

Crucible



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DISRUPTIONS TO THE GLOBAL GOLD SUPPLY CHAIN AND ITS IMPLICATIONS FOR SINGAPORE

BY ALBERT CHENG, CEO, SBMA

As the Covid-19 outbreak continues to wreak havoc on global economies, investors are seeking safe haven investments such as gold to weather the economic impact due to lockdown. Expectations for a quick V-shaped recovery have been tempered, and now a slower U-shaped, or more likely an uneven W-shaped recovery is more likely.

As the virus neared its peak, the U.S. Federal Reserve Bank took dramatic action to stabilise financial markets and cut interest rates by 50 basis points in early March, and it is planning to keep the FF-rate near zero for as long as possible. In all likelihood, it will also adopt caps on medium and long-term rates soon. Meanwhile, Congress and the Trump administration are planning to release another stimulus bill.

Governments around the world have launched massive stimulus programmes to stave off recession fears and to buffer their economies has also been a boon to gold, as it is considered to be a hedge against inflation and debasement to currencies.

In precious metals, gold has been the clear winner – as of September 3, gold is up 25.40%, silver is up 42.02%, platinum down 4.93% and palladium up 46.06% year-to-date. The yellow metal has significantly outperformed all major assets in U.S. dollar terms, with even more impressive performance in other currencies.

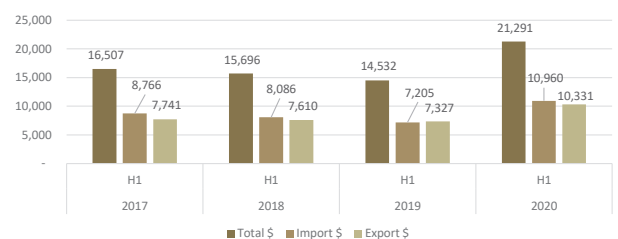
GLOBAL GOLD MARKET

There were both pricing and delivery issues tied to the shutdowns of gold operations aimed at preventing the spread of the Covid-19 pandemic. The increased demand for gold, in addition to supply chain disruption, has greatly affected its four primary markets.

1. *Comex Futures Contract.* Gold futures spiked to reach a high of US\$70 above the spot price of gold at the start of the pandemic, compared to the typical \$1.5 premium. The wide dislocation between the two largest global gold markets is unprecedented.
2. *ETFs.* Coronavirus worries have also driven gold exchange traded funds (ETFs) to new highs, recording a seventh consecutive month of inflows in June, when it added 104 tonnes – equivalent to \$5.6 billion or 2.7% of assets under management (AUM). Inflows in the first half of the year, at 734 tonnes, are higher than the multi-decade record level of central bank purchases seen in 2018 and 2019, according to the World Gold Council.
3. *Physical gold.* The London Bullion Market Association (LBMA) recorded 6,573 transfers of gold amounting to 29.2 million ounces of gold worth \$46.4 billion in March 2020 – the largest amount of transfer since 1996.
4. *Coins and small bars.* The price premium of 1 oz. American Gold Eagle bars spiked up to \$100 during the early stages of the lockdown.

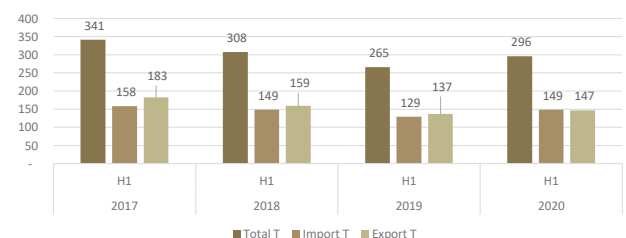
At the same time, lockdowns globally have weighed down discretionary buying, including in major gold consumer markets such as China and India. There was a sharp fall in jewellery demand in the first quarter of the year – 39% compared to the first quarter of 2019, with China and India – the two largest consumer markets – down 65% and 41% respectively, according to the World Gold Council. Consumer demand is also likely to remain weak for the rest of the year.

Value of gold imports and exports, H1 2017-2020 (SGD million)



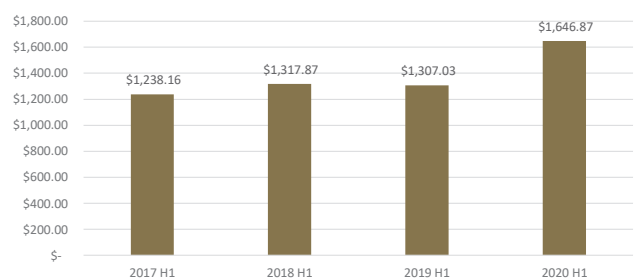
Source: Enterprise Singapore

Volume of gold imports and exports, H1 2017-2020 ('000 tonnes)



Source: Enterprise Singapore

LBMA average PM gold price (USD)



Source: LBMA

HS Code:

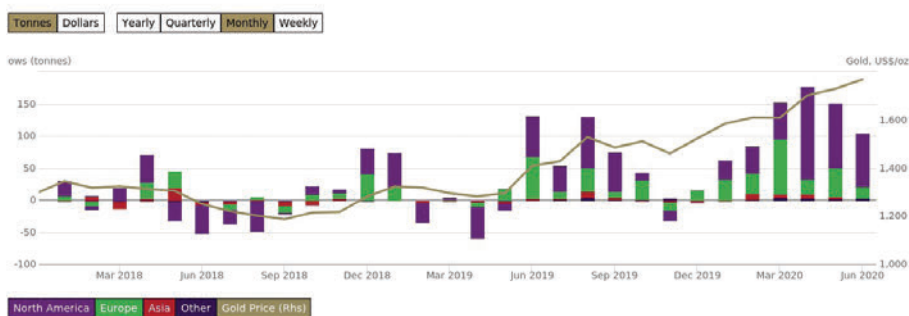
HS71081210: Non-monetary gold in lumps ingots or cast bars

HS71081290: Non-monetary gold in other unwrought forms

HS 71081300: Non-monetary gold in semi-manufactured forms

ETF flows chart

GOLDHUB



Data as of 30 June, 2020

Sources: Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council

SINGAPORE MARKET UPDATE

In Singapore, lessons learnt from the SARS outbreak in 2003 were put to the test as government agencies rolled out health advisories and business continuity guides to industry bodies and players to guide them on best practices. The second quarter of the year has been devastating for the economy, with GDP plunging 41.2% on a quarter-on-quarter basis, as a result of a circuit breaker that lasted from April 7 to June 1.

An escalation in the Covid-19 pandemic is a key downside risk to Singapore's growth outlook. While the worst is likely over, the coming months are going to be challenging for Singapore's export-reliant economy, as external demand continues to be weak and countries battle the second and third waves of outbreaks by reinstating localised lockdowns or stricter safe distancing measures.

To help businesses and households manage the economic impact of the coronavirus, Singapore has announced four stimulus packages totalling more than S\$100 billion – almost 20% of the country's GDP. Singapore's economy is expected to contract by between 4% and 7% in 2020, according to the Monetary Authority of Singapore. Sectors that have been badly hit by the global pandemic include wholesale and retail trade, accommodation and food services and private consumption.

Despite the challenges faced due to Covid-19 prevention, providing liquidity for physical gold is still key for a properly functioning physical wholesale and retail gold market in Singapore. The reduction in passenger air travel early in the year put a squeeze on space, and competition for that space between the various type of cargo that normally utilise it has become fierce, with freight prices on some airlines increasing by over 400%. Space can still be secured, but

the decision to move gold becomes simply a profitability test – can higher logistics costs be reasonably absorbed by potential profits? Our logistics providers in Singapore managed to fulfil their transportation requests and had their busiest months in years.

The increase in physical holdings by funds, HNW investors and bullion traders, who kept their gold in Singapore, translated into demand for the precious metal held in Singapore vaults. At the same time, Enterprise Singapore said non-monetary gold exports accounted for about 70% of the growth in March's non-oil domestic exports. Higher gold demand in the region going forward may also further boost bullion exports from Singapore.

The increased attention to gold has also helped the local stock market, with the cross-listed SPDR Gold Shares ETF recording its highest average monthly turnover value - S\$156.9 million - ETFs listed on the Singapore Exchange (SGX) during the first six months of this year, making it one of the most traded ETFs on the bourse.

LOOKING AHEAD

The uncertain economic outlook and the potential for a second wave mean a low-interest environment is here to stay for the foreseeable future. Deepening tensions between Washington and Beijing is also boosting investor appetite for safe havens.

In this environment, investment interest in liquid, wealth-preserving safe-haven assets like gold will grow in demand in the second half of 2020, especially with the unexpectedly sharp rally in stocks without underlying fundamentals that could lead to pullbacks, and the low returns and limited risk protection from bonds, World Gold Council said in its mid-year outlook.

SBMA MEMBER VIEWS

Our production capacity has been largely compromised (at least by 40% compared to our normal operation) largely due to safe distancing measures (staggered/shorter working hours/split team arrangement). We foresee an overall rise in our operating costs for next 6 months or beyond 2021, based on the current mode of operation.

At the same time, business volume grew significantly in Q2 2020, with more than 200% increase in gold scraps intake and output year-on-year. We have also seen very strong gold scraps intake in 1st two weeks of July at the current gold price level above \$1,800/oz. We are optimistic at the current stage that business volume will continue to increase if the gold price continues to climb in the second half of the year.

KL YAP, General Manager, Refining Business Unit, Metalor

Business in region has significantly grown year-on-year in the first and second quarters of 2020. Covid-19 predominantly disrupted logistics due to the initial airport/air hub shut down. Our warehouse stocks depleted rapidly but we found workarounds via Australia and Istanbul supply and routing. We anticipate a continuous barrage of ever-changing Covid-19 impairments, but DG is well-positioned in its diverse storage and logistics infrastructure.

Our own refining capacity is an advantage as well as no single point of supply risk. In my opinion, gold will be a very strategic investment for portfolios going forward. Dollar depreciation is a given coming out of the pandemic. Location and assurance of available stocks are of concern, and both political and logistic constraints are very much at the forefront.

THOMAS MCMAHON, CEO, Dillon Gage Asia

Overall, we have seen volumes increase and a steady movement of physical metal. With the huge uncertainty and unknown, our initial focus was to reduce/minimise risk to protect and ensure the highest possible levels of liquidity and allowing us to provide continued uninterrupted service to our clients. At the same time, we worked closely with them; advising and educating, and ensuring they had a full appreciation of their own risk and like us, consider reducing this appropriately. Such approach proved very successful.

With ongoing uncertainties, changes in working practises, restrictions on travel, escalating new cases under a second wave, etc., we continue to take a “defensive” approach; based on the current operating environment remaining for an extended period. If this changes, and we all hope it will, our model and plans will transition seamlessly back to a “normal” environment. The dislocations, liquidity impacts, and other issues we have seen as a result of the pandemic do have the potential to [materially] change the way the precious metals markets trade and operate in the future. Given its proximity, well-established precious metal infrastructure and ecosystem, and stable environment, Singapore is well-placed to participate in any such changes should they occur.

MARTIN HUXLEY, *Global Head, Precious Metals, StoneX Group*

As a bullion dealer, our sales are very much dependent on prices of precious metals, the global outlook and interest rates. During the first half of the year, prices were volatile, and silver and platinum reached their lowest price since a decade ago. This spurred huge demand for these metals in March and April. Gold's uptick in popularity led to a good first half of the year for us, and the first half of 2020 was definitely better than what we experienced a year ago.

During Singapore's “circuit breaker”, we were not allowed to have walk-ins but thankfully, we had an e-commerce store with features like online chat and internal team communication, which allowed us to meet most of our clients' needs, except those who were looking to sell us their precious metals. We need to physically authenticate bullion and many clients still prefer transact with us in person and receive payments for it on the spot. We have the basic tools and believe that we are positioned to deal with a prolonged crisis however, we are also making improvements on what we have and are working on projects so that we can better serve our clients utilising technology to increase transparency, ease of use and build trust.

BRIAN LAN, *Managing Director, GoldSilver Central*

Year-on-year comparisons do not paint a clear picture due to how random and volatile precious metals sales can be, owing to a lot of factors (geopolitical, economic, social). Having said that, when comparing top lines, our sales quintupled year-on-year from H1 2019. Like what most bullion dealers and vault operators experienced, flights being cancelled and refineries temporarily suspending operations affected us as delivery timelines got extended and less bullion products arrived in Singapore. Thankfully, Silver Bullion has gone through several cycles of outsized demand and the consequent diminished supply especially in silver, and we have established strong relationships with many refineries and suppliers, so we were able to continue offering precious metals to our clients.

The second half of the year will be interesting for us. Silver is especially strong, having more than doubled in value since March 24. Silver, when adjusting for inflation, is not even a fifth of the way in matching its all-time high, seen in 1980. The investment appetite for silver continues to rise among retail investors and high net worth individuals alike. Silver Bullion has enough “skin in the game” to take advantage of the upsurge in the value of precious metals, which bodes well for us. We trust Singapore's economic policymakers to be able to guide us through this storm.

VERGEL VILLASOTO, *Director, Silver Bullion*

Our sales in the first half of 2020 were significantly higher than in 2019 despite major logistical problems and difficulties in securing sufficient quantities of metal, especially silver. We are quite optimistic about the second half-year business and have established multiple counter-measures to alleviate the risk of repeated logistical issues or a supply shortage, should there be a second lockdown due to a second wave of Covid-19 infections.

We are rather hopeful that Singapore's business environment will not change drastically and that the country will come out of the pandemic without experiencing serious economic turmoil. At the same time, we see the anxiety in the financial markets as an opportunity for the precious metals industry. We believe the investors will continue treating gold and silver as a safe haven in these trying times.

JACEK BARANOWSKI, *International Sales Manager, Metal Market*

Pallion subsidiaries ABC Refinery and ABC Bullion have seen an extraordinary year so far, with business volume growing by about 25% in the first half of 2020. But without question, our top priority amid the Covid-19 pandemic has been the health and wellbeing of our employees, clients and the broader communities in which we operate. Our internal policies were amended to incorporate mandatory legislative requirements and international best practice.

Bucking international trends, ABC Refinery output and ABC Bullion sales have evidenced strong growth in line with rapidly increasing market share and reduced competitor output. During the ongoing Covid-19 pandemic, all Pallion subsidiary production facilities have continued to operate as usual with our multi-site model providing built in contingency ensuring continuity of operations. A significant contributing factor to group precious metal supply and sales growth has been the strength of ABC Refinery's responsible and sustainable supply chain initiatives that are increasingly a focus of suppliers and consumers. Weaker Asian demand has to some degree been supplanted by demand for warranting on the Comex division.

NICHOLAS FRAPPELL, *Global General Manager, ABC Bullion*



WORKING TOGETHER TO SERVICE THE GOLD INDUSTRY

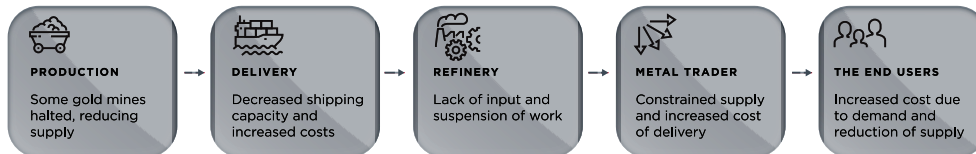


abcbullion.com | abcrefinery.com

The Impact of COVID-19 Shutdowns on the **Gold Supply Chain**

Chains are only as strong as their weakest link. The COVID shutdowns impacted every link in the gold supply chain.

The Ripple Effect: Stalling a Supply Chain



As the virus spread around the world threatening country after country, investors sought safe haven investments such as gold to weather the economic lockdown.

This demand, in addition to the supply chain disruption, dramatically affected the four primary markets for gold.

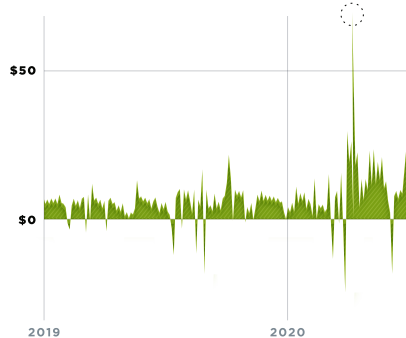


FUTURES CONTRACTS COMEX

A futures contract is an agreement for delivery of gold at a price in the future. A futures exchange such as the COMEX, standardizes the contracts.

During the initial period of the pandemic, gold futures spiked to reach a high of US\$70 above the spot price of gold.

FUTURE GOLD CONTRACT PREMIUMS CONTRACT PREMIUM TO SPOT (USD)

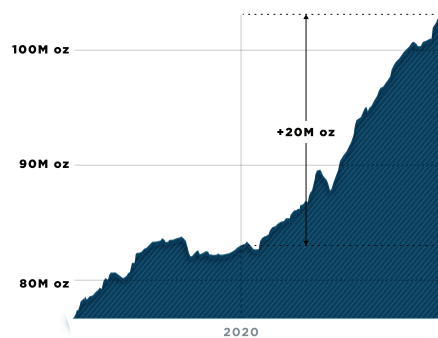


ETFs EQUITY MARKETS

From the beginning of 2020 to June, the amount of gold held by ETFs massively increased, from 83M oz to 103M oz.

The SPDR Gold Trust, the largest gold ETF, was forced to lease gold from the Bank of England when it couldn't buy enough to meet inflows.

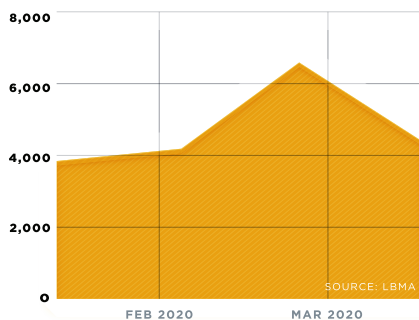
GOLD ETF HOLDINGS MILLION OUNCES



PHYSICAL GOLD FOR COMMERCE & FINANCE LONDON OTC

The LBMA recorded 6,573 transfers of gold amounting to 29.2M ounces of gold worth \$464B in March 2020. This was the largest amount of transfers since 1996.

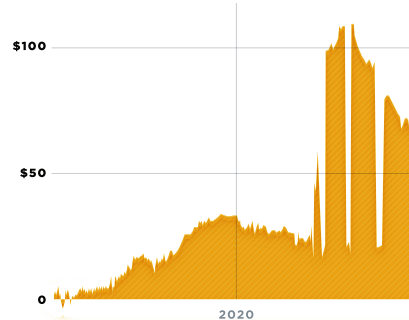
NUMBER OF GOLD TRANSFERS LBMA - MONTHLY CLEARING STATISTICS



COINS AND SMALL BARS RETAIL DISTRIBUTORS

One ounce American Gold Eagle coins serve as a good proxy for the demand for physical gold from retail investors. The COINGEAG Index, which tracks the price premium on 1 oz Gold Eagles, spiked during the early stages of the lockdown.

AMERICAN GOLD EAGLE COIN INDEX PRICE PREMIUM OF AMERICAN GOLD EAGLE (USD)



Each one of these requires physical gold, but COVID-19 restrictions disrupted delivery options.

So how does gold get to customers during a time of crisis?

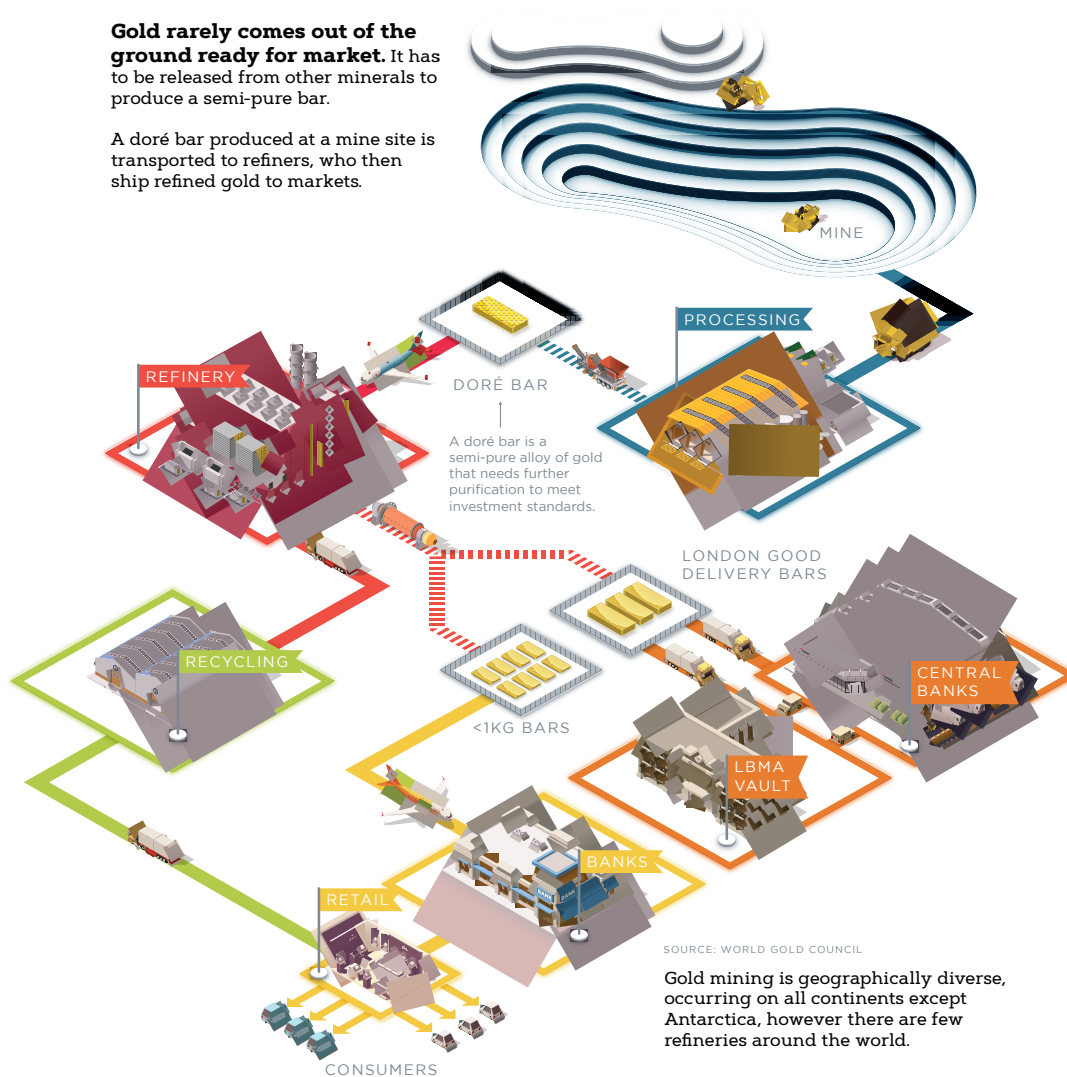


Gold's Journey

FROM THE GROUND TO THE VAULT

Gold rarely comes out of the ground ready for market. It has to be released from other minerals to produce a semi-pure bar.

A doré bar produced at a mine site is transported to refiners, who then ship refined gold to markets.



■ TOP GOLD PRODUCING NATIONS → ★ REFINERIES → ● GOLD FINANCIAL MARKETS



2019 GOLD **IMPORTS** (US\$)

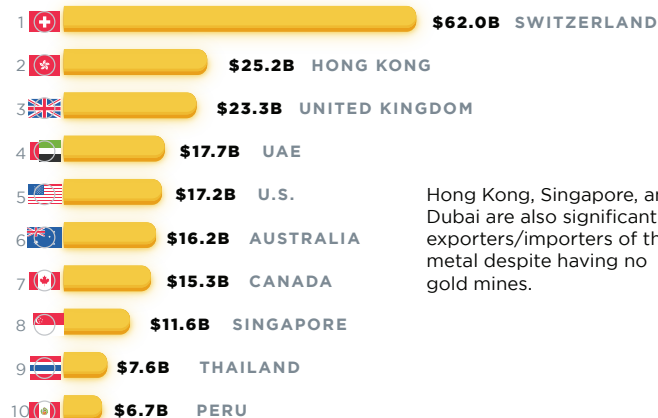
SOURCE: WORLD'S TOP EXPORTS



The U.K. vaults hold the world's largest commercial stockpiles of gold, equal to 10 months of global gold mine output.

2019 GOLD **EXPORTS** (US\$)

SOURCE: WORLD'S TOP EXPORTS



Hong Kong, Singapore, and Dubai are also significant exporters/importers of the metal despite having no gold mines.

[\$] **COMMERCIAL FLIGHTS**

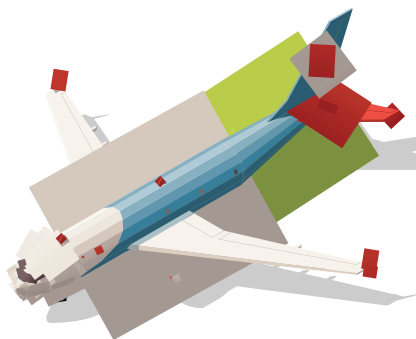
Established passenger routes



Small volumes



Subject to spacing priorities

[\$\$\$\$] **CARGO PLANES**

Established routes



Large/medium volumes



Space subject to cost

[\$\$\$\$\$\$\$\$] **CHARTERED AIRLINES**

Not limited to major airport hubs



Tailored to customer demand

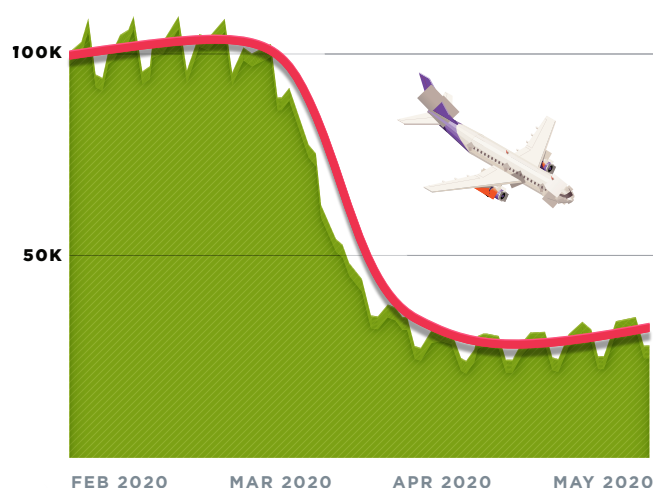


Dedicated space for shipping

There are three ways gold travels the world, each with their own risks and costs.

Once gold has landed, it is shipped in armored trucks by security personnel to vaults and customers.

NUMBER OF COMMERCIAL FLIGHTS



Strict travel restrictions, border closures, and a reduction in commercial flights impeded the flow of gold along the supply chain, forcing more expensive delivery.

But the diverse geography of gold mining helped to shield the primary supply of gold from a complete stall, as some countries did not halt gold production.

For the few airlines that still operated, gold was a low-priority cargo as any space was dedicated to personal protective equipment and medical devices.

Mine and airline closures created a risk for the delivery of gold, real or perceived.

The Covid-19 pandemic created the perfect storm for gold by disrupting the global supply chain at a time when investor demand exploded.

Despite the disruption to every part of the supply chain, the gold market managed to continue operating.

Sprott | Physical Gold Trust

Raising the Bar
in precious metals investing
SprottPhysicalBullion.com

The Sprott Physical Gold Trust is generally exposed to the following risks. See the prospectus of the Trust for a description of these risks: fluctuation in gold price, fund expense risk, cash redemption risk, risk of losing London good delivery status, future gold price may be lower, risk of asset sale to pay expenses, uninsured losses, invalid insurance claim, inadequate insurance held by service providers, currency risk for non-US unitholders, limited insurance recovery, losses relating to physical redemption, speculative investment, liquidity risk, limited recourse against bullion custodian, investment risk, redemption risk, bullion custodian risk, trust termination, premium/discount of trading price, suspension of redemption, regulatory risk, competition from other gold buyers, market risk, forced asset sales, regulatory status of the trust, official sector sale of gold, reliance on the manager, obligation to reimburse certain liabilities, no management of the trust by unitholders, limited unitholder rights, changes in investment objective and restrictions, substantial redemption risk, currency risk, taxation risks, unitholder may be liable for the trust's obligations, unenforceable actions or judgments.

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Please read the prospectus carefully before investing. There are ongoing fees and expenses associated with owning units of a Trust. The Trust must prepare disclosure documents that contain key information about the Trust. You can find more detailed information about the Trust in these documents. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Trust. The information contained herein does not constitute an offer or solicitation to anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any investment funds managed by Sprott Asset Management LP. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell.



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AUSTRALIA'S GOLD EXPORTS

BY THUONG NGUYEN, *Economist, Australian Government Department of Industry, Science, Energy and Resources*

Gold has been one of Australia's major exports since around 1850, when gold was first discovered. The country is now expected to overtake China as the world's largest gold producing nation in 2021.

Australia's gold exports have grown strongly over the past four decades. In quantity terms, the country's gold exports are now a lot higher than the small amounts exported in the early 1980s, with 361 tonnes of gold exported in 2019, equivalent to A\$23 billion (Figure 1).

The growth in export values has been driven by the rise in the US dollar gold price starting in the late 1970s – gold averaged US\$1,392/oz. in 2019, up from US\$148/oz. in 1977. Higher gold prices have prompted a rise in export volumes.

Gold prices are expected to continue to benefit from record low interest rates and the growth in the popularity of safe haven assets as the Covid-19 pandemic plays out. Strong gold prices and higher gold mine production are expected to drive Australia's strong gold export earnings.

The value of Australian gold exports is forecast to increase by 15% in 2020–21, to a peak of A\$29 billion. Gold is forecast to become Australia's third-largest export commodity in 2020–21 and 2021–22, behind iron ore and LNG.

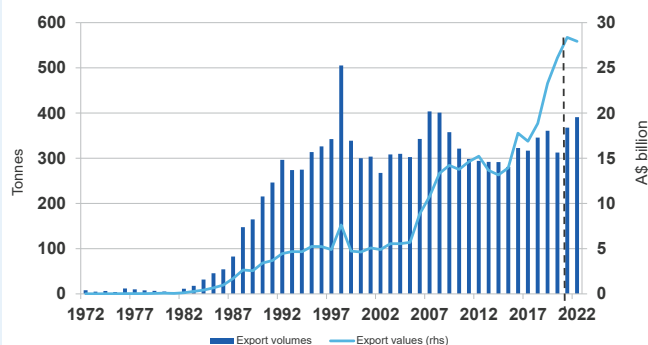
GROWING MINE PRODUCTION

Australia's gold mine production has grown at an average annual rate of 6.6% since 1970, reaching 327 tonnes in 2019. The growth has been driven by a surging Australian dollar gold price. Australia's gold mine production is forecast to continue to grow in the short to medium term, reaching a record of 391 tonnes in 2022 (Figure 2).

Unlike in Peru and Chile, so far in 2020, Australian gold mine producers have not been forced to suspend production due to the Covid-19 pandemic. However, some Australian miners have been forced to relocate workers and reorganise shifts to cope with Covid-19 travel restrictions.

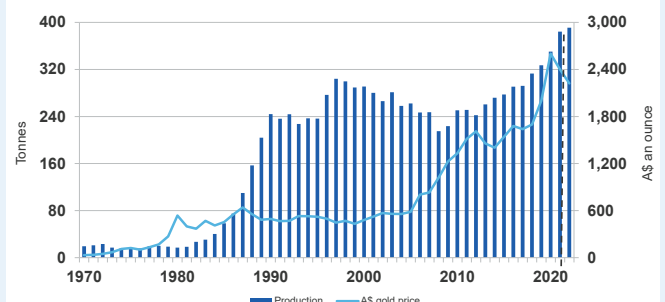
Australia's gold exploration expenditure was at a record high in 2019, up from just A\$5.4 million in 1970 to A\$1.1 billion in 2019 (Figure 3). Rising gold prices have been the major factor that is driving more expenditure on exploration programs.

Figure 1: Australia's gold export volumes and values



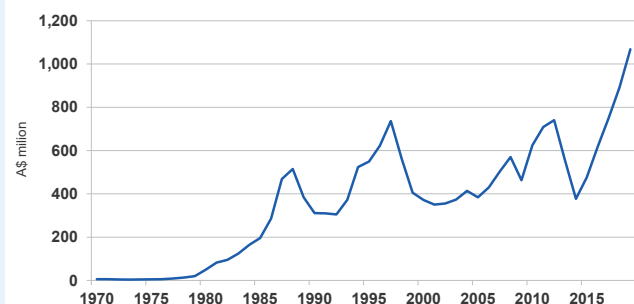
Source: Australian Bureau of Statistics (2020); Australian Government Department of Industry, Science, Energy and Resources (2020)

Figure 2: Australia's gold mine production and Australian dollar gold prices



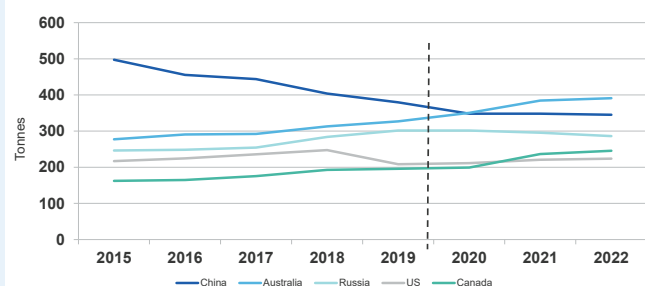
Source: LBMA (2020); Australian Government Department of Industry, Science, Energy and Resources (2020)

Figure 3: Australia's gold exploration expenditure



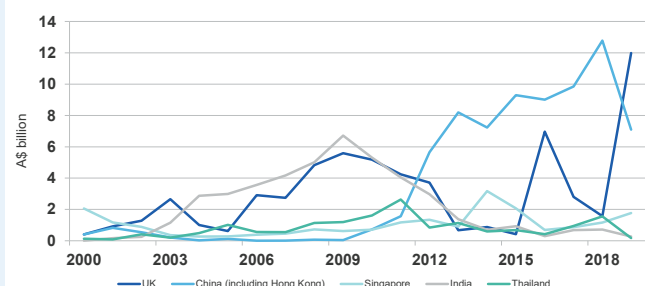
Source: Australian Bureau of Statistics (2020)

Figure 4: World's major gold miners



Source: Source: S&P Market Intelligence (2020); Australian Government Department of Industry, Science, Energy and Resources (2020)

Figure 5: Australia's major gold export markets



Source: Australian Bureau of Statistics (2020)

Australia is expected to overtake China as the world's largest gold producing country in 2021, producing 384 tonnes. The Covid-19 outbreak is likely to reduce Chinese gold mine production by 8.2% in 2020 to 348 tonnes (Figure 4). Stricter environmental regulation is likely to keep Chinese gold production at this level for the next few years.

MAJOR EXPORT MARKETS

In 2019, demand for Australian gold was largely dominated by the United Kingdom (UK), which accounted for nearly A\$12 billion (51%) of Australia's total gold exports, fuelled by fund flows into UK-listed gold exchange traded funds (ETFs) and high safe haven demand for gold bullion. Other important destinations for Australia's gold in 2019 include China (with Hong Kong) — which accounted for A\$7 billion (30%) of Australia's total gold exports.

China was Australia's largest gold export market for seven years (2012 to 2018), with export values increasing from A\$5.6 billion in 2012 to around A\$13 billion in 2018 (Figure 5). Hong Kong has been an important hub for Australian gold exports to Mainland China, as the Special Administrative Region's close links to China, and the collaboration between the Shanghai Gold Exchange and the Chinese Gold and Silver Exchange, has increased physical gold trading activities.

Australia's gold exports to Singapore have also grown over the last few years, accounting for around A\$1.8 billion (7.6%) of the country's total gold exports in 2019. Singapore is a growing market for Australian gold, due to its close links to ASEAN countries, and indirectly gold ETF trades on the Singapore Exchange (SGX).

India was Australia's largest gold export market in 2009, at A\$6.7 billion. However, exports have fallen since 2009, due to increased imported duties and increased gold refining capacity in India.

STRONG OUTLOOK

The Covid-19 pandemic has resulted in a sharp weakening in the global economy, which has helped drive interest rates down and boosted the US dollar gold price. Australian dollar weakness and low energy prices as a result of the Covid-19 pandemic have driven a strong rise in margins for Australian producers. Australian production and exports can be expected to be strong in 2020-21 and 2021-22.

In the medium term, as the world economy recovers, real bond yields could be expected to rise. Such a rise would be expected to result in fund flows out of gold. A lower gold price will likely reduce production and exports.



THUONG NGUYEN is an Economist and Australian Government Gold, Aluminium, Alumina and Bauxite Analyst at the Office of the Chief Economist, Australian Government Department of Industry, Science, Energy and Resources, a position he has held since October 2015.

Thuong holds a Master of Public Policy from the Australian National University, a Graduate Certificate in Project Management from Charles

Sturt University, and a Bachelor of Economics from the Western Sydney University.

THE INVESTMENT CASE FOR GOLD – SINGAPORE

BY QI XIU TAY, *Manager, World Gold Council*

A major financial and shipping hub, Singapore stands out in developing ASEAN. GDP per capita has nearly tripled in the last 20 years and Singapore now ranks as one of the most prosperous nations in the world. But risks and challenges remain, even for Singapore.

RISK OF CURRENCY DEPRECIATION

In the immediate future, the economic fall-out from the Covid-19 pandemic remains the most critical risk. A combination of falling exports, lower oil prices, fewer tourists and rising unemployment is widely expected to create a decline in both demand and inflation. This, in turn, increases the risk of further depreciation in the Singapore dollar.

TRADE TENSIONS AND GEOPOLITICAL UNCERTAINTY

Beyond the pandemic, trade-reliant Singapore is deeply vulnerable to ongoing geopolitical uncertainty. Further deterioration in US-China relations could generate considerable friction in ASEAN and prompt a slowdown in global demand. Singapore is not immune to capital outflows typically seen in ASEAN during such times and a global flight to safety could provoke a broad decline in Singapore dollar-denominated assets.

AN AGEING POPULATION

In the long run, an ageing population is expected to place further pressure on Singapore's public finances. According to the IMF, Singapore's healthcare spending is expected to double to 8% of GDP by 2050. Sovereign wealth funds, which contributed to 20% of the national budget in 2020, will almost certainly need to take on riskier, illiquid investments to finance growing government expenditure.

Meanwhile, financial institutions will also have to adopt riskier asset allocations to support profitability. An ageing population entails a higher level of savings and lower demand for investments. This will place downward pressure on asset prices and perpetuate a low yield environment.

NAVIGATING THE RISKS IN ASEAN AND THE REST OF ASIA

As a financial hub, Singapore is often seen as a gateway to ASEAN and the rest of Asia. According to the Monetary Authority of Singapore's 2018 Asset Management Survey, 75% of total AUM managed in Singapore was sourced from outside the country and 67% of total AUM was invested into ASEAN and the broader APAC region. Singapore-based investors thus need to be mindful of the risks and challenges in ASEAN, which could include fluctuating currencies from current account vulnerabilities, volatile commodity prices and geopolitical uncertainties.

THE ROLE OF GOLD

Gold has a vital role to play in the portfolios of Singapore-based investors. Gold's safe-haven qualities can shelter portfolios from the uncertainties arising from geopolitical risks and trade tensions. In an ageing society, it is an essential safe-haven anchor in portfolios that are pushed to take on more risks. For investors looking to invest in ASEAN, gold can serve as a hedge against current account vulnerabilities and volatile commodity prices.

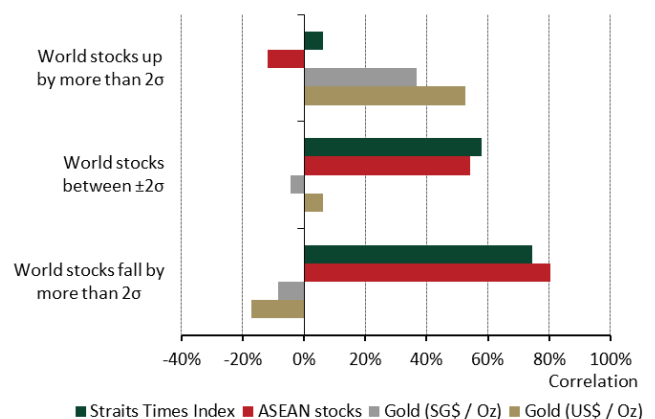
A LIQUID SAFE-HAVEN, PORTFOLIO DIVERSIFIER AND SOURCE OF RETURNS

Gold has long been recognized as a safe-haven asset and its outperformance during the Covid-19 pandemic and the 2008-2009 financial crisis is testament to its ability to benefit from flight to safety inflows during periods of heightened risk.

In Singapore, gold complements the Straits Times Index with its negative downside correlation to global stocks. As an open and small economy, Singapore is vulnerable to shifts in global market sentiment, and the Straits Times Index tends to fall when global stocks retreat. In contrast, gold, denominated in either US dollars or Singapore dollars, tends to rise when global stocks fall.

But gold's correlation does not just work for investors during periods of turmoil. It can also deliver positive correlation with stocks and other risk assets in positive markets and our analysis bears this out. When global stocks rally, their correlation to gold can increase, probably driven by a wealth-effect, supporting gold consumer demand, as well as demand from investors seeking protection against higher inflation expectations. In contrast, the Straits Times Index only has limited positive correlation with global stocks during a market rally, while ASEAN stocks tend to fall.

Correlation between gold, Straits Times Index and ASEAN stock returns in various environments of stocks' performance*



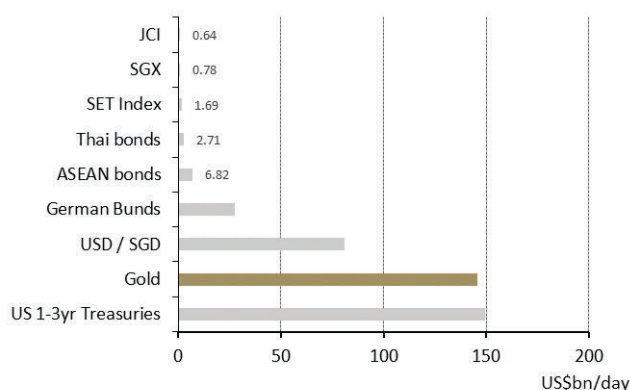
Sources: Bloomberg, MSCI Inc, World Gold Council

*As of 30 June 2020. Correlations computed using weekly returns based on the MSCI World Index, MSCI AC ASEAN Index, Straits Times index and the LBMA Gold Price PM since December 2000. All stock indices are denominated in US dollars

Gold's ability to perform during both good and bad times has made it an attractive source of returns. Over the last 20 years, the price of gold has increased by an annual average of 8-13% in the local currencies of ASEAN-6, outperforming the Straits Times Index and both ASEAN and APAC stocks. In fact, since the collapse of Bretton

Woods in 1971, gold has outperformed all major currencies as a means of exchange, as the long-term growth in gold supply has always been slower than that of any national currency. As a store of wealth and a safe-haven asset, gold is thus able to protect investors from the risk of currency depreciation both in the long and short-term, with the latter proving more relevant amidst the Covid-19 pandemic.

Average daily trading volumes in US dollars*



Sources: Bank of International Settlements, Asian Development Bank, London Bullion Market Association, German Finance Agency, Bloomberg, World Gold Council

*Based on estimated one-year average trading volumes as of 31 December 2019, except for currencies that correspond to March 2019 volumes due to data availability. For methodology details, please see "The relevance of gold as a strategic asset" (Singapore edition) at Goldhub.com

Equally as important, the gold market is also large, global and highly liquid. Average daily trading volume in 2019 was similar to that of short-dated US Treasuries and larger than the combined daily average of the USD/SGD, ASEAN bonds and the three largest equity markets in ASEAN. The scale and depth of the market mean that gold can comfortably accommodate large, buy-and-hold institutional investors. For Singapore-based investors struggling to find a liquid safe-haven in the region, gold is an attractive complement to traditional safe-haven assets, such as US Treasuries, and a better alternative to ASEAN sovereign bonds that are illiquid and prone to capital outflows.

A HEDGE AGAINST CURRENT ACCOUNT VULNERABILITIES AND VOLATILE OIL PRICES

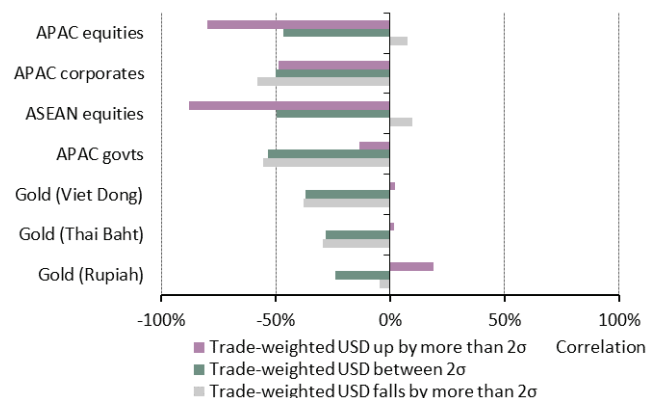
Investing in ASEAN involves risks that are both common to the region and unique to each country. For Singapore-based investors looking to participate in ASEAN's growth potential, gold can make a valuable contribution to their portfolio.

Gold is one of the few assets that has historically retained its value and, in some cases, provided returns during periods of capital reversals. During the taper tantrum in 2013, for example, rising US treasury yields provoked capital outflows across the region and countries with negative current account balances, such as Indonesia and Philippines, were particularly affected. Local government bond yields soared and currencies fell alongside equity markets. A glance back at that time highlights the relative performance of gold versus domestic bonds. On 22 May 2013, Ben Bernanke, then Chair of the US Federal Reserve (the Fed), appeared before Congress and revealed his tapering plans. Between that day and the end of September, when the sell-off in US Treasuries began to slow down, the Indonesian 10-year government yield rose by 276 basis points. Over that same period, gold rose 23% in Indonesian rupiah.

For ASEAN countries vulnerable to volatile oil prices, such as Indonesia, Malaysia and even Singapore, gold's historically unstable correlation to this asset class makes it an ideal hedge against fluctuating currencies caused by volatile prices. Whilst gold and oil are both strategic commodities, they have very different supply and demand dynamics, a difference that is reflected in their respective financial behaviour. For instance, the oil market is subject to certain

factors that are entirely absent from the gold market, including OPEC-imposed supply constraints, inventory build-ups due to infrastructure issues and the impact of geopolitical tensions on physical supply chains. Oil demand is also largely pro-cyclical, whereas gold displays pro- and counter-cyclical qualities.

Conditional correlation between gold in local currencies and APAC and ASEAN bonds and equities relative to the magnitude of movement in trade-weighted US dollar



Sources: Bloomberg, Federal Reserve Bank of St Louis, ICE Benchmark Administration, MSCI Inc, S&P Dow Jones Indices, World Gold Council

Based on weekly returns in USD between December 2000 and June 2020 of the MSCI AC ASEAN Index, MSCI AC Asia Pacific Index, S&P Pan Asia Corporate Bond Index, S&P Pan Asia Government Bond Index and price of gold in Viet Dong, Thai Baht and Indonesian Rupiah.

A PORTFOLIO ANCHOR

Singapore benefits from political stability and robust economic growth. Yet the city-state is exposed to both risks and challenges in the years ahead. As a small, open economy, Singapore is vulnerable to growing geopolitical uncertainty and global trade tensions. It also struggles with an ageing population and faces the prospect of rising government expenditure in an increasingly low yield environment.

Gold can help investors manage, address and combat each of these risks. First, as a safe-haven asset and a source of returns, gold can bolster institutional portfolios in a low-yield environment and protect investors from the risk of currency depreciation. Second, gold's liquid markets allow investors to meet liabilities when less liquid assets in their portfolio are difficult to sell, undervalued and possibly mispriced. Third, for investors using Singapore as a gateway to ASEAN, gold acts as a hedge against currency fluctuations arising from local current account vulnerabilities and volatile commodity prices. This combination of positive returns and long-term resilience makes gold an effective, attractive and rewarding asset in today's environment – an anchor for any Singapore institutional portfolio.



QI XIU TAY is a Manager at the World Gold Council, where he conducts gold-related market research, manages central bank relationships and supports public policy initiatives. Qi Xiu started his career as an Investment Analyst in a family office based in London before spending four years as a sovereign fixed income analyst and economist at Continuum Economics and Informa Global Markets.



RAND REFINERY – AFRICA'S GOLD STANDARD

BY PRAVEEN BALJINATH, *Chief Executive, Rand Refinery*

A refinery worker heating up the crucible before pouring granules.

Rand Refinery, a single-site precious metals refining and smelting complex is a South African heritage asset with a rich history spanning 100 years. Over this period, it has remained integral to the gold value chain in South Africa and on the continent.

A partner to some of the world's biggest bullion banks and gold mines, Rand Refinery's impact and influence are not limited to its wide range of products, but the role it plays in setting standards for the industry.

As an independent private refinery, Rand Refinery is held by shareholders drawn from across the South African gold mining industry, placing it in a unique forward integrated position with respect to sourcing from shareholder mines. The structure allows us to secure a majority of its dore supply from established listed mines and maintain its operational integrity. We also enjoy the full support of two of the largest gold mining houses in the world.

These integrated attributes enhance Rand Refinery's responsible sourcing practices, well embedded into its organisational DNA over many decades.

Despite the decline in South African gold production, Rand Refinery offers one of the best opportunities for South Africa, and indeed Africa, to maximise the value return of its finite reserves. One of five global LBMA referees, the refinery's capabilities in sampling, assaying, smelting and refining are among the best in the world. The refinery also boasts of one of the fastest out-turn times in the industry supporting shareholders and depositing mines.

As an integrated complex, Rand Refinery not only treats mine dore and calcined cathode sludge, but also various types of gold-bearing concentrate and mining by-products (e.g. carbons, flue dusts and borax slags). The refinery and smelter delivers solutions that meet the requirements of mining houses concerning high-grade dore and low-grade mine waste products that are beneficiated.

Over the past 25 years, Rand Refinery has become a major supplier of kilobars into the world markets in direct response to changing demand patterns. Rand Refinery produces, amongst others, a portfolio of well-respected products like the Kilo 9999 and Kilo 9950 bars, 1-ounce minted bars and 100g cast bars, 9999 granules (packed in 100 ounce bottles) and 22ct and 24ct coin blanks for national mints.



A variety of gold granules produced by Rand Refinery.



The automated manufacturing process of Rand Refinery's London Good Delivery bar.

All our products are widely accepted and used across the Far and Middle East, the Indian sub-continent, China, Europe and North America.

Rand Refinery is a leading voice on transparency and responsible gold supply chains on the continent. Our sourcing procedures are independently audited, and suppliers are subject to a performance audit across multiple metrics. Furthermore, we have a detailed understanding of the mines that make up most of its supply and has a fingerprint of its deposits.

The rigour of production standards is equalled by the stringency of our sourcing protocols, which are implemented at every level of the operation. Rand Refinery is committed to internationally accepted responsible sourcing practices and as such, is in conformance with the LBMA Responsible Gold & Silver Guidance and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Rand Refinery's certified gold and silver chain-of-custody are independently audited to meet the requirements set by relevant industry bodies. All companies that deal with us are subject to strict know-your-customer (KYC) and know-your-product (KYP) processes to ensure adherence to the responsible gold guidance principles that we subscribe to and maintain.

Value-added products produced by Rand Refinery are used globally in jewellery fabrication, investment products and industrial goods. The consumers of these products are guaranteed that gold in their purchases is responsibly sourced and where required, can be traced back to the mines.

Rand Refinery also provides a secure vault for shipments, as well as security and logistics experts who help International Depositors in optimising their cargo transport spend (consolidated shipments, optimal routing, minimal storage time, etc.).

Beyond the market qualifiers of price and speed, Rand Refinery firmly believes in partnership and enduring trust. We remain passionate about our best-in-class assaying capabilities built over a century and the global reputation our refinery enjoys as a consequence.

No other refinery in Africa is registered to produce LBMA Good Delivery products. Meeting LBMA specifications in terms of purity, fabrication, and assay can be challenging and some African refineries whose sourcing practices are LBMA-compliant and meet our stringent criteria, do trade with us, ensuring maximum beneficiation of African gold in Africa.

The unfortunate spread of Covid-19 globally and in South Africa had resulted in a temporary closure of some businesses. Enabled by our robust protocols put in place to mitigate risks to business continuity and most importantly employees, Rand Refinery has been able to keep its operations going during this period. These measures have placed Rand Refinery in a good position to meet market demand and affords us the luxury of having product available at shorter lead times.



Melting of anodes at Rand Refinery.



PRAVEEN BAJINATH is a chemical engineer with 29 years' experience in minerals beneficiation and the chemical process industry. He was appointed Chief Executive of Rand Refinery in 2015, and is an Executive Director on the Rand Refinery Board. His other board directorships include Prestige Bullion and the Ekurhuleni Jewellery Project. He was previously Group CEO of Delta EMD and remains on its board as a non-independent,

non-executive director. He also served as CEO of Gold Reef Speciality Chemicals, as well as a director on the Operational Board of Frame Textile Group.



Rand Refinery is an internationally recognized brand known for its quality, simplicity and integrity.

Purely refined, Rand Refinery turns internationally refined gold and silver into innovative value added products supplying world markets with kilo- and minted bars.

RAND REFINERY

www.randrefinery.com

GLOBAL GOLD STORAGE OPTIONS

BY RONALD STOEFERLE, *Managing Partner, Incrementum AG*

Legal, geopolitical and economic stability are key factors to consider, but so is a country's "gold culture" and its relevant traditions and track record when looking for a place to store gold.

The entire reasoning behind investing and holding physical precious metals, especially when kept outside the banking system in private high-security storage facilities, revolves around trust, security, risk diversification, and hedging against the vulnerabilities and worst-case scenarios of the monetary system. Thus, the choice of storage location must also be largely evaluated through the same lens.

The main factors to be considered when choosing a jurisdiction in which to store gold are the levels of protection of individual financial freedoms and private property rights; as well as political and economic stability. According to these measures, three countries stand out from the rest: Liechtenstein, Switzerland, and Singapore.

LIECHTENSTEIN'S ADVANTAGES

The Principality of Liechtenstein is a member of the European Union (EU) and part of the European Economic Area and Schengen area. Although it became independent in 1806, it can be argued that the history and the values of Liechtenstein were largely formed after the Second World War. It was then that today's reigning Prince of Liechtenstein, Prince Hans-Adam II, had to take over a bankrupt country and effectively managed to turn it into a competitive, innovative, and agile financial hub of international renown.

The country's standing as a reliable business and banking centre and the princely house's reputation for being ahead of the curve are undeniable. The ruling families of Liechtenstein fully embrace the values of individual and financial freedom and recognise the importance of private property rights. Property rights are even further protected given the fact that Liechtenstein has no emergency legislation. Even in times of political or economic upheaval, an ad-hoc expropriation is thus unenforceable.

The system of government is classified as a constitutional monarchy, with the decision-making power being shared by the monarch and the democratically elected parliament. Liechtenstein is built on a system of governance that shows great restraint and respect towards individual freedom, private property, the right to privacy, and the financial sovereignty of its people.

As a clear exception to the global trend, Liechtenstein has been running budget surpluses for years, signalling not only financial prudence but also providing the country financial leeway in case of a severe economic crisis.

THE CASE FOR SWITZERLAND

Even before the enforced confederation of 1848, Switzerland was among the most industrialised countries in mainland Europe. Historically, even under intense external pressures, Switzerland retained its sovereignty and remained an armed neutral country, resisting both world wars. It still has one of the most decentralised political structures in the world today. Its constitution outlines the basis of its political system and its government's limits, according to the principles of subsidiarity and direct democracy.

The practical impact of this key political differentiation, which sets Switzerland apart from other countries, is extensive and often surprising. As a real, direct democracy, Switzerland has time and time again gone against the grain, defying political trends set by its neighbors or the international community.

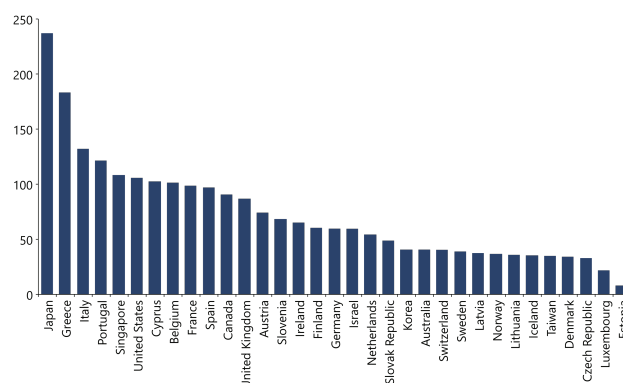
Switzerland's economy makes the case for it being an excellent location for physical gold investors. In stark contrast to its EU neighbours and the EU as a whole, the Alpine nation is much more prudent in managing its finances. Its gross federal debt dropped

below 100 billion Swiss francs (S\$150 billion) in 2018 for the first time since 1997; and the general government debt (confederation, cantons, municipalities, social insurance) amounts to little less than 200 billion francs, with a declining tendency relative to GDP.

Overall, Switzerland's success is largely based on the fact that it was built on economic rationality and not politics, and thus the Swiss have always been open to innovation. In terms of stability and security, it is clear that Switzerland has withstood the test of time.

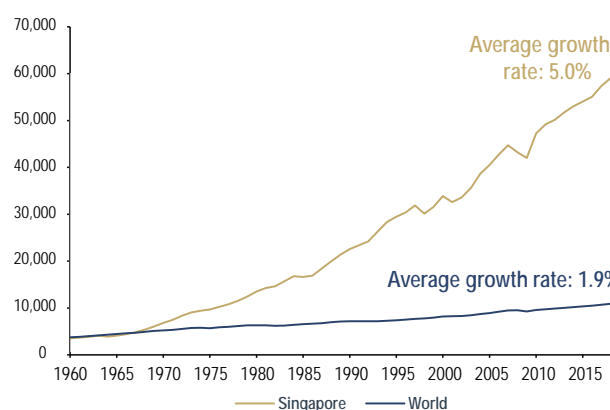
Its long-standing neutrality, noninterventionist foreign policy record, and the fact that more than 50% of households in the country are armed, create a safe environment, and provide peace of mind both for citizens and investors. Furthermore, the strict limits placed on its government's powers and the long track record of the government staying well within those limits make the confiscation of precious metals stored under Swiss law very improbable.

Public debt as a share of GDP, 2018 (%)



Source: IMF, Incrementum AG

Global GDP per capita, and Singapore GDP per capita, 2019 (USD)



Source: World Bank, Incrementum AG

THE CITIES WITH THE MOST ULTRA-RICH RESIDENTS

Mapping the projected growth in UHNWIs between 2018 and 2023

In the world of wealth, persons with over \$30 million in net worth are referred to as **Ultra High Net Worth Individuals (UHNWIs)**.

Below is Knight Frank's annual tally of which global cities are home to the most UHNWIs, and what the forecast reveals in terms of future growth.

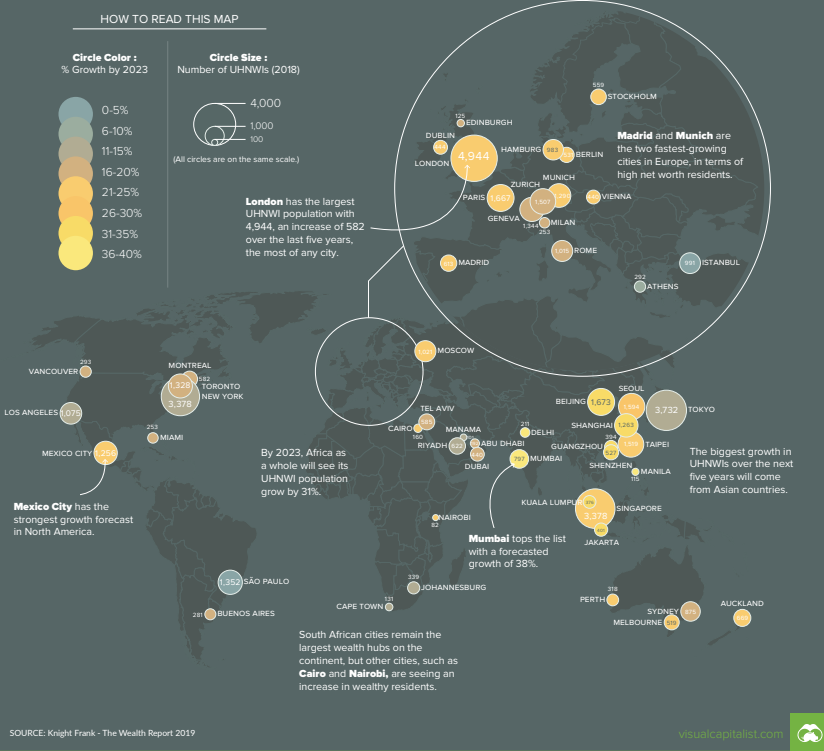


Image courtesy of media company, Visual Capitalist

ASIA'S STRONGEST CONTENDER

This brings us to our final candidate, Singapore, a country that has experienced significant capital inflows over the past few decades. The island lying on the equator in Southeast Asia has no capital gains taxes, no goods and services taxes (GST) on investment-grade precious metals, and a strong record of respect for private property rights. Without question, a genuine and impressive success story, especially since its independence in 1965.

The sunny island has been widely celebrated as an economic miracle. It has a unique geographical advantage, being strategically located at the crossroads of key trade and shipping routes of the world, while also enjoying proximity to China. Conceptually created as a "city-state", it has become one of the most developed economies in Asia and has emerged as a global business and financial hub. It is also recognised as one of the world's most competitive and business-friendly economies. Additionally, its tax regime and regulatory framework are simple and investor-friendly. Singapore also offers a stable political environment

and a robust economic background, with a rapidly and consistently rising GDP.

A quick look at the infographic above shows that ultra-high-net-worth individuals, i.e. individuals with a net worth of at least \$30 million, from around the globe continue to vote with their feet, choosing to call Singapore home.

As the conversation surrounding wealth taxes increases in the West, capital controls are still socially and culturally not acceptable in Singapore. Economic freedom is viewed as an ultimate right in Singapore, with the government acting as a guardian and arbiter of that right for its citizens.

WEIGHING THE OPTIONS

When it comes to prudent and long-term investments in physical precious metals, one size most definitely does not fit all. Each decision and step that forms a comprehensive and solid strategy needs to take into serious consideration the individual needs and aims of the investor. While security and strong property rights play a key role for all investors, specific circumstances and relevant technicalities might make one jurisdiction more attractive than another.

All three jurisdictions make a convincing case for secure gold storage with regard to stability and private property rights, a case that is infinitely strengthened when we compare the risks and uncertainties that most other jurisdictions entail.

As Europe is increasingly going down the road of centralisation and as economic and social tensions are increasingly prevalent throughout the continent, Switzerland and Liechtenstein might be seen as being right in the eye of a coming storm. By contrast, Singapore could be better off and even have a competitive advantage in this regard, not only because of its geographical distance from Europe but also because it may provide additional diversification by being in the Asian, rather than the European, economic and geopolitical sphere.



RONALD STOEFERLE is managing partner of Incrementum AG, responsible for research and portfolio management. In 2007, he published his first *In Gold We Trust* report. Over the years, the study, which is available in English, Mandarin and German, has become one of the benchmark publications on gold, money, and inflation. He is an advisor for Tudor Gold Corp., a significant explorer in British Columbia's Golden Triangle, and a member of the advisory board of Affinity Metals.



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NEXT-GENERATION GOLD TRACKING

BY GREGOR GREGERSEN, CEO, CACHE

Imagine yourself changing the jurisdiction of where your gold holdings are held – for example, in Singapore instead of the United States. Based on conventional ways of moving gold, you could hire a secure logistics company to fly it to Singapore. Alternatively, you could sell your gold in the United States and use the funds to buy gold again in Singapore, incurring buy-sell spread costs in the process.

But what if there were an easier and faster option that saved you the hassle and expense that comes with international logistical transfers and navigating the customs requirements of different jurisdictions for precious metals?

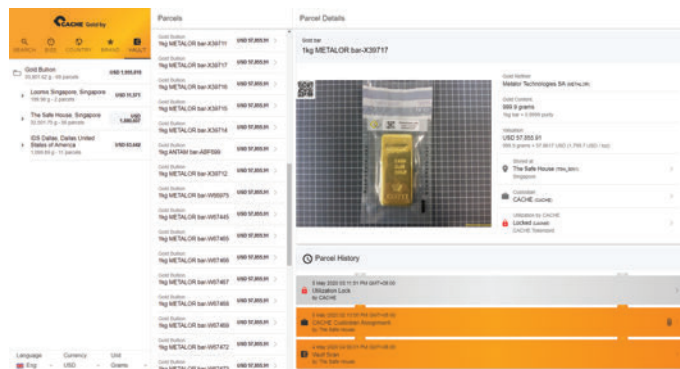
Singapore-based technology company CACHE is attempting to overcome these obstacles with the introduction of CACHE Gold tokens (CGT), which are ERC-20 tokens, each backed by 1 gram of pure, investment-grade gold. The company does not buy nor sell gold or tokens to the general public – its scope of operations is limited to tokenising physical gold and facilitating the redemption of tokens for physical gold.

CACHE plans to develop a marketplace comprising global vaults and bullion dealers to allow gold owners to easily swap between bullion and CGT across jurisdictions. The CACHE marketplace currently has gold stored in the vaults of Loomis, Dillon Gage's wholly owned IDS and The Safe House, which can be redeemed using CACHE Gold tokens.

Investors can therefore bring gold bars to Dillon Gage's vault in Texas and have them tokenised into CGT, which can then be redeemed for physical gold held in Singapore at The Safe House vault. In a matter of minutes, your gold holdings have switched jurisdictions without the need to engage a secure logistics company or wait several weeks for the delivery to be completed. Such transactions can be done between vaults on the CACHE marketplace, giving gold holders a myriad of options to better manage their holdings.

SECURITY AND CONVENIENCE

Each gold bar that backs CGTs is deposited in commercial vaults using the GramChain asset tracking system, which enforces transparency through specialised RFID scanners, tamper-evident bags and data hashes broadcasted in real-time to the ethereum blockchain. This guarantees that the event history of each bar cannot be surreptitiously tampered or manipulated in any way by anyone, including CACHE.



Viewing gold stored within the CACHE Gold ecosystem using the CACHE Explorer

CGT stored in digital wallets can be securely carried anywhere in the world or traded on digital exchanges with no impediment. The tokens are essentially warehouse receipts that can be redeemed for physical gold bars as small as 100 grams. Redeemed gold can also be sold to participating bullion dealers on the CACHE Marketplace or shipped to the token holder's address.

CGT is also freely transferable on the ethereum blockchain and can be traded on select digital exchanges. Token holders are free to choose their preferred ERC-20 compatible wallets and can trade without an account with CACHE unless redemption of gold is required.

Holders of CGT can also redeem and sell their gold to participating dealers who offer bids at specific vaults within the CACHE Marketplace. As CACHE Gold is investment-grade gold of known provenance, it is an attractive way for dealers to obtain gold at the prices they are willing to pay. Secondly, by bidding slightly more for gold in one jurisdiction, such as in Singapore compared to Dallas, dealers can obtain the gold in the jurisdiction they need it most and reduce the need to ship inventory between jurisdictions.

CACHE provides the foundational technologies to enable trusted gold digitalisation but leaves the trading to third-parties. This approach makes the CACHE marketplace highly scalable and its growth independent of CACHE. Users of CGT do not need the consent of CACHE to create new markets or find new uses for CGT, thereby allowing organic growth of its marketplace.

AS GOOD AS GOLD

The CACHE Gold Token is a powerful new asset class that offers the store-of-value function of physical gold, while also providing the convenience and flexibility of a public, non-proprietary, blockchain-based digital asset. It is not a replacement or substitute for physical gold but connects gold to the distributed digital trading world in a transparent and credible manner. CGT therefore complements physical gold and offers new options for wealth management.

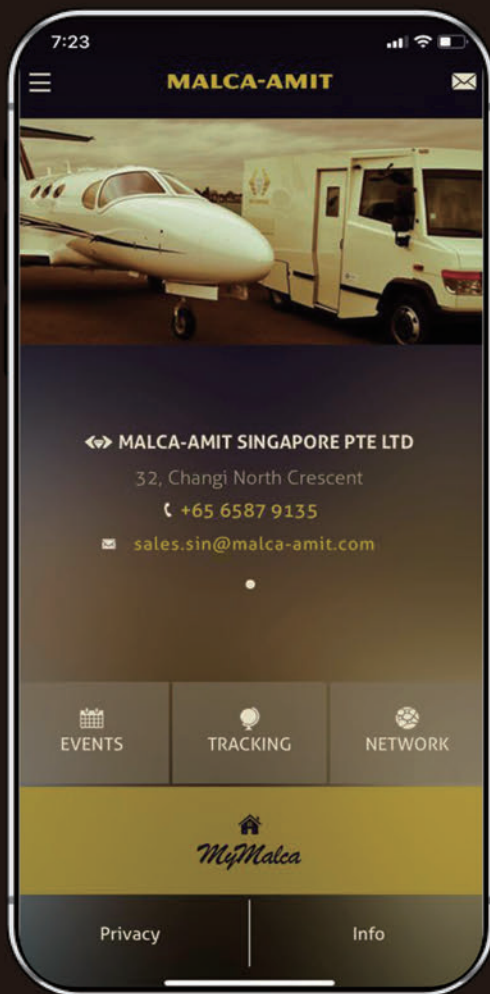
Visit <https://cache.gold> for more information.



GREGOR GREGERSEN is the Chief Executive Officer of CACHE. He was a Senior Data Architect with Commerzbank AG where he witnessed first-hand the fragility of the financial system during the 2008 Global Financial Crisis. It started him on a journey to seek safe haven assets such as precious metals and led to his founding of Silver Bullion, a Singapore-based company specialising in wealth protection from systemic risks. Gregor also founded

The Safe House, a 630-tonne capacity precious metals vault in Singapore.

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WILL GOLD'S RALLY EXTEND INTO 2021?

BY EILY ONG, *Global Analyst, Bloomberg Intelligence*

Improving gold market fundamentals could support rising prices into 2021, in our view, with our scenario analysis pointing to 13-50% higher levels than consensus. Drivers include shifting consumer behaviour along with stronger haven status amid risks to global economic growth, geopolitics and pandemic concerns.

CONSUMERS, UNCERTAINTY EMPOWER TRUST IN GOLD

Gold consumers' adjustment to a higher price for the metal, along with greater investment demand, is a recipe for the precious metal's potential price acceleration in 2021. Market sentiment for gold is likely to strengthen on dollar wobbles amid rising geopolitical risks in a lower-for-longer interest rate environment.

Central banks and investors may absorb the market surplus as they seek gold for portfolio diversification and possibly as a hedge if inflationary pressures return on the substantial stimulus measures injected amid the global health crisis.

We may also see a return to consumer hoarding (jewellery, industrial), especially in India and China. These factors combined bring a sunnier outlook for gold – an asset that offers no coupon or dividends – as an alternative safe-haven, wealth-preservation asset.

TIMELINE OF KEY CATALYSTS

- 2020-21: Covid-19 crisis enhances gold's safe-haven quality; pandemic impact likely beyond 2020
- 1Q21: Gold's seasonality tends to be favorable over a three, five and 10-year period
- February: 4Q20 conference call for gold producers, supply growth and cost risks may arise in 2021

- 3Q20-4Q21: Real interest rate may further decline
- 3Q20-2021: Acceleration in inflationary pressure expectation from rising Covid-19 stimulus measures, helps consumers adjust to higher gold prices
- 2Q21-4Q21: Gold consumer purchases may recover especially for India (wedding and festivals amid potential normal monsoon season) and China (sustained metal price rise)

NEW PEAK

The gold price could peak in 2021, in our view, as we believe the metal may meet all the key factors in our Gold Price Matrix. The metal's price momentum is driven by eight elements, including the use of gold exchange-traded funds as a refuge in times of global financial, health or geopolitical crisis; dollar weakness; inflation; and low or negative interest rates.

Also on the list are increasing demand from China and India, weak confidence in financial markets and net central bank gold purchases. Gold peaked at \$1,921/oz. in September 2011, when it met all eight criteria in our study.

Gold's attribute as a flight-to-quality, safe-haven asset is strengthening amid the Covid-19 pandemic, which we believe may result in rising investor appetite for diversifying portfolios with gold in 2021.

Gold Price Matrix

Year	Ave. \$/oz	YoY	Crisis	Currency	CPI	Cash	Chindia	Confidence	Consumption	Central Banks
2010	1,227	26%								
2011	1,573	28%								
2012	1,669	6%								
2013	1,411	-15%								
2014	1,266	-10%								
2015	1,160	-8%								
2016	1,248	8%								
2017	1,258	1%								
2018	1,269	1%								
2019	1,393	10%								
2020*	1,654	19%								
2021										

← Weigh on Gold Price Momentum

Legend ■ Favorable for gold price ■ Unfavorable for gold price

Note: 2020* year-to-date price data

Source: Bloomberg Intelligence, Metals Focus, WGC, GFMS, IMF

Gold Price Expectation Scenario - Per Demand Category				
in \$/oz	Low	Average	High	
Commodity	831	1,219	1,607	
Production	192		2,020	
Reserves	1,100		1,300	
Resources	1,200		1,500	
Currency	1,280	2,211	3,143	
Quasi money	1,280		3,143	
Cure	1,808	2,404	3,000	
Average Gold Price	1,306	1,945	2,583	

Source: Bloomberg Intelligence

GOLD MARKET DYNAMICS TO IMPROVE

Annual global gold demand could improve year-over-year in 2021 to 4,130 metric tonnes, based on our base-case scenario analysis. This may help reduce the metal's excess supply over world consumption, especially since the coronavirus outbreak in December. The market could remain in surplus, albeit at a slightly lower volume of about 688 tonnes at the end of 2021 vs. 2020's 690 tonnes, according to Metals Focus data. We see strong sentiment from safe haven investment purchases, especially in the case of a new Covid-19 outbreak, and as jewellery consumption recovers as consumers adjust to higher prices.

WE SEE STRONG SENTIMENT FROM SAFE HAVEN INVESTMENT PURCHASES, ESPECIALLY IN THE CASE OF A NEW COVID-19 OUTBREAK

This could bolster gold prices and potentially bring higher earnings in 2021 for the world's leading miners, including Newmont, Barrick Gold, AngloGold Ashanti, Polyus Gold, Kinross, Gold Fields, Agnico Eagle Mines and Freeport-McMoRan.

GOLD COULD CLIMB AS HIGH AS \$2,583 IN 2021

Gold is a versatile, multipurpose and multi-focus asset for buyers, which makes price forecasting hard. Our scenario analysis of the asset's annual average price expectation for 2021 indicates a potential metal-price range between \$1,306-\$2,583/oz. This implies an upside of 13-50% when compared with consensus' price estimate of \$1,721.88/oz. for 2021, and a 24% downside risk on lower price expectations. We also calculated an upside of as much as 56% vs. the 2020 year-to-date average price of \$1,653.80 as of July 17.

Our demand scenario for gold's general use has identified three categories: a commodity (metal produced for use in industrial applications); a currency (hedging risks to preserve an investor's portfolio); and a cure-all to enhance prospects for the purchaser (during a crisis, superstition or culture).



EILY ONG is an equity and industry analyst for Bloomberg Intelligence. She specialises in the global metals, mining and steel sectors. Before joining Bloomberg, Ong gained nearly 20 years of experience in the financial services industry. Her roles at Credit Suisse and Deloitte largely focused on the metals and mining sector. Ong is a Chartered Accountant and was also the investment research manager at the World Gold Council.

SBMA News

BY ALBERT CHENG, CEO, Singapore Bullion Market Association

Here is an update of our 3rd quarter activities:

JUNE 24, 2020: SBMA participated in the webinar “Launch of Gold Focus 2020, East Asia”, organised by Metals Focus.

JULY 2, 2020: Online meeting with a government agency to discuss SBMA's perspective about the journey that Singapore has taken for gold, how we are seeing the shifts in ASEAN/globally affecting Singapore's role in Gold, and possible impact on other precious metals.

JULY 20, 2020: CEO Albert Cheng was interviewed by CNBC on topics related to investing in gold. The printed piece “Gold has surged due to the pandemic – and it could keep going. Here's what to know about investing now” was published on 20 July 2020. Read more here: <https://cnb.cx/2Q1rOEF>

JULY 29, 2020: SBMA member Mr Brian Lan, Managing Director of GoldSilver Central, commented on the current market trends on Channel 8 News on 29 July 2020. Watch here: <https://bit.ly/337RyXG> (from 13:30)



Brian Lan, Managing Director, GoldSilver Central speaking on Channel 8 News.

AUGUST 6, 2020: CEO Albert Cheng was interviewed by *The Business Times* about the gold industry, how gold prices have moved since the start of the year and any potential effect the Covid-19 pandemic could have on the industry. The printed piece was published on 6 August 2020. Read more here: <https://bit.ly/2Q3UeOc>

AUGUST 7, 2020: CEO Albert Cheng was featured on Channel 8's Chinese-language current affairs programme *Frontline*, which aired on 14 August 2020. Watch here: <https://bit.ly/3iR6BJS> (from 03:30)



SBMA CEO Albert Cheng speaking on Channel 8 current affairs programme *Frontline*.

AUGUST 14, 2020: SBMA member Mr Brian Lan, Managing Director of GoldSilver Central commented on the current gold and silver market sentiments on “Hello Singapore”, Channel 8's Chinese programme on news/current affairs. Watch here: <https://bit.ly/2FH9Q8A> (from 00:40)

SEPTEMBER 3, 2020: CEO Albert Cheng was interviewed by Chinese-language daily *Lianhe Zaobao* and was interviewed for the September 12 episode of finance programme *Money Mind* on CNA.

Exploratory Meetings

During the quarter, we had scheduled meetings with the following companies: a Singapore government agency, Cynopsis Solutions, Everest Gold, Metalor Technologies Singapore and World Gold Council on membership and matters related to market development.

MEMBERSHIP

SBMA's total corporate membership consists of 41 companies, including three Category 1 members, 30 Local Associate Corporate members, seven Foreign Associate Corporate members, and one Affiliate members.

UPCOMING EVENTS

6-8 June, 2021. Singapore

Asia Pacific Precious Metals Conference (APPMC) 2021

APPMC, organised by the SBMA and supported by Enterprise Singapore, returns for its fourth edition. More information, updates and details of past conferences are available at:

<http://www.asiapacificpmc.com>.

About Crucible

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

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