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Commodities Research

Gold Report

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COMMODITY RESEARCH

MARKET OUTLOOK

US gold futures price fell 0.38% to US dollars 1666.00 per troy ounce from US dollars 1672.4 per troy ounce the day earlier. Consistent with the price trend, the RSI dropped to 66.86 and the recommendation is to sell on strength as the price further continues to climb upwards. The price at US dollars 1666.00 fell short of 4- but went past the 9- and 18- day moving averages of 1669.00, 1651.50 and 1631.90 respectively. Also the price at US dollars 1666.00 is situated between the upper Bollinger band and moving average of 1680.50 and 1628.50 respectively.

GOLD DIPS BELOW \$1,665/OZ AHEAD OF JACKSON HOLE MEET

Gold prices eased a touch on Wednesday as investors took to the sidelines ahead of a key central bankers' meeting at the weekend, which will be closely watched for signs that the U.S. Federal Reserve is considering fresh monetary stimulus measures.

Platinum ignored the softer tone of the other precious metals to edge higher as concerns over an outbreak of violence in major

Market Watch

(Prices in US dollars per troy ounce)

Close 1666.00

(US Comex gold futures price as of August 29, 2012)

Time	Forecast Price (US\$)	Return (%)	Annualized Return
1 year	1742.64	4.60%	4.60%
5 years	2146.61	28.85%	5.20%
10 years	2612.11	56.79%	4.60%
15 years	3414.34	104.94%	4.90%
20 years	4591.87	175.62%	5.20%
30 years	6997.45	320.01%	4.90%

12 Months Price Projection			
	High	Average	Low
Sep-12	2090.32	1672.26	1254.19
Oct-12	2098.17	1678.53	1258.90
Nov-12	2106.05	1684.84	1263.63
Dec-12	2113.95	1691.16	1268.37
Jan-13	2121.89	1697.51	1273.14
Feb-13	2129.86	1703.89	1277.92
Mar-13	2137.86	1710.28	1282.71
Apr-13	2145.88	1716.71	1287.53
May-13	2153.94	1723.15	1292.36
Jun-13	2162.03	1729.62	1297.22
Jul-13	2170.15	1736.12	1302.09
Aug-13	2178.30	1742.64	1306.98

Conclusion:

- Based on fundamental analysis, we recommend buy on weakness
- Based on technical indicators, we recommend sell on strength

Assumptions:

- On average the market price grew 9.76% per year over the last 15 years
- Gold prices typically exhibit negative correlation to US and other developed markets' economic performance
- The yellow metal's price performance serves as an inflation hedge and is one of the precious metals besides silver serving as safe haven investment and assisting investors during financial upheavals / crises in the flight to quality

References:

- Statistics Bureau, Bloomberg, Barclays, , Reuters, Index Mundi

producer South Africa, which sent prices to 3-1/2 month highs last week, lent support. The metals were held in a range, however, by speculation that Fed Chairman Ben Bernanke, in a speech at the meeting in Jackson Hole, Wyoming, could give a clear hint that the Fed may launch a new asset-purchase programme soon. However, some market players say he may just repeat that the Fed has room to act, which would leave the market guessing until the central bank's policy meeting on Sept. 12-13. "We (think) that we will see a fairly dovish Bernanke on Friday and that he will commit, if not at Jackson Hole then at the September FOMC meeting, to deliver more easing to the market," Danske Bank analyst Christen Tuxen said.



primary gold forecasts

	2007	2008	2009	2010	2011e	2012f	2013f
MP	2,497	2,429	2,611	2,740	2,818	2,900	2,960
Old Scrap	1,005	1,350	1,735	1,719	1,661	1,750	1,600
Net Official Sector	484	235	34	-77	-455	-400	-300
Total	3,985	4,014	4,379	4,382	4,024	4,250	4,260
Fabrication							
Jewellery	2,423	2,304	1,814	2,017	1,973	1,850	1,950
coin	136	192	234	213	246	185	200
other	544	531	469	554	541	550	570
Bar hoarding	240	621	498	882	1,209	1,250	1,000
Total	3,343	3,648	3,014	3,666	3,969	3,835	3,720
Balance	643	366	1,365	716	56	415	540
Net de-hedging demand	432	357	234	108	-6	0	0
ETFs	253	321	617	368	162		
Residual balance	-43	-312	514	240	-100	415	540
Price pm fix	695	872	972	1,225	1,571	1,700	1,650

Source: Thomson Reuters GFMS, SG Cross Asset Research

"That's a very favourable environment for gold, and that means that in the next three months at least, there should be some upside. I'm not sure we'll necessarily test new record highs, but there is potential for closing in on the \$1,800 level within the next three months." She said relative dollar strength in the medium term would likely cap gains as the euro zone debt crisis lingered.

Spot gold was down 0.1 percent at \$1,664.69 an ounce at 0921 GMT, while U.S. gold futures for December delivery were down \$2.00 an ounce at \$1,667.70. Gold is up nearly 2 percent since Aug 22, when the minutes of the Fed's last policy meeting suggested the U.S. central bank was ready to deliver another round of gold-friendly monetary easing "fairly soon" unless the economy improved. Further monetary easing would maintain pressure on long-term interest rates, keeping the opportunity cost of holding gold at rock bottom, undermine the dollar, boost liquidity, and fuel fears of inflation further down the line.

Shares and the euro were stuck in tight ranges on Wednesday with investors reluctant to make any moves ahead of Bernanke's speech on Friday and details of the European Central Bank's response to the region's debt crisis. Investors are expecting the ECB to unveil soon an effective plan to tackle the high borrowing costs facing struggling euro zone nations like Spain.

ETFs ADD GOLD

Investment interest in gold remained elevated, with the world's largest gold exchange-traded fund - which issues securities backed by physical metal - recording an inflow of just over 3 tonnes on Tuesday. That brought its rise for the month to nearly 38 tonnes, its biggest one-month inflow since November.

"While gold demand (fell) slightly in the first half, thanks to the plunge in Indian demand due to tax hikes, a weakening rupee, and record-high gold prices, the seasonal increase in India from September to November could prop up gold demand," bullion broker Sharps Pixley said in a report.

"Central banks' continued gold purchase due to asset allocation reason has offset the lower consumption demand in countries such as India. In the first half, central banks bought 254 tons of gold, a 25 percent rise over a year ago." Statistics released last Friday by the International Monetary Fund showed Turkey raised its gold holdings by more than a fifth in July, while Russia, Kazakhstan and Sri Lanka also added to reserves. Among other precious metals, silver was down 0.1 percent at \$30.81 an ounce, while spot palladium was down 0.7 percent at \$630.47 an ounce. Platinum bucked the trend to rise 0.2 percent to \$1,513.75 an ounce as investors continued to worry about unrest in the South African mining sector, after violence at Lonmin's Marikana platinum mine killed 44 earlier this month.

The gold/platinum ratio, which measures the number of platinum ounces needed to buy an ounce of gold, rose back to 1.1 on Wednesday, recovering from the three-month low it hit last week but well off its highs for the year of 1.17. "South Africa is quiet at the moment, with labour talks ongoing, but the situation is far from under control, which will keep the PGMs supported for the time being," commodities broker Marex Spectron said in a note.

GOLD DECLINES AFTER JUMP TO FOUR-MONTH HIGH SPURS SALES

Gold dropped the most in two weeks on speculation that the Federal Reserve will delay announcing stimulus measures amid signs the U.S. economy is recovering. Home prices in 20 U.S. cities climbed in June for the first time in almost two years, a private report showed today. The Commerce Department's first revision to second-quarter gross domestic product tomorrow may show faster growth than earlier reported, according to the Bloomberg survey median. Fed Chairman Ben S. Bernanke will speak on Aug. 31 at an annual meeting in Jackson Hole, Wyoming. At the event in 2010, he foreshadowed a \$600 billion second round of bond buying.

"The market is in a wait-and-watch mode ahead of the meeting," Frank McGhee, the head dealer at Integrated Brokerage Services LLC in Chicago, said in a telephone interview. "We are also witnessing some profit taking." Gold futures for December delivery fell 0.4 percent to settle at \$1,669.70 an ounce at 1:48 p.m. on the Comex in New York, the biggest loss for a most-active contract since Aug. 14.

Prices surged 70 percent from the end of December 2008 to June 2011 as the Fed kept borrowing costs at a record low and bought \$2.3 trillion of debt in two rounds of so-called quantitative easing. The metal gained 3.3 percent last week, the most since January, amid expectations that any new stimulus measure would boost economic growth and spur rising consumer prices.

Silver futures for December delivery dropped 0.6 percent to \$30.963 an ounce on the Comex. The price climbed in the previous six sessions, the longest rally since October. On the New York Mercantile Exchange, platinum futures for October delivery declined 2.1 percent to \$1,520.40 an ounce. Palladium futures for September delivery retreated 2.3 percent to \$640.95 an ounce.

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