

Crucible



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By Singapore Bullion Market Association
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SBMA News

During this quarter, the SBMA team has been preparing for 6th Asia Pacific Precious Metals Conference (APPMC), which will take place in June. We would like to express our gratitude to our contributors and sponsors for their continued support for the APPMC, as well as their contributions to Crucible.

Here is an update of SBMA's activities during the past quarter:

APRIL 4, 2023: SBMA's Albert Cheng visited Precious Metals International and met with managing director Simon Huang as part of our member engagement activities. The purpose of the visit was to discuss upcoming agendas and opportunities for collaboration.



From left, SBMA CEO, Albert Cheng and Simon Huang, managing director of Precious Metals International (Singapore)

APRIL 28, 2023: SBMA held its 2023 Extraordinary General Meeting, followed by a cocktail reception to facilitate connections and interactions among members.

UPCOMING EVENTS

September 2023. Bangkok, Thailand

Bangkok Gold Forum

The upcoming Bangkok Gold Forum is scheduled for September 2023 and will be held in conjunction with the Bangkok Jewellery Fair. More information will be released by the SBMA in due course.

15–17 October, 2023. Barcelona, Spain

LBMA/LPPM Global Precious Metals Conference 2023

The 23rd LBMA/LPPM Global Precious Metals Conference will be held in the cosmopolitan capital of Spain's Catalonia region. Register now for three days of engaging speakers, insightful panel sessions, and unparalleled networking opportunities. Don't miss this chance to be a part of an unforgettable event.

Please visit <https://www.lbma.org.uk/events/lbma-lppm-global-precious-metals-conference-2023> for registration and event details.

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About Crucible

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Platinum Corner

Shanghai Platinum Week 2023, a leading annual fixture for the PGM industry, will be held on June 26 to June 29 in Shanghai. The core activities, China PGM Market Summit and AngloAmerican plc event, will be held from June 26–28 at the Intercontinental Shanghai Harbour City hotel.

This year, SPW has received strong support from the local government of Shanghai's Lin-Gang Special Area, where an international PGMs Tech and Trade Centre was established in September 2022. Additionally, three Chinese industrial bodies representing the biggest PGM end-users in fiberglass, petroleum and chemistry, hydrogen and fuel cells, will also participate.

As an international event, SPW2023 will continue to engage with the global PGM supply chain. Senior management from AngloAmerican plc and Northam Platinum will attend the Summit, and Johnson Matthey and Heraeus have confirmed their participation. Guangzhou Futures Exchange, which is planning to launch the first platinum and palladium futures contract in China, and Japan Exchange Group will also be present.

To reach a wider audience, SPW2023 has partnered with Hubilo, a leading virtual event platform, and will provide virtual attendance for delegates worldwide. The China PGM Market Summit and AngloAmerican plc event will be live-streamed bilingually. For more information, please visit www.shanghaiplatinumweek.com or contact Grace Lin at wlin@platinuminvestment.com.



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SAFE HAVEN MEETS SAFE HARBOUR

By **TERRY HANLON**, *President and CEO, Dillon Gage Metals*

It's not just your imagination. Our industry is gradually returning to normal, or at least a new normal. The past year once again saw a rush for precious metals products among investors, but the massive demand we have seen since 2020 finally began slowing down. Starting in November 2022, volumes kicked into gear, giving dealers some breathing room, with the emphasis on "some".

Helping our clients catch their breath is our specialty. At Dillon Gage, we assist our clients in restoring calm and balance, moving beyond the pandemic pandemonium that has driven safe-haven investing. We provide a safe harbour for dealers with efficient systems, friendly expert staff, and transparent communications. Frankly, we are at our best when business challenges are at their worst. We excel at working the problem.

Of course, as the yellow metal continues to hover around the \$2,000/oz. threshold, the demand for fabricated products remains high. Nothing indicates that this appetite will be satisfied any time soon. Unfortunately, the bottlenecks and slowdowns remain. Allocations are still in effect from the sovereign mints and several private mints as well. There are signs that volumes will begin exceeding the output of the past three years in silver, gold, and platinum, as well.

The precious metals industry has also been affected by the staffing shortages that have impacted other industries since 2020. While Dillon Gage isn't immune to broader trends, we've always worked to maintain our expert staff, so we have overcome this obstacle, enabling us to reduce the delays we experienced in the early days of COVID. However, global logistics and shipping channels are still facing challenges with high volume demand and cargo space under pressure. It has improved over the past few months, but there's still a need for further availability.



The shipment processing department of Dillon Gage's specialised fulfillment center.

There is good news from the source of precious metals. Our refinery is seeing strong volumes from mines and even the scrap metal side, which slowed earlier in the pandemic. Currently, we see no interruption to the available raw metal and don't expect to see that any time soon, but we predict the ongoing heavy demand will continue testing the supply chain through 2023.

At Dillon Gage, we continue to hone our services, maintaining the best possible solutions for the industry. We focus heavily (and successfully) on distribution and fulfillment to avoid the delays seen earlier in the pandemic that became excessive due to major logistics challenges, both internally and with transportation, globally.

Dillon Gage's trading, accounting, and distribution teams provide an exceptional job of communicating with our customers and FizTrade.com, our trading platform that provides immediate access to customer transaction and trading status. FizTrade also provides detailed analysis to the customer as well as our various departments, from trading to distribution. Efficiency is a top priority.

Our independently operated storage subsidiary, International Depository Services, located in Dallas, Texas; Wilmington, Delaware; and Toronto, Ontario, Canada, is seeing rapid growth in this environment, notably in individual retirement accounts.

While the potential banking crisis, the geopolitical strain between global superpowers, and the energy crisis are likely to keep demand strong in the coming months and years, we foresee a strengthening supply side that will keep premiums in check.

MORE ABOUT COMPANY

Dillon Gage is the world leader in physical precious metals trading and technology, serving dealers, financial institutions, banks, and brokerage houses around the globe. Since 1976, the Dallas, Texas-based company has led innovation, advanced trading tools, technology, and intellect. The firm is one of a handful who are authorized purchasers of bullion (including coins, rounds, and bars) for all major world mints and maintains inventory in key countries around the globe. Dillon Gage's integrated products and services include numismatics, bullion and electronic trading of precious metals and fulfillment, API integration, physical gold tracked by blockchain technology, refining, and storage. Learn more about Dillon Gage at DillonGage.com.



TERRY HANLON has built a successful career in the management field, starting with American Airlines before transitioning to the precious metals industry. With his extensive expertise, he served as the vice president and general manager of Dallas Gold and Silver for nine years, during which he led the company to become a prominent player in the industry in the 1970s and 1980s. In 1987, Hanlon joined Dillon Gage Inc., a leading precious metals wholesaler based in Dallas, where he launched Dillon Gage Metals and has since been serving as its president and CEO.

GOLD IN 2023: FACTORS INFLUENCING ITS PERFORMANCE

By NICHOLAS FRAPPELL, *Global Head Institutional Markets, ABC Refinery*

GOLD IN 2023

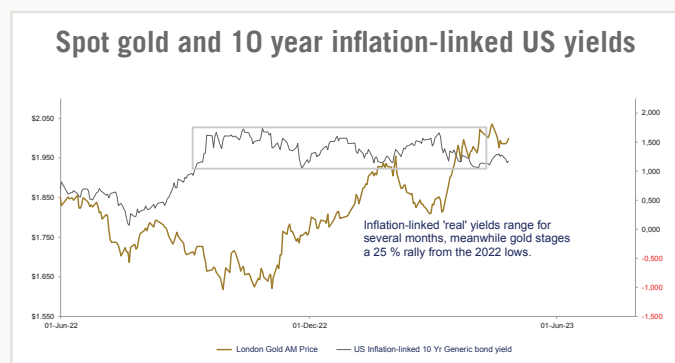
Gold made a strong start to 2023, making gains of US\$220 before reaching a high – as of late April – of US\$2,048/oz. This strength took place against a background of tightening central bank policy that might otherwise be expected to drag on gold prices.

THE DOLLAR AND GOLD

Instead, a secular decline on the dollar that peaked in Dollar Index terms in September 2022 drove a substantial rise in the USD gold price. That Dollar weakness is – in very broad terms – expected to continue through the rest of this year and into next year as markets work on the expectation that US rates have peaked and that the US will be the first major economy to ease. In addition, the broad Dollar cycle pointed to a peak in the latter half of 2022, followed by an extended move lower. So far, the Dollar Index or DXY, has fallen by almost 14% from the September 2022 high. This should provide a solid underpinning to gold's performance this year.

REAL RATES AND GOLD

In contrast to previous years, real rates – or approximations of them – have not been as significant a driving force in gold's price behaviour or as an explanatory variable for changes in the price. Real yields are significantly higher, yet gold too has risen, and recent range-bound yields have borne less of a relationship with the rising gold price.



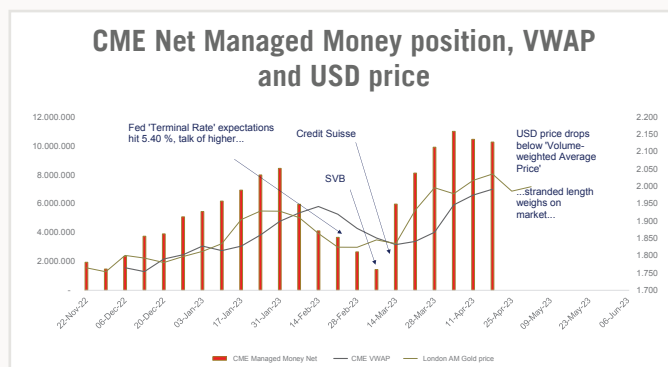
Source: Bloomberg, LBMA, ABC Refinery

What might explain this? A plausible answer is that official sector buying took place during a period of rising real rates, which tend to de-couple the long standing and robust relationship between gold price changes and real rates, as modelled via Inflation-linked Treasury notes.

THE BANKING SECTOR AND GOLD

A run on a hitherto not very well-known US bank in Santa Clara led to significant volatility in fixed income combined with fears of systemic risk to the financial system both within America and the Eurozone. The takeover of Silicon Valley Bank (SVB) by US authorities on March 10 led to a substantial downgrading of the expected pathway of policy rates, helping gold rally hard from US\$1,810 to US\$2,048 in little over a month.

The demise of SVB and a small number of other US banks was followed by real fear over the financial stability of Credit Suisse, a G-SIB or “Global Systemically Important Bank” whose resolution by Swiss authorities has created a post-merger UBS with a balance sheet double the size of Swiss GDP, and perhaps a lifetime of litigation over the treatment of junior bondholders.



Source: Bloomberg, CME, ABC Refinery

The fundamental arguments of whether rates have risen far enough to tame inflation and whether Terminal Rates can and should go lower, or whether rapidly rising rates have affected bank stability and financial conditions and need to pause or turn lower, should be one of the defining issues of mid-2023.

“ THE FED FACES A POTENTIAL TRAP WHEREBY TIGHTENING REMAINS NECESSARY, BUT AT THE RISK OF THE STABILITY OF THE BANKING SYSTEM.

These arguments matter because they drive rates markets and ultimately all asset markets, including gold. The Fed faces a potential trap whereby tightening remains necessary, but at the risk of the stability of the banking system. Or it may face a more benign outcome whereby financial conditions tighten as banks seek to

bid for deposits in competition with short-term bills, and this tightening does some of the Fed's work for it, allowing the FOMC to steer a less restrictive and less risky pathway forward.

We will all know a good deal more about this by the time of publication as the Fed has stated that the impact of interest rate rises on banking stability and financial conditions will be analysed even more closely in May this year.

What can be said is that the round of banking instability that we witnessed in March cannot be said to be over, with some medium and smaller banks facing outflows of depositor funds in the US and similar headwinds in other major economies.

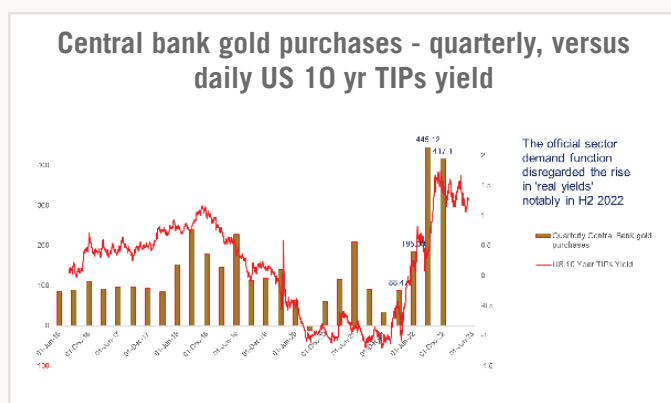
GOLD AND THE OFFICIAL SECTOR

A second question begging for an answer in 2023 is this: how will the official sector act towards gold?

Last year was an astonishing performance as the official sector purchased 1,136 tonnes of gold, with about 850 tonnes falling in the last half of the year alone (*WGC, Metals Focus*).

As the World Gold Council has pointed out, this figure is an outlier compared with historic data that it is sensible to think that a repeat in a subsequent year is highly unlikely. However, it is worth bearing in mind that all institutions have the capacity for herd-like behaviour, and just as the 1990s demonstrated the extent to which reducing official holdings of gold became entrenched among many central banks, the notable increase in buying in 2022 may herald a trend change in the willingness of the official sector to diversify into gold, particularly as rates pivot and the official sector collectively rebalances their portfolios. Official sector buying in January and February 2023 totalled 158 tonnes, which exceeds the Q1 number for last year.

The two important points here are firstly the importance of the official sector as an important factor contributing to gold demand (24% of total demand last year, according to WGC data) and less importantly perhaps, that for those trying to map out the price of gold, the impact of real rates on the gold price may continue to be somewhat muted, with the dollar and perhaps Crude being more reliable factors in determining gold's path.



Source: World Gold Council, Metals Focus, Bloomberg, ABC Refinery

GLIDING TOWARDS GREY SWANS...

In 2023, there are at least two economic “grey swan” – events that are visible to observers and not completely unexpected, but whose timing and impact are difficult to predict. Japan’s exit from Yield Curve Control (YCC) is one such event that “may” be handled smoothly but is more likely to drop another large stone into the world pond of rates and FX, with the potential to affect Japan’s banks and reverberate through both developed and emerging markets.

The second event is the US debt ceiling. The partisan nature of domestic US politics and divided control over both the Lower and Upper Houses are likely to make resolving the ceiling a difficult task. Any delay in resolving the issue will create uncertainty. Currently, 1-month Treasury bills are heavily in demand relative to 3-month bills as money managers fret over bills maturing during the “peak debt ceiling” period.

Importantly for gold, a delay will lead to an increase in the supportive policy measures undertaken by the Federal Reserve. These measures*, such as increasing liquidity, injecting reserves, and possibly ending quantitative tightening (QT) and swinging back to quantitative easing (QE), should be positive for gold.

The paradox for gold and other assets in 2023 may prove to be the disconnect between the overt tightening of policy rates and the provision of substantial amounts of liquidity that act in opposition to one another, with the latter being harder to trace in real-time.

SUMMARY

The expected relative weakness of the US dollar and the possibility of an economic slow-down as both policy and bank conditions tighten suggest a strongly supportive environment for gold.

“ AT THE TIME OF WRITING, GOLD IS IN A BULLISH TREND ACROSS MEDIUM AND LONGER-TERM TIME FRAMES.

At the time of writing, gold is in a bullish trend across medium and longer-term time frames. Everyone will be acutely aware of the “double top” at US\$2,075. A break above that level opens the way for gold to extend (in the longer-term) towards the US\$2,400~2,500 levels.

The tense geopolitical backdrop plays to gold’s strengths as a risk diversifier; however, the impact of ongoing tensions is even harder to predict, let alone measure, than all the many other influences on gold.

ABC remains a constant in these challenging markets, with ABC Bullion supplying bars to customers from the LBMA, SGE and CME-accredited ABC Refinery, a cornerstone of the refining sector in Australasia. ABC provides internationally accredited bars, refining services and information on precious metals markets to clients and the rest of the world.

(* minutes of the FOMC Conference Call, October 16, 2013)

Please be advised that this article reflects information as of 28 April 2023, and circumstances may have changed since its writing.



NICHOLAS FRAPPELL is the Global Head Institutional Markets at ABC Refinery. He has extensive experience in precious metals trading, having worked in London, Tokyo, Singapore, Hong Kong, and Sydney. Nick holds a Masters in Finance from the University of London and a Diploma in Technical Analysis from the UK Society of Technical Analysts, and is the Chair of the

LBMA membership sub-committee. He also co-hosts the ABC Refinery “Pod of Gold” podcast and will speak at the APPMC Conference on the Precious Metals Price Outlook Panel.



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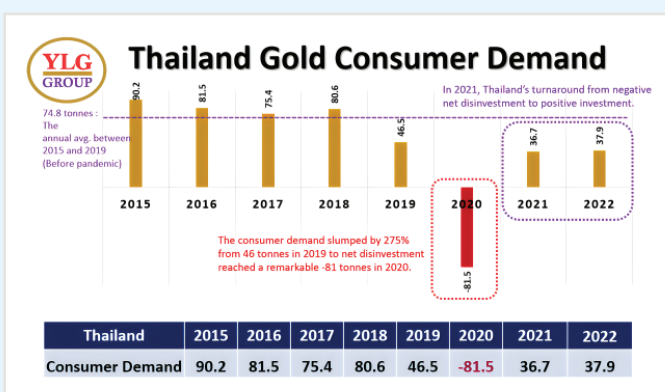


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THE RECOVERY OF THAI GOLD DEMAND AND ITS SAVING SCHEME

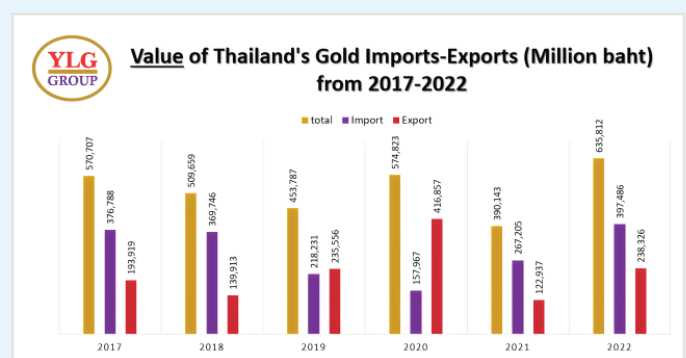
By PAWAN NAWAWATTANASUB, CEO, YLG Bullion Singapore

Thailand is one of the largest consumers of gold among ASEAN countries. Although the country experienced a temporary dip in gold demand in 2020 due to the pandemic, it also recovered very quickly in the following year. In 2022, the annual consumer demand increased by 3% in 2022, to 37.9 tonnes.



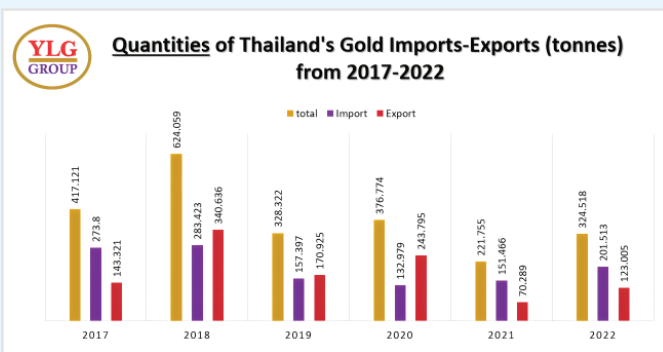
Source: World Gold Council, data calculation by YLG

Thai customs data shows that the country relies heavily on gold imports to meet its demand, with spending on overseas purchases of gold reaching 397.486 billion baht (US\$11.62 billion) in 2022, a significant jump of 49% compared to 267.205 billion baht in 2021. In terms of volume, the country imported 201.51 tonnes of gold in 2022, marking a gain of 33.04% compared to 151.46 tonnes in 2021.



Source: Thai Customs Department, data calculation by YLG

On the other hand, Thailand's gold exports showed significant growth, with the export value reaching 238.326 billion baht in 2022, a marked increase compared to the previous year's export value of about 122.937 billion baht. In volume terms, the country exported 123.005 tonnes of gold in 2022 – a gain of 75% compared to 70.29 tonnes of gold in 2021.



Source: Thai Customs Department, data calculation by YLG

The overall demand for gold in Thailand has been supported by the reopening of the economy, recovery in tourism, and the drop in local gold prices in September and October, which encouraged gold buyers to accumulate gold in anticipation of year-end festivities.

Additionally, the pandemic has led to a “New Normal” in Thailand’s gold market, with physical gold buyers facing challenges in buying gold offline due to structured retail hours and difficulties in selling it back. As a result, gold saving schemes have gained traction, offering a convenient and affordable way to invest in gold online, with the flexibility to buy and sell readily.

The primary agenda of gold saving scheme is to make purchasing gold simpler and more affordable. It acts as a recurring bank deposit, except in this case, the endgame is purchasing gold. It doesn’t require a lot of money, and investors can make transactions easily and conveniently through online channels via website and mobile apps. By sending orders using real-time prices 24 hours a day, they can start investing

with a minimum of 100 baht per transaction and continue to accumulate gold. Upon the accumulation of gold, investors

can choose to take profit or receive physical gold by delivery to their doorsteps. As such, these schemes meet the needs of the younger generation to access gold investments more easily.

LOOKING AHEAD IN 2023, THAILAND’S GOLD CONSUMER DEMAND IS LIKELY TO CAPITALISE ON A RESILIENT 2023, DRIVEN PRIMARILY WITH POSITIVE EFFECTS OF THE REOPENING OF CHINA TOWARDS THAILAND’S ECONOMY, ALTHOUGH A HIGHER LOCAL PRICE MIGHT LIMIT BUYING HABITS TO A CERTAIN EXTENT.

Looking ahead in 2023, Thailand’s gold consumer demand is likely to capitalise on a resilient 2023, driven primarily with positive effects of the reopening of China towards Thailand’s economy, although a higher local price might limit buying habits to a certain extent. However, every Thai household’s income and wealth is being eroded with food and energy prices hitting record highs. Thai

people are aware that the best way to counter inflation and bolster wealth protection is to save and invest for the future. Undoubtedly, gold will always be their first choice.



PAWAN NAWAWATTANASUB is the CEO of YLG Bullion Singapore and the CEO and founder of YLG Bullion International. She has almost 40 years of experience in the jewellery industry and established YLG in Thailand in 2003. In 2012, she brought YLG to Singapore. She sits on the Board of Directors of the Thailand Gold Traders Association and is a SBMA Committee member.

2023 SPW 上海铂金周



The Shanghai Platinum Week is a week-long series of corporate events centred on Platinum Group Metals. These include, but are not limited to, conferences, seminars, exhibitions, corporate cocktails/banquets and product/report releases.

China PGM Market Summit is the core activity of the SPW. The organisers will incorporate events initiated by PGM stakeholders into the Summit schedule. They will provide coordination, communication and other assistance to help participating companies optimise their involvement in SPW.



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GOLD TO SHINE AGAIN

By CHEN GUANGZHI, Head of Research, KGI Securities (Singapore)

Gold has remained range-bound between US\$1,600/oz+ to US\$2,000/oz during the COVID-19 pandemic. However, there has been a V-shaped rebound since 4Q22 that persists till now, with the recent surge fuelled by the banking crisis in the US and Europe. Gold has broken out of US\$2,000/oz for the third time since the pandemic outbreak.

Figure 1: Gold Performance

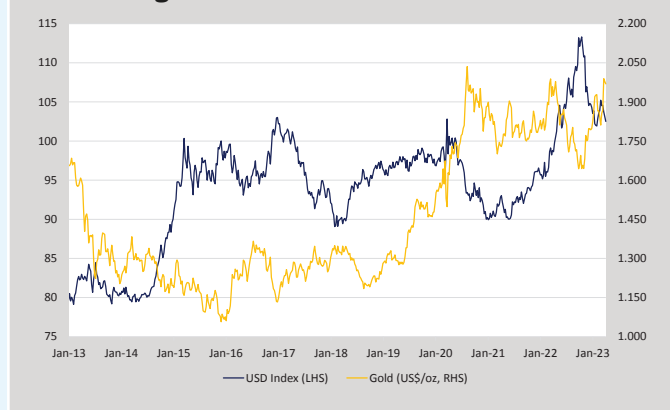
| Bloomberg Code | Name | Closing Price | 1-Month Return | 3-Month Return | 1-Year Total Return | 3-Year Total Return | 5-Year Total Return | YTD Return |
|----------------|-----------------|---------------|----------------|----------------|---------------------|---------------------|---------------------|------------|
| XAU | Gold Spot \$/Oz | 2022.58 | 9.51% | 10.35% | 5.13% | 24.76% | 52.44% | 10.87% |

Source: Bloomberg, KGI Research

KEY FACTORS IMPACTING GOLD

Several positive factors are supporting gold's performance. Firstly, gold prices are generally inversely correlated to the US dollar. The US dollar peaked in 3Q22 along with inflation topping out, and the subsequent downswing of the US dollar has supported gold's rebound over the past 6 months.

Figure 2: Gold and US Dollar Index



Source: Bloomberg, KGI Research

Secondly, gold is sensitive to changes in interest rates. Gold itself does not generate any yields but only price appreciation and depreciation. Specifically, gold prices are also inversely correlated to real yields, which factor in the nominal interest rate and inflation rate.

Figure 3: Gold and UST 10-year Real Yield

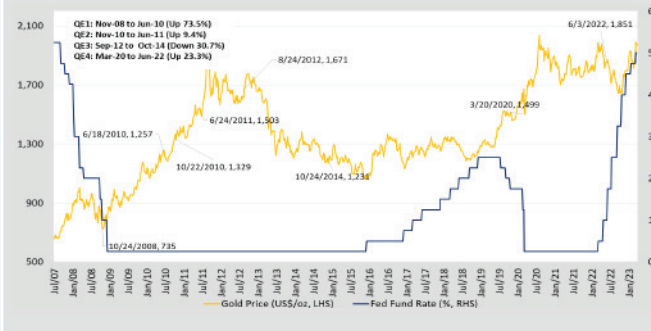


Source: Bloomberg, KGI Research

Thirdly, geopolitical tensions impact investors' sentiment towards safe-haven assets. Gold's last breakout of US\$2,000/oz was in March 2022 when Russia unexpectedly invaded Ukraine, and fears of World War III drove funds to flock to gold.

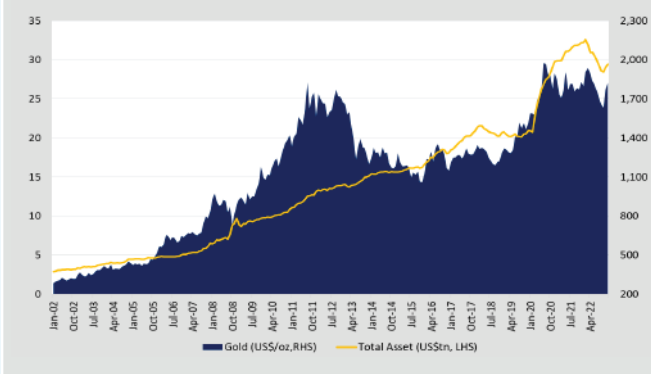
Lastly, a persistent increase in the money supply inflates gold prices in the long term. Gold, once used as a currency, has now become a commodity. The limited reserves of nonrenewable gold resources make gold a good anchor to fiat money. Gold's rally from March 2020 to July 2020 coincided with the Fed's unprecedented US\$3 trillion liquidity injection, bringing gold to reach an all-time high of around US\$2,070/oz.

Figure 4: Gold and Fed Fund Rate, Gold Return During QE period



Source: Bloomberg, KGI Research

Figure 5: Gold and Central Banks' Total Assets



Central banks: FED, ECB, PBOC, BOJ, SNB

Source: Bloomberg, KGI Research

OUTLOOK

Gold is expected to reach a new all-time high in 2023, supported by the abovementioned factors. Inflation measures such as CPI, PPI, and PCE in the US are on a downward trajectory based on the last two quarters' figures. Meanwhile, the banking crisis in March 2023 is attributed to the steep rate hikes in 2022. The Fed is expected to prioritise financial stability over inflation, and the market anticipates the rate hike cycle to end in 1H23, followed by an ensuing rate cut in 2H23. Falling real yields provide strong support for gold's price.

The odds of escalating geopolitical tensions are high. The Russia-Ukraine military conflict has yet to be resolved, and Finland's recent entry into NATO has raised concerns about potential military action by Russia over Finland's borders, similar to what happened in Ukraine before the invasion. The biggest risk remains the tensions between China and the US. The confrontation between the world's largest and second-largest

powers is expected to last at least for the next decade. Both the US and Taiwan will have presidential elections in 2024, bringing uncertainties. Consequently, the demand for safe-haven assets, especially gold, is expected to intensify.

Expansionary monetary policies are expected during a recession. The US has a more than 60% probability of entering a recession in the near term, and the US will reach its debt ceiling in June, with raising the debt ceiling and ensuing increase in the deficit being the likely resolution. This will result in a new round of quantitative easing. China has also adopted loosening monetary policies since the end of zero-COVID lockdowns to resume economic growth. In the foreseeable future, fiat money will continue to flood the world, leading to higher gold prices.

Figure 6: Gold Returns During US Recessions

| Begin | End | Gold | S&P 500 |
|----------------|--------|-------|---------|
| Feb-20 | Apr-20 | 7.0% | -10.4% |
| Nov-07 | Jun-09 | 18.2% | -37.9% |
| Mar-01 | Nov-01 | 3.3% | -8.2% |
| Jul-90 | Mar-91 | -0.5% | 4.4% |
| Jul-81 | Nov-82 | 3.3% | 6.8% |
| Jan-80 | Jul-80 | 12.4% | 15.6% |
| Oct-73 | Apr-75 | 77.1% | -23.7% |
| Nov-69 | Nov-70 | 6.6% | -7.0% |
| Mar-60 | Feb-61 | -0.1% | 14.6% |
| Jul-57 | Apr-58 | 0.4% | -9.3% |
| Jun-53 | May-54 | 0.6% | 20.5% |
| Average Return | | 11.7% | -3.2% |

Source: Bloomberg, KGI Research



CHEN GUANGZHI is the head of research at KGI Securities (Singapore). He has more than 7 years of experience in equity research with coverage of the US, China, Hong Kong, and Singapore markets. He graduated from Singapore Management University with a master's degree in applied finance and from South China University of Technology with a bachelor's degree in e-commerce. Meanwhile, he is a CFA charterholder.

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THE ONE BANK FOR ASEAN: SHAPING THE GOLD LANDSCAPE FROM SINGAPORE TO CHINA AND BEYOND

By UNITED OVERSEAS BANK

In 1978, United Overseas Bank (UOB) became a founding member of the Gold Exchange of Singapore (GES), which marked the beginning of the bank's journey to establish itself as a major player in the gold market. Today, UOB is an active member of the Shanghai Gold Exchange International (SGEI) and the Singapore Bullion Market Association (SBMA), which positions the bank at the forefront of industry knowledge and allows it to play a vital role in the Asian gold industry. This further strengthens UOB's cross-border capabilities, enabling the bank to connect customers to opportunities in ASEAN and beyond.

Over the past 40 years, UOB has established strong purchase and distribution channels, acquired comprehensive bullion trading expertise and market insights, and developed an extensive global logistics operation. To meet customers' diverse needs, UOB offers gold and other precious metals trading, providing regional customers with comprehensive solutions beyond FX and interest rate hedging. Customers can choose from a wide range of products and services, including physical gold, derivatives, paper gold investments, and leasing services, across domestic and international markets.

CONNECTING ASEAN TO CHINA THROUGH THE GOLD ROAD

UOB leverages its strong regional franchise and knowledge to connect ASEAN to China through the "Gold Road." China is the world's largest consumer of physical gold and remains one of the most influential countries in the international gold market. With the support of the Shanghai Gold Exchange (SGE) and other industry players, UOB completed its first leasing and hedging deal, which enables Chinese domestic gold trade companies to access leasing and hedging services and tap into a new source of raw materials.

UOB works with industry players to recast large gold bars into kilobars and provide IAU (SGE gold located in the China Bonded Zone) gold loans to supply chain companies under the "Belt and Road" initiative via SGEI. This initiative empowers China's industry with strong refining capacity and low jewelry manufacturing costs, benefiting more customers who can now take advantage of the enhanced connectivity and business innovation between the Chinese and ASEAN gold markets.

ACCESSIBLE AND DIVERSE INVESTMENT OPTIONS

As the sole Singaporean bank that offers physical gold investments to retail investors, UOB provides a range of affordable physical gold investment options, such as gold bars and gold coins, as well as paper gold investments, such as the Gold Savings Account (GSA). All of UOB's gold

offerings comply with the Investment Precious Metals (IPM) scheme, exempting purchases and investments from Goods and Service Tax (GST). Furthermore, due to the bank's strong position in the Singapore gold industry, a designated portion of an individual's Central Provident Fund (CPF), Singapore's mandatory social security savings scheme, can be used to invest in UOB's gold products.

For retail investors seeking a straightforward and accessible way to invest in gold, GSA is a popular option. GSA prices are quoted based on international gold prices in SGD/gram, with a minimum transaction amount of just 5 grams. The low minimum quantity and relatively small capital outlay required allow investors of differing profiles to gain direct exposure to the gold market. Investors can purchase GSA holdings with cash or CPF (up to the designated limit) from UOB by opening the relevant accounts. GSA transactions can be performed at UOB Branches or through UOB Personal Internet Banking and UOB TMRW app. The bank is also working on an enhancement to its GSA product that would allow investors to convert their non-CPF purchased GSA holdings into physical 100 Gram gold bars with the payment of a physical gold conversion premium. The synergy between UOB's Gold Savings Account and Physical Gold business is a significant development that provides investors with greater flexibility and optionality in their gold investments.



UOB's 5-gram 999 Pure Gold Bar

STRENGTHENING SINGAPORE'S STATUS AS ASIA'S LEADING GOLD HUB

While achieving significant growth in the Asian gold market in recent years, UOB remains dedicated to improving its global network and infrastructure, as well as forming strategic partnerships with global exchanges, refiners, and banks to enhance Singapore's reputation and status as Asia's leading gold hub.

Alan Liew, UOB's Head of Bullion and Commodities Trading, emphasized the bank's long-term goals, stating, "UOB is committed to assisting our clients in seizing new opportunities and fulfilling their cross-border needs. As the One Bank for ASEAN, UOB is well-positioned to support Singapore's efforts to be at the forefront of the region's gold industry."



THE EVOLUTION OF CENTRAL BANK GOLD BUYING: REASONS BEHIND 2022'S RECORD-BREAKING PURCHASES

By **SHAOKAI FAN**, *Head of Asia-Pacific (ex-China) and Global Head of Central Banks, World Gold Council*

In 2022, central banks bought a record-breaking amount of gold, adding over 1,100 tonnes of the yellow metal. While the war in Ukraine and rampant inflation may have played a role, some might think that it is only natural for central banks, alongside many other investors, to load up on gold.

While these factors may have figured in the minds of central bankers, the evolution of their thinking towards holding gold has shown considerable evolution in the past two decades. While 2022 may have been an historically strong year for central bank gold buying, it is but the latest in a thirteen-year stretch of net buying by these institutions.

A SLOW EVOLUTION FROM NET SELLERS TO NET BUYERS

Central banks have long been familiar with gold as an asset class. Through variations of historical gold standards, central banks accumulated large gold reserves initially to back their paper currencies. After the end of the Second World War, the implementation of the Bretton Woods system continued to place gold at the heart of the international monetary system. The US dollar would be pegged to gold with guaranteed convertibility at a fixed rate, while all other currencies would be pegged to the US dollar. However, skyrocketing US budget deficits in subsequent decades led to a breakdown of the Bretton Woods system until the US finally suspended the convertibility of the dollar to gold in 1971, effectively ending gold's formal role in the international monetary system.

For several decades after the end of the Bretton Woods system, central banks found themselves managing large gold reserves despite the fact that it no longer had any formal function in backing currency. This led to a sustained period of central bank gold sales, in particular from Western European central banks. For many years, central banks were net sellers of gold and it seemed like the yellow metal would never regain its once-prominent role as an international reserve asset. The 2008 global financial crisis abruptly reversed this phenomenon, however, as the advent of quantitative easing by many central banks sparked fears of currency debasement and the spectre of hyperinflation. Western European central banks ended their gold sales as they found value in gold as a strategic asset amid a quickly changing monetary environment. More significantly however, emerging market central banks began to accumulate large quantities of gold reserves as they saw their large US dollar holdings come under threat from quantitative easing.

THREE PHENOMENA DRIVING CENTRAL BANK GOLD BUYING POST-2008

In the years since the 2008 global financial crisis, central banks' attitude towards gold has been defined by several major phenomena: Western central banks have ended gold



sales but are unlikely to add additional gold, emerging market central banks have emerged as the driving force behind new gold buying, and central banks in countries that produce gold have developed programmes to add gold reserves through domestic production. Among these, the buying from emerging markets has largely reshaped the story of gold as a central bank reserve asset.

Since 2008, the central banks of Russia, China, India, Turkey, and many other larger emerging market economies have added significant quantities of gold to their reserves. Furthermore, many other emerging markets central banks including those of Thailand, Brazil, Hungary, and Poland, have also made notable purchases. These central banks started with a very low level of gold holding compared to their advanced economy peers. The drive to diversify their reserve assets from a variety of risks, ranging from market-driven factors to purely political risks, has naturally led many of them to choose gold.

In addition, the central banks of countries like Kazakhstan, the Philippines, Mongolia, and others have tapped domestic gold production to add to their official reserves. This method can be tremendously advantageous as it allows a central bank to pay for a reserve asset using local currency, whereas buying gold on the international market would require exchanging a hard currency (like the US dollar) for gold. In recent years, this facet of central bank gold buying has spread to several other countries. The central banks of Zambia, Tanzania, Ecuador, and others have started or restarted domestic gold buying programmes.

WHY CENTRAL BANK GOLD BUYING BROKE RECORDS IN 2022

Returning to the record-breaking level of central bank gold buying in 2022, there are several factors that may have driven this extraordinary amount of activity. Global geopolitical stability has been markedly less certain, as Russia's invasion of Ukraine has refocused attention on other global hotspots

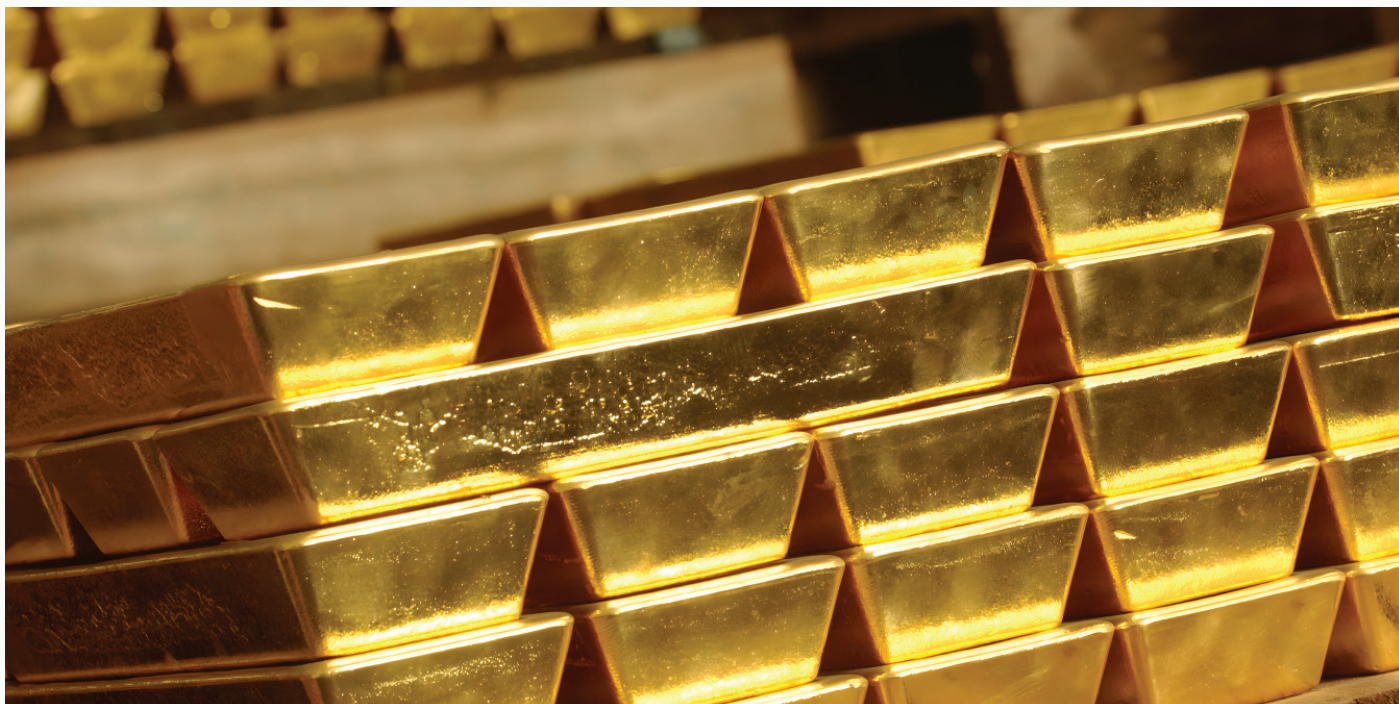
like the Taiwan Straits or the Korean peninsula. Strong Western unity against the invasion has strengthened ties between Russia and China, while many non-aligned countries are precariously balancing relations between these two camps. This has prompted a wave of de-globalisation and heightened tensions.

From a central bank perspective, the rapid imposition of sanctions against the Russian central bank's foreign currency reserves was a new and unexpected response. While some central banks have faced sanctions before, none approached the size and importance of the Bank of Russia. The freezing of its offshore foreign currency reserves proved that the US dollar could indeed be weaponised at a large scale. While most central banks do not anticipate a hostile showdown with the West, the sanctions against the Russian central bank may have prompted a rethinking of the nature of political risk and the accessibility of a central bank's foreign currency reserves that are domiciled overseas.

Gold, if stored domestically, is immune from seizure. While a country facing international sanctions would have difficulty using gold for cross-border transactions, its mere existence provides a level of comfort within a domestic economy and financial markets. This may have been a factor that has prompted the large-scale gold buying in 2022. For the first time in several years, China's central bank reported gold purchases, for instance. Furthermore, large gold purchases also came from the central banks of Iraq, Egypt, Turkey, and the UAE in 2022 as well.

SINGAPORE JOINS GOLD BUYING TREND

Singapore has not been a bystander in the recent rush to gold among central banks. In January and February 2023, the Monetary Authority of Singapore (MAS) reported a 51-tonne increase in its gold reserves. Despite the impressive purchase, this action only brought gold to roughly 2% of the MAS' total official reserves due to the vast size of Singapore's war chest. It also marked the second time in recent history that the MAS



bought gold, complementing a roughly 40-tonne purchase in 2021. These purchases were the first time that the MAS added gold in decades.

The MAS is characteristically tight-lipped about its rationale for adding gold. However, these purchases coincide with an increasing drumbeat of concerns about the state of regional geopolitics from Singapore's political leaders. The fallout from the war in Ukraine has reignited old fears of conflict in East Asia, in which Singapore would undoubtedly be affected. Those fears, combined with the MAS' relative low level of gold holdings, may have prompted a renewed interest in gold. However, as with many central banks, the rationale will be closely held by the decision-makers.

WILL CENTRAL BANKS CONTINUE TO BUY GOLD?

Central bank investment trends can be difficult to assess. Their investment decisions are not purely based on market factors but usually involve elements of political and strategic calculation as well. Therefore, it is difficult to say whether

central bank gold buying will continue, and certainly whether it will continue at the blistering pace we witnessed in 2022. However, the first quarter of 2023 has so far shown a continuation of the trends seen last year. China continued to report gold buying in the first quarter while the aforementioned purchases from Singapore also confirms the ongoing interest in buying.

The fundamental reasons that drove central bank gold buying last year continue to persist. In fact, recent discussions have increasingly focused on the long-term role of the US dollar in the global economy and whether alternative currencies or arrangements should displace its supremacy. China has been playing a more active role in the Middle East, and more oil is now being denominated in renminbi than before. The BRICs countries have also floated the idea of an alternative currency system. Most analysts predict that the US dollar will continue to be the unparalleled currency of international trade for many years to come, but its position will face a steady erosion that may be accelerated due to the weaponisation of the dollar in recent years.

What this may mean for gold as a reserve asset is still unclear. However, the central bank of Hungary may have provided some insights into how central banks view this phenomenon. After a substantial gold purchase in 2019, the Magyar Nemzeti Bank issued a press release detailing its rationale, a rare step by a central bank. The press release stated that the Hungarian central bank added gold because it foresees disruption during a period of transition in the international monetary system, and that gold has traditionally been a risk mitigator during such periods. With so much uncertainty clouding the global outlook at this stage, perhaps gold can still shine as a beacon of stability.



SHAOKAI FAN is the Head of Asia-Pacific (ex-China) and Global Head of Central Banks at the World Gold Council. He advises governments on gold matters and engages with central banks and sovereign wealth funds on investment considerations. Shaokai previously worked at Standard Chartered Bank in various roles. He holds a Master's

degree in Public Administration from Columbia University and the London School of Economics, and an undergraduate degree in finance and economics from New York University.

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METALOR TECHNOLOGIES' COMMITMENT TO RESPONSIBLE SOURCING IN PRECIOUS METALS INDUSTRY

By JONATHAN J. JODRY, *Business Development Director, Metalor Technologies*

The enactment of the Dodd-Frank Act in 2010, a United States federal law requiring manufacturers to audit their supply chains to evaluate the risk of using conflict minerals, and the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas of 2011 were pioneering efforts in highlighting the importance of responsible sourcing of precious metals. Over time, this has become a top priority for the industry, with several regulatory initiatives introduced, including the UK and Australia Modern Slavery Acts, California Transparency in Supply Chains Act, Transparency Act in Norway, and more recently, EU and Swiss regulations.

In response, several organizations have introduced certifications to ensure that their members are following responsible sourcing principles, including the LBMA (through its Responsible Gold and Silver Guidance), the LPPM (through its Platinum and Palladium Responsible Sourcing), the Responsible Jewellery Council (RJC), and the Responsible Business Alliance (RBA).

Metalor Technologies, a leading precious metals refiner with five LBMA-accredited refineries worldwide (China, Hong Kong, Singapore, Switzerland, and the United States), has been an early adopter of responsible sourcing initiatives. However, Metalor recognized that existing rules and initiatives could be improved to offer more transparency and security to its customers. To address this, Metalor has developed a unique sourcing, traceability, and security ecosystem (see Figure 1) based on the following principles:

- No sourcing from mine collectors, and sourcing from ASM (artisanal or small-scale mine) only when they are integrated into a robust, government-backed framework like Swiss Better Gold.
- Confirmation of the origin of the dorés received through a producer-independent, scientifically validated process.
- Security features on investment products that are compatible with both banks and individual customers' needs.

Although many initiatives have been developed to ensure the provenance of mined gold, they all suffer from a fundamental flaw: they rely on doré producers to perform the initial security step, such as registration on a blockchain, placement in a security container, or marking the bars with visible or forensic features. Unfortunately, nothing prevents a dishonest supplier from adding illegal metal to the dorés at the source, undermining the integrity of the entire supply chain.

Despite having the highest level of trust for its LSM (large scale mining) customers, Metalor recognises the importance of mitigating even the slightest risk of illegal manipulation and instilling confidence in its customers. To achieve this, Metalor worked with Dr Barbara Beck from the University of Lausanne in Switzerland to develop a scientific tool called the Geoforensic Passport. This project, which was co-financed by Swiss governmental innovation fund InnoSuisse and Metalor, took more than five years to complete.

METALOR SOURCING, TRACEABILITY AND SECURITY ECOSYSTEM



Figure 1: Metalor's sourcing, traceability and security ecosystem

The Geoforensic Passport uses advanced yet inexpensive X-ray fluorescence analyses to create a unique signature for each supplier in up to 15 dimensions (only three dimensions can be represented in Figure 2). This signature is then used to validate the provenance of each ingot in every shipment that arrives at Metalor's refineries. The process is fully integrated into Metalor's receiving flows, ensuring that customers can have absolute confidence in the origin of their gold.

The Geoforensic Passport has been validated through a systematic, scientific approach. No part of it has been patented, and any interested party can use it.

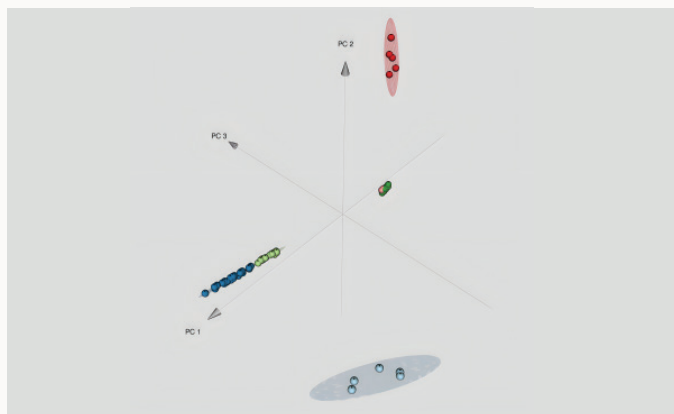


Figure 2: Example of a Geoforensic Passport

Metalor Technologies places a strong emphasis on responsible sourcing of recycled gold. We support the highest standard currently available, the Chain-of-Custody (CoC) from the Responsible Jewellery Council (RJC). Many of our customers who request recycled gold rely on this standard, which excludes investment gold (gold bars and coins).

Our refineries are fully integrated with SAP, enabling us to trace the origin of received lots throughout the refining process until the final products are manufactured, including investment products. We offer segregated refining based on various criteria, such as type (exclusively using recycled CoC gold), area of origin (Swiss Better Gold from Peru), or even a specific mine, depending on our customers' needs.

To ensure full compliance with existing standards, all of our refineries undergo annual audits for multiple certifications, including but not limited to ISO 9001, ISO 14001, ISO 45001, LBMA, LPPM, and RJC.

Metalor casts and mints gold products are renowned for their quality and have excellent reputation in numerous markets. To prevent counterfeiting, we have introduced various security features on our bars, including both visible and hidden features. Our gold kilobars bear the BullionProtect security ink, which is one of the most visible security (Figure 1). It was developed specifically for our market by SICPA, a Swiss company that is a world leader in passport and banknote inks.

The BullionProtect ink enables batch validation using specific, inexpensive filters or lamps, and authentication of hundreds of bars can be performed in less than a minute, making it the best security available for vaults. Credit card-shaped masks with the appropriate filters are also available for immediate validation (see Figure 3). They reveal different colors and designs, similar to what is found in passports. This solution was recognised by the LBMA as one of the few acceptable security features for gold bars, and it is currently tested or used by other LBMA-accredited refineries around the globe.



Figure 3: Credit card-shaped masks reveal two different colours and designs

To allow individual gold kilobar owners to access specific information on their bars, our kilobars have a unique Datamatrix code in the BullionProtect. This code can be scanned using the iOS Metalor Check application (an Android version will be released soon). The application is completely free, and details such as the manufacturing date and location, purity, and origin of the gold (for segregated refining) can be obtained using it (see Figure 4). This tool also allows confirming that the gold bar meets specific purity requirements, like for the Shanghai Gold Exchange (SGE).

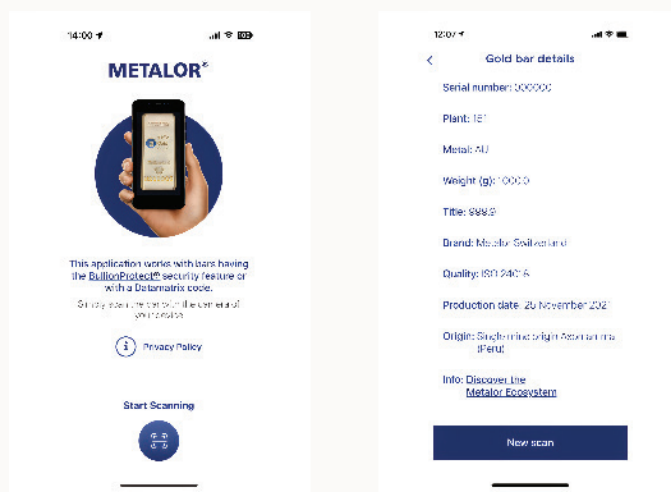


Figure 4: Metalor Check main screen and detailed information after scanning

With more than 500,000 bars bearing the BullionProtect security feature circulating in the market, Metalor has demonstrated not only the robustness of the system but also its added value for vaults and individual customers alike.



JONATHAN J. JODRY is the Business Development Director for Metalor Technologies, based in Tokyo. With over a decade of experience at the company, he has held positions including Head of Laboratories and Head of New Business Development. Jonathan is deeply involved in the precious metals trade, chairing the ISO/TC 174, serving on the IPMI Awards Committee, and sitting on the Board of the IPMI Foundation. He holds a PhD from the University of Geneva and two Executive MBAs from London Business School and Columbia University of New York.

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THE ROYAL MINT: A LEGACY BRAND SHAPING THE FUTURE OF PRECIOUS METALS

By SBMA

With a history spanning more than 1,100 years, The Royal Mint is one of Britain's oldest companies and the original maker of UK coins. Today, The Royal Mint is a premium British maker at the forefront of manufacturing excellence and the home of precious metals. Its core purpose is to provide UK coins to the UK Government and The Royal Mint is known globally for producing market-leading gold, silver and platinum bullion coins and bars.

Based in South Wales in the UK, it has three main focuses as a business: Currency, Consumer (collectable and rare, historic coins) and precious metals investment.

The company has also built a portfolio of physically backed, digital precious metals solutions, and customers can purchase fractions of investment-grade bullion bars.

As Head of Bullion Sales, Nick Bowkett leads the strategic development and distribution of physical precious metals, with the growing number of investors across territories worldwide in mind. Crucible spoke to Bowkett about how the legacy company is changing with the times.



Nick Bowkett, Head of Bullion Sales at The Royal Mint

HOW HAS THE ROYAL MINT MANAGED TO SUCCESSFULLY EVOLVE INTO A CONSUMER BRAND, EXPANDING INTO PRECIOUS METALS INVESTMENT PRODUCTS, THE SALE OF HISTORIC COINS, JEWELLERY, AND LUXURY COLLECTIBLES?

Over the past couple of decades, The Royal Mint has transformed from a traditional manufacturer to a modern, highly digital organisation and we've been successful in our diversification. We've started some new businesses – including our jewellery collection, 886 by The Royal Mint – grown in new markets and new countries.

We recognised that the way people spend is changing, and to keep up with the times, we needed to adapt by providing

our customers with premium products. Our Precious Metals division is thriving and we have a range of products and services including precious metal bars, coins and DigiGold.

Our most popular bullion ranges include the Sovereign and Britannia, which has been credited as the most visually secure bullion coin in the world due to its state-of-the-art security features. We added anti-counterfeiting features to our 99.99% gold and 99.9% silver Britannia coins from 2021, to help reassure customers that the coins they purchase are genuine.

The coin's authenticity can be verified via its four security features, which are visible to the naked eye, negating the need for specialist equipment. This has been well received by retail investors and since introducing these security features, there has been a marked growth in sales of our Britannia coins. They continue to be extremely popular in the Asia-Pacific region.



The Royal Mint 2023 Britannia stack featuring 1oz gold coins and minted bullion bars

COULD YOU SHARE WITH US MORE ABOUT THE ROYAL MINT'S NEW FIVE-YEAR GROWTH PLAN AND HOW IT PLANS TO BECOME A LEADER IN SUSTAINABLE PRECIOUS METALS?

At The Royal Mint, we are dedicated to not only providing sustainable precious metals but also championing British craftsmanship and growing the appeal and value of our organisation for the future. We're setting new standards in sustainable precious metals and are investing in innovative solutions to reduce our reliance on mined precious metals.

We're excited to share that we've invested in a multi-million-pound plant which, when fully operational in the autumn, will safely process up to 90 tonnes of UK-sourced circuit boards per week, generating hundreds of kilograms of gold per year, which will be used within The Royal Mint's jewellery

collection, 886 by The Royal Mint. We also recycle surplus gold waste from bullion coins into our investment bars and we're proud to say that The Royal Mint Physical Gold ETC is backed by 100% post-2019 LBMA-approved gold bars. Sustainability is integral to our five-year growth plan.

WHAT ARE THE KEY MARKETS AND FOCUS AREAS FOR THE ROYAL MINT CURRENTLY?

Our Precious Metals division is thriving, achieving a record performance in the last financial year. This will be a continued area of focus, alongside The Royal Mint's digital investment opportunities.

The Royal Mint will continue to reach new markets and new countries, diversifying as a business to ensure it delivers for the future. We have a strong footprint in markets where The Royal Mint brand has been established for a number of years, such as Germany and the United States. We will continue to work with trusted partners to grow our presence in territories such as Singapore, Japan, South Korea and Taiwan with our Britannia coin and bar range, and other products.

WHAT IS THE OPPORTUNITY YOU SEE IN THE ASIA PACIFIC REGION, IN TERMS OF BUSINESS GROWTH?

Investors want to ensure that the products they purchase are from a trusted and reputable source and can be liquidated easily.

The security features of The Royal Mint's Britannia coin represent our renowned, iconic brand. Britannia Bars have also been recently introduced to the Asia Pacific Region, representing a milestone in our international bullion expansion. These consist of 1 g, 5 g, 10 g, 20 g, 1 oz, 50 g and 100 g gold bars and 10 oz and 100 oz silver bars – all of which have been well-received by investors. We look forward to growing The Royal Mint's presence in Singapore, the Asia Pacific region, and internationally.



The Royal Mint Britannia 2023; The world's first bullion coin to feature the first coinage portrait of His Majesty King Charles III.

CAN YOU SHARE ANY EXCITING UPCOMING PROJECTS OR VENTURES THAT THE ROYAL MINT HAS IN THE WORKS?

One of our most exciting projects this year is the launch of our Coronation UK Coin Collection. This collection includes the world's first crowned coinage portrait of King Charles III, which was specifically created for his coronation on May 6th. In addition to the commemorative coins, we will also be launching a range of bullion coins to mark the occasion, including a Coronation Sovereign featuring the official

crowned coinage portrait of King Charles III. We anticipate that these coins will be popular with investors and collectors alike.

Furthermore, we are proud to announce that we will be expanding our bullion product line this year, providing our customers with a wider range of investment opportunities in gold, silver, and platinum. These new products will be backed by our commitment to sustainable precious metals and British craftsmanship, and we believe they will appeal to both seasoned investors and those new to the precious metals market.

HOW DOES THE ROYAL MINT STRIKE A BALANCE BETWEEN HONOURING ITS RICH HISTORY AND TRADITION, WHILE ALSO REMAINING AGILE AND INNOVATIVE TO ADAPT TO EVOLVING MARKET TRENDS AND CONSUMER PREFERENCES?

The Royal Mint has a unique responsibility to balance its rich heritage and tradition with innovation and the evolving needs of its customers. We understand that the world, is changing, and so are we. We are dedicated to staying ahead of market trends and adapting to meet the needs of our consumers.

While our 1,100-year history and traditional craftsmanship are central to our identity, we are also committed to expanding

“ **OUR REPUTATION AS A WORLD-LEADING AUTHORITY ON PRECIOUS METALS AND OUR LONGSTANDING TRUST WITH OUR CUSTOMERS REMAIN AT THE CORE OF OUR BUSINESS.**

our consumer division and offering premium products and services to customers in the UK and around the world. Our reputation as a world-leading authority on precious metals and our longstanding trust with our customers remain at the core of our business.

As the relationship between people and money evolves, we recognize the need to innovate and transform for the future while holding

onto our core values. Sustainability is a crucial component of our business strategy, and we are working towards our commitment to net-zero.

Looking ahead, we have exciting plans to continue to innovate and grow while remaining true to our legacy. Our focus remains on offering exceptional products and services, building trust with our partners and customers worldwide, and being a responsible and forward-thinking company that remains committed to its heritage.

TOKENISATION CARRIES MORE THAN ITS WEIGHT IN GOLD WHEN IT COMES TO ESG

By **ANOUSHKA RAYNER**, *Head of Growth Commodities, Paxos*

Gold has traditionally been considered a safe haven for investors due to its reputation as a store of wealth and hedge against inflation. This appeal is drawing investors across Asian markets, with Singapore emerging as Southeast Asia's leading gold trading hub. There's little sign of this slowing down as Singapore has ambitious plans to grow its share of worldwide gold sales from just 2% currently to between 10% and 15% by 2025.

However, financial institutions globally, including those in Singapore, are under increasing pressure to be transparent about their Environmental Social and Governance (ESG) strategy. Investors increasingly want more than just returns from their investment portfolios and seek investments that align with their values, and ESG investments have become the gold standard.

When it comes to ESG considerations, the transportation of gold poses challenges. Flying vast amounts of gold around the world, in its physical form, requires significant energy consumption. Tokenisation, however, presents an opportunity for gold to shine even brighter in the ESG space. Currently, investors in Asia only attribute 7% of their portfolio to digital assets, but as ESG takes centre stage across the continent, it's likely that we'll see more and more investors piling into the space.

So just what are the downstream benefits of tokenised gold for the E, the S and the G?

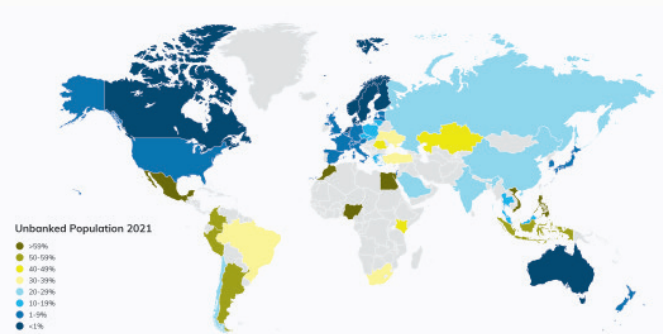
ENVIRONMENTAL

Securely moving around gold bullion bars around the world is time-consuming, extremely environmentally unfriendly, and at times unnecessary. With London Good Delivery trading in 400 oz bars, physical gold is not exactly practical. However, gold doesn't need to weigh heavy on the shoulders of investors.

When it comes to gold, reducing movement of the physical commodity benefits the environment significantly. Tokenisation reduces gold's ESG transportation footprint by 99.5% because one does not have to constantly fly the asset around the world. Whilst some gold is needed in its physical form and transportation of it cannot be eliminated completely, tokenisation can eliminate the need for physical delivery of that used for investment purposes, by allowing it to be transferred digitally and to be held in a secure digital vault, otherwise known as a wallet. While its accessibility through tokenisation will inevitably increase trading volumes, the footprint of owning the asset will not.

SOCIAL

Globally, 1.4 billion adults remain unbanked, meaning they do not have access to traditional banking services. The tokenisation of gold can benefit unbanked communities by providing them with access to a digital asset, which can lower barriers to investment and participation in the digital economy. Furthermore, tokenisation allows for fractionalisation, enabling investors to own small portions of investment grade assets. Why shouldn't the retail investor have access to assets to protect their purchasing power and hedge against inflation, just like a central bank?



Source data: Machine Merchant

The precious metal also offers developing nations well-needed stability. Zimbabwe is an example of a country prone to hyperinflation, but it has benefitted immensely from the adoption of gold-backed currency. The reserve bank attributes a 30% drop in month-on-month inflation to the issuance of gold coins. Tokenisation can make this even more inclusive, accessible and transparent.

GOVERNANCE

Tokenisation enables much-needed governance and increased transparency in the gold supply chain. By using distributed ledger technologies and smart contracts, tokenised gold is transparent, faster and more efficient. Investors can track the origin and movement of gold from the mine to the final product, ensuring that they invest in ESG-compliant gold that meets responsible mining standards.

A BRIGHT FUTURE?

The Investment Association (IA) and the World Gold Council have suggested reweighting gold within investment portfolios, recommending an increase from 2% to as much as 8%. However, this increase in demand for gold investment must be balanced against the intense ESG ratings pressure that investors face. Although the mobilisation of gold via tokenisation is unlikely to revolutionise ESG investing overnight, the technology is available and where there is an investment will, there is always a way.



ANOUSHKA RAYNER leads the growth division for commodities at Paxos. She joined the company in 2020 to drive innovation in the precious metals market both in settlement and infrastructure and to lead the effort for transformation into commodities tokenisation. Rayner has also been in the financial markets for 20+ years, with a range of roles covering electronic execution, post-trade and settlement infrastructure in the foreign exchange market.



USING GOLD ETFs AS A STORE OF VALUE

By GEOFF HOWIE, Market Strategist, Singapore Exchange Limited

Less than a year ago, the World Gold Council (WGC) reiterated that gold had served as an effective store of value amid Japanese yen (JPY) weakness. A key observation of the report was that compared to fiat currencies, gold could help local consumers hedge a reduction in their purchasing power.

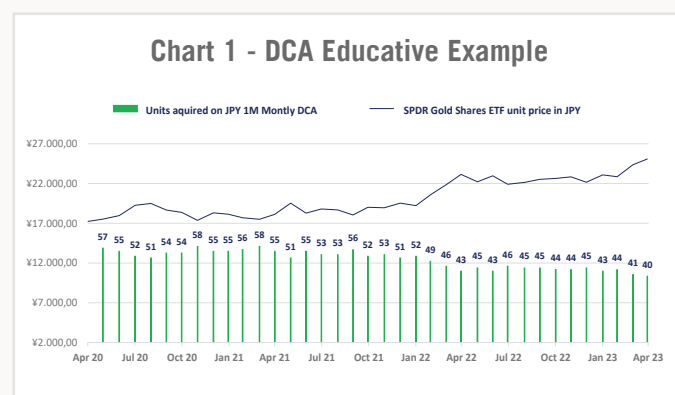
Over the three-year period ending April 2023, the price of the SGX-listed SPDR Gold Shares ETF gained 14% in US dollar (USD) terms. Due to appreciation of the USD to the JPY over the past three years, JPY-based investors who bought the USD-denominated SPDR Gold Shares ETF more than tripled the baseline returns to 46%. This, of course, assumes the investor made a lump-sum investment on the 30 April 2020 close and held the position through to 30 April 2023.

Going all-in or lump-sum back in any market in April or May 2020 was much easier said than done. The SPDR Gold Shares ETF had already gained around 15% from its March lows through to the end of April, while the month of May 2020 saw officially reported global COVID-19 cases double from 3 million to 6 million. Investors who adopted a more conservative dollar-cost averaging approach mitigated some of the potential risk of going all-in at market highs, in return for missing out on going all-in at a potential market low.

For JPY-based investors, putting the same amount of JPY to work every month into the SPDR Gold Shares ETF over 36 months yielded a theoretical 8% compound annual growth rate (CAGR).

The number of monthly units bought under a dollar-cost averaging plan over the three years through to the end of April would have been a function of both the price of the SPDR Gold Shares ETF, and the strength of the JPY against the USD.

Theoretically, as an educative example, consider an institutional investor investing JPY 1 million at the end of every month into the USD-denominated SPDR Gold Shares ETF listed on SGX. This investor would have on average, bought 50 units each month over the three years, as shown in Chart 1. However, due to changes in the USD/JPY rate and the price SPDR Gold Shares ETF there were some months the investor would have acquired as many as 58 units, while in April 2023, the investor would have acquired just 40 units.



Source: SGX Research

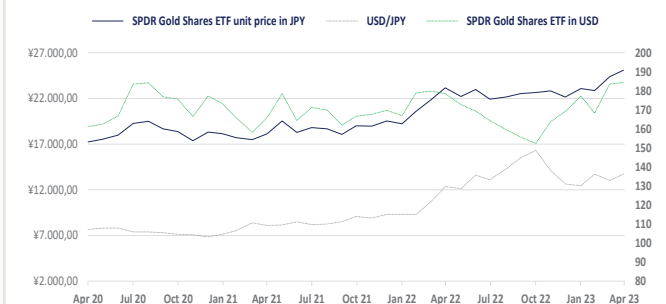
This was tied to the purchasing power of the monthly JPY 1 million dollar-cost averaging plan. When the unit price of the SPDR Gold Shares ETF declined compared, to say the preceding month, it meant the investor was potentially poised



to buy more units, and less units when the SPDR Gold Shares ETF unit price increased. At the same time, if the USD/JPY exchange rate declined, meaning JPY appreciated against the USD, it meant the investor was also poised to acquire more units, and less units if the JPY depreciated against the USD. Thus, developments in both the unit price and the exchange rate impacted how many units would be acquired under the dollar-cost averaging plan.

As an example, in August 2020, 51 units would have been purchased in the plan, versus 58 units in November 2020. As seen in Chart 2, over the three months, the JPY strengthened against the USD, with USD/JPY declining from 105.91 to 104.31, while the SPDR Gold Shares ETF declined in price from US\$184.16 per unit to US\$166.56 per unit. Both markets moved in a direction conducive to buying 7 more units in November 2020 compared to August 2020.

Chart 2 - Monthly Moves



Source: SGX Research

As illustrated in Chart 1, there were also instances when both the JPY strengthened and SPDR Gold Shares ETF has gained in price, thus providing an offsetting impact on the number of monthly units purchased. For instance, USD/JPY declined from 148.7 at the end of October 2022 to 130.1 at the end of January 2023, increasing the purchasing power of JPY-based investors, however at the same time the SPDR Gold Shares ETF gained from US\$152 per unit to US\$177 per unit. The offsetting impact of the gains in gold and appreciation of the JPY meant that the investor bought 44 units under the plan in October 2022 and a similar amount of 43 units in January 2023.

As of the end of April 2023, the SPDR Gold Shares ETF had a theoretical three-year CAGR of 7.8%, compared to a 2.8% CAGR for USD-based investors. This means that JPY-based investors who invested in the ETF during this period gained exposure to both the appreciation of gold and the strengthening of the USD. However, it's important to note that even though dollar-cost averaging is generally considered less risky than lump-sum investing, it is still subject to market risk. For instance, if the JPY-equivalent unit price of the SPDR Gold Shares ETF declined to JPY 19,000 at the end of April, the dollar-cost averaging three-year CAGR would have been -1.7%.

It's worth noting that the SPDR Gold Shares ETF unit price as of the end of April was JPY 25,086, despite ongoing global macroeconomic concerns such as decelerating global growth, persistent inflation, more potential nudges to financial stability and potential escalations in geopolitical tension. Meanwhile, for Japan, much attention is focused on the road ahead for new BOJ governor Kazuo Ueda and BOJ deputy governors Shinichi Uchida and Ryozi Himino.

The SPDR Gold Shares ETF seeks to track the price of gold bullion, less the fund's expense ratio of 0.4% per annum, offering investors a convenient, cost-efficient and secured way to gain exposure to the gold asset class without incurring the costs related to transportation, storage and insurance costs of owning physical gold. The ETF is cross-listed on the Singapore Exchange and available to trade in two currencies – USD and SGD, and included under the CPF Investment Scheme (CPFIS) – Ordinary Account and Supplementary Retirement Scheme (SRS).



GEOFF HOWIE is the Singapore Exchange's market strategist, with more than 20 years of experience in financial markets and economics. He has a strong background in global macroeconomics and a reputation for expeditiously identifying key market drivers and their impact across major asset classes.

THE FED'S DUAL MANDATE, STRONG PHYSICAL MARKETS A MANA FOR GOLD

By **BART MELEK**, *Managing Director & Global Head of Commodity Strategy, TD Securities*

Despite the Federal Reserve's current commitment to a restrictive policy stance and a drop from its highs, we believe that gold is likely to trend up to a sustained level of \$2,100/oz in the latter part of the year. An anticipated early drop in nominal and real policy rates, concerns surrounding USD hegemony, strong physical buying by the official sector and robust retail interest are the key reasons driving our positive outlook.

Financial sector stability concerns in the aftermath of the collapse of several US lenders, Credit Suisse's forced merger with its Swiss competitor, large deposit losses by American regional banks and the Fed's dual mandate are additional factors that make us believe that policy rates may drop before inflation is fully tamed. This, along with discretionary investor positioning, suggests that risks to gold prices are to the upside.

GOLD OUTPERFORMS DESPITE FED'S HAWKISH SIGNALS

Gold has again outperformed most other major asset classes over the last twelve months. It was able to resist the usually subtractive rising interest rates and Fed narratives pointing to higher rates for longer due to record official sector and strong retail investor buying. Central banks and investors looked to the yellow metal as a safe haven to protect against the ravages of inflation, geopolitical risks, and concerns surrounding the hegemon status of the US dollar.

The growing amount of energy transactions in non-dollar terms, and active talk of using alternatives for international transactions to negate the impact of potential US financial sanctions in the aftermath of sanctions on Russia, have fuelled this demand. The official sector bought a record 1,136 tonnes in 2022, with purchases continuing to be firm this year. This will continue to keep the gold market well-supported, even if rates rise modestly over the next six months.

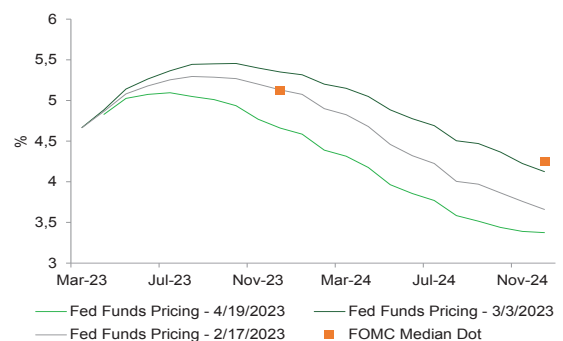
More recently, price support was delivered by the outsized difference between the higher Fed funds rate forecasts from the FOMC dots for 2023 and 2024, and the low levels futures markets are pricing. Indeed, the 50-70 basis points (bps) differential for end-2023 and the some 100-bps spread for end-2024 helped to propel gold to north of \$2,045/oz in mid-April, with an assist from a somewhat weaker greenback.

While the market isn't particularly troubled if rates rise by 25 bps more than expected, traders are looking at when the pivot to a dovish monetary policy stance will occur. At this point, they believe that the Fed will signal lower rates in the second half of 2023, as economic data weakens.

However, policy ambiguity in the face of still firm economic statistics suggests that there may be renewed weakness into the summer, before our predicted sustained move into the \$2,100/oz territory manifests. It is still possible that the market comes closer to where the current FOMC dots sit, which would keep specs and other investors on the sidelines in the near-term, until the timing of a pivot lower is more

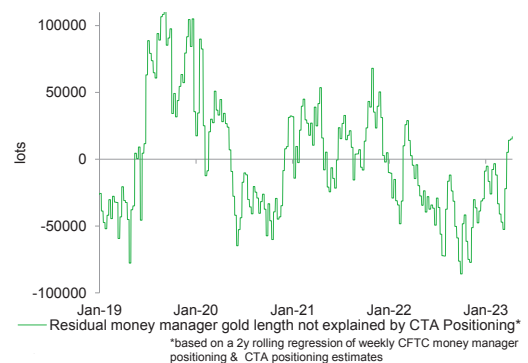
certain. Eventually, the central bank will likely talk cuts before the inflation target is reached, and the yellow metal should then react, increasing long exposure before the rate cuts actually occur. We believe this policy switch will occur at year-end, hence our view that gold starts to firm materially in the summer months.

Fed's Credibility Problem is Gold Supportive-but Also Represents Correction Risk if Expectations Align



Source: Bloomberg, TD Securities

Discretionary Investor Positioning Suggests Upside Risk



Source: TD Securities

MONETARY POLICY PRIORITIES ARE IN THE EYE OF THE BEHOLDER

With officials emphasising that they are structuring policy to reduce harm on the low end of the income distribution, we and the gold market believe that as soon as inflation is judged to no longer be overly harmful to that cohort and that slow economic growth and unemployment pose the biggest danger, the US central bank may well quickly pivot toward a dovish policy stance.

Based on the income and wealth inequality and equity narratives being propagated by policy makers, it is reasonable to assume that a committed inflation fight is unlikely if it harms the poor. As such, policy can turn on a dime.

After all, the Federal Reserve Act mandates the US central bank to maintain price stability and full employment, which are often conflicting objectives that permit a policy skew to either target, depending on the philosophical bend of the policymakers.

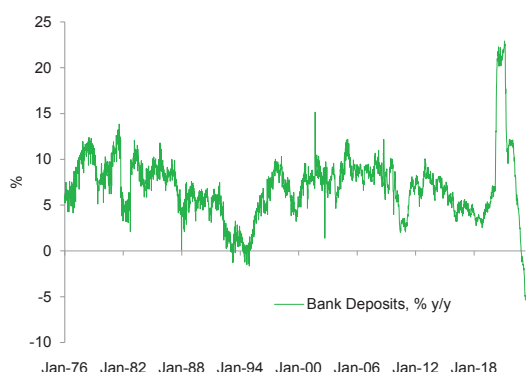
Many in the market believe that monetary policy will tilt dovishly considerably before US inflation reaches the implied 2% target. This aligns with our forecast, which expects only modest disinflation before the Fed starts cutting rates towards the end of the year, potentially leaving real rates lower than in previous cycles. The significant differences between the Fed's policy signals and market pricing present a fundamental credibility problem.

Many gold market participants believe that the current implied 2% inflation target is flexible, and that the recent banking issues may have already tightened policy materially, necessitating earlier rate cuts than anticipated.

Indeed, the fear of a generalised banking crisis has some central banks and investors buying gold, despite the Fed's hawkish talk. Many investors are concerned that the Fed really doesn't know how much more tightening can happen before the economy weakens materially and banking stresses reemerge as "there is never just one cockroach".

Perhaps maintaining full employment and financial stability will take priority over strict inflation targeting. It may be that a high-interest rate environment does not allow the US financial system to operate smoothly, given its current structure.

Bank Deposits Are Declining at the Fastest Annual Pace on Record



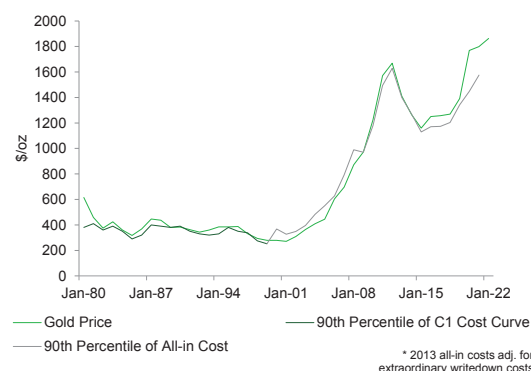
Source: Federal Reserve, TD Securities

CENTRAL BANKS AND PHYSICAL INVESTORS KEY TO GOLD'S SUCCESS

Gold is no one's liability and carries no counterparty risk! Since the yellow metal is a physical asset that requires real inputs such as labor, energy and capital to get out of the ground, it tends to offer excellent protection against the loss of purchasing power over the long-term as its marginal costs imbed inflation. It is also a very liquid, scarce asset with intrinsic value through many millennia, and a luxury good as much as it is an investment that is inversely correlated to the US dollar and equities over time. These characteristics make it an excellent diversifier and a vehicle to mitigate losses in times of market stress, and can serve as a hedge against inflation and currency risk.

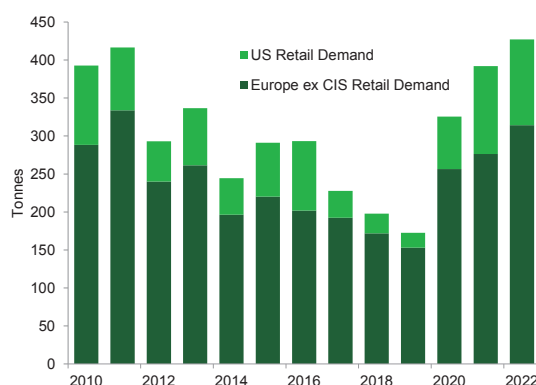
Given a year of outsized inflation, concerns surrounding the greenback's reserve currency status and growing geopolitical tensions, it should come as no surprise that central banks, the broader official sector, and retail investors have a ferocious appetite for physical gold. There is a real worry that the US may need to fund its massively growing deficit via stealth monetisation, as tax receipts are not likely to grow sufficiently.

Marginal Cost Rises Along with Higher factor Costs— Making Gold a Good Inflation Hedge



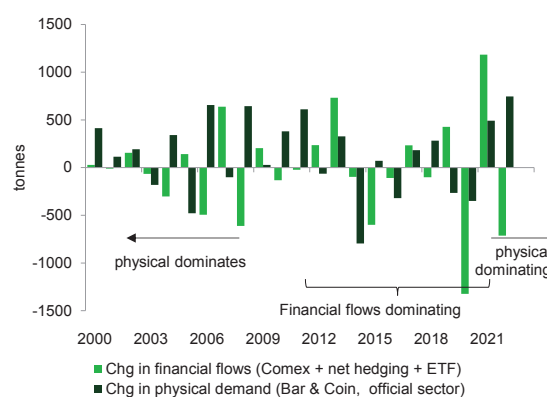
Source: GFMS, Metals Focus, TD Securities

Western Demand Hit Record Levels



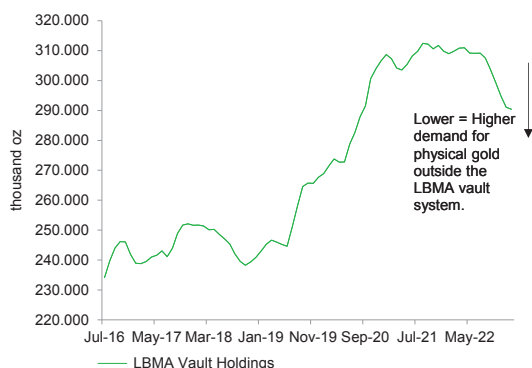
Source: World Gold Council, TD Securities

Physical Gold Dominant Over Financial Flows



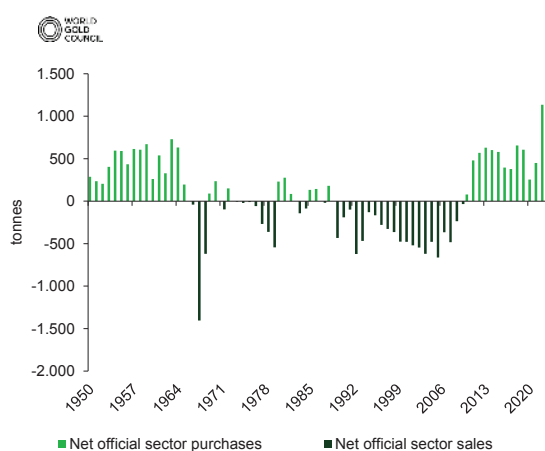
Source: TD Securities, Bloomberg, Metals Focus

Declining LBMA Vault Holdings Point to Strong Physical Demand Abroad



Source: TD Securities, Bloomberg

Official Sector Purchases at Record Highs



Source: TD Securities, Metals Focus, Refinitiv GFMS, World Gold Council

GEOPOLITICAL TENSIONS, SKY-HIGH DEBT AND MONETARY POLICY TO SUPPORT GOLD

China, which has a massive \$3.18 trillion dollars of FX reserves, has started to purchase gold again. The People's Bank of China purchased 18 tonnes of gold in March, which marked a fifth consecutive month of buying. But China's gold reserves are still a paltry 2,068 tonnes, representing only 3.6% of the country's total FX reserves. Contrast this to gold's 67.1% share of US reserves, Germany's 66.5%

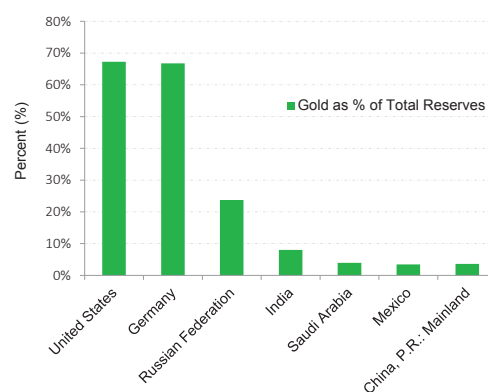
portion, Italy's 63.6% portion or France's 58.6% share, and we conclude that China's bullion purchases have a way to go.

Even a modest increase to 10% would hike demand by some 320 tonnes. A move to 25% (less than half of its geopolitical competitors) would boost demand by over 1,000 tonnes. This could come alongside purchases by other non-western world aligned nations. Emerging market central banks have already been reducing their USD FX shares.

Elevated tensions between the US and Russia, China, and Iran will likely see this trend continue, as these nations believe that America may use financial sanctions such as blocking access to the SWIFT system in order to achieve its political goals. This will be very supportive of gold prices, as it was last year when monetary conditions were not.

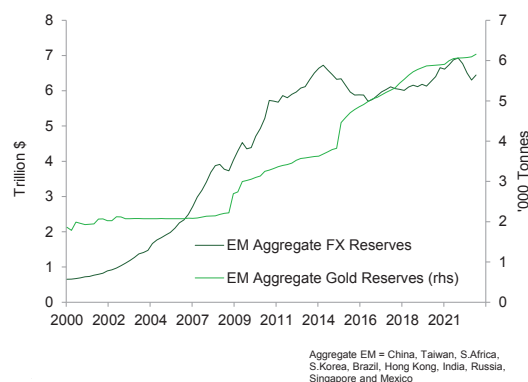
In addition, FX reserve managers and private investors fear that the US will continue to live beyond its means, which suggests that monetisation and above-trend inflation are risks. The recently passed US Inflation Reduction Act, which features America-first policies, massive capital spending, and unfunded social security liabilities all support such concerns. As such, official purchases and monetary conditions should work together to support gold in the second half of 2023.

Plenty of Room For China to Grow Reserves



Source: World Gold Council, TDS Commodity Strategy

EMs Grow Resources the Fastest — Geopolitics, USD Angst the Reasons



Source: IMF, TDS Commodity Strategy



BART MELEK has over 20 years' experience analysing precious metals, base metals, energy, financial markets, as well as key economies. He has worked closely with commodity, equity and FX trading desks around the world, and has several forecasting distinctions and top global rankings. Bart contributes to the TD Securities strategic view on commodity, various other markets

and macroeconomics. Bart is also a sought-after media commentator. Previous to joining TD, he had senior roles in equities, commodities and risk. He holds a master's degree in economics from York University in Toronto, with an International Finance/Banking Specialization.



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