Crucible

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By Singapore Bullion Market Association
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SBMA

SPECIAL ISSUE: THAILAND FOCUS

Editorial

BY ALBERT CHENG, *CEO, SBMA*

The past year has been a very different and difficult time for the global economy. However, businesses are still actively seeking to connect and build relationships during this trying period, and SBMA has been helping to facilitate such activities. As the global economy picks up and seeks to normalise, we are pleased to share that SBMA has kept active engagements with businesses in the precious metals industry.

At the start of the year, the bullion players in Singapore met in person after almost a year for a hybrid event by the World Gold Council, organised with the help of SBMA, which discussed gold's performance over the past year and the market outlook for 2021 (see page 3 for a summary of the event).

We are also heartened to welcome five new foreign members to the Association this quarter: Certiline, Metals Focus, Phu Nhuan Jewelry Joint Stock Company (PNJ), The Perth Mint and Trovio. This is another showcase of our global reach and active efforts in promoting Singapore as a precious metals trading hub for bullion players in the region.

With the gradual reopening of the global economy, SBMA will step up our efforts to engage with the bullion community in Singapore and the region. We look forward to building Singapore into the leading global precious metals trading hub and continue to serve as the bridge between regulators and the bullion industry.

I look forward to gathering in person with the industry again, to share and exchange ideas. In the meantime, please enjoy this issue of Crucible, in which where we share valuable country and market updates by contributors from Australia, Hong Kong, India, Japan, Singapore and Thailand.

SBMA News

Here is an update of our activities in the past quarter:

JANUARY 28, 2021: SBMA helped organised World Gold Council's "Gold Demand Trends 2020" and "2021 Gold Market Outlook" hybrid presentation held at Fairmont Singapore and online via Zoom. *See Page 3 for a summary of the event.*

JANUARY 30, 2021: SBMA attended the LBMA's first update on international bullion centres.

FEBRUARY 9, 2021: SBMA member Brian Lan, Managing Director of GoldSilver Central, was interviewed by ANC Market Edge on the Philippines' ABS-CBN News to speak about the Reddit-triggered silver rally. Watch here: https://bit.ly/3vkZqAW (from 7:47)
See Page 19-20 for his article on the #SilverSqueeze.

FEBRUARY 19, 2021: CEO Albert Cheng shared about the precious metals industry in Singapore and congratulated GoldSilver Central on its 10th anniversary, in a short interview with Managing Director Brian Lan. Watch here: https://bit.ly/3t31w6T

FEBRUARY 24, 2021: SBMA and its members attended a virtual compliance training session organised by the ACD Division of the Ministry of Law, Singapore.

MARCH 1, 2021: SBMA attended the LBMA's second update on international bullion centres.

MEMBERSHIP

SBMA's total corporate membership consists of 45 companies, including 3 Category 1 members, 29 Local Associate Corporate members, 12 Foreign Associate Corporate members, and 1 Affiliate member.

UPCOMING SBMA EVENTS

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.

Note: Event details are subject to changes due to the Covid-19 pandemic. SBMA is monitoring the situation closely and will follow government guidelines on the resumption of conference. More information will be available at a later date.

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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WORLD GOLD COUNCIL: TREMENDOUS POTENTIAL FOR GOLD IN 2021

BY SBMA

The World Gold Council came together with SBMA members and the bullion community to discuss gold's performance over the past year and the market outlook for 2021.

The Covid-19 pandemic contributed to strong investment growth but damaged consumer demand. While gold hit a new all-time high of $2,067 in August 2020, annual gold demand was at an 11-year low, according to the *World Gold Council's Gold Demand Trends 2020* report.

Notably, the price uncertainty was exacerbated by the onset of the pandemic and a low interest rate environment contributed to record inflows into global gold-backed exchange-traded funds (gold ETFs), which added some 877.1 tonnes (US$47.9 billion) in 2020 to reach US$228 billion in assets under management.

At the same time, annual retail investment demand for gold bars and coins grew 3%, while the pandemic was behind the record low for gold jewellery demand, which fell to 1,411.6 tonnes, a new annual low in the World Gold Council's data series. Gold buying by central banks also slowed sharply in the past year, down 59%.

The trends reflected in the past year show gold's dual nature as an investment and as a consumer good, World Gold Council chief market strategist John Reade, highlighted in a presentation attended by SBMA members. Investment demand – and the price of gold – is driven up during times of systemic risk when market participants seek high-quality, liquid assets that preserve capital and minimise losses, he said.

Looking ahead, consumer demand could be boosted by the fortunes of emerging markets as the Covid-19 pandemic gets under control. Andrew Naylor, World Gold Council Head of ASEAN and public policy, noted that China and India, the world's two largest gold consumer markets, are already showing signs of recovery. Naylor also commented that moderate central bank purchases are likely to continue. Total gold supply fell 4% year-on-year largely due to Covid-19 related interruptions, and will likely recover as disruptions ease.

Economic uncertainty hasn't abated in 2021. "Covid-19 continues to compound existing risks and produce new ones, creating an attractive environment for gold", Naylor continued. In his opinion, the key portfolio risks are the high allocations to risk assets in investor portfolios, ballooning budget deficits, and inflationary pressures. A market correction amid already high equity valuations is not out of the question, he added.

As such, there will be sustained interest in gold to hedge risk and as a liquid asset. There is also no evidence of gold losing market share to newer investments like cryptocurrency and bitcoin, Reade said, pointing out that while gold and bitcoin share certain characteristics, they are different investments – gold increases risk-adjusted returns of a portfolio by increasing returns and diversification.

"There is tremendous potential for gold to grow further, particularly among institutional investors. There are many that are not invested in gold, and the World Gold Council is doing a lot to promote its benefits," Reade said.

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INDIA'S SURGE IN GOLD IMPORTS: OPTIMISM OR SPECULATION?

BY SRIVATSAVA GANAPATHY, ***CEO, Eventell Global Advisory***

Gold imports into India during March 2021 surged to 160 tonnes*, reaching US$8.4 billion. Between January and March 2021, the country imported 321 tonnes of gold against an import of 115.4 tonnes during the same period in 2020.

Gold imports into India since October 2020 have been on the rise, running up to U$27.7 billion, against a total gold import of US$34.5 billion during FY 2020-21. What are the reasons for the recent spike in gold import? Is it backed by demand revival for gold jewellery or is it a mere speculative build-up?

LOW REAL INTEREST RATES

The Reserve Bank of India (RBI) has been following an accommodative monetary policy to facilitate economic growth. This is clear from observing the trends in some of the key rates. For instance, the repurchase rate (also called the repo rate, the rate at which a commercial bank borrows money from RBI against government securities), has been on the decline, from 8% in 2014 to 4% currently. Likewise, the reverse repo rate (the rate at which RBI borrows from banks) and the bank rate (the rate at which banks can borrow from RBI without security) have also been lowered to the current levels of 3.35% and 4.25% respectively. The yield on 10-year Indian government bonds (Chart 2) clearly captures the changes in repo and reverse repo rates. The yield on 10-year bonds touched a low of 5.78% in July 2020, before recovering to the current level of 6.16%. Yields on other Indian government bonds have also fallen.

DEMAND FOR PHYSICAL ASSETS

While inflation based on wholesale price index (WPI) has been kept well under control at less than 2% in recent times (notwithstanding a spike to 4.7% in January 2021), the retail price based inflation numbers have been volatile, moving between 7.5% and 5% during 2020. As a result, real interest rates in India, based on retail inflation rates, were very low for most of 2020. Investors moved away from traditional financial assets such as fixed deposits to physical assets, mainly gold. A steep increase in subscriptions to sovereign gold bonds, assets under management of gold exchange-traded funds, and digital gold during 2020 are proofs of the trend.

CUSTOMS DUTY CUT

The industry was pleasantly surprised when customs duty on precious metals (both bullion bars and dore) was reduced on February 1, 2021. Accordingly, the effective import duty on gold, silver, platinum and palladium bullion bars was reduced from 12.875% (basic customs duty/BCD of 12.5% + higher education cess/SWS of 3% on BCD) to 10.75% (7.5% BCD + 10% SWS on BCD + 2.5% Agricultural Infrastructure Development Cess/AIDC) of the assessable value. In order to maintain the differential between standard bullion and dore, the customs duty for gold dore bar and silver dore bar was cut to 6.9% from 11.85% and to 6.1% from 11% respectively. It is widely believed that lower import duties will make illegal imports less attractive and promote organised business.

GOLD IMPORT BOOST

Between February 1 and March 31, 2021 global gold prices slid by 8.2%. Thanks to the stable currency, the price of gold in Indian rupee terms too fell by the same share during the same period. Lower prices accelerated gold imports during the period.

Table 1: Soft global prices accelerate gold imports

	Feb 1, 2021	Mar 31, 2021	Change
Spot gold USD/TO	1860.4	1707.5	-8.2%
MCX Gold (INR/10gm)	48720	44637	-8.4%
USDINR	73.098	73.188	0.1%

Chart 1: India's gold import (USD billion) in FY2021

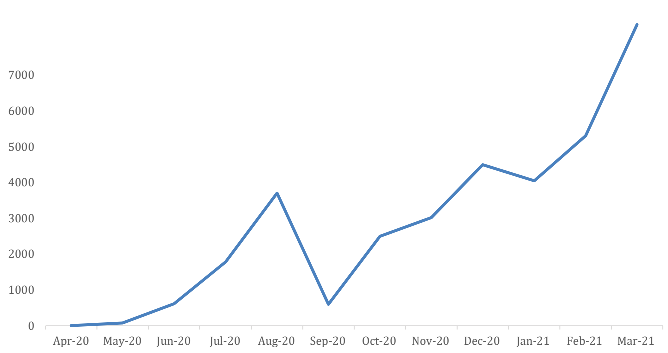


Chart-2: Government of India 10-year bond yield:

WHY IS INDIA IMPORTING GOLD NOW?

India is one of the largest markets for gold jewellery. World Gold Council, India estimates that 55% of the country's gold jewellery demand is driven by marriage-related purchases. While marriages are held throughout the year, their number increases steeply during certain periods. For the current year, the first marriage season starts in mid-April, and will last for about two-and-a-half months. As such, the upcoming marriage season and the likely increase in marriage-related gold jewellery purchases is one of the reasons for the increase in gold imports.

Second, Akshaya Tritiya is considered as an auspicious occasion for purchasing or gifting gold. The festival, slated for mid-May 2021, is expected to provide another boost to the demand for gold jewellery. The festival is quite a significant demand driver – during pre-covid times, Akshaya Tritiya related gold jewellery sales reached up to 50 tonnes. Besides, the holy month of Ramadan is an important demand driver for gold jewellery.

Third, the conviction that gold is an enduring asset class and valuable is well-entrenched across India, especially among women. Gold and silver jewellery is the only asset that is widely owned by women in India. The sharp decline in gold prices from its peak of 56,000 rupees (US$753) per 10 g in August 2020 to the current level of around 44,000 rupees per 10 g is an excellent opportunity for the public to convert a part of their savings to gold/silver jewellery purchases.

In summary, imports of gold have risen in anticipation of expected increase in marriage-related demand and festival-related purchases of gold jewellery, as well as the decline in the price of gold.

POTENTIAL RISKS

Covid-19 is the most visible risk to gold demand as cases surge across the country, particularly if restrictions on social gathering and non-essential gatherings are reintroduced. Should the second wave of Covid-19 escalate, it could lead to a delay in economic recovery, which in turn would lead to a loss of income. As highlighted by the World Gold Council, demand for gold in India is mainly driven by growth in incomes. So, for demand of gold to grow and sustain, income growth is a pre-requisite.

Policy change is always a risk in the Indian context. Although the current account balance of the government is comfortable at present, a sharp reversal to current account deficit might force the government to review its policies. However, the probability of such an event in the near-term is low.

SUMMARY

A combination of favourable factors – low real interest rates, falling gold prices and a drop in customs duty – has led to an increase in gold imports since October 2020. The annual marriage and festival season is also expected to drive demand for the previous metal. A second wave of Covid-19 is a serious risk, even as the country is accelerating its vaccination drive and hoping to control its spread. The coming two quarters are going to be crucial for the recovery of the Indian economy. Gold's fortune is closely linked to the growth of Indian economy as bulk of the demand for gold jewellery is linked to income growth. If one assumes stable gold prices and acceleration in economic growth, then one should see continued growth in gold demand doing forward.

SRIVATSAVA GANAPATHY (VATSA) is the CEO of Eventell Global Advisory, which creates industry platforms (physical, digital and hybrid versions) for the commodity sector through path-breaking conferences and industry-relevant research and insights. Eventell provides insights on the global bullion market and industry through its web portal, www.bullionworld.in, and a monthly magazine of the same name.

* The gold import figure of 160 tonnes includes about 50 tonnes imported and held by foreign suppliers at the Free Trade Zone Warehouses.

INDIA TO SEE STRONG UPTICK IN JEWELLERY DEMAND

BY CHIRAG SHETH, ***Principal Consultant, Metals Focus***

Precious metals demand in India was severely affected by COVID-19, with gold and silver demand falling by 42% and 36% respectively in 2020. That said, signs of an economic recovery have recently emerged, which has translated into improving demand for precious metals. The easing of lockdowns, a good monsoon and falling infection rates have all helped, effectively allowing gold and silver demand to benefit from wedding-related purchases and the release of pent-up demand. More recently, a reduction in import duties has provided an additional boost to the industry.

Before looking at jewellery it is worth understanding recent developments concerning import tariffs. In early February, the Indian government unveiled its budget for the upcoming fiscal year (April 21 to March 22). One highlight was the cut in import duties across much of the precious metals complex. The reductions were significant, considering that India had progressively raised customs duties on precious metals over an extended period, from 2% in 2012 to 12.5% in 2019. As a result, the industry has been calling for these to be reduced for some time. This was largely because of the impact on unofficial imports (particularly gold), which became more profitable under the high-duty regime and, to some extent, hampered the growth of the organised industry.

To help support the supply chain, the Indian government announced several fiscal changes. First, the basic customs duty (BCD) on unwrought/semi-manufactured gold and silver was lowered from 12.5% to 7.5%, and on unwrought platinum and palladium to 10%. Second, gold and silver doré bars will now attract 6.9% and 6.1% customs duties respectively, compared to 11.85% and 11% previously. That said, gold and silver imports (including doré) would now be subject to an Agriculture Infrastructure and Development Cess (AIDC) at the rate of 2.5% and a Social Welfare Surcharge (SWS), which stands at 10% of the BCD.

Effectively, the tax on gold and silver bullion will be 10.75% (7.5% + 0.75% SWS + 2.5% AIDC). On gold doré, the effective import duty comes to 10.09% and for silver doré, 9.21%. The differential between refined gold and doré now stands at 0.66%, up from 0.65% earlier. The differential for silver has increased from 1.5% to 1.54%. For platinum and palladium sponge and powder, only the SWS is applicable, hence the effective duty on both also comes to 11%.

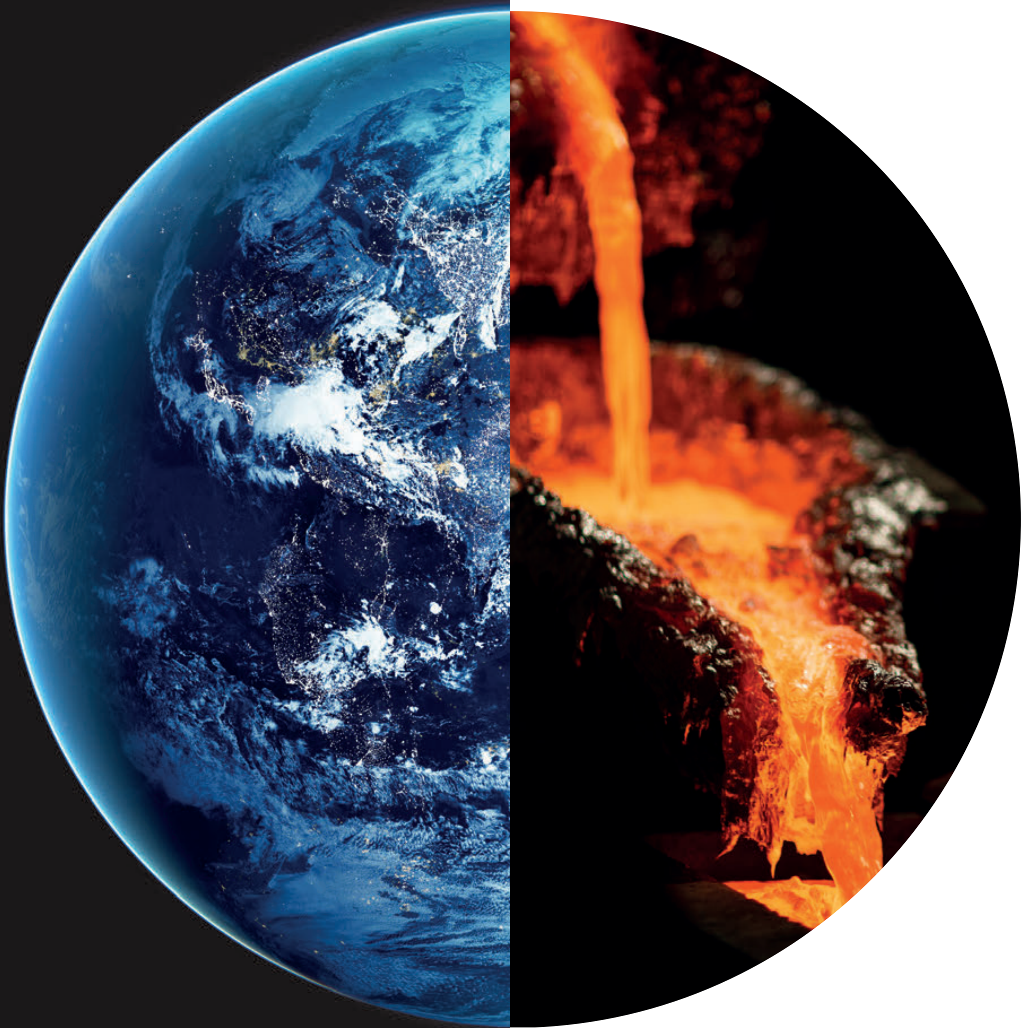
Our discussions with key trade associations in India have revealed that most expect the import duty cut to underpin a recovery in demand in the short-term as consumers react to lower prices. However, a strong economic recovery is more important for demand in the longer term. In that regard, over the last few months many leading indicators have improved, including the Index of Industrial Production (IIP) and Purchasing Managers Indices (PMIs), which in turn have seen GDP forecasts for 2021 revised higher. Other important metrics, such as automobile sales, suggest that consumer sentiment has also turned positive since late last year.

Turning to the impact on the country's jewellery markets and looking first at gold, the pick-up in economic momentum has translated into improved demand for the yellow metal. Our discussions with supply chain participants have revealed strong month-on-month growth since the onset of the festive and wedding season in October. This partly reflects bargain hunting after the gold price corrected in November, a release of pent-up demand, the easing of lockdown measures, strong rural economy and extended wedding season. While the market is currently supported by healthy demand from rural and semi-urban India, improving economic conditions should also help urban gold jewellery demand receive a strong fillip this year.

By contrast, despite an upbeat rural sector, Indian silver jewellery demand has not experienced a significant improvement. This mainly reflects the sharp increase in the local silver price, which touched a record high last year in rupee terms and has since remained quite volatile. This year, rising and volatile prices will continue to present a headwind. In particular, high silver prices could encourage fabricators to introduce lower purity items to help keep retail prices affordable for rural communities.

Overall, the improving macro-economic backdrop across much of India is likely to lift disposables incomes and in turn, benefit consumer sentiment. So far however, the appetite for high-value products has been relatively subdued, aside from need-based purchases like weddings, suggesting the recovery will take a little time to develop. It is also important to be mindful that the pandemic remains a key risk to the Indian economy. However, as the wedding season is now likely to continue until July (reflecting the dynamics of the Hindu calendar), gold and silver jewellery demand should ultimately stage a more meaningful recovery over the new few quarters.

CHIRAG SHETH is the head of Metals Focus' India office. He has over 15 years of experience in precious metals trading and research and has worked with UBS, LM Commodities and UTI Securities. Chirag was also part of the Niti Aayog Sub-committee on transforming India's gold market and is on the product advisory committee of the National Stock Exchange of India, Multi Commodity Exchange and Bombay Stock Exchange on precious metals.



RENMINBI INTERNATIONALISATION AND ITS EFFECTS ON GOLD

BY CHINESE GOLD AND SILVER EXCHANGE

The Covid-19 pandemic exerted a significant impact on the global economy and each country's response to the pandemic was a critical turning point in their economic development, which further affects the global gold market.

According to the World Gold Council, a total daily average of $145 billion in gold contracts changed hands worldwide in 2019, a sum higher than US Treasury bills and the S&P 500 index. In 2020, gold's average daily volume grew further as it expanded by more than a quarter.

In January 2021, Dr Haywood Cheung, was re-elected as the Chairman of the Chinese Gold and Silver Exchange (CGSE). He believes that the global pandemic created a paradigm shift and that gold would become a stronger and more attractive asset to buy and hold.

Dr Cheung foresees that the renminbi (RMB) will gradually become the base currency for the settlement of gold. Historically, gold transactions have been dominated by the United States (US) and United Kingdom (UK), and the pricing standard mainly refers to two the US dollar or British pound. However, the pandemic has caused the global dynamic to shift. According to CNBC, China could overtake the US as the world's largest economy earlier than expected. US gross domestic product (GDP) fell by 2.3% in 2020, while China's grew by 2.3% amid the coronavirus pandemic. Many countries adopted quantitative easing to fight against the impact of Covid-19, which has weakened their currencies. In contrast,

CHINA COULD OVERTAKE THE US AS THE WORLD'S LARGEST ECONOMY EARLIER THAN EXPECTED

China has remained firm with its currency policy, which has strengthened the foundation for the RMB to be deemed as the gold settlement base currency.

GOLD DIGITALISATION

CGSE announced the exploration of the digital gold project (GoldZIP) in 2019. GoldZIP is a digital token that allows holders to redeem physical gold at CGSE authorized vaults. Gold bars are deposited by CGSE members and its quality is assured by the Hong Kong Precious Metal Assay Centre, a HOKLAS-accredited laboratory. Each GoldZIP token is backed by an equal amount of physical gold. And thanks to blockchain

technology, the total amount of tokens issued is transparent to the public. With the launch of GoldZIP in the first half of the year 2021, CGSE aims to modernise physical gold trading as a core business. Dr Cheung believes that this can also speed up the process of RMB internationalisation.

COVID-19 IS A BIG CHALLENGE WHICH CAN TURN INTO AN OPPORTUNITY

"Covid-19 is a big challenge which can turn into an opportunity", Dr Cheung said. "It surely created a blow to the local economy and it also lets people in Hong Kong to reflect on the importance of adopting digitalisation in traditional business. For example, classic gold trading could be completed digitally with GoldZIP".

The advantages of digital gold include low minimum investment, high security, and price spread clarity. Retail investors can execute transaction orders by mobile application and capturing the price swings conveniently, anytime and anywhere. Urban digitalisation in China has inspired our gold digitalisation process as well. CGSE has worked diligently with the authorities, such as Hong Kong's Financial Services and the Treasury Bureau (FSTB) and other regulatory bodies, on GoldZIP.

ABOUT CGSE

Chinese Gold & Silver Exchange (CGSE) was established in 1910 and is among the few exchanges in the world that has both an open outcry and an electronic precious metals trading platform. It is Hong Kong's only physical gold and silver exchange approved by the government. CGSE has a membership that comprises 171 corporate members from the precious metals industry to represent key stakeholders, which includes banks, large jeweller groups, bullion merchants, gold refineries, and financial institutions.

INNOVATION BASED ON TRADITION

Gold trading is a key business in Hong Kong for CGSE, which was founded in 1910. The bourse prides itself on constant and innovation across its 100-year history. The gold trading business flourished during the 1970s as the ban on its import and export was lifted.

As an ancient Chinese proverb would say: "During good times, we buy antiques and during bad times, we buy gold". Gold has always been a safe haven during economic turmoil. In the face of the pandemic, China-US tensions and other geopolitical issues, gold has become a popular investment. First, it is easy to liquidate gold assets into fiat currencies. Second, gold is a strong tool to fight against inflation.

For the same reason, Dr Cheung suggests the public should increase gold holdings to protect themselves during uncertain times. "When someone is fearful, I get in. When someone is buying, I am fearful. If you are aiming for mid to long-term investment, short-term market fluctuation shall be ignored. You can treat it as market noise", he said about gold investing.

THAILAND'S GOLD MARKET: AN INTRODUCTION

BY SBMA, *with contributions by Ross Andrew Friedman*

Physical gold is a popular asset in Asia, and this is no different in Thailand, the continent's third-largest gold market after India and China. Locals use physical gold as an investment and as well as ornament, and the metal is a popular gift for newborns and for weddings.

In Thailand, the standard fineness of gold is 96.5% purity, commonly referred to as 23K, often bought in the form of jewellery, gold bars or coins. Baht is not only the local currency but also the standard gold unit, equivalent to 15.244 grams or 0.4901 troy ounces. Thai gold is also measured in salung, which is a smaller unit compared to baht, where 1 salung is 0.25 baht, or 3.81 grams.

DOMESTIC DEMAND AND PRODUCTION

Global physical investment in 2019 dropped by a fifth to a low for the decade. East Asia accounted for the bulk of the decline in demand, which fell by 36%, of which Thailand comprised a significant portion, along with China and Japan.

The total physical investment demand in Thailand in 2019 fell by 49% from the previous year to 34.7 tonnes, according to Metals Focus. The Bank of Thailand, the country's central bank, holds 154 tonnes of gold in its reserves.

There are nine local gold bar manufacturers that are members of the Thai Gold Traders Association. They manufacture normal investment baht bars, traditional baht bars (in biscuit, square, oval, round, rectangular, boat, and doughnut shape), and innovative thematic bars with a purity of 96.5% (23K) as standard, and also 99.99% (24K).

Additionally, paper gold is available in Thailand, including the 50 Baht Gold Future contract and exchange-traded funds (ETFs), listed on the Stock Exchange of Thailand. Such market activities are well-supported by the members of the Gold Traders Association of Thailand.

GOLD INFRASTRUCTURE

Gold shops and goldsmiths, estimated to number around 7,000 in Thailand, are found across the country and include large chains to family-run stores. Major companies in the gold sector include YLG Bullion, MTS Gold, Ausiris, Hua Seng Heng, and MKS, the Swiss precious metals group. Umicore operates a precious metals refinery in Bangkok – the only LBMA good-delivery silver refinery in Thailand. Apart from refining precious metals from recycled materials, it also produces investment-grade fine gold bars.

SPC Precious Metal – a fully integrated precious metals refinery located in Chonburi province that is accredited by the Responsible Jewelry Council – is focused on producing precious metals products from recyclable materials and industrial by-products. SPC trades physical commodities and transforms them into customised products for jewellery manufacturers, electronics manufacturers, and more. Many of its customers are from Japan, Korean and China, which make use of the Free Trade Agreement the countries have with Thailand.

In general, the import and export of gold are conducted by non-bank enterprises, which need to register with the Ministry of Commerce, Revenue Department and Customs Department. Besides registration, they also need to submit a foreign exchange report every quarter.

All imports and exports of gold are VAT exempt. VAT is 7% as at August 2020. Corporate tax is 20%.

ROOM TO GROW

Despite being overshadowed by the larger gold markets of China and India, Thailand boasts a developed and healthy gold market of its own, which is supported by strong domestic demand and well-developed trading and sales infrastructure with its neighbouring countries. Thailand also has larger physical market than any of its regional neighbours, including Vietnam, Malaysia and Singapore.

As countries in the region have the potential to grow economically, there is room for the Thai gold market to grow as a regional centre. Thailand has active Free Trade Agreements with Japan, South Korea, China, India, Australia, New Zealand as well as Chile and Peru – two Latin American countries that are rich in precious metals. No doubt, Thailand plays an important role in connecting countries in the the Asian gold belt.

APPENDIX

Currency Import and Export Restrictions Related to Gold Trading in Thailand

An importer may purchase or withdraw foreign currencies from their own foreign currency accounts for import payments upon submission of supporting documents. Alternately, importers may use letters of credit, which may be issued without authorisation, to guarantee trades. By law, export proceeds of US$50,000 and above shall be repatriated immediately after payment is received and within 360 days from the export date. The proceeds must be sold to or deposited in a foreign currency account with an authorised bank in Thailand within 360 days of receipt.

Important Links

- Ministry of Commerce - https://www.moc.go.th/index.php/moc-english.html
- Revenue Department - https://www.rd.go.th/english/index-eng.html
- Customs Department - http://customs.go.th/index.php?lang=en&
- Central Bank of Thailand - https://www.bot.or.th/English/Pages/default.aspx
- Ministry of Finance - http://www2.mof.go.th/
- Thai Gold Traders Association - http://www.goldtraders.or.th/

Charts and graphs on imports and exports figures in Thailand can be found on our website - https://www.sbma.org.sg

Contributor Ross Andrew Friedman is a consultant who is currently based in Bangkok. He has worked in the precious metals industry since 2014 covering the Greater China, LATAM & ASEAN region.

THAILAND'S CRUCIAL ROLE IN THE ASEAN GOLD MARKET

BY NUTTAPONG HIRUNYASIRI, ***CEO, MTS Gold Group***

Walking down Yaowarat Road in Bangkok, the streets are bustling with snaking queues outside the numerous bullion shops in the area. Gold shops and goldsmiths are found across the country and span family-run stores to large chains. Thailand is the largest OTC physical gold trading market in Southeast Asia, after China and India.

Gold is intrinsic to Thai culture and it is gifted during weddings, birth, and other religious events. It is often held as an investment in the form of jewellery, bars and coins. Over the years, the Thai bullion market has evolved to be one of the most sophisticated in the ASEAN region, complete with exchange-traded gold futures, OTC spot, and physical. These products are actively traded and contribute to the vibrancy and competitiveness of the Thai bullion market.

Gold bullion is the bread and butter of Thai gold traders, and contributes much to the Thai economy in the form of savings and stored value. During times of crisis, gold has been the last-resort resource for many locals, who have had to sell their gold for cash to survive. Coupled with volatility and gold prices hitting an all-time high of US$2,050/oz., there has been a large rush to liquidate this asset in the past year, resulting in a copious volume of scrap and physical selling.

The total physical investment demand in Thailand in 2020 was 300 tonnes, with a total export value worth US$13 billion. The top three Thai bullion houses alone contributed almost 10% of total Thai exports in the last year. As in many other countries during the pandemic, local jewellery demand has dropped significantly, and sales at many jewellery stores have plunged by at least 30% to 40% as lockdowns curtailed trading.

Gold's supply chain was also affected, with fewer international flights and limited cargo capacity. Amid COVID-19, logistics planning and flight management has become a key challenge for Thai bullion traders. Thai Airways – one of the country's major carriers – filed for bankruptcy and ceased all flights in and out of Bangkok. Flights are limited, and the cost of transport has almost tripled.

While economic recovery is expected in 2021, it is still extremely challenging for Thai bullion traders as flights have not fully resumed and the major airlines are still undergoing restructuring. We believe the Thai market demand will remain strong and competitive, coupled with continual high volumes, albeit with lower margins.

MTS Gold (MTS) is at the forefront as one of Thailand's largest precious metals importer and exporter. And we continue to lead with a strong suite of physical and financial trading capabilities, which includes a world-class refinery, an established Global Futures and Loco London spot trading infrastructure.

Locally, MTS has been a pioneer in Thailand, and our efforts have helped the Thai Futures Exchange's Gold Futures contract to become the fifth largest gold futures trading contract in the world, and the exchange to have the largest volume of gold futures contracts in ASEAN. We have received many awards from TFEX for our contributions and efforts.

Globally, MTS is the first Chicago Mercantile Exchange (CME) trading member to facilitate CME Gold Futures in Thailand. As a leading member on the Shanghai Gold Exchange International (SGEI) board, we have received an outstanding international member award, and co-partnered with SGE in its Gold Belt and Road initiative, innovating gold leasing and realising a new business model with SGE in China.

MTS endeavours to be an integral member on the ASEAN gold belt. We seek to connect the bullion market, across physical, OTC and exchange-traded markets, whilst using Singapore as central hub. In the past five years, MTS Gold has been a key member in contributing to Singapore's gold ecosystem with our regional office in Singapore facilitating collaborations with SBMA, Enterprise Singapore (ESG) and other global counterparts in establishing Thailand and Singapore into one of ASEAN's most vibrant and centralised gold trading hubs, as we further drive liquidity in these markets.

With Singapore's efficient financial infrastructure and strategic location, it is an ideal centralised trading and logistics hub. This has proven vital, especially during COVID-19, where flight routes out of Bangkok were disrupted and regional and global trade continued. SBMA and ESG's efforts to build Singapore's gold ecosystem the last eight years has revealed Singapore's true potential and is reflected through the large volumes of ASEAN gold that rely on its robust infrastructure to reach global markets.

MTS looks forward in supporting the further centralisation and establishment of Singapore as a leading gold hub in Asia.

NUTTAPONG HIRUNYASIRI is the CEO of MTS Gold Group, one of Thailand's top 10 companies and top 3 bullion companies. He started MTS Gold Group's first overseas office in Singapore and has been expanding the group business internationally. He focuses on product development and innovation for gold investment, with the aim of being a leader in providing the full suite of gold investment services in the ASEAN region.

THAILAND: GOLD PROVIDES LIQUIDITY AMID PANDEMIC

BY PAWAN NAWAWATTANASUB, *CEO, YLG Bullion International*

The global gold market was tested like never before in 2020. Covid-19 related lockdowns caused massive supply chains disruption, material shortages, and bottlenecks globally, and it was no different in Thailand, and had knock-on effects on the country's precious metals sector.

The interruption of gold's supply chains caused massive chaos in Thailand's physical bullion market. Normally, the premium for importing and exporting gold in Thailand is US$1 to US$2, but the premium for exports had increased to over US$12 amid the pandemic, making the former spread of 100 Thai baht (US$3.24) insufficient to cover the cost and volatility in price movement. The spread widened to 300 Thai baht between March and May 2020.

Moreover, gold has traditionally been a popular way for Thais to save money, but the surge in global prices, coupled with the Thai baht's weakness, has boosted the local gold price to an all-time high. This has also prompted an increase in the number of Thais who are flocking to gold shops to trade in gold jewellery and gold bars for cash, impacting businesses and the economy as gold hoarders cash in.

Thailand's export value of gold grew by 75% from US$7.6 billion in 2019 to US$13.3 billion in 2020, according to Thai customs data. The rise was a result of growing exports as manufacturers profited from the global gold price, which rose continually throughout the year. In volume terms, the country exported 243.79 tonnes of gold in 2020 an increase of 42.63% from 170.92 tonnes of gold in 2019. Meanwhile, imports fell by 15.51% to 132.97 tonnes.

As a result of the higher local gold price and concerns over economic uncertainty, consumer demand for gold has been subdued, falling 275% from 46 tonnes in 2019 to net disinvestment of 81 tonnes in 2020.

OUTLOOK FOR 2021

With the rollout of Covid-19 vaccinations globally, there appears to be light at the end of the tunnel – a real possibility that the pandemic will be under control sooner rather than later. Similarly, in Thailand, we are expecting the economy to recover and expand by more than 3% this year.

However, there are still many challenges ahead that could derail the recovery of Thailand's export-dependent Thai economy. These include new virus strains that could hinder the effectiveness of the current vaccines, the ongoing trade war between the U.S. and China, and more nations adopting trade protectionism amid the current global economic downturn.

A recent survey on Thai consumer behavior showed signs that the consumers spending is returning to pre-Covid 19 levels. However, consumption has been largely on essential items such as food and beverages, and not durable goods like electrical appliances and automobiles.

Travel related sectors remain badly hit. As tourism is an important growth engine of Thailand's economy, the negative impact of fewer tourists has spilled over to many other sectors. The loss of income is widespread, and many households are facing financial hardship. At the same time, household debt, which registered around 84% of GDP at the end of last year, has been on the rise. Apart from taking up additional jobs (if they can find one) and borrowing, people have resorted to selling their gold jewellery and precious metals to raise desperately needed cash.

So far in 2021, we have continued to observe the selling of precious metals and gold across the country in a bid to raise cash for day-to-day living expenses. This trend will probably continue until Thailand, and the major economies, have the pandemic well under control and normal economic activities and travel can resume. However, the price pullback has also enticed some investors to replenish their vastly depleted holdings.

Furthermore, the pandemic has also led to the beginning of the "New Normal" in Thailand's gold market. Following the crisis, many traditional services are at risk of being wiped out with the reduction of physical contact and growth of e-commerce, and this will certainly affect Thailand gold market as well.

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.

#SILVERSQUEEZE – WHAT ACTUALLY HAPPENED AND WHY IT DIDN'T WORK OUT AS PLANNED

BY BRIAN LAN, ***Managing Director, GoldSilver Central***

Brian Lan looks at why a short squeeze didn't work on silver and some of the questions posed by GoldSilver Central clients after the "Silver Squeeze".

Many observers have heard about the Reddit group that recently spurred on many retail investors to short squeeze stocks that hedge funds have big short positions in. The idea is to drive prices of the stock high enough to force the hand of these hedge funds to buy back the stocks they have borrowed to sell, at a loss. It was reported that silver was also the target of a short squeeze after the success they had with GameStop and AMC shares.

Why didn't this work with the silver market?

The commodities market doesn't work like the stock market. The shorts reported by the Chicago Mercantile Exchange (CME) or Commitment of Traders Report (COTR) does not mean that all of these shorts are speculative positions or positions that traders have placed to bet that prices will go south for them to make a profit. Refer to Table 1 for the COTR for silver (this data is readily available to anyone). At a glance, using the same lenses as how the Reddit retail investors view heavily shorted stocks, silver would seem like a prime candidate for a short squeeze for both commercial and non-commercial positions. For example, based on the short positions reported on 9 February for commercials, total short positions is 116,717 contracts. Note that each contract is for 5,000 oz. of silver.

Table 1: Commitment of Traders Report

	Commercial				Non-Commercial					
Report Date	Producer/Merchant/ Processor/User		Swap Dealers		Managed Money		Other Reportables		Non-Reportable Positions	
	Long	Short	Long	Short	Long	Short	Long	Short	Long	Short
9 Feb 21	10554	67345	31476	49372	63248	23557	17714	6940	39287	15065
2 Feb 21	9505	65108	30672	50490	62830	22215	18350	7127	37961	14379
26 Jan 21	8354	61104	30448	52090	67430	23110	17617	7375	30628	10799
19 Jan 21	8210	59030	30564	51437	67125	25630	17358	6631	30527	11056
12 Jan 21	8680	60325	31292	51450	71199	27804	17329	7370	30367	11919
5 Jan 21	8591	65128	30247	53346	74887	27254	17507	8754	33951	10701

Commodity Futures Trading Commission

Most of these short future positions are in fact hedging against physical silver exposure or miners securing prices in future months to deliver mined silver. In other words, these short futures positions are being offset with physical silver held in their inventory.

Another point to note, we do not know what is on the trading book of each bank and they might have positions not pushed out to the market yet as they have taken on a sizable position. For example, a trader in a bank may have bought a large amount of silver from a fund but has yet to sell it out so as not to move the silver price too drastically. This ride up in silver prices allows them to hedge their risk at a much higher profit and due to the larger number of buyers available, also allows them to get out of their positions even earlier and at a tidy profit. This is contrary to the belief that the silver squeeze will hurt banks and funds like how the Reddit short squeeze in stocks resulted in huge losses for some hedge funds.

The bottom line is, we do not see the full picture from the reports provided from CME or COTR.

Is it true that financial institutions raised margins to prevent silver prices from soaring?

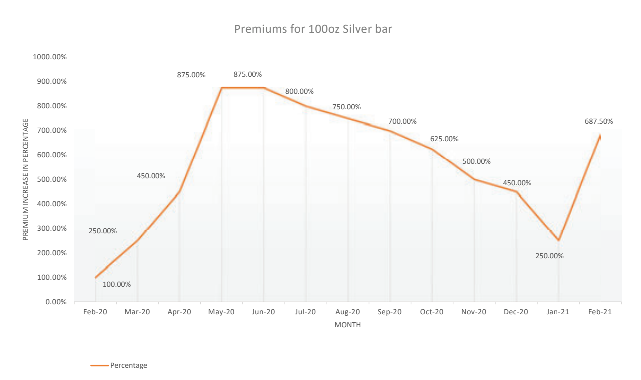
Margins were raised by 18% by Comex but this was not because the institutions wanted silver prices to stay low. Many brokers followed suit too as the positions they had with banks or trading houses required them to place more margins. Margins required for trades is a function of volatility. The higher the volatility, the higher the margins required. This is for risk management and also to protect the interests of investors. This will happen for any asset class, not only for silver. This often has been misconstrued by many to think that financial institutions did this on purpose for their own gains.

Table 2: Silver supply and demand

Million ounces	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	Year on Year 2019	Year on Year 2020
Supply												
Mine Production	760.1	792.7	840.3	877.5	892.9	892.3	863.4	847.8	836.5	797.8	-1%	-5%
Recycling	232.9	216.0	192.7	174.9	166.5	164.4	167.7	167.7	169.9	169.4	1%	-0.3%
Net Hedging Supply	11.9	-	-	10.7	2.2	-	-	-	15.7	10.0	na	-36%
Net Official Sector Sales	4.8	3.6	1.7	1.2	1.1	1.1	1.0	1.2	1.0	1.0	-15%	0%
Total Supply	1,009.7	1,012.4	1,034.7	1,064.2	1,062.6	1,057.8	1,032.2	1,016.8	1,023.1	978.1	1%	4%
Demand												
Industrial	508.1	450.5	460.8	449.6	456.2	490.3	517.2	511.5	510.9	475.4	-01%	-7%
...of which photovoltaics	68.4	55.0	50.5	48.4	54.1	93.7	101.8	92.5	98.7	96.1	7%	-3%
Photography	61.6	52.5	45.8	43.6	41.2	37.8	35.1	34.2	33.7	30.5	-1%	-10%
Jewelry	162.2	159.2	187.1	193.5	202.6	189.2	196.3	203.1	201.3	187.5	-1%	-7%
Silverware	41.5	40.1	45.7	52.4	56.6	52.3	57.7	65.4	59.8	54.3	-9%	-9%
Net Physical Investment	272.0	240.8	300.1	282.6	310.4	213.9	156.2	165.7	186.1	215.8	12%	16%
Net Hedging Demand	-	40.4	29.3	-	-	12.0	2.1	8.4	-	-	na	na
Total Demand	1,045.4	983.5	1,068.9	1,021.6	1,067.0	995.5	964.7	988.3	991.8	963.4	0%	-3%
Market Balance	-35.7	28.9	-34.2	42.6	-4.4	62.3	67.5	28.5	31.3	14.7	10%	-53%
Net Investment in ETPs	-18.9	53.6	4.6	-0.5	-17.2	50.9	6.8	-22.3	81.7	120.0	na	47%
Net Balance less ETPs	-16.9	-24.7	-38.8	43.1	12.8	11.3	60.7	50.8	-50.4	-105.3	na	109%
Silver Price (US$/oz. London price)	35.12	31.15	23.79	19.08	15.68	17.14	17.05	15.71	16.21	15.70	3%	-3%

Source: The Silver Institute, World Silver Survey 2020

Figure 1: Premium for a 100 oz. silver bar



Physical silver premiums shot up sharply, does this mean there is not enough physical silver?

Physical silver premiums rose by at least 50% or more but it does not mean that physical silver is running out. The sudden sharp increase in physical demand from clients globally due to the silver squeeze, coupled with the Covid-19 measures implemented in mints and refineries, have led to a short-term tightness in physical silver bars and coins. There are still large silver bars available at many vaults around the world but they are not the preferred choice for retail investors. The current ready silver stock – what we term as ex-stock silver inventory – commands an even higher premium due to the influx of demand. Coupled with the need for most retail investors to take possession of their physical silver as soon as possible, the premium for physical silver in the short-term doesn't look like it will abate.

We have tracked the premiums of ex-stock 100 oz. silver bars – one of the most popular denomination of silver bars purchased by our clients over the years (Figure 1). The highest premiums was from late April until June, which was when the Covid-19 pandemic had just started to spread globally and many countries had implemented measures to stem its spread, including widespread lockkdowns. The premium gradually eased over time as supply finally caught up with demand, up until the recent silver squeeze.

The manpower restrictions due to Covid-19 also meant that production schedules for finished silver products had to be extended, especially with the sudden surge in demand. We expect the premiums to ease once the backlog has been met, but this could take at least 3 months.

Where will silver prices go from here?

Fundamentally, silver has been in a deficit since 2019, largely due to the increase in physical demand from retail investors and exchange traded products (ETP) investments. With reference to Table 2, year-on-year increase in physical investment was 12% and the increase in ETP investments was 47%. We expect this to continue well into 2021, especially with the recent spotlight on silver brought about by the silver squeeze.

Looking at our in-house technical indicators, silver, just like gold, has just entered into a bullish trend in the medium term, hence the next 3 to 5 years should be good years for precious metals. We expect silver to continue to outperform gold this year, just as it has done last year, during which gold grew 25% and silver was up 48%. If you are looking to invest into silver, remember to buy on dips!

BRIAN LAN is the Managing Director of GoldSilver Central and a member of the company's Board of Directors. He is part of the team in charge of overall management of the company and is responsible for sales, operational infrastructure and predominantly, global business development. His passion is using technology to transform business processes and advance client outcomes. He also sits on the board of GoldPlus Assets and Fund Express.

JAPAN EXCHANGE GROUP: REINVENTING JAPAN'S PRECIOUS METALS DERIVATIVES MARKET

BY RYOICHI SEKI, ***General Manager, Business Development, Osaka Exchange***

The headquarters of Japan Exchange, Japan (Image: JPX)

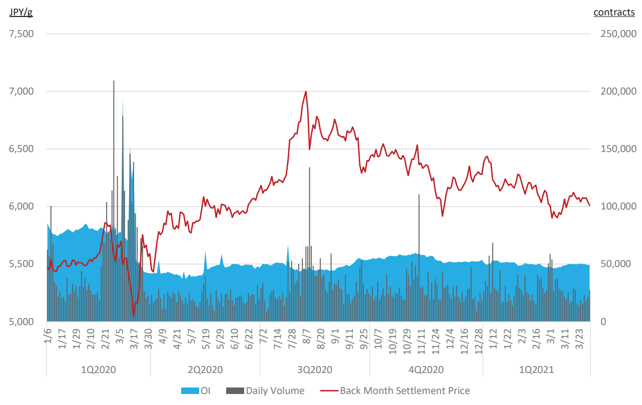
Japan's precious metals derivatives market, which has played a leading role in Asia for nearly 40 years, is undergoing a major transformation. In October 2019, Japan Exchange Group (JPX) acquired Tokyo Commodity Exchange (TOCOM), whose history goes back 70 years offering commodity futures contracts, including precious metals.

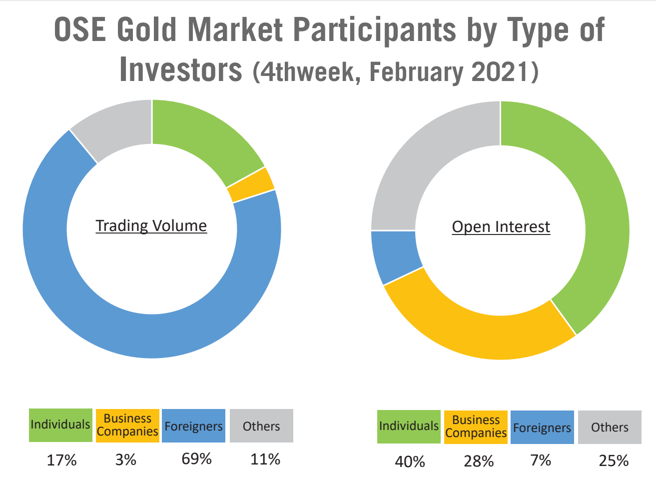
JPX further expanded its commitment to commodity derivatives by completing a series of measures in July 2020, including the transfer of futures and options on precious metals, rubber, and agricultural products from TOCOM to Osaka Exchange (OSE), the derivatives arm of JPX, and the integration of commodity clearinghouse into Japan Securities Clearing Corporation (JSCC).

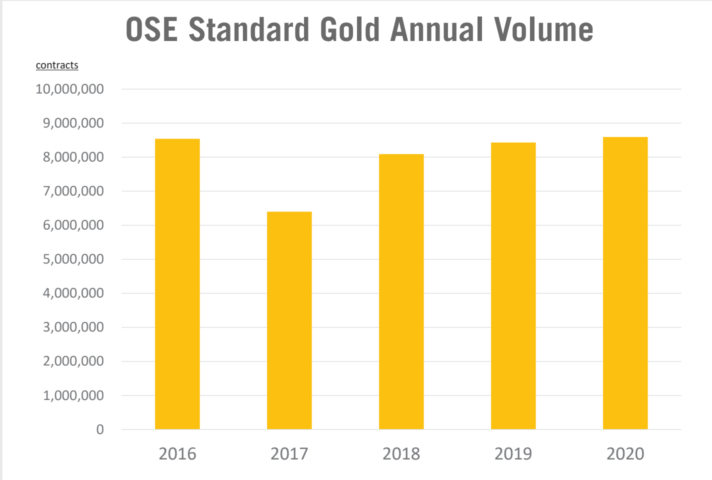
JPX is an exchange group providing comprehensive market infrastructure for the Japan market, covering market operations, self-regulation and clearing. JPX, whose subsidiaries include Tokyo Stock Exchange (TSE), OSE and TOCOM, is a one-stop shop for a range of products from cash equity, to financial and commodity derivatives. The precious metals market is operated by OSE, along with financial derivatives such as futures and options on the Nikkei 225 and Japanese government bonds.

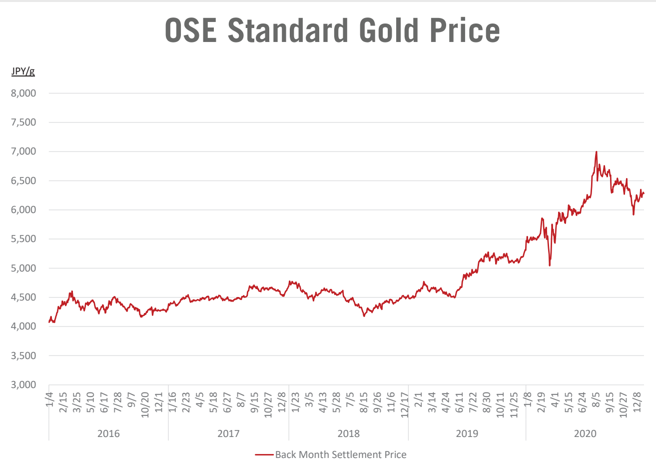
With OSE now running the precious metals market, there are significant benefits to market participants. First, investors trading in OSE's financial derivatives market, one of the world's largest, are entering into the precious metals market. The introduction of a new investor base has improved market liquidity and created an environment where participants can trade more actively. Second, investors are able to trade both financial derivatives products and commodities with a single trading account. This enhances ease of access to both markets, since investors are freed from the cost and complexity of maintaining two different accounts. Third, the market credibility has improved significantly through JSCC acting as the central counterparty to all trades. The clearinghouse has been the cornerstone of the derivatives market, especially amid the uncertainty and volatility of recent years.

OSE Gold Price, Volume and Open Interest from 1Q2020 to 1Q2021









OSE'S GOLD MARKET

Among the precious metals contracts transferred to OSE, gold has the largest market share. From the perspective of ensuring continuity, the market designs of gold and others have not changed in principle, and follow those of TOCOM. The Gold Standard futures contract, denominated in Japanese yen, allows physical delivery using kilobars with minimum .9999 fineness at designated warehouses located in Tokyo. Domestic and global refiners whose bars have been approved by the exchange that meet the standards for delivery are listed in the Good Delivery List. The market is open to global investors, with trading open almost 20 hours a day, covering the business hours of world's major gold trading hubs.

OSE's gold market is supported by various types of participants – proprietary trading firms, institutional investors, retail investors, and commercial users – who use the market for risk management and investment purposes, which makes ours a sound and healthy market. The majority of trades is carried out by traders based outside of Japan, many of whom are acting as market makers. Japan's retail investors also actively participate in the market, both in terms of trading volume and open interest. In addition, business companies/commercial users play an important role in bridging the futures market with gold spot markets around the world.

OSE GOLD AMID THE PANDEMIC

The year 2020 was unlike any other. We went through a global pandemic, a rally in gold prices reaching beyond the JPY 7,000 (US$63.3) level for the first time, and a contentious US presidential election. It posed a challenge for JPX to implement structural changes including the products transfer to OSE, but with the cooperation of those involved in the market, we were able to make these transitions smoothly. Moreover, as the role of the futures markets in providing a venue for price risk management and price discovery became increasingly important amid turbulent market conditions, the OSE gold market fulfilled its mission. It is in times of extreme price volatility, such as during February and March when the pandemic caused turmoil in the world's financial markets, that the true value of the futures market is tested. OSE's gold volume remained high during this period, continuing to provide much-needed trading and hedging opportunities for participants.

THE ROAD AHEAD

OSE will continue to take measures to revitalise the precious metals market. We will focus on growing our base of investors, thereby ensuring a high level of liquidity. In September 2021, we will renew our derivatives trading platform, expanding its capacity and making upgrades to improve the user experience. Additionally, we plan to open the derivatives market during Japan's national holidays in the second half of 2022.

OSE will strive to contribute to the global precious metals market by strengthening our relationships with industry players and cooperating in international efforts such as promoting business practices that adhere to the Responsible Sourcing Principles.

RYOICHI SEKI is the general manager of Osaka Exchange's business development department. Prior to joining OSE in 2020, he spent 25 years at Tokyo Commodity Exchange, overseeing its international activities, which include building partnerships with commodity-related industries, liquidity providers and exchanges around the world. He also served as a member of the board of directors at Futures Industry Association Japan in 2019, representing TOCOM.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GOLD INVESTING IN A DIGITAL WORLD

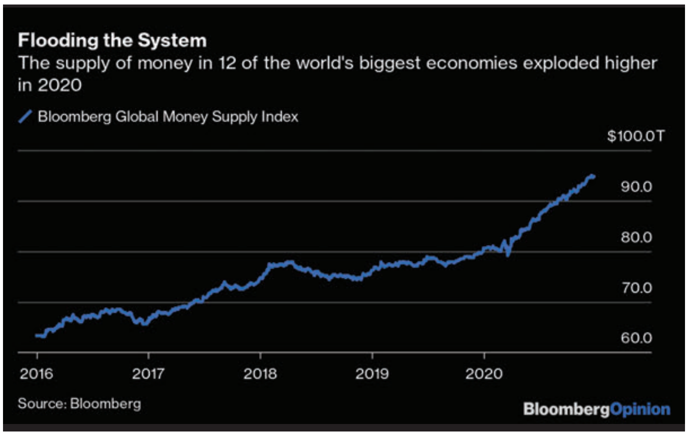
BY KERRY STEVENSON, ***Founder, Gold & Alternative Investments Conference***

Can bitcoin and gold sit well together or does bitcoin pose a challenge to gold in the digital world?

As the old Chinese saying goes, “May you live in interesting times”. Like it or not, we live in very interesting times. A time of uncertainty and money printing, but also a time of incredible creativity.

As an investor and also the founder of the Australian Gold conference, I have spoken with many intelligent people around the world and each of them has a different perspective on how to grow and protect wealth in these turbulent and ever-changing times.

It is abundantly clear that governments around the world are doing their best to keep the current system afloat by continuing to print “funny money”, commonly known as fiat currency. At the same time, they are making a strong case for a reset to a full digital money system, citing issues such as funding terrorism and crime as the reasons for the switch.



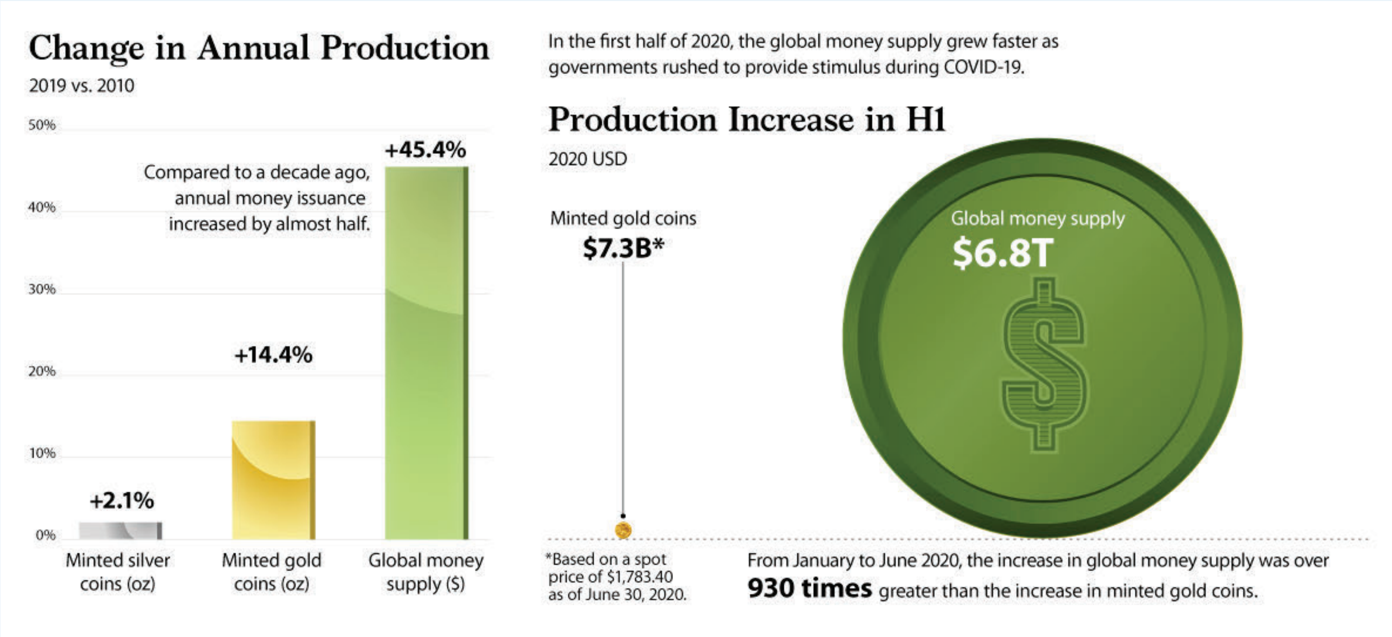
While the price of bitcoin and other cryptocurrencies have risen in price in a spectacular fashion and much has been made of institutional money moving into bitcoin, the fiat price for gold has remain stagnant. Many observers have said that gold is being replaced by bitcoin due to it being fast and digital, but will there always be a place for gold and silver in a well-balanced portfolio?

In my opinion, gold is an insurance policy against the relentless money printing machine whereas crypto, and more specifically bitcoin for this commentary, is a more speculative option but one that, in a tsunami of liquidity, should continue to rise in price against the continued printing of fiat currency.

Global money supply has been increasing faster than ever before (Figure 1), with governments globally desperately trying to stave off any thought that there may be something wrong with the global economy. Central banks have only two toys in the box – lowering interest rates and printing money. With interest rates close to zero, the only option left is to keep the printing presses running.

Gold and bitcoin cannot be printed into infinity. Bitcoin is limited to a supply of 21 million mined over time. Gold, on the other hand, cannot be manufactured like a company issues new shares, or a federal bank prints money. It must be dug up from the ground and processed. Gold is also held by central banks as an accepted safe haven asset. Central banks are major players in the global gold market and are likely to remain so, according to industry experts. Collectively they own in excess of 33,000 tonnes of gold, which is more than 17% of all the gold estimated to have been mined throughout the course of human history.

Figure 1: Change in annual production - Precious metal coins vs money 2019 vs. 2020



Source: Visual Capitalist

We have to also bear in mind that bitcoin has only been around for just over 10 years and is purely digital, whereas owning physical gold (not the paper exchange-traded funds or ETFs) means that you have control of the asset. What happens if the government decides to step in and put a lot more regulation around the crypto space? What happens if one of the main exchanges suddenly closes like Mt Gox did back in 2014 without warning?

A recent report from J.P. Morgan found that institutional investors are flocking to bitcoin and leaving gold out to dry. So, is the yellow metal dying? Bitcoin, which has rallied over 150% in 2021, has greatly outpaced other assets including the Dow and gold. The Grayscale Bitcoin Trust has seen inflows of almost $2 billion since October 2020, compared with outflows of $7 billion for ETFs backed by gold, according to J.P. Morgan.

With institutional investors now getting interested in the crypto space, will we see a greater inflow of funds to the sector and, as a result, the price being driven higher? Well that certainly seems to be the case at the moment, with one tweet from Michael Saylor, the co-founder of MicroStrategy, about investing in bitcoin sending the price higher. Mainstream media is also now starting to take notice, with CNBC including bitcoin on its ticker at the bottom of the screen.

Two-thirds of millennials prefer bitcoin to gold as an investment because millennials are more comfortable with technology and can grasp the way to use and transfer funds more easily. Will that see the next generation moving away from the traditional safe haven asset of gold? Only time will tell.

BITCOIN SHOULD COMPLEMENT GOLD RATHER THAN REPLACE IT

With all that being said, bitcoin should complement gold rather than replace it. Both have a place at the table and with the amount of uncertainty in the market and the continuing money printing by central banks, fiat currency looks like the one to avoid at all costs.

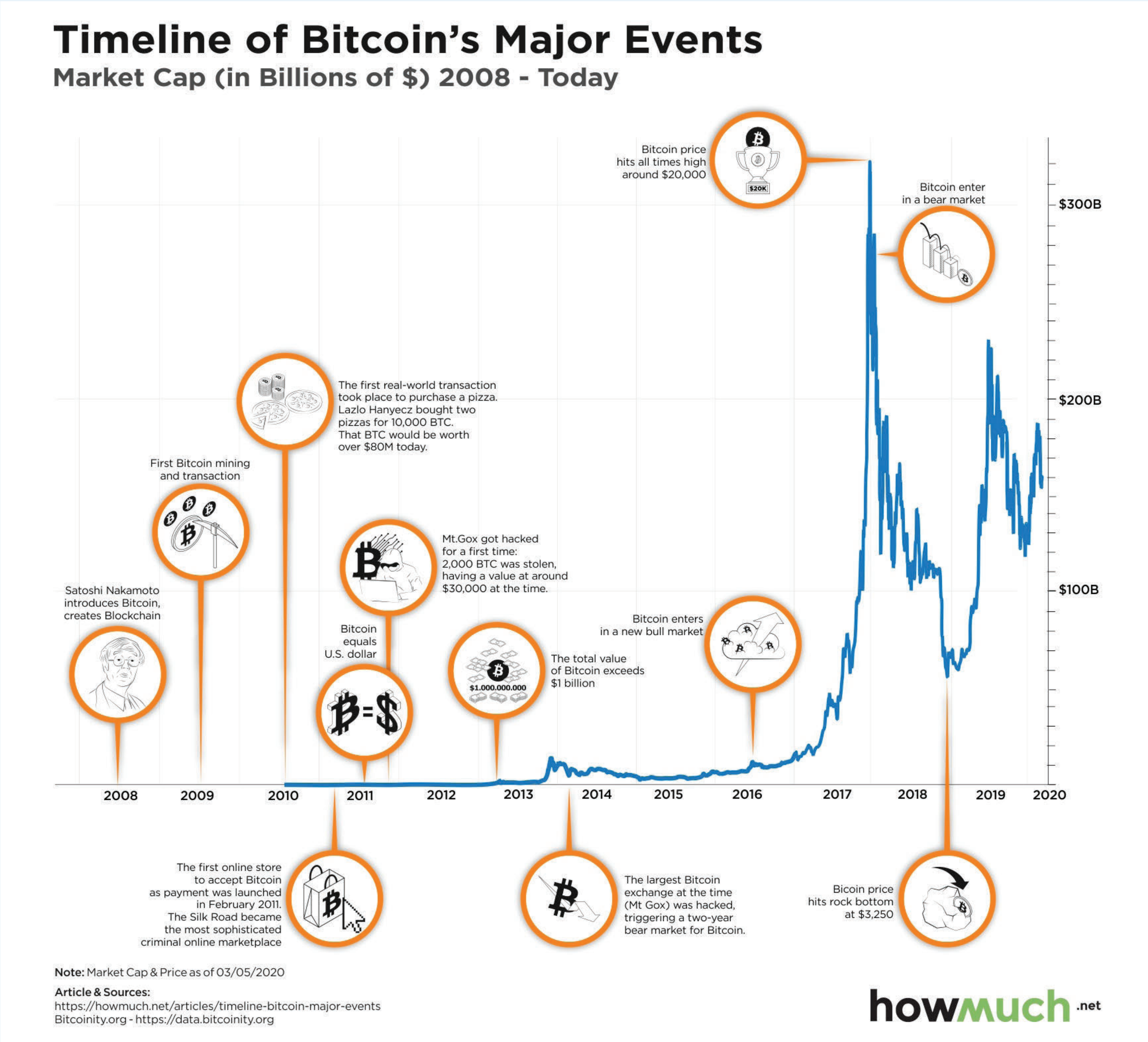
Ray Dalio, founder of Bridgewater Associates, has previously spoken out against bitcoin but has recently said that he thought bitcoin and other cryptocurrencies had "established themselves over the last 10 years and were interesting gold-like asset alternatives".

Jim Powers, director of investment research at Delegate Advisors, isn't convinced. "Bitcoin is not the new gold because the old gold (i.e., gold) still works just fine," he said. "While similarities exist between gold and bitcoin (e.g., store of value, price determined by supply and demand), gold has been recognised as a store of value for millennia. Bitcoin has been recognised as a store of value for less than a decade".

Then there's bitcoin's reliance on the Internet. "In an end-of-the-world-style financial apocalypse, individuals can still hold and trade physical gold", adds Powers. "Try buying a loaf of bread with bitcoin if the Internet stops working".

So, can bitcoin and gold play well together in the sandpit of life or do we, as investors, have to make a choice? I believe that in a world full of change, uncertainty and money printing, and governments that are wildly out of control, there will be a need to hedge and diversify. I am not saying that you need

Figure 2: Timeline of bitcoin's major events



Source: howmuch.net

to go all in with either asset but exposure to both will ensure that you are best placed to take advantage of the swings and roundabouts in the new digital world.

In the end, it depends on your goals. Bitcoin is a better investment for short-term potential gain – but you also have the potential to lose a lot of money. Gold, however, is a stable investment that is almost guaranteed to hold its value in the long term.

The last word will go to Mike Venuto, co-portfolio manager of the Amplify Transformational Data Sharing ETF, a US$1 billion ETF. "I would probably pick bitcoin but why not both? Gold and bitcoin have a very similar aspect to the portfolio. I would add gold as a diversifier. I would add bitcoin as a diversifier. The hedge is diversification. Bitcoin is a tool to get there. Bitcoin is a hedge to losing money to something stable".

KERRY STEVENSON is the founder of the Australian Gold and Virtual Gold conferences, and is an investor and entrepreneur who has a passion for helping people understand the ever-changing world of money and investing. She also points out that she is not a financial advisor or an accountant and that everybody should do their own research and stop watching Netflix.

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