Equity Investment Advisers Gold Report

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Central Bank Gold Agreement to expire in September

The fourth Central Bank Gold Agreement, signed by the European Central Bank and 21 other national central banks, is due to expire on September 26 this year, unlocking the potential for more central bank investment into gold bullion to rival that of Russia and China.

The CBGA is a formal agreement between banks to prevent uncoordinated sales of gold bullion en masse. The first deal was brokered in 1999 when selling was prolific, but since then gold prices have steadily risen and sales have steadily slowed. As the ECB states in their press release, member banks haven't sold sizeable amounts of physical gold for nearly 10 years now. While it's not evident the agreement would have previously limited buying, it's feasible that there were terms meaning that buying must be a coordinated effort, or buying must be conducted within the Eurozone - a problem when selling is restricted.

World Gold Council data shows that central banks, as of 2018, held 33,200 tonnes of gold bullion – almost 20% of the gold ever mined. The WGC also reported that 2018 was a record year for buying; the 651.5 tonnes bought was a 4% increase on 2017 and the largest amount bought for 50 years.

With President Trump suggesting that the trade war may go on until next year's presidential elections, central banks might be keen to continue pursuing physical gold as an alternative to the US Dollar and a hedge against risk in the face of trade disruptions and the economic impacts they have.

Gold Fever Breaks Out in New 'Bubble Game' as Fed Preps a Cut

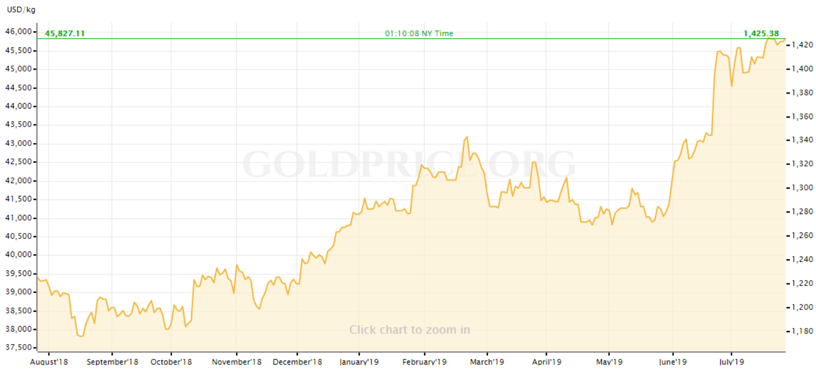
A top-ranked strategist at Societe Generale SA has a plan for clients fretting that a fresh wave of monetary easing will fan a bubble across assets.

Ride the bull until 2020 -- when a U.S. recession and a debased dollar will make gold the perfect doomsday hedge, says Alain Bokobza. It's the latest warning for investors betting that the Federal Reserve will help extend the business cycle with stimulus this week, and a sign of how gold fever is breaking out from London to New York.

"Gold is the perfect response if you're entering the bubble game," the head of global asset allocation said in an interview in London. "Every time you have such a situation, gold has soared," said Bokobza. His team ranks first among multi-asset strategists in the 2019 Extel survey.

Worrywarts have long clung to bullion as the ultimate store of value in a low-rate world, but the sentiment is growing as the global pile of negative-yielding debt sits near $14 trillion and central banks shift to dovish mode. Exchange-traded funds holding precious metals have taken in around $4 billion this year, while hedge fund Crescat Capital is starting a long-only strategy focused on mining stocks.

Gold Price



Silver Price

Gold To Silver Price Ratio

Race to the Bottom: What to Expect as the Fed Eases

How low will they go?

With the Federal Reserve all but certain to cut interest rates multiple times in the months ahead, central bankers are engaged in a race to the bottom.

As negative interest rates expand in Japan and across Europe, as long-term bond yields in the U.S. plummet, and as President Donald Trump continues to talk tough on trade, the Fed has little choice but to cut.

President Trump has effectively declared a currency war – and enlisted a reluctant Fed to help him fight it. He is convinced that lower interest rates will boost the economy and that a lower dollar will boost U.S. producers in international trade.

Over the past year, Trump has inserted himself into monetary policy matters almost to the point of obsession.

He has berated Fed chairman Jerome Powell, his own appointee, on a regular basis and conferred with White House counsel about removing or demoting him from the Board of Governors. In June, one of his Twitter rants likened the Fed to "a stubborn child" for refusing to undo its 2018 rate hikes.

Trump even went after European central banker Mario Draghi, calling his pro-stimulus (weak euro) policies "unfair" to the United States.

Central bankers insist they aren't moved by political pressure. Regardless of how true that may or may not be, they ultimately are moved by pressures in the economy and financial markets – which, in turn, are moved by politics.

The Quick Rundown: IMF throws hands at the USD

- The US Dollar is overvalued in the region of 6% to 12%, according to the latest International Monetary Fund report. The latest External Sector Report (an assessment of currencies, surpluses, and deficits) determined that while the Euro, Yen and Yuan were all broadly in line with the valuation expected, the US Dollar was too strong.
- In response to the report, the price of gold shot up by almost £20 per ounce, peaking at £1,148.59 in the early hours before slowly falling back to the current price of £1,138.45.
- The report is likely to please President Trump, who has repeatedly argued for the Federal Reserve to act and help make the Dollar cheaper so that America can compete with the interest rate cuts in the Eurozone, as well as the alleged deliberate devaluing of the Yuan in China.
- A weaker Dollar would make US goods more competitive with other major nations and provide a boost to exports.

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ETF – Betashares Gold

ETF – Physical Gold

ETF – Physical Silver

Listing (ASX)	Points	Percent.	Price
Evolution Mining	0.015	0.304%	$4.955
Newcrest Mining	0.810	2.377%	$34.890
Northern Star	0.260	1.970%	$13.460
Rio Tinto	0.580	0.587%	$99.360
South32	0.005	0.158%	$3.165

As at 5:00 pm NZT, 30 July

 Acknowledgements: Equity Investment Advisers (EIA) sincerely expresses its gratitude to the following sources for the contribution of valuable information in the production of EIA gold reports: Kitco, BullionDesk, MoneyMetals, GoldSeek, Gold-Eagle, GoldSilver, MarketIndex, BullionVault, ANZ & BusinessDesk.

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