Crucible

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By Singapore Bullion Market Association
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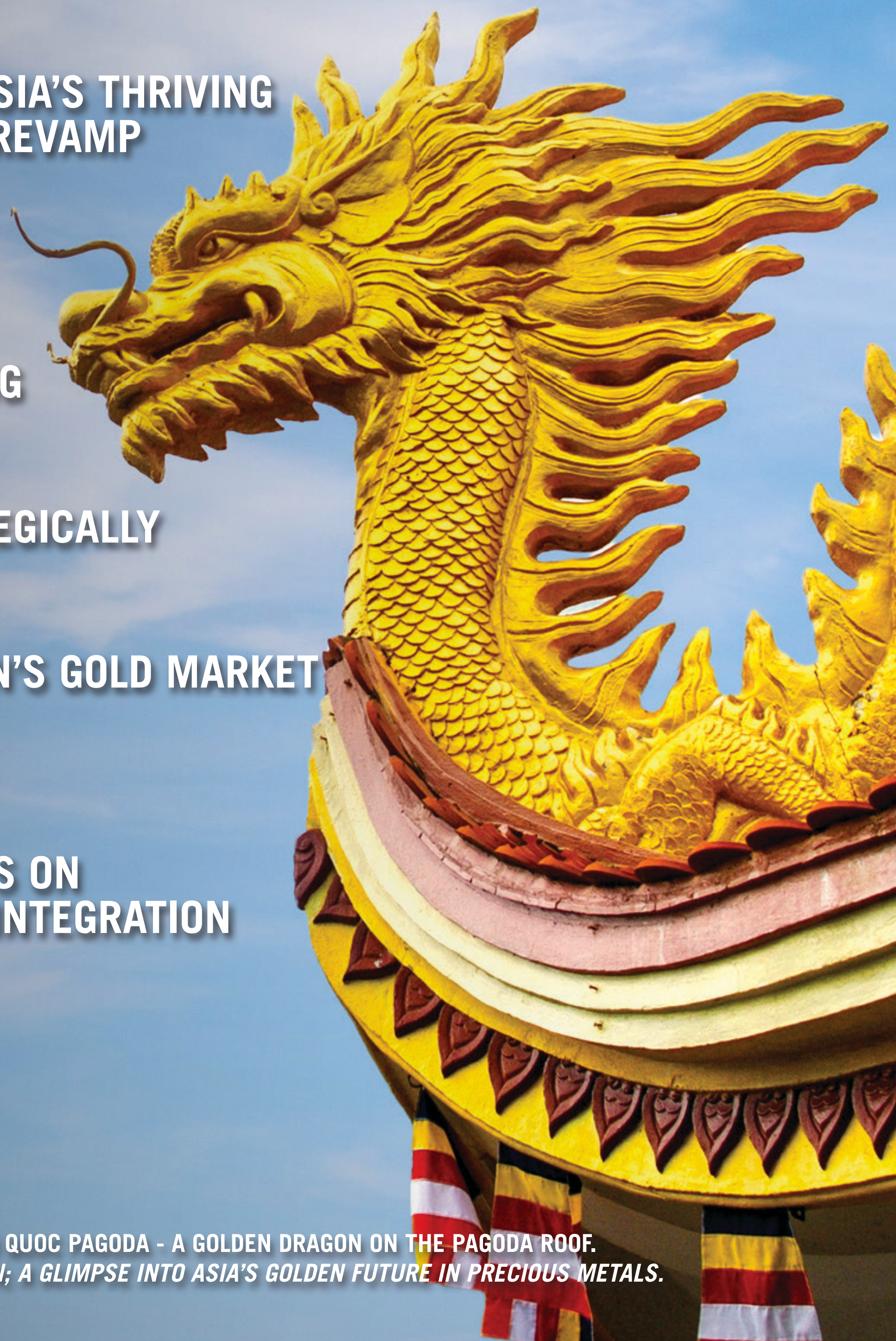
SBMA

SPECIAL ISSUE: ASIA PACIFIC FOCUS



PHU QUOC ISLAND - HO QUOC PAGODA - A GOLDEN DRAGON ON THE PAGODA ROOF.
2024: A YEAR OF THE DRAGON; A GLIMPSE INTO ASIA'S GOLDEN FUTURE IN PRECIOUS METALS.

EDITORIAL

Dear members and friends,

Welcome to the 28th edition of Crucible, where we explore the latest developments within the key bullion markets across the Asia-Pacific region. This edition underscores the significance of this geographic area, showcasing the pivotal role played by the Singapore Bullion Market Association (SBMA) in nurturing and linking the Asia-Pacific bullion market. As 2023 draws to a close, I'd also like to shed light on our concerted efforts to expand the market in Asia.

INDONESIA

In collaboration with World Gold Council, the SBMA Academy curated a specialized two-day training program in February 2023 exclusively for an Indonesian delegation. This strategic initiative went beyond conventional training, placing an emphasis on nurturing the next generation of bullion practitioners in Indonesia. Our objective is to equip them with essential knowledge, priming them for advancing Indonesia's gold market, particularly as the country contemplates the foundation of a local bullion bank.

Parallel to the training, SBMA facilitated meetings between our members and Indonesian stakeholders, fostering a mutual exchange of insights and discussions around potential business collaborations between Singapore and Indonesia. In this issue of Crucible, you will also get exclusive views by SBMA on the evolving gold market in Indonesia.

THAILAND

SBMA played a pivotal role in supporting the Thailand Gold Forum, organised by the Gem and Jewelry Institute of Thailand, Thai Gold Traders Association, and the World Gold Council. The forum was well attended by over 100 delegates, with SBMA leading a delegation of nearly 30 to connect with key industry players and showcase the robust commercial ties between Thailand and Singapore.

Additionally, SBMA chaired the conference's first panel, featuring four major local gold traders that highlighted the dynamics and opportunities in the country's gold landscape. As articulated by Khun Pawan Nawawattanasub, CEO of YLG Bullion International, Thailand's mature gold market is poised to emerge as a regional linchpin, a sentiment wholeheartedly endorsed by SBMA that also aligns with our commitment to elevate ASEAN's prominence in the global gold market. Dive into a detailed summary of the forum in this issue.

HONG KONG

To fortify bonds and uncover opportunities for heightened collaboration between Singapore/ASEAN and Hong Kong/ Greater Bay Area, SBMA embarked on an official visit to the Chinese Gold and Silver Exchange (CGSE). Fruitful discussions about potential future partnerships are ongoing, with updates anticipated soon. Additionally, SBMA visited our Hong Kong-based members, elucidating potential business avenues. Furthermore, engaging discussions with Hong Kong bullion traders were conducted to stay abreast of developments in the gold market.

BUILDING SINGAPORE AS A PRECIOUS METALS HUB – PHASE II

Over the past decade, Singapore's stature as a regional precious metals hub has been solidified, and the country now boasts an LBMA-accredited gold refinery, world-class bullion banks, financial institutions, international bullion houses, and global logistics services firms. The forthcoming inauguration of Silver Bullion's new vault, The Reserve, by the end of 2023, set to store 15,000 tonnes of silver, marks a significant milestone.

In the upcoming phase, Singapore envisions fostering unity in the Asian gold market by collaborating with key regional players like China, India, Australia and our ASEAN neighbors. This will ultimately bolster Singapore's reputation as a precious metals hub in the Asia-Pacific region. In close cooperation with its members and partners, SBMA aspires for Singapore to become a global logistics centre for refining, trading, clearing, tokenising, and custody of kilobars. This includes, but is not limited to, bullion banks, jewellery manufacturers, high-net-worth investors, institutional investors, sovereign funds, and even central banks.

THREE DECADES OF FOSTERING CONNECTIONS AND NUTURING GROWTH

SBMA was established in December 1993 by 16 corporate members from the precious metals industry. It commenced operations in early 1994 with the primary objective of engaging the Goods & Services Tax (GST) Working Committee in discussions concerning the exclusion of GST on precious metals, as well as to develop Singapore as a bullion centre in the Asia-Pacific region. After undergoing professionalisation in 2015 with 22 members, SBMA's membership base has since more than tripled to 68, and the Association is still actively reviewing new applicants.

As the region's enthusiasm continues growing and our members engage in heightened communication initiatives, the SBMA Secretariat reaffirms its commitment to furnishing unwavering support for marketing and event management. This continual assistance will be disseminated through a range of communication channels, including our quarterly newsletter Crucible, our official website, and various social media platforms.

The annual Asia-Pacific Precious Metals Conference (APPMC) remains a key event for SBMA to connect with global bullion industry leaders and partners. APPMC 2023 concluded successfully in June, with 470 in-person delegates registering for the event. The 7th edition, to be held on 9-11 June 2024 at Shangri-La Hotel Singapore, promises to be momentous as SBMA celebrates its 30th year.

As we celebrate this milestone, our mission remains steadfast: to innovate, lead, and unify the Asia-Pacific bullion market. To our members and our partners, I look forward to working closely with you in growing the Association from strength to strength.

Albert Cheng

CEO, Singapore Bullion Market Association

THE GOLDEN FUTURE OF THAILAND'S BULLION INDUSTRY

By PAWAN NAWAWATTANASUB, *CEO, YLG Bullion International*

Right in the heart of Bangkok, surrounded by the shimmer of gold and an air of expertise, the Gem and Jewelry Institute (GIT), Thai Gold Traders Association (GTA), and World Gold Council (WGC) came together on September 7, 2023 at the Queen Sirikit National Convention Center as organisers of the Thailand Gold Forum 2023.

With global demand for gold steadily growing, Thailand is reaffirming its commitment to becoming a significant player in the international gold market. The Thailand Gold Forum serves as a beacon guiding this journey, offering a unique opportunity for participants to delve into the latest gold trading trends, innovations and strategies.

The event saw distinguished leaders from Thailand's public and private sectors, as well as international gold experts. Visionaries like Jitti Tangsithpakdi, President of the Thai Gold Traders Association; Shaokai Fan, World Gold Council's (WGC) Head of APAC (ex-China); Sitthichai Parinyanusorn, Deputy Director of GIT; John Reade, Chief Market Strategist at WGC; Albert Cheng, CEO of Singapore Bullion Market Association (SBMA); Boonlert Siripatvanich, Chief Executive Officer of Ausiris; Tanarat Pasawongse, Chief Executive Officer of Hua Seng Heng; Nuttapong Hirunyasiri, Managing Director of MTS Gold, and Pawan Nawawattanasub, Chief Executive Officer of YLG Bullion, all graced the event.

This symposium, with these esteemed figures, delved deep into the cultural, economic and technological factors that are propelling Thailand to the forefront of the international gold trade. This article captures the invaluable insights shared by these experts, shedding light on the promising path ahead in the world of gold trading.

GOLD'S ENDURING LEGACY IN THAILAND

Shaokai Fan, Head of APAC (ex-China) for the World Gold Council, set the stage by emphasising Thailand's deep cultural connection to gold. From weddings and religious ceremonies to financial security, gold plays a vital role in Thai daily life. The Bank of Thailand's strategic gold reserves, bolstered by nearly 100 tonnes in recent years, reinforce Thailand's standing as a regional powerhouse in the global gold market.

THE WORLD GOLD COUNCIL'S VISION FOR ASIA

Fan shed light on the World Gold Council's extensive global presence, with offices strategically placed in gold trading hubs worldwide. He expressed optimism about Southeast Asia's burgeoning economy, which is expected to drive increased demand for gold, particularly as a hedge against global uncertainties like inflation and geopolitical tensions.

COLLABORATION IS THE KEY TO SUCCESS

Sitthichai Parinyanusorn, Deputy Director of GIT, stressed the importance of collaboration, which led to the creation of this inaugural gold summit. He highlighted the responsibility that comes with the economic opportunities presented by the gold industry and emphasised unity among the World Gold Council, GTA, and GIT.

GOLD AS A STRATEGIC ASSET: INSIGHTS FROM JOHN READE

John Reade, Chief Market Strategist of the World Gold Council, made a compelling case for gold as a crucial component of diversified portfolios. He shared insights into gold's resilience during market turbulence, its low correlation with equities, and its reliability in preserving wealth.

SBMA'S STEWARDSHIP OF ASEAN'S GOLD ECOSYSTEM

Albert Cheng, CEO of SBMA, celebrated Thailand's ascent as a significant player in the global gold market. He underscored the importance of collaboration and the contributions of the distinguished panelists to the industry's growth.

LEGACY AND CRAFTSMANSHIP: THE HEART OF THAILAND'S GOLD

Khun Boonlert Siripatvanich, CEO of Ausiris, took the audience on a journey through time, uncovering the deep historical and cultural significance of gold in Thailand. He paid tribute to the artisans and goldsmiths whose artistry and precision have shaped this rich heritage.

UNVEILING THAILAND'S GOLD MARKET LANDSCAPE

Khun Tanarat Pasawongse, CEO of Hua Seng Heng, painted a comprehensive picture of Thailand's gold market, highlighting key trends and noteworthy milestones. From central banks' active gold reserves to the surge in digitalised trading, his insights illuminated Thailand's diverse avenues for gold acquisition.

DIGITAL EVOLUTION IN GOLD TRADING

Khun Nuttapong Hirunyasiri, Managing Director of MTS Gold, spotlighted Thailand's transition to a dynamic digital platform. The country's pivotal role in both physical gold trading in Asia and Exchange Traded Gold, ranking among the top four in Asia, was highlighted.

CHARTING THE PATH AHEAD: A GILDED VISION OF THAILAND'S BULLION INDUSTRY

Reflecting on the journey of YLG Bullion, I, as the CEO, am heartened by the remarkable expansion of the global gold market. I envision a future for Thailand's gold industry that shimmers with promise and vibrancy, much like the precious metal we hold dear.

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.

Our vision is crafted with six key elements, each essential in elevating our nation to greater heights as a distinguished gold hub:

1. Reliability: Like the steady hands of a skilled craftsman, reliability is at the core of our industry. It ensures that every transaction and piece of gold carries a mark of trust and quality.

2. Innovation: Embracing innovation and harnessing technology in the gold business paves the way for new technologies, products, and processes. These innovations capture attention and investment, propelling our industry forward.

3. Strong regulatory framework: Strengthened by four state regulatory bodies overseeing the gold market, the Gold Traders Association is pioneering the establishment of a Self-Regulatory Organisation (SRO). This framework ensures fairness, transparency, and rigorous enforcement, fostering integrity.

4. Collaborative partnerships: Collaborating with international partners amplifies our impact and reach, enhancing Thailand's reputation in the global gold market. Together, we achieve more, forging lasting connections that benefit us all.

5. Strategic market promotion: Showcasing our industry's brilliance to the world highlights our strengths and why Thailand's gold market stands out.

6. Steadfast government support: The unwavering support of the Thai government, evident in incentive measures, reduced regulations, and seamless trading procedures, underscores our interconnected success, paving the way for enduring value.

Establishing a gold trading center demands meticulous coordination and collaboration among stakeholders. Thailand's robust domestic gold market and infrastructure provide a solid foundation for this ambition. With these six elements aligning with the key dimensions of Environmental (E), Social (S), and Governance (G), Thailand is poised to become a reputable force in the global gold trading arena.

> **"THAILAND'S ROBUST DOMESTIC GOLD MARKET AND INFRASTRUCTURE PROVIDE A SOLID FOUNDATION FOR THIS AMBITION.**

In this vision, Thailand's gold industry transcends mere commerce; it becomes a beacon of excellence and a testament to collaborative power. It signifies a future where every transaction embodies trust, every innovation represents creativity, and every partnership harmonises into shared success.

As we embark on this transformative journey, let us do so with passion, collaboration, and a focus on a brighter future for Thailand's gold industry. Together, we will shape an industry that shines not just for today but leaves a lasting legacy for generations to come.

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One Ounce 999.9 Fine Gold Cast Bar

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The gold bar is enclosed in a high-quality capsule with tamper proof seal. Available in two color options, Metalor Blue, or Red for festive seasons.

The new One Ounce 999.9 Fine Gold Cast Bar produced by the only LBMA accredited refinery in Singapore "Metalor Singapore" is now available for sale. The Gold bar features Metalor's assayer hallmark, which is the quality guarantee of all Metalor products. Cast in a square shape, the size and weight are perfect, convenient, and affordable for both GOLD investors and collectors.

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for more information on the Gold bar or other Metalor products.

GOLDEN HORIZONS: INDONESIA'S THRIVING MARKET AND REGULATORY REVAMP

By SBMA

Indonesia stands as a pillar in the global gold industry, not only for its substantial gold reserves but also for its integrated market system. Home to the world-renowned Grasberg mine in the eastern Papua province, Indonesia proudly ranks third in the Top 30 Gold Producing Mines globally, according to Metals Focus. This is a testament to its vibrant ecosystem, which encompasses a world-class gold refinery, a thriving gold jewellery sector, and a diverse array of retail investment gold products.

Gold's role extends beyond mere ornamentation in Indonesia; it is a crucial investment tool, especially for those without banking access. This has been further emphasized as the Rupiah's depreciation continues to fuel a robust, long-term demand for gold within the nation.

GOLD MINING

Indonesia stands as Southeast Asia's largest gold producer. While much of its gold is a by-product of copper mining, the nation saw substantial output in 2022, totalling 124 tonnes, marking an increase of 7% from the previous year. The Grasberg mine, a prominent source operated by Freeport-McMoRan (FCX) through its subsidiary PT Freeport Indonesia (PT-FI), is a significant contributor to this output. Currently, Freeport-McMoran retains a 29% stake in PT-FI, while the Indonesian government, through MIND ID Mining SOE Holding, is the majority shareholder with a 71% ownership stake. Additionally, the Batu Hijau mine in Sumbawa is managed by PT Amman Mineral Nusa Tenggara (AMNT), and the Martabe gold mine in North Sumatra is operated and wholly owned by PT Agincourt Resources (PTAR), both of which are key players in Indonesia's mining sector.

GOLD REFINING

Logam Mulia boasts a refining capacity of about 60 tonnes (1,929,045 Troy ounces) of fine gold annually and holds the distinction of being on the London Bullion Market Association (LBMA) Good Delivery List. The refinery operates under the umbrella of PT Aneka Tambang, commonly known as ANTAM, which is a state-owned corporation involved in mineral exploration, extraction, refining and metals production. Besides refining its own dore bullion from its two mines, Pongkor in West Java, and Cibaliung in Bantan, Logam Mulia also provides refining services to third parties, accounting for more than half of its revenue. The company specialises in creating 24k gold bars, which are certified by LBMA, available in weights ranging from 1 gram to 100 grams. While Logam Mulia is a major player, Indonesia's gold refining landscape also includes several other medium-sized refineries.

GOLD DEMAND

Indonesia's domestic gold demand is among the highest in the ASEAN region. According to Metals Focus, domestic gold demand from 2017 to 2022 was as follows: 2017: 58.7 tonnes, 2018: 64.0 tonnes, 2019: 54.5 tonnes, 2020: 37.3 tonnes, 2021: 46.8 tonnes and 2022: 49.8 tonnes. The nation's gold is primarily imported from Japan, which accounts for 32% of the total, followed by Hong Kong at 21%, and both Australia and Singapore at 15% each, with Switzerland contributing 6%. Conversely, Indonesia's gold exports are more significant to Singapore, receiving 62%, and Hong Kong at 24%, with Thailand (8%) and Switzerland (5%) also being notable destinations.

1. Jewellery Consumption

The annual demand for Indonesia's jewellery consumption from 2017 to 2022 was as follows – 2017: 38.56 tonnes, 2018: 41.89 tonnes, 2019: 40.38 tonnes, 2020: 20.90 tonnes, 2021: 27.00 tonnes and 2022: 28.26 tonnes. Historically favouring 24k and 22k gold, the Indonesian market now shows a pronounced tilt towards jewellery below 18k, which currently represents over half of the market. The Asosiasi Pengusaha Emas & Permata Indonesia (APEPI), known in English as the Indonesian Goldsmiths and Jewellers Association, plays a pivotal role in this sector, not only in representation but also in driving industry growth through events such as the Indonesia Jewellery Fair.

Recent regulatory developments include the establishment of the SNI, or Indonesian National Standard in 2021, which sets benchmarks for gold purity. The minimum carat required to be a gold product is 8k or 33.33%. While adherence to SNI is not yet compulsory, its inception indicates progressive steps towards comprehensive regulation. Furthermore, the government has introduced additional measures in 2022 to enhance the quality assurance of precious metals, involving sophisticated testing and certification methods.

2. Retail Investment

As for retail investment, which is the purchase of gold wafers and gold bars for investment purposes, annual demand from 2017 to 2022 was as follows – 2017: 20.20 tonnes, 2018: 22.16 tonnes, 2019: 14.20 tonnes, 2020: 16.80 tonnes, 2021: 19.80 tonnes and 2022: 21.5 tonnes.

3. Gold dinars and silver dirhams

Given the large muslim population, there is robust demand for traditional Islamic coins like Dinars and Dirhams. Since 2000, these coins have been minted by Logam Mulia and Islamic Mint Nusantara, following the establishment of Walkala Induk Nusantara (WIM).

IMN has also introduced Dinarfirst, a mobile/electronic payment system. It also organises market day festivals, where traders use dinars and dirhams for trade. The Indonesian dinars include the LM Dinar (Logam Mulia), Dinar Peruri (Perum Peruri) and IMN Dinar.

GOLD TRADING

Online gold trading

Gold trading is widespread in Indonesia, and there is no restriction or price control over the buying and selling of gold, making it a dynamic market segment. Online gold trading is gaining traction among the younger generation of investors in Indonesia, and it is gaining popularity as an investment vehicle, complemented by a robust pawnbroking industry that often uses gold as collateral.

Commodities exchanges

Indonesia's commodities market infrastructure includes two major exchanges based in Jakarta: the Jakarta Futures Exchange (JFX) and the Indonesia Commodity and Derivatives Exchange (ICDX), both offering gold futures contracts.

The JFX operates with a clearing house, PT Kliring Berjangka Indonesia (Persero), or PT KBI, and in English as the Indonesian Derivatives Clearing House (IDCH), which ICDX trades are settled and cleared via the Indonesia Clearing House (ICH). Commodity futures trading is regulated by the Commodity Futures Trading Act (COFTRA) and supervised by BAPPEBTI, the state futures trading regulatory agency. Both JFX and ICDX are members of the Association of Futures Markets.

JFX lists three contracts:

- Gold Futures Contract (GOLD): The Gold 250-gram futures (GOL250) and the Gold 100-gram futures (GOL100) have similar contract specifications to the kilo contract (GOL), the main differences being contract lot size. The 250-gram contract has a minimum delivery of four lots (i.e., 1 kg), while the 100-gram contract has a minimum delivery of 10 lots (i.e., 1 kg). Reportable positions and position limits also differ across the three contracts.
- Gold Periodic Rolling Contract: There are five contracts in this series. These are 1-month contracts, which, if open on the last business day of the month, automatically roll into the next month. Contract sizes are 100 grams, 50 grams, 25 grams, 10 grams and 5 grams. Regarding the grade, the gold bar has a purity of 99.99% with a stamp and serial number from ANTAM.

- "Rolling" daily gold contracts (cash-settled): These contracts are named Gold Rolling Contract (KGE), Dollar Denominated Gold Rolling Contract (KGE USD), Fixed Rate Dollar Denominated Rolling Gold Contract (KGE USD Fixed Rate) and Gold Index Rolling Contract (KIE). Gold Index is calculated by dividing KGE settlement prices in JFX with the Loco London physical market.

ICDX lists three contracts:

- GOLDGR: Quoted in Indonesian rupiah (IDR), 100 grams contract size, 9999 fineness. Cash or physical settlement. For physical delivery, the seller submits a certificate of gold deposit to the ICDX clearing house. This contract, launched November 2009, has PT Antam Tbk and UBPP Logam Mulia as delivery points.
- GOLDUD: Quoted in US dollars, contract size 10 ounces, 9999 fine, cash-settled, settlement price based on loco London gold price. Launched April 2011.
- GOLDID: Quoted in US dollars, but with a fixed conversion rate of US$1 = 10,000 IDR. Cash-settled, contract size 10 ounces. Settlement price based on loco London gold price. Launched April 2011.

Exchange-traded gold contracts on Jakarta's commodity exchanges have yet to become popular, with minimal daily trading volumes reflecting limited industry engagement. This situation is compounded by the absence of a dedicated gold exchange in Indonesia. Consequently, the pricing of gold within the country is often not transparent, with domestic prices frequently surpassing those on the international market.

PROPOSAL TO SET UP LOCAL BULLION BANKING IN 2024

At the 2022 Asia Pacific Precious Metals Conference (APPMC) in June, the Indonesian government unveiled an initiative to set up a bullion bank by 2024, a strategic move developed in collaboration with stakeholders in the mining and financial sectors, including the central bank. Iskandar Simorangkir, deputy for macroeconomics and finance policy coordination at the Coordinating Ministry for Economic Affairs, highlighted the potential for this bank to reduce the country's need to import gold products after being certified overseas, thus fostering the local market and offering new financing avenues. Furthermore, this institution is expected to utilise gold-based financial instruments to manage stability. In the subsequent year, at the 2023 conference, it was announced that PT Pegadaian has been selected to begin piloting bullion services, introducing products such as dore financing, unallocated account, and gold metal loans, marking the first phase of this ambitious project.

CONCLUSION

Indonesia's comprehensive gold market spans mining, refining, jewellery manufacturing, and retailing, offering a competitive landscape especially valued by locals, who see gold as a form of savings, rather than investment. However, the lack of infrastructure and tax regulations have led to market distortions, with illegal flows and off-market transactions. The government's plans to streamline the market by allowing bullion banking and the relaxation of tax regime herald potential market improvements, fostering growth and stimulating further development of the industry, particularly in jewellery manufacturing, in both domestic and export markets. Additionally, this strategy promises a boost for the retail sector through reliable raw material sources, a simplified regulatory environment, and a more organised industry structure.

The country's robust gold supply, including 125 tonnes from mining and recycling, matched with a demand of about 49.8 tonnes in 2022, suggests a market ripe for engagement. This is further enriched by initiatives like the Shari'ah Standard on Gold, the introduction of dinar coins, and the ASEAN free-trade agreement with India, combined with increasing regulatory support, making the Indonesian gold market increasingly attractive for participants.

APPENDIX

Links

- Central Bank – http://www.bi.go.id/en/Default.aspx
- Ministry of Trade – http://www.kemendag.go.id/
- Indonesian Customs and Excise – http://www.beacukai.go.id

Economic Data (2022)

Population: 276 million

GDP growth: 5.3%

GDP/P: US$4,788

Inflation: 4.2%

Exports: US$323.08 billion

Imports: US$275.70 billion

Total reserves (including gold): US$137.22 billion

External debt stocks (2021): US$416.47 billion

Source: World Bank

LBMA/LPPM CONFERENCE: GRÀCIES BARCELONA

By SHELLY FORD, ***Digital Content Manager & Editor of the Alchemist, LBMA***

Delegates from around the world convened in Barcelona for the LBMA/LPPM Global Precious Metals Conference, which ran from 15–17 October 2023.

After Sunday's heavy morning rain, the Spanish skies cleared in time for a welcome reception at the W Barcelona, sponsored by CME Group, at which guests enjoyed networking with friends and colleagues, old and new.

Unwinding at W Barcelona's welcome reception, courtesy of CME Group.

The main conference kicked off in earnest the following morning. After welcome remarks from Paul Fisher (chairman, LBMA), John Cullen (chairman, LPPM and director, Johnson Matthey) and Ruth Crowell (CEO, LBMA), a special address by Yu Wenjian (chairman, Shanghai Gold Exchange) focused on the importance of collaboration.

LISTEN TO THE POETS

In Monday's first keynote speech, economist David McWilliams offered delegates an unconventional view of the world through the medium of poetry. He posited that WB Yeats' much-lauded poem "The Second Coming", written in 1919, predicted the state of world affairs after the First World War much more accurately than so-called expert economists, journalists and policymakers at the time. "Listen to the poets", he urged.

Economist David McWilliams takes the stage for an inspiring keynote.

The Financial Times' James Kynge tackled the macro-economic outlook, focusing on China, in the second keynote of the day. Against the backdrop of rising national security, protectionism, and geopolitical uncertainty, Kynge was very optimistic that China would win the technological race against the US.

INVESTMENT PANEL ON THE KEY ISSUES

The investment panel, moderated by the World Gold Council's John Reade, covered the outlook on the markets, the economy, de-dollarisation, and the Chinese economy. Panellists also discussed price drivers, modelling, and trading – and how gold has held out so well in the face of a strong US dollar and rising interest rates.

"Liquidity is the biggest issue for central banks right now", claimed Peter Zollner (Bank for International Settlements), who added that central banks will do what they can to keep reserves in line with the needs of the financial system. "It's a relief to have gold in your portfolio when bad things happen", asserted John Reade. James Strawson (Citadel) agreed with Zollner's outlook of the strength of the US dollar, explaining that the US economy will likely continue to outperform the rest of the world, apart from China.

MIND THE GAP

The next session, moderated by Nicky Shiels (MKS PAMP), explored the outlook for platinum group metals, with Dr Bernhard Fuchs (Umicore), Emma Townshend (Implats) and Margery Ryan (Johnson Matthey). The panel's presentations and discussions covered the risks associated with recycling catalysts, how the future energy economy will be constrained by availability, closing the gap between supply and demand – and how the energy transition has unique implications for the PGMs, but the PGMs have unique implications for the energy transition. "Palladium is the thinking person's nickel – there's a huge market here still to be explored", said Ryan, referring to the potentially huge increase in use thanks to its closed loop processing and potential pharma applications.

Delegates then moved on to the champagne roundtables, where hot topics included artificial intelligence (AI), climate change, silver and PGMs, investment, and the Asia market.

A deep dive into platinum group metals' future with experts Nicky Shiels, Dr Bernhard Fuchs, Emma Townshend, and Margery Ryan.

That evening, coaches chauffeured guests to a dinner sponsored by Metalor and TANAKA at the spectacular Poble Espanyol. Traditional Spanish dancing and street performers led guests to their tables for food and further networking opportunities, which was continued at the after-dinner drinks, sponsored by LPPM.

The elegant dinner sponsored by Metalor and TANAKA at Poble Espanyol.

MACHINES TAKING OVER?

Day 2 began at 9 am sharp with the third and final keynote, this time from AI and business strategist Elin Hauge. As exhibited by the recent actors' strike in Hollywood, people are afraid of machines taking over humanity. But it all boils down to mathematics, explained Hauge in her keynote about AI. She explored how large language models are only the foundations for context-specific applications. "AI is the natural next step – we have the data and the processes, now it makes sense to apply maths to make the data useful", said Hague. "But we need to become better versions of humans before we can trust the machines to become better machines".

THE GREEN ECONOMY

The next session of the day focused on the role of silver in the green economy. Michael DiRienzo (Silver Institute) moderated the panel featuring Phillip S. Baker, Jr. (Hecla Mining Company) and Dr Trevor Keel (Material Value Ltd), in which one of the key challenges discussed was limited supply. The panel agreed there's yet more growth on the horizon with new technologies and innovations, compounding investor and industrial demand alongside the green transition. "Silver is still heavily researched as a solution to many issues. It's a multifaceted metal", noted Keel.

> **"THE NEXT SESSION OF THE DAY FOCUSED ON THE ROLE OF SILVER IN THE GREEN ECONOMY.**

The next session on sustainability explored what this means for the precious metals industry, and how LBMA is, among other measures, introducing shadow audits – about which Hannah Koep-Andrieu (OECD Centre for Responsible Business Conduct) said "we welcome very much" – as well as the increasingly in-depth reporting to increase transparency. Input from Antoine de Montmollin (Metalor) on the challenges of ASM was welcomed. Sakhila Mirza (LBMA) called for collective engagement, NGO feedback, and support from policymakers to facilitate the ecosystem and technology to enable responsible supply chains.

The final session invited the audience to consider and explore precious metal trends without discussing price. David Gornall (LBMA) led a deep dive on gold as a high-quality liquid asset (HQLA), in which Matthew Slater (UBS) said: "Gold as an HQLA is probably the biggest issue the industry faces".

PRICE FORECAST

At the beginning of Day 1 in Barcelona, delegates forecasted that the LBMA gold price at the time of next year's conference in Miami will be $1,989.3. By the end of Day 2, forecasts adjusted only minimally to $1,990.3.

WRAP-UP WEBINAR

If you would like a wrap-up of the highlights and key takeaways from the conference, you can find a webinar hosted by Rhona O'Connell, featuring discussion from James Steel and Suki Cooper on the LBMA website. The latest issue of the Alchemist, LBMA's flagship publication, was published for the Conference. A digital version of the magazine can be found on the LBMA website.

REGISTER FOR 2024

Interested in joining the discussion next year? Registration is now open for next year's Global Precious Metals Conference, taking place on 13–15 October 2024 in sunny and vibrant Miami, Florida, USA. Hope to see you there!

DELEGATE FEEDBACK FROM BARCELONA:

"Best and most valuable conference I've been to."

"Very well-done event. Bravo and see you in Miami!"

"The conference is critical for the industry and the work and effort put in by LBMA is very much appreciated."

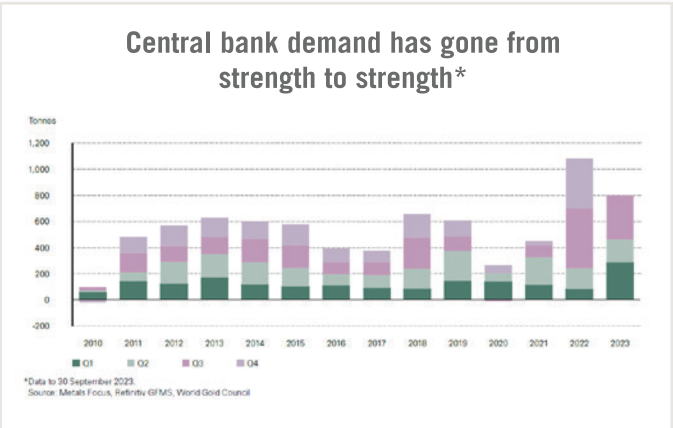
SHELLY FORD is the digital content manager and editor of LBMA's Alchemist magazine. She supports the head of communications to create and develop content across digital channels that engages the LBMA's key stakeholders and supports the organisation's vision and objectives. Shelly brings a wealth of content creation, strategy, and campaign experience from previous roles in the professional and financial service industries, as well as Lloyd's of London insurance market and publishing houses.

CENTRAL BANK GOLD BUYING REACHES RECORD LEVELS

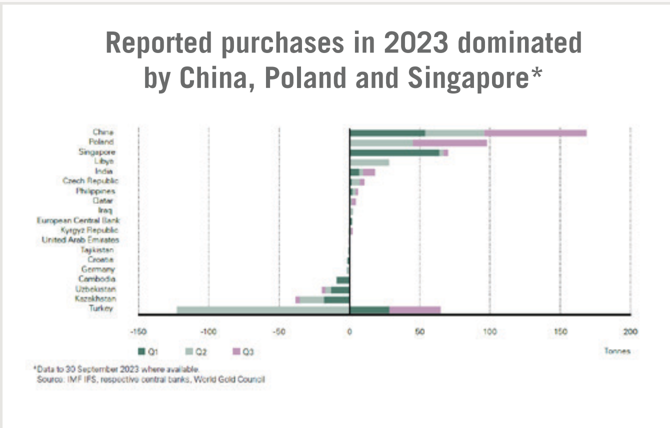
By SHAOKAI FAN, ***Head of Asia-Pacific (ex-China) and Global Head of Central Banks, World Gold Council***

The past year has witnessed an unprecedented surge in central bank activity within the gold market. In 2022, the official sector added a remarkable 1,082 tonnes of gold, marking the largest annual net purchase in history. This was more than double the average annual gold purchases from central banks over the decade preceding 2022, which was roughly 512 tonnes per year. Last year marked a clear departure from the long-term trend, a phenomenon which has continued into 2023. During the first three quarters of this year, central banks added 800 tonnes of gold, an amount that far exceeds their full year in the previous decade, apart from the exceptional 2022.

can be attributed primarily to the impact of its presidential election in early 2023. Ahead of the election, Turkish citizens snapped up gold and foreign currency to shield themselves from potential volatility in the Turkish lira. Combined with restrictions on gold imports, this situation led to extremely tight liquidity in the domestic gold market. In response, the Turkish central bank released gold from its reserves to alleviate the liquidity constraint, leading to a decline in its official gold holdings. With the election cycle now over, the Turkish central bank has resumed gold accumulation. Excluding the Turkish sales, central bank buying in 2023 would have been even more remarkable.



Central bank gold buying by year



Central Bank Gold Purchases, 2023 Q1-Q3

At the country level, the Chinese central bank emerged as the largest gold buyer in 2023, adding 155 tonnes to its reserves. The central banks of Poland and Singapore followed with 86 tonnes and 75 tonnes, respectively. One noteworthy change to the list of central bank gold buyers is Turkey's shift to the selling column in 2023 with a 70-tonne reduction compared to a 148-tonne increase in 2022. Turkey's abrupt change

WHY ARE CENTRAL BANKS ACQUIRING SO MUCH GOLD?

The extraordinary surge in central bank gold accumulation is not occurring in isolation. While each central bank has a reserve management strategy tailored to its unique circumstances, significant global trends may be prompting this large-scale shift towards gold. The global interest rate environment has been wrenched out of a decade-long quagmire of low or negative policy rates, as inflation rebounded following the lifting of Covid pandemic restrictions. Anaemic and uneven economic recoveries have also added uncertainty to the global macroeconomic outlook. These developments have reverberated across nearly every asset class, resulting in a drastic pullback in equities and rising bond yields. This uncertain landscape may be prompting some central banks to seek less correlated assets to mitigate overall portfolio risk. Gold's idiosyncratic financial behaviour, which tends to perform well during times of market stress, likely factors into the considerations of central bank reserve managers.

However, the most significant change may be the escalating great power rivalry, not only on the battlefield, but also in financial markets. Russia's invasion of Ukraine in 2022 rekindled the once-distant possibility of two European nations engaging in armed conflict. However, from a central banker's perspective, the subsequent sanctions imposed on the Bank of Russia's foreign exchange reserves were equally unsettling. While previous cases of central bank reserve asset freezes primarily revolved around disputes over governmental legitimacy and involved economically insignificant countries like Afghanistan or Iran, the sanctions against a major central bank with substantial foreign exchange reserves were unprecedented. This may have triggered an urgent re-evaluation of the political risks associated with reserve assets. After all, what good is the most liquid financial instrument if it can be frozen at the discretion of a foreign power? Gold, as a physical financial asset, can be stored domestically and entirely shielded from external influence. While this might limit gold's usability as a liquid instrument, it ensures immunity from freezing or confiscation. This factor is perhaps a key reason for the surge in central bank gold buying.

This year, unfortunately, has been no more stable than 2022. A devastating new conflict has erupted in the Middle East, threatening to engulf the region. China's economy appears to be sputtering while political intrigue mounts, and US political stability was questioned as party infighting left a branch of Congress leaderless for weeks. A new term is starting to enter the vocabulary of investors and central bankers: "polycrisis". The world appears to be moving towards greater disorder. Gold has demonstrated its resilience as a safe-haven asset during times of stress. It rallied during the Russian invasion of Ukraine and again following Hamas' attacks on Israel. The gold price has remained relatively strong despite interest rates at multi-decade highs and a strong US dollar, both of which traditionally pose headwinds for gold. Central bankers may have turned to gold for the fundamental reality that the world has become more uncertain.

GOLD PRODUCING COUNTRIES ARE INCREASINGLY UTILISING DOMESTIC RESOURCES TO ADD TO RESERVES

It is important to note that while big economies are snapping up large amounts of gold, another class of central banks has also become more active in this space as well – emerging market central banks from countries that produce gold domestically, particularly small-scale artisanal gold mining (ASGM). This is not an entirely new phenomenon. The central bank of the Philippines has operated a domestic gold buying programme for several decades now. However, in recent years, we have seen a proliferation of this trend in Africa and Latin America. The central banks of Tanzania, Mongolia, and Ecuador all have active ASGM buying programmes and have accumulated gold reserves as a result.

The benefits for central banks are straightforward. They can acquire a reserve asset with their domestic currency without relying on international trade. They can also source gold without having to exchange it for another international currency. For local ASGM producers, having the central bank as an off-taker can ensure a reputable, transparent, and trustworthy buyer. The central bank can leverage its market position to compel ASGM producers to comply with international standards for environment, social, and governance practices. Although the scale of gold reserve accumulation from these programmes may not be massive, the ability for central banks to utilise domestically mined gold provides a powerful tool to shore up their reserves, bolster financial stability, and boost investor confidence. It also helps to ensure that ASGM production in these countries becomes formalized, transparent, and compliant with international standards. This phenomenon is a significant aspect of the central bank gold story.

OUTLOOK FOR CENTRAL BANK GOLD PURCHASES

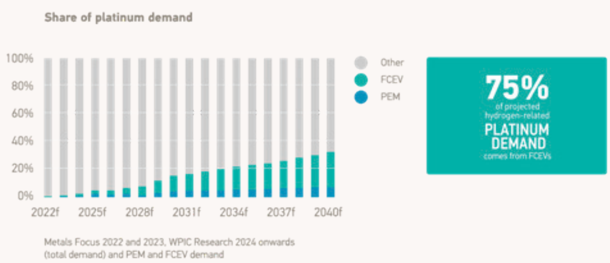
The extraordinary levels of central bank gold buying have persisted into 2022, defying our initial expectations. Central banks are now entering their fourteenth consecutive year of net gold accumulation, marking a remarkable departure from the decades of net selling in the 1980s and 1990s. The question of whether this buying spree will continue at the same pace is remains uncertain. Despite the recent gold binge, the metal still represents only around 5% of the reserves of emerging market central banks. A sudden reversal of total reserve levels – triggered by efforts to combat currency instability resulting from a financial shock or a pandemic, for instance – could hinder the ability of central banks to continue acquiring gold. However, with prolonged conflicts in multiple regions, growing political instability, and mounting pressure from great power rivalries, the world is looking like it will continue its slow slide into further disarray. Central banks would be wise to continue seeking assets that can withstand this uncertain environment.

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.

WHY PLATINUM IS A STRATEGICALLY IMPORTANT METAL

By EDWARD STERCK, *Director of Research, the World Platinum Investment Council*

The hydrogen economy is building momentum, with green hydrogen electrolysis expected to increase 30-fold to around 500 gigawatts by 2035. There are not many established commodities that offer the prospect of significant growth in demand from a new end-use segment, as platinum does through its importance to the hydrogen economy. The pressing need to decarbonise is widely recognised and platinum-based proton exchange membrane (PEM) technologies are playing a significant role in the energy transition. While hydrogen-related demand for platinum is currently relatively small, it is expected to grow substantially throughout the remainder of the decade and beyond, reaching as much as 35 per cent of total annual platinum demand by 2040.



Forecast growth in platinum demand from electrolysers and FCEVs

In this regard, platinum's strategic and economic importance is acknowledged, with the United Sates, United Kingdom, European Union and China identifying its critical mineral status, while legislative drivers, including the US Inflation Reduction Act, further support platinum demand from PEM technologies by accelerating growth in green hydrogen production and fuel cell electric vehicle (FCEV) adoption. The need for energy independence is also spurring on investment in hydrogen that is beneficial for platinum. Notably, reflecting the importance of green hydrogen, government incentive packages have increased from US$50 billion in 2021 to almost US$300 billion only two years later.

PLATINUM & PEM

Platinum is essential to PEM applications due to its unique chemical and physical properties. PEM technology is used in both electrolysers to produce hydrogen and in fuel cells, which power FCEVs, as well as providing power for stationary applications.

Hydrogen – the most abundant element in the universe – is already used as a fuel source in industry. As it contains no carbon, it produces zero emissions, only water. However, its credentials as a truly sustainable fuel source depend upon the way in which it is made. To produce hydrogen through electrolysis, an electric current is used to separate water into its component elements – hydrogen and oxygen. When the electric current is derived from a renewable source – solar photo voltaic panels or wind turbines, for example – it is known as 'green' hydrogen, an energy carrier that can be used in a wide range of applications to replace fossil fuels. For example, green hydrogen can be used as a feedstock in the production of fertilisers instead of natural gas and as a fuel to power hydrogen FCEVs.

Platinum, in conjunction with iridium, is used as a catalyst in PEM electrolysers, one of the two leading electrolysis technologies available in the market. PEM electrolysis was developed in the 1960s but only commercialised at scale relatively recently, offering advantages over other electrolysers, being compact and more able to cope with the intermittent nature of electricity from wind or solar sources.

A PEM fuel cell works by combining hydrogen and oxygen to generate electricity, with heat and water as the only by-products. Molecules of hydrogen and oxygen react and combine using a PEM which is coated with a platinum catalyst.

Platinum is especially suited as a fuel cell catalyst as it enables the hydrogen and oxygen reactions to take place at an optimal rate, while being stable enough to withstand the complex chemical environment within a fuel cell, as well as the high electrical current density, performing efficiently over the long-term.

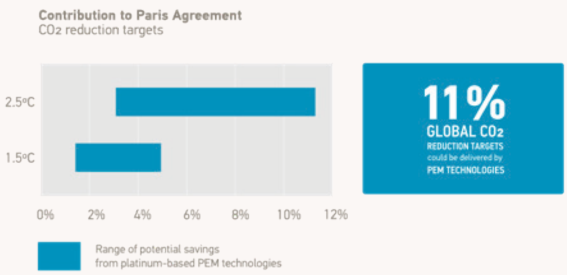
Fuel cells share many of the characteristics of a battery – silent operation, no moving parts and an electrochemical reaction to generate power. However, unlike a battery, PEM fuel cells need no recharging and will run indefinitely when supplied with hydrogen. A fuel cell can have a battery as a buffer to store the electricity it is generating.

A single fuel cell alone only produces a few watts of power; several fuel cells can be stacked together to create a fuel cell stack. When combined in stacks, the fuel cells' output can vary greatly, from just a few kilowatts of power to multi-megawatt installations. Fuel cell stacks that do not use platinum-based PEM technology need to be much bigger to achieve similar power outputs. This makes platinum essential to the efficiency of end-user mobile applications and its use ensures that the fuel cells are compact enough for use in FCEVs.

CRITCAL MINERAL STATUS

WPIC research indicates that, given proposed PEM electrolyser build-out, platinum's role in enabling the achievement of global decarbonisation targets could be highly significant. In fact, platinum-based PEM technology could alone deliver up to eleven per cent of global CO2 emissions-reduction targets as set out in the Paris Agreement, by 2030, if all the currently planned hydrogen projects come to fruition.

It is increasingly being appreciated that having a secure stake in the value chains of climate-safe energy technologies, such as green hydrogen production, can boost a country's economic competitiveness, energy independence and national security.



Potential PEM technology contribution to CO2 reduction targets (WPIC)

For example, the US defines critical minerals as 'those non-fuel minerals which have a supply chain that is vulnerable to disruption and which serve as an essential function in the manufacturing of a product, the absence of which would have significant consequences for the economic or national security of the US'. Its critical mineral list features the platinum group metals (PGMs) platinum, palladium, iridium, rhodium and ruthenium as individual elements, reflecting the importance of PGMs as raw materials in technologies that support the clean energy transition.

In Europe, the European Commission's Action Plan on Critical Raw Materials, 2020, focuses on developing secure, resilient, diversified and sustainable supply chains that foster the transition towards a green and digital economy. The plan incorporates a list of 30 critical raw materials, designated as such based on economic importance and perceived supply risk, which include the same PGMs as those listed in the US, citing their use as chemical and automotive catalysts as well as their use in electronic applications and fuel cells.

In China, platinum is recognised as a metal of strategic importance for its use in automotive and industrial applications as well as in PEM technologies. This is accentuated by the lack of domestic platinum production in China. Along with lithium, nickel and cobalt, platinum is specifically mentioned in the China State Council's New Energy Vehicle Industrial Development Plan (2021-2035), which encourages Chinese companies to improve their capacity to secure long-term supplies of these rare and in-demand elements.

LEGISLATIVE DRIVERS

The US Inflation Reduction Act (IRA), 2022 further consolidates the strategic importance of hydrogen technologies and, consequently, platinum. The IRA aims to see investment of US$369 billion over ten years into energy and climate programmes, injecting significant sums into clean energy and electric vehicle incentives and programmes.

Following on from the IRA, the US's National Clean Hydrogen Strategy was announced earlier this year, with the stated ambition of enabling multi-gigawatt scale electrolyser manufacturing capacity. In parallel, the US's Infrastructure Investment and Jobs Act (IIJA), enacted on 15 November, 2021, has a variety of initiatives to stimulate new markets for clean hydrogen, including US$1 billion of funding for a clean hydrogen electrolysis programme, aimed at improving the efficiency and cost-effectiveness of electrolysis technologies by supporting the entire innovation chain – from research, development and demonstration to commercialisation and deployment – to enable US$2/kg clean hydrogen from electrolysis by 2026. The IIJA also provides US$8 billion of funding for the provision of Regional Clean Hydrogen Hubs.

EUROPEAN ENERGY INDEPENDENCE

Global energy prices, which were already rising due to strong demand caused by the post-pandemic economic recovery, surged to record highs last year - and remain volatile - following recent geopolitical events. Countries are now looking at ways to establish energy independence.

In Europe, the 'REPowerEU: Joint European action for more affordable, secure and sustainable energy' plan, states that the case for a rapid clean-energy transition under the European Green Deal has never been stronger and clearer.

Among other actions, REPowerEU calls for the creation of a 'Hydrogen Accelerator' to develop integrated infrastructure, storage facilities and port capacities. It estimates that, with the right investment, green hydrogen could replace between 25 and 50 billion cubic metres per year of imported Russian gas by 2030. This would require a doubling of the 5 million tonnes of green hydrogen production already targeted for 2030 under the European Green Deal, bringing the new target to 10 million tonnes. It is expected that the balance would come from imports of green hydrogen.

Clearly, electrolyser capacity will need to grow if the intentions of REPowerEU for green hydrogen production are to be met, and the EU is looking to install some 80 gigawatts of electrolyser capacity by 2030, up from a pre-crisis plan of 40 gigawatts. The electrolyser capacity required to achieve the intentions of REPowerEU could lead to a significant, incremental increase in platinum demand.

PEM TECHNOLOGIES AND PLATINUM DEMAND

While PEM electrolysers are a key technology for the production of green hydrogen, fuel cells have higher platinum loadings and are expected to be a far bigger driver of hydrogen-linked demand for platinum. Electrolysis and fuel cell markets are expected to account for up to 20 per cent of total platinum demand by 2030, reaching as much as 35 per cent of total annual platinum demand by 2040.

As hydrogen-linked demand for platinum grows through the decade, platinum is likely to be increasingly seen as a proxy for investment exposure to green hydrogen, given that green hydrogen itself is not a directly investible commodity.

EDWARD STERCK is the director of research at the World Platinum Investment Council (WPIC). Prior to joining WPIC, Edward spent over 15 years in sell-side equity research, where he focused on the mining sector, including coverage of major global platinum producers and diversified miners.

In addition to researching mining equities, he has conducted supply/demand analyses for platinum, diamonds, and uranium. Edward studied geology at the UK's Royal School of Mines, Imperial College, and is a fellow of the Geological Society.

A PARADIGM SHIFT IN JAPAN'S GOLD MARKET

By **BRUCE IKEMIZU**, ***Representative Director, Japan Bullion Market Association***

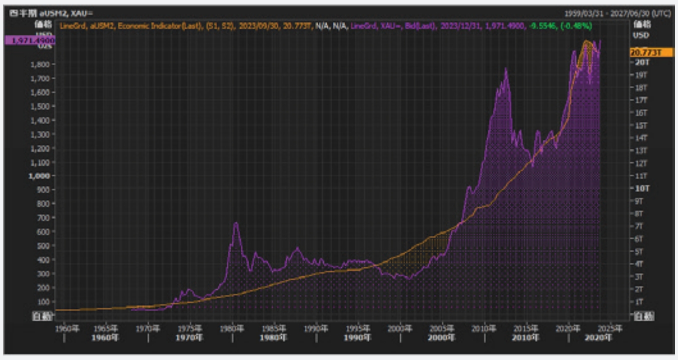
In the past, before China appeared on the world gold market, Japan stood as one of the largest gold importers globally. During the 1980s and 1990s, my primary role in physical gold trading at a trading house involved importing physical gold from Australia, Switzerland, London, South Africa and other sources. However, the dynamics of this business gradually shifted after the introduction of a consumption tax, and more dramatically after the bursting of Japan's economic bubble after the 2000s, following which the country became a net exporter of the gold, marking a 180-degree turn in our business operations.

During my 14-year tenure at a Tokyo bank branch, we imported gold only once but exported it countless times, mainly to Asia and when demand waned in Asia, to London. The consumption tax, initially introduced in 1989 at 3%, escalated to 5% in 1997, 8% in 2014 and finally 10% in 2019. What does this have to do with gold investment? Well, when you purchase gold in Japan, you have to pay this tax, but you will get it back when you sell it as the tax should be borne by the person who consumes it. In theory, this consumption tax should not have a negative effect on gold investment. Instead, it has its advantages, as you can now receive 10% over the selling price, regardless of whether you paid 0%, 3%, 5%, 8% or 10% tax when you bought it.

However, this consumption tax had significantly different impacts on Japanese gold market. We did not fully comprehend its profound impact it on the market until perhaps the early 2000s. In contrast to the tax treatment of gold in foreign countries, such as Hong Kong, where there is no value-added tax on gold purchases, bringing gold from Hong Kong to Japan without customs declaration and selling it here would allow you to add the consumption tax on top of the price, now at 10%. A 10% profit on gold incentivised extensive smuggling by both individuals and large-scale criminal organisations. Long liquidation of gold at the higher yen price and smuggling were the two primary reasons behind Japan's gold exports, despite having only one small gold mine that produces just several tonnes annually. The Japanese government eventually took strict measure to combat gold smuggling by customs and instructed business not to buy gold if they could not prove they had officially paid the consumption tax. Although smuggling still persists to some extent, we assume the volume is now lower than it was in the past, and its influence on the Japanese gold market is dinimishing.

Now, gold is garnering more attention in Japan than ever before. In 1971 when US President Nixon announced the detachment of the dollar from gold, the gold price started to float from $35 per troy ounce. 51 years after, gold reached $2,000 per troy ounce, marking a staggering 57-fold increase in value against the US dollar. As of the timing of writing this article, the gold price in US dollars hovers around $1,980 per troy ounce. This trend reflects a natural process, as governments of the world freely print the fiat money as they see fit, while gold supply is limited.

Figure 1: US Money Supply and Gold Price



Source: Refinitiv

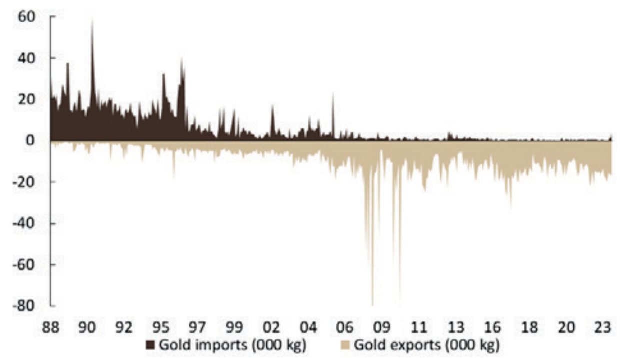
By and large, the same thing can be said about gold in Japanese yen. However, gold in yen broke its historical high two years after USD gold did. This year, yen gold has broken its historical high multiple times, with the latest price,as I write this article, reaching 9,566 yen per gram. In 1971, gold in yen started around 250 yen per gram, so yen gold has appreciated approximately 38 times over.

Figure 2: Gold in Yen in the Past 54 Years

Source: Refinitiv

In the past, we observed significant selling of gold bars and jewellery whenever the price jumped by 500 yen per gram. There were long queues of sellers at the major retail shops. The reverse held true when market declined, with people lining up to buy gold. When I was trading on Tocom at a trading house many years ago, my simple yet consistently profitable trading strategy depended on Japanese investors' tendency to hunt for bargains, as opposed to the Western investors' trend-following style. When London and New York sold gold, causing prices to drop, Japanese investors entered the market to snatch up bargains, and vice versa when investors in the West bought and prices rose.

Figure 3: Japanese Gold Import and Export Balance



Source: UBS

This bargain-hunting style of Japanese investors has been rapidly changing in recent years, even with the price of gold in yen has reached levels we never saw in the past. One might naturally expect a surge in selling from gold holders, but that is not happening with this sharply higher price level. For example, stronger prices had always attracted sellers at major retail shops, but nowadays, they report that sales and purchases are well balanced at their counters.

In the realm of gold ETFs, holdings in the US and Europe had been decreasing, but in stark contrast, Japanese gold ETFs is continuously increasing its holding despite the historically higher prices.

There are couple of reasons for this new attitude toward gold:

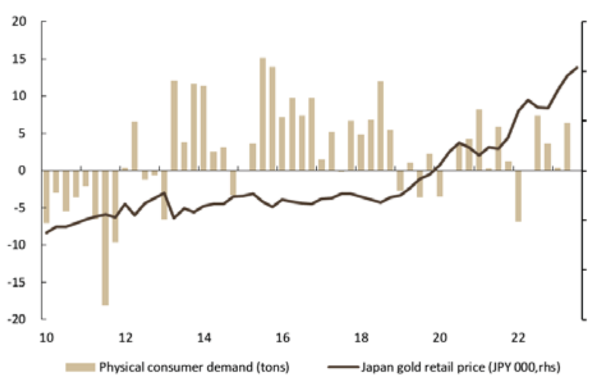
1. Investors' generational shift

Older generations were the primary buyers of gold in the 1980s and 1990s, and even until a few years ago. However, now the older generation is exiting the scene, selling their gold, while a younger generation is entering the market. A decade ago, more than 90% of attendees at my investment seminar were older men and women. Especially after Covid, a much younger demographic, both men and women in their 20s and 30s, has become the majority. These younger investors have not witnessed a market where gold was priced around 1,000 yen per gram. Past price levels, which might have deterred older investors from investing at the current gold price, hold little meaning for the younger generation.

2. Continuing yen depreciation

This year, the Japanese yen began at 131 yen to the dollar and has since depreciated to 150 yen. The yen has devalued by approximately 8.7% against the US dollar. Combined with inflationary pressures, Japanese investors are increasingly concerned about holding yen in their bank accounts. While the safety of bank deposits has traditionally been the preference of older generations, just holding bank deposits is no longer a safeguard against the depreciating value of yen. More investors are now viewing gold as a hedge against inflation and yen depreciation. Investment in gold continues to rise despite higher prices. This new investment purpose effectively explains the trend of Japanese buying gold despite historically high prices.

Figure 4: Gold retail demand is increasing despite sharply higher prices

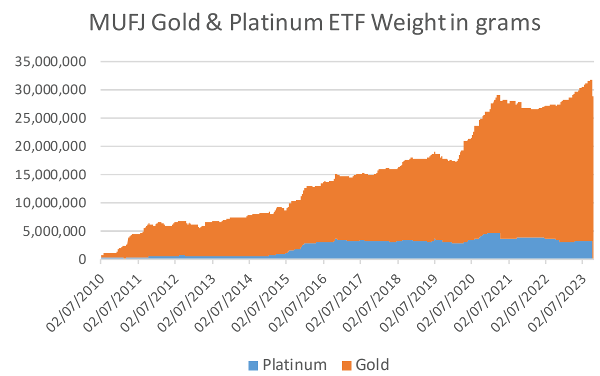


Source: UBS

3. Introduction of new NISA account

The NISA (Nippon Investment Saving Account) was introduced in 2014 following the English ISA model. Individuals who use NISA are exempt from paying the 20.315% tax on trading profits. This account, which has a limit of 1.2 million yen and a duration of 5 years, is set to end at the close of this year. The new NISA, which starts in 2024, will allow individuals to invest up to 18 million yen each, with no time limit. This reflects the government's initiative to move funds from dormant bank deposits into investments. Many people had refrained from opening NISA accounts in the past, considering the limit too small and negligible. I was one of them. However, the new 18-million-yen limit with no time constraint changes the landscape entirely. More and more investors are now opening current NISA accounts as they can have both the 1.2 million and the new 18 million, preparing for the expanded framework starting 4 January 2024. The new NISA will include four gold, three platinum, two silver, one palladium and one precious metals basket funds. In addition to physical gold products, we can naturally expect more investment funds to flow into precious metals from Japanese investors. In fact, this trend is already underway with the Gold ETF, as most new investment in to it is coming from current NISA accounts. This trend is likely to gain momentum next year when the new NISA program launches with a significantly larger framework. The Japanese gold market is undergoing a paradigm shift.

Figure 5: Japanese Gold ETF balance – continuously increasing despite higher prices



Source: Mitsubishi UFJ Trust and Banking

BRUCE IKEMIZU is the chief director of the Japan Bullion Market Association. He began his career at Sumitomo Corporation as a gold trader after graduating from Sophia University in 1986. He then worked for Credit Suisse and Mitsui & Co. before joining Standard Bank in 1996. He was the head of Tokyo branch of ICBC Standard Bank until leaving the bank in 2019. Bruce is currently using his knowledge and relationships within the sector to develop and grow the newly formed JBMA.

GOLD'S RUSH TO THE EAST

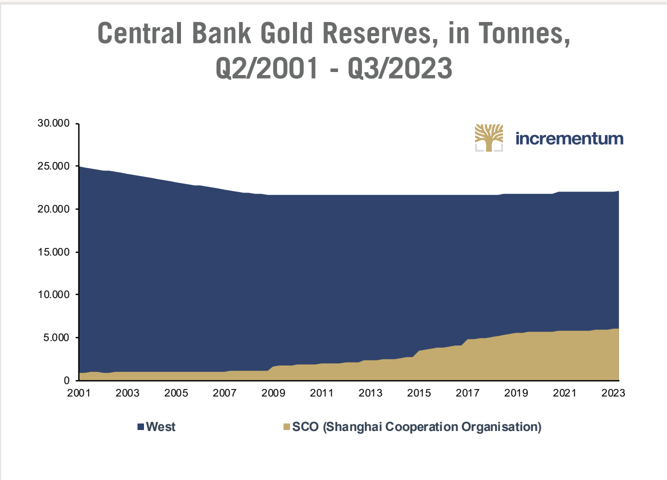
By RONALD-PETER STÖFERLE, *Managing Partner, Incrementum AG*

When one considers the world's leading gold market hubs, London, New York and Zurich often come to mind. However, the global political order is undergoing a major readjustment, and so too is the global gold market. Gold flows and consequently, the global gold market, is increasingly shifting from the West to the East, as succinctly put by James Steel, "Gold goes where the money is".

DEMAND FROM THE EAST

Central banks in Eastern countries have emerged as strong gold buyers, even surpassing some of their Western counterparts. This is also reflected in the continuing enthusiasm of central banks for gold, especially among non-Western countries. In 2022, central banks made their largest purchases of gold since records began more than 70 years ago, acquiring a total of 1,136 tonnes. This trend continued into the first three quarters of 2023, with central banks increasing their gold reserves by a total of 800 tonnes – a 14% increase over the previous year. China led the way in purchases, followed by Poland, Singapore, Libya, India, and the Czech Republic. So even in the West, it was countries in the East that made significant purchases.

To illustrate the shift in institutional gold demand to the East, consider the cumulative gold sales of Western central banks compared to the cumulative gold purchases of the Shanghai Cooperation Organization (SCO) since 2001.



Source: World Gold Council, Incrementum AG

Looking at the BRICS, we also see a striking overlap, with central banks from four of the five BRICS countries – Brazil, Russia, India and China – collectively acquiring 2,932 tonnes of gold between 2010 and 2022.

GROWING INFRASTRUCTURE FOR GOLD TRADING

The East is not only amassing gold but mining gold itself on a large scale. China and Russia have ranked among the top three gold producing nations for years.

Countries such as China, the United Arab Emirates and even Russia are expanding their gold trading infrastructure, aiming to establish a self-sustained infrastructure for gold trading, reducing reliance on trading centres in the West, such as London, New York and Zurich. This shift reflects a changing perspective, with the East increasingly taking on the role of a provider of infrastructure rather than solely a customer.

Key developments include:

- <u>SGE & SFO NRA: Cooperation between the Chinese and Russian gold markets</u>

China and Russia have been working to connect their gold markets through cooperation between the Shanghai Gold Exchange (SGE) and the Russian National Financial Association (NFA), a professional association representing the entire Russian financial sector, including its precious metals market.

In the face of Western sanctions, Russian gold exports to China have already surged since mid-2022. With three Russian banks – VTB, Sberbank and Otkritie – already members of the SGE International Board, this cooperation between is set to intensify.

- <u>Memberships in gold-related institutions</u>

As Eastern gold markets gain prominence, they are obtaining greater representation and influence in global institutions like the LBMA and the World Gold Council (WGC). Chinese refineries and gold producers have increased their presence in these organizations, signaling their growing influence.

> **"AS EASTERN GOLD MARKETS GAIN PROMINENCE, THEY ARE OBTAINING GREATER REPRESENTATION AND INFLUENCE IN GLOBAL INSTITUTIONS LIKE THE LBMA AND THE WORLD GOLD COUNCIL (WGC).**

In 2009, only six Chinese refineries were on the LBMA's Good Delivery List, but now there are thirteen. While just 15 years ago there was only one regular (full) member of the LBMA from China, the Bank of China, there are now seven. China's growing influence is also reflected in the World Gold Council. In February 2009, only one Chinese gold producer was a member of the WGC; now there are four.

- <u>India International Bullion Exchange (IIBX)</u>

In addition to its sophisticated OTC gold trading market, India has also established a trading infrastructure for gold futures contracts on the country's Multi Commodity Exchange (MCX). In July 2022, the India International Bullion Exchange (IIBX), supported by the Indian government, was officially opened for trading spot gold contracts backed by physical metal. IIBX is located in a special economic zone in GIFT City in the Indian state of Gujarat, and the gold underlying the contracts is stored there. One goal of IIBX is to allow qualified buyers to import gold directly into India without the need for banks or authorized agencies. So far, however, trading volumes have been minimal.

PRIVATE GOLD DEMAND SHIFTS TO THE EAST

The surge in interest in gold is also visible among private consumers in the East. Chinese consumer demand, for example, increased by 181% from 292.6 tonnes at the turn of the millennium to 824.9 tonnes in 2022. Annual consumer demand in India has also increased during this period, albeit from an already high level in 2000.

China and India, which together accounted for 28.7% of consumer demand in 2000, accounted for almost half of global consumer demand (48.4%) in 2022 and together acquired 1,600 tonnes of gold last year. This shift underscores the East's growing attraction to gold as an investment and wealth preservation asset.

Consumer Demand for Gold – 2000 vs. 2022

	2000	% of Global Demand	2022 in Tonnes	% of Global Demand	2022 vs. 2000 in Tonnes	2022 vs. 2000 in %
India	723	20.40%	774	23.40%	50	7.00%
China	292.6	8.30%	824.9	25%	532.3	181.90%
Japan	105.1	3.00%	4.3	0.10%	-100.8	-95.90%
Middle East	457.9	12.90%	268.2	8.10%	-189.7	-41.40%
Türkiye	177.4	5.00%	121.5	3.70%	-55.9	-31.50%
United States	368.5	10.40%	256.6	7.80%	-111.9	-30.40%
France	19	0.50%	19.9	0.60%	0.9	4.50%
Germany	15.6	0.40%	196.4	5.90%	180.8	1,159%
Italy	92.1	2.60%	17.8	0.50%	-74.3	-80.60%
UK	75	2.10%	35.6	1.10%	-39.4	-52.50%
Rest of Europe	142.4	4.00%	115.1	3.50%	-27.3	-19.20%
Other	1,076.0	30.40%	669.1	20.30%	-406.9	-37.80%
Global Demand	3,544.6	100.00%	3,303.3	100.00%	-241.3	-6.80%

Source: World Gold Council, Incrementum AG

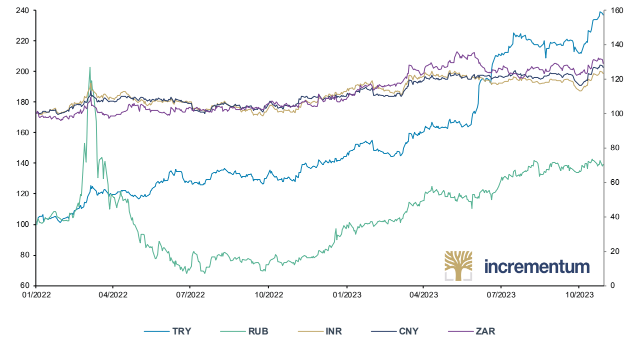
Recent developments point in the same direction. In the first eight months of 2023, Asian gold ETFs increased their holdings by 7.7%, while North America and Europe recorded outflows of 2.3% and 6.1%, respectively. Significantly, in the bars and coins demand segment, Turkey and Iran replaced Germany and Switzerland in the top five in the first half of the year. China now leads this sub-segment of gold demand – in the first half of 2022, Germany was still in the lead – followed by Turkey, the US, India and Iran. This is because while demand for bars and coins in Turkey shot up from 9.5 tonnes to 47.6 tonnes in the second quarter of 2023, it fell by around three quarters in Germany.

RONALD-PETER STÖFERLE, CMT, is managing partner of Incrementum AG, responsible for research and portfolio management. With a background in business administration and finance, he started his career at Erste Group, where in 2007 he published his first "In Gold We Trust" report. He serves on the boards of Tudor Gold Corp. (TUD), and Goldstorm Metals Corp. (GSTM), and advises Matterhorn Asset Management. He co-authored the international bestseller Austrian School for Investors (2014) and The Zero Interest Trap (2019).

GROWING PRICE OF GOLD IN EASTERN CURRENCIES

Furthermore, the price of gold in Eastern currencies has risen significantly, demonstrating its value-preserving properties in challenging geopolitical and macroeconomic environments. As of the end of October, gold was 23.3% higher in Indian rupees than at the beginning of 2022, 26.9% higher in Chinese renminbi and 29.1% higher in South African rand (all left-hand side), while in Russian rubles gold increased by 39% and by 137.2% in Turkish lira (right-hand side). In comparison, gold in US dollars rose by 8.5% compared to the start of 2022.

Gold in TRY and RUB (lhs), and in INR, CNY and ZAR (rhs), 100 = 01/01/2022, 01/2022-10/2023



Source: Reuters Eikon, Incrementum AG

Moreover, the significantly increased premium on the gold price in China since July is an unmistakable sign that there is a structural shortage of gold in the Chinese market and thus an expression of the strong demand for gold in the Middle Kingdom. This is likely to be related to the country's ongoing economic problems, especially in the real estate sector, which was hitherto of great importance for retirement provision.

SUMMARY

This shift in demand from West to East extends beyond governments or government-related entities to include institutional and private investors. Gold is flowing to where it is most valued and where economic prosperity and savings rates have increased. In the medium term, the shift in demand should therefore find support from the higher growth prospects in Asia and the Middle East.

> **"GOLD IS FLOWING TO WHERE IT IS MOST VALUED AND WHERE ECONOMIC PROSPERITY AND SAVINGS RATES HAVE INCREASED.**

"Ohne Geld, ka Musi" ("Without money, no music") – this is how the vernacular formulates this economic truism in German. With the IMF's most recent economic forecast indicating stronger growth in emerging and developing Asia compared to the West, the influence on gold pricing is likely to shift from West to East.

SBMA'S 2023 AGM: A FOCUS ON EXPANSION AND REGIONAL INTEGRATION

By SBMA

The 2023 Annual General Meeting of SBMA was convened at Hotel InterContinental on November 24, 2023, followed by a networking session for our members and business associates.

Chairman KL Yap giving his introductory remarks at AGM 2023.

Chairman KL Yap, in his introductory remarks, emphasised the Association's continued expansion in membership and stature. This growth is highlighted by the keen interest from many to join SBMA, using Singapore as a gateway to delve into opportunities within the precious metals landscape in the Asia Pacific region. In 2023, eight new members joined the Association. With confidence, he projected further growth in the membership count, given the number of potential members already showing interest.

SBMA has enhanced its regional presence through initiatives such as the Thailand Gold Forum and an official visit to CGSE, alongside the formation of various sub-committees to further its initiatives both in Singapore and the broader region.

The Retail Market Group committee, helmed by Silver Bullion and including members such as Metalor, YLG Bullion, and GoldSilver Central, is dedicated to bolstering confidence among private investors in gold investment avenues and the retail gold market. Collaborating with the World Gold Council (WGC), this committee is uniting Singapore's retail investment entities under the SBMA banner. With a stringent Code of Conduct and operational guidelines, the committee aims to cater to investor interests and envisages extending its reach to the ASEAN region The launch of the Code, local Investor guidance materials, and an approved retailer logo are scheduled for January 2024, with further details to follow.

A new task force has been established to reassess the Approved Refiner and Consolidator Scheme, a decade-old framework. This task force is working with Enterprise Singapore to liaise with the Inland Revenue Authority of Singapore (IRAS)/ Assisted Compliance Assurance Programme (ACAP) to revisit and refresh GST laws to be in sync with contemporary business practices.

In the wake of the successful pilot of the World Gold Council & SBMA Academy and its second iteration tailored for Indonesian delegates, SBMA anticipates hosting its third edition on January 2024, with details forthcoming. The chief goal remains to cultivate the next wave of bullion traders and industry professionals.

On the occasion of the 7th Asia Pacific Precious Metals Conference (APPMC) in 2024, which aligns with SBMA's 30th Anniversary, the Chairman urged member companies to seize the opportunity to host ancillary events for their clientele to celebrate this landmark anniversary.

Despite a surplus in the fiscal ledger, courtesy of our benefactors and patrons, the rising costs and inflation alongside the Association's ambitious future projects necessitating increased manpower have led the Management Committee from November 2021 to November 2023 to sanction a 10% hike in membership fees effective January 1, 2024, for all categories, to preserve operational standards.

Resolutions confirmed include the ratification of the minutes from the 2022 AGM, the endorsement of audited financial statements for the year concluded on June 30, 2023, and the appointment of J Tan & Co. as the independent external auditor for SBMA.

Members welcomed SBMA's new eleven-member Management Committee, comprising four CAT 1 members – ICBC Standard Bank, JP Morgan, United Overseas Bank, World Gold Council – as well as seven additional members voted in: StoneX, Brink's, Metalor, MTS, YLG, Metals Focus, and TD.

MANAGEMENT COMMITTEE NOV 2023 – NOV 2025

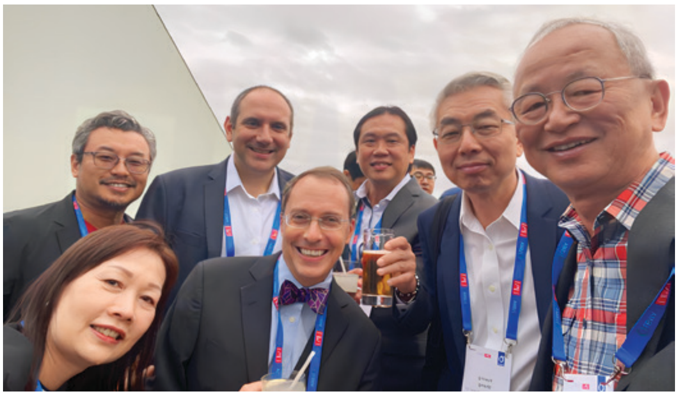
1. Metalor Technologies (Singapore) Pte Ltd (Chairman)
2. StoneX APAC Pte Ltd (Vice Chairman)
3. ICBC Standard Bank Plc, Singapore Branch (Hon. Secretary)
4. Brink's Global Services Pte Ltd (Hon. Treasurer)
5. JP Morgan Chase Bank, N.A.
6. Metals Focus Singapore Pte Ltd
7. MTS Gold Global Trading Pte Ltd
8. The Toronto-Dominion Bank, Singapore Branch
9. United Overseas Bank Limited
10. World Gold Council (Singapore) Pte Ltd
11. YLG Bullion Singapore Pte Ltd

SBMA News

The SBMA team would like to wish or members and friends a wonderful festive season and a very Happy New Year. We would also like to thank our contributors and sponsors for your continued support over the year and are looking forward to our continued partnership in 2024.

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

OCTOBER 15-17, 2023: CEO Albert Cheng and business director Margaret Wong attended the LBMA/LPPM Global Precious Metals Conference 2023 in Barcelona, Spain.



CEO Albert Cheng and business director Margaret Wong, with SBMA members, at the LBMA/LPPM Global Precious Metals Conference 2023

NOVEMBER 14, 2023: CEO Albert Cheng attended the official opening of Metalor Technologies Hong Kong Ltd's new refinery in Hong Kong.

CEO Albert Cheng and distinguished guests at Metalor's new precious metal refinery site in Hong Kong. (From left: Stanley Cheung, Cheung's Gold Traders Limited, LAU Dig Fung, Tak Fung International (HK) Ltd; Albert Cheng, SBMA; Haywood Cheung, Chinese Gold & Silver Exchange; KL YAP, Metalor Singapore; Brian Fung, Chinese Gold & Silver Exchange; Kalos Kan and Edward Tse, Metalor Hong Kong.)

NOVEMBER 20-21, 2023: CEO Albert Cheng attended the Dubai Precious Metals Conference.

NOVEMBER 24, 2023: SBMA held its 2023 Annual General Meeting (AGM), which was followed by a cocktail reception to thank members for their continued support.

UPCOMING EVENTS

9–11 June 2024. Singapore
Asia Pacific Precious Metals Conference 2024
The annual APPMC, organised by the SBMA and supported by Enterprise Singapore, will take place on 9–11 June 2024 at Shangri-La Singapore. The 7th edition also marks SBMA's 30th anniversary. Remember to mark your calendar, and we hope to see you then.

More information, updates and details of past conferences are available at http://www.asiapacificpmc.com.

13–15 October, 2024. Miami, Florida, USA
LBMA/LPPM Global Precious Metals Conference 2024
The 24th LBMA/LPPM Global Precious Metals Conference will be held at the Diplomat in Miami, Florida, USA. 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.

Visit https://www.lbma.org.uk/events/lbma-lppm-global-precious-metals-conference-2024 for registration and event details.

MEMBERSHIP

ASAHI METALFINE, Inc. was onboarded as a Foreign Associate Corporate member.

SBMA's total corporate membership consists of 68 companies, including 4 Category 1 members, 39 Local Associate Corporate members, 22 Foreign Associate Corporate members, and 3 Affiliate members.

About Crucible

Crucible is published quarterly by SBMA. If you would like to contribute an article, news or information, place an advertisement, or require further information, please contact:

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