industry experts, due to high duty, businessmen of the sector are shifting to neighbouring countries and impacting the country's exports.

The Quick Rundown: Xi goes to Musina-Makhado

- Chinese President Xi Jinping has been visiting South Africa recently and his visit has been marked by some big investment deals.
- Chinese investors have signed on to build a \$10 billion metallurgical complex in South Africa, in a special economic zone known as Musina-Makhado.
- Construction of the complex, which is expected to signify Chinese confidence in South Africa's mining economy, is due to begin in 2019.
- The complex will feature a stainless-steel plant, a ferrochrome plant and a silicomanganese plant.
- Richard Zitha, a project executive, told media that the project was being led by Chinese SOEs.
- Products from the plant have been earmarked for export to China, as well as to nations in the African continent.
- The plant is welcome news for the South African government, which has been struggling to revive the nation's struggling economy.

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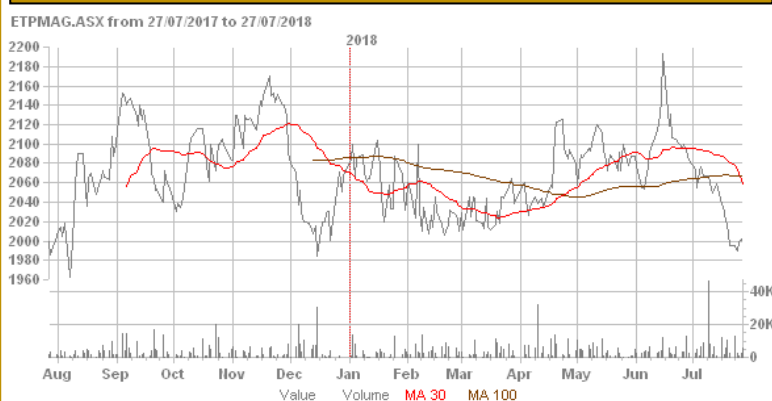
ETF – Betashares Gold



ETF – Physical Gold



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Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.035	1.207%	\$2.865
Newcrest Mining	0.350	1.645%	\$21.630
Northern Star	0.070	0.967%	\$7.170
Rio Tinto	0.860	1.057%	\$80.520
South32	0.060	1.653%	\$3.570

As at 5:00 pm NZT, 30 July

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