

SBMA SUCCESSFULLY CONCLUDES FIRST VIRTUAL APPMC

BY SBMA - PAGE 3-4

APPMC: MARKET UPDATES

BY SBMA - PAGE 6-7

VIRTUAL APPMC: ON BITCOIN AND GOLD

BY SBMA - PAGE 8

THE SIGNIFICANCE OF SPDR GOLD SHARES DUAL CURRENCY TRADING

BY GEOFF HOWIE - PAGE 10-11

OUR VISION FOR THE GOLD MARKET

BY ANDREW NAYLOR - PAGE 12-13

THE NEW INVESTMENT LANDSCAPE IS GREEN

BY VIKAS SHENOY - PAGE 14

GAINING EXPOSURE TO GOLD VIA STREAMING AND ROYALTY COMPANIES

BY EMIL KALINOWSKI - PAGE 16-17

THERE IS STILL METTLE LEFT IN THE PRECIOUS METALS

BY BART MELEK - PAGE 19-21

INTERVIEW: SILVER BULLION'S GREGOR GREGERSEN

BY SBMA - PAGE 23

SBMA NEWS

BY SBMA - PAGE 24



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SBMA SUCCESSFULLY CONCLUDES FIRST VIRTUAL APPMC

BY ALBERT CHENG, SBMA

SBMA received overwhelming support from both sponsors and delegates in its first virtual edition of the Asia Pacific Precious Metals Conference (APPMC), which took place on 16 and 17 June.

While SBMA and other precious metals industry participants were looking forward to a return of APPMC, following a break in 2020 due to the Covid-19 pandemic, plans were scuppered as the virus continued its grip on economies globally and limited cross-border travel and physical meetings. The reception the conference received from sponsors and delegates was a testament to APPMC's role as an enabler for bullion community in the Asia Pacific and a platform for stakeholders to share the future of this vibrant industry.

The conference's virtual format enabled it to reach a wider audience in terms of geography and sectoral representation. Over two days, the conference saw a total of 876 registered delegates - its highest ever. The quality and depth of the curated content did not suffer either, with top names from across the industry, participating in panels that covered hot-button issues like bitcoin and gold, industry regulation, the latest technology and products, as well as updates on domestic markets across the region. During the conference, top Indonesian official Dr Adi Budiarto announced the country's plans to open up its bullion banking sector – a development the industry is eagerly looking forward to, given the country's large and growing market – and called for further consultation with SBMA members.

Keynote speakers World Gold Council CEO David Tait and London Bullion Market Association (LBMA) CEO Ruth Crowell discussed mainstreaming the role and relevance of gold in the

financial market, and LBMA initiatives related to advancing global standards in terms of responsible sourcing, bar integrity and Basel III, respectively. Tait noted that gold would play an increasingly fundamental role in portfolios as markets recover post Covid-19, and Crowell highlighted that responsible gold mining can support sustained socio-economic development and contribute towards the United Nations' Sustainable Development Goals.

The virtual networking segment, which spanned four days, proved a hit among participants, with 50 attendee table meetings and 402 sponsor table meetings conducted. While the initiative did a great job in keeping the community engaged with one another despite physical restrictions, almost everyone indicated that they would like to have a physical conference next year to meet, chat, drink and dine. Let's keep our fingers crossed for that.

"The time and technologies are now right to align around a common and agreed future vision. If we can do this, the future is bright for our industry", Tait said in his keynote address.

I couldn't agree more, and look forward to your continued support.

APPMC - DAY 1 HIGHLIGHTS

THREE GOALS FOR GOLD SECTOR

Make physical gold accessible, aim at absolute transparency across the gold supply chain and make gold fungible across platforms.

MR DAVID TAIT, CEO, World Gold Council

LBMA INVITES CONSULTATIONS

LBMA invites consultation from market participants on Responsible Gold Guidance Version-9 and Global Precious Metals Code 2021.

MS RUTH CROWELL, CEO, LBMA

NEW OPPORTUNITY IN INDIA

International Bullion Exchange, to be formed by a consortium of five institutions - NSE, BSE, MCX, CDSL and NSDL, would provide a unique opportunity for global bullion banks, refiners and other market participants to participate and grow India bullion market.

MR MANOJ KUMAR, ED, IFSCA

INDONESIA EMBARKS ON BULLION BANKING JOURNEY

Indonesia is embarking on its journey to streamline the gold sector. We expect to have a full-fledged bullion banking by 2024.

DR ADI BUDIARSO, Ministry of Finance, Indonesia

Online business would become integral to customer acquisition and growth in future of Malaysia gold jewellery sector.

MR ERMIN SIOW, Advisor, Federation of Goldsmith and Jewellers Association, Malaysia

Organised players are in a better position to manage the crisis. PNJ would like to consolidate and grow its presence across Vietnam, before venturing out.

MR LE TRI THONG, PNJ Jewellery Group

Future direction of gold would be directed by real interest rates.

MR JOHN READE, Chief Market Strategist, WGC

Platinum is relatively inexpensive to gold and palladium. With growing consensus on fuel-cells as climate-friendly tech for mobility, Pt demand is likely to increase and hence, its attractiveness as an investment.

MR TREVOR RAYMOND, Director of Research, World Platinum Investment Council

Silver has a huge upside potential due to growing industrial demand while at the same time investor's reluctance to commit capex on new mining projects. However, it may not immediately reflect on prices.

MR BART MELEK, Head of Commodity Strategy, TD Securities

APPMC - DAY 2 HIGHLIGHTS

SGEI SPECIAL SESSION ON CHINA

In the "Gold Road" project, SGE has launched business models such as "Gold Leasing + Jewellery Processing" and "Standard Gold Ingot Processing and Re-export". Market participants from Thailand and Singapore have made full use of China's high-quality design capabilities in jewellery and the convenient investment and financing channels of SGE.

MS ZHAO FANGHUA, Shanghai Gold Exchange International

Chow Tai Fook (CTF) opened its stores in six Asean countries. 'We can leverage our experience in China to grow these markets. Fast growth and government programmes such as RCEP would be enablers of growth in ASEAN markets. CTF feels grow in gold jewellery would continue for a long time in China.

MR KENT WONG SUI-KEE, Chow Tai Fook Jewellery Group

GoldZip, a gold backed token from CGSE, planned for launch in Q3'21 and will soon be available in Singapore. Gold backed tokens are treated as payment tokens in Singapore by the regulator, which is the right thing to do. So, we want to launch GoldZip in Singapore

MR BARRY IP, Chinese Gold and Silver Exchange

Gold tokens such as Cache Gold can potentially reduce carbon footprint by avoiding needless transport. Gold tokens make the market truly decentralised

MR KARIM RAFFA, Cache

Two macro trends that would influence EM Asia are (1) the possibility of low interest rate regime for a long time and (2) the growing influence of CNY. Low interest regime might prompt change in investment behaviour including portfolio diversification. Trade integration and currency integration would make EM Asia a de facto CNY block.

MR SIN BENG ONG, J.P. Morgan

China imports 2/3 of its gold consumption from HK. Bank of China based in HK facilitates a lot of it. T+D is the most vibrant and liquid contract in SGE. Exemption of storage fees and other fees is a great enabler to participate in SGEI. BoC full supports interconnection of China and Asean gold markets. BoC is committed to facilitating free-movement of gold along the Belt and Road Countries.

MR LIANG WEIYE, Terron, Bank of China

Carbon-neutral gold is a new market waiting to happen with digitisation of gold. It is a new asset and institutional investors adopting ESG would seek such products soon

MR JON DEANE, Trovix

Transparency of provenance tracking through Bullion Integrity Ledger addresses several unique challenges of the value chain participants. Digitisation increases overall efficiencies for all participants.

MR URS ROOSLI, Axedras

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APPMC: MARKET UPDATES

BY SBMA

The pandemic has mainstreamed the role and relevance of gold, particularly in the Asia Pacific context, but on-the-ground reporting and insights have proven difficult to gather, especially amid lockdowns and border closures.

Sessions on Day 1 of the Virtual Asia Pacific Precious Metals Conference gave participants an in-depth look into how the gold and precious metals industry has fared, and how it is evolving in Asean, the fastest growing regional market in the world, as well as India, the world's second-largest consumer market for the precious metal.

INDIA

New opportunities abound with the establishment of the International Bullion Exchange, which is located in the International Financial Services Centre in Gujarat International Finance Tec-City and became fully operational in July 2020 (fig. 1 & 2). Manoj Kumar, Executive Director, International Financial Services Centres Authority (IFSCA), noted the country's world-class regulatory environment and focus on ease of doing business, and the unique opportunity for global bullion banks, refiners and other market participants to participant and grow India bullion market, particularly in terms of establishing standards and benchmarked products. He also highlighted the demand for a refiner and the implementation of a well-developed and renown refining framework/system.

Kumar noted that Indian households have stocked up to 25,000 tonnes of gold, the largest in the world, and that the country is the world's second-largest importer of gold, with a demand of nearly 1,000 tonnes. In 2020, about 5,093 tonnes of gold were traded in the futures exchanges in India. As such, the time has come for India to think of how to liberate its passion for gold towards better standards around the International Bullion Exchange, he said.

INDONESIA

Indonesia, Asean's largest domestic market, is embarking on a journey to streamline its gold sector, and it expects to have a full-fledged bullion bank by 2024, Dr Adi Budiarto, Head of the Center for Financial Sector Policy at the Fiscal Policy Agency of the Ministry of Finance, Government of Indonesia, said. The country has potential gold ore resources of 14.95 billion tonnes, and it can develop a bigger bullion market share for both the domestic and global market. The initiative is still in its early days – the bullion bank implementation will start with a pilot project at a commercial bank, while a revision of the Banking Law and the Financial Service Authority (OJK) law are needed, along with a more streamlined tax exemption structure (fig. 3).

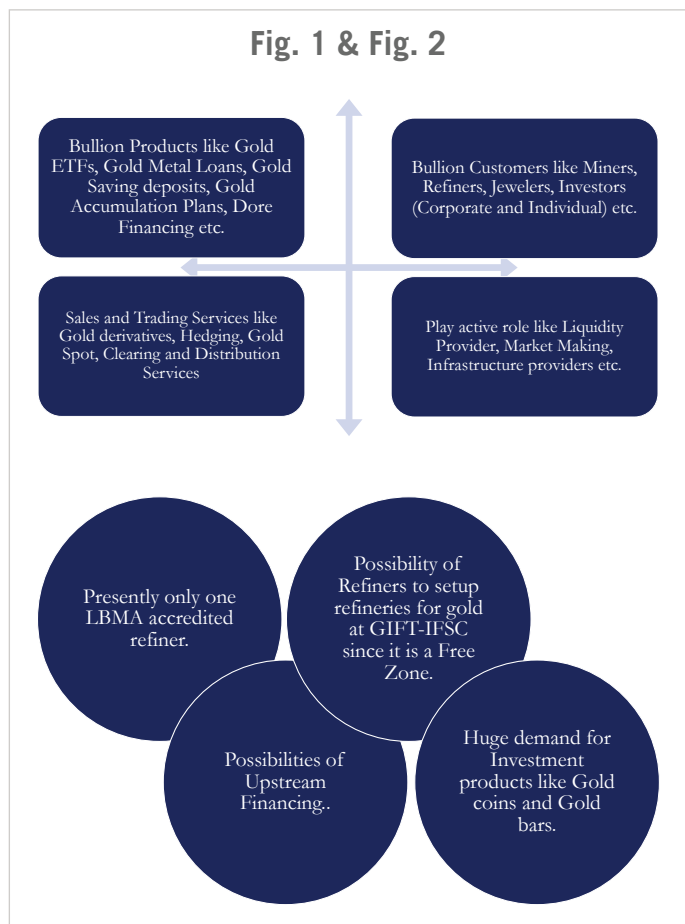
Most of Indonesia's domestic gold production is for export, and the country still imports gold bullion to meet the needs of its jewellery industry. At the same time, gold futures trading in Indonesia has started to develop. In terms of business prospects, gold investment in Indonesia is dominated by baby boomers, though there is large potential to grow its interest among the millennial generation, which is increasingly receptive to gold consumption and investment, Dr Budiarto said.

MALAYSIA

Gold consumption in Malaysia was hit by the movement control order, implemented to control the coronavirus outbreak in the country. Jewellery shops and manufacturers had to remain closed during this time, but despite the poor economic conditions and high gold prices, there was little panic selling, Ermin Siow, Advisor, Federation of Goldsmiths and Jewellers Association Malaysia (FGJAM), said. He noted brisk sales among gold retailers due to government subsidies and aids, which brought a lot of liquidity to the market. In fact, listed companies Poh Kong and Tomei – the two largest in the gold jewellery sector – announced strong earnings. There has been no significant sellback of scrap gold, and local scrap is estimated 15 tonnes per year, from the country's 4,000+ retail outlets, 1,000 sharia-compliant Al-Rahnu pawnshops, and 800 traditional Chinese pawnshops.

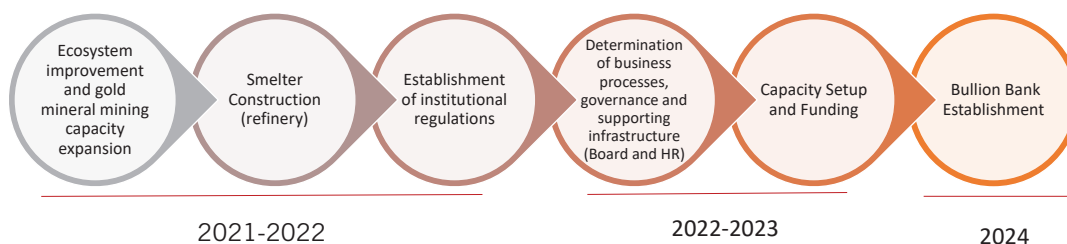
However, unlike retail sales, gold exports were badly hit. Gold exports in 2020 fell by about 70% to 13.5 tonnes from the year before (32 tonnes), due to border controls and a boom

Fig. 1 & Fig. 2



Source: IFSCA

Fig. 3



- In the first five years, the focus is on the Universal Bank concept by determining one or two commercial banks to act as bullion banks.
- Then, adopting the concept of commodity trading with the regulators (FSA and Bappebti)
- Next, preparing bullion bank as an expansion of the commercial bank business which requires industry preparation and its supervisory mechanism by the OJK (regulated in PP/POJK).
- Finally, preparing for the potential expansion of the derivatives business which requires the strengthening the role of the capital market and derivatives market supervisor, especially in paper gold and other derivative transactions (regulated in P-OJK/P-Bappebti).

Source: Center for Financial Sector Policy, Indonesia

in domestic sales, which saw manufacturers and exporters focusing on the domestic market. At the same time, online sales of gold jewellery have been growing, so sales have not been too badly affected by the MCO. To overcome the lockdown, many retailers have switched to online sales, including live sales on social media platforms, Siow said, noting his optimism that things will turn around by the end of the year.

VIETNAM

The past year has been a tough one for Vietnam's gold industry, Le Tri Thong, CEO, Vice Chairman of the BOD PNJ Jewellery Group, reported. Even media outlets and the public have been asking if the industry is reaching its sunset days, Le said. Hit by Covid-19, total retail consumption in the country is shrinking and the jewellery market shrinking even faster as many jewellery companies have closed or suspended their operations, which has had a knock-on effect as many workers have left the jobs or the industry as a whole (fig. 4). The retail market started off 2020 well, but experienced a sharp decline of about 60% due to a lockdown in March and April, according to market data from PNJ and official statistics in Vietnam. The industry only saw a return to growth in the fourth quarter of 2020.

However, Le said that 2020 has been a “fantastic” year for PNJ, as sales grew by more than 20% due to digitalisation initiatives, which have allowed the company to continue operations despite the lockdown. People still have purchasing power and less avenues to spend money during Covid-19, he said.

Le noted that for firms to survive, new approaches are needed – from mass nationwide promotions and campaigns to more dynamic and smarter digital marketing, which can better target

customers and provide more customised solutions, particularly for the younger and more savvy customers. A digital strategy is also necessary to increase sales, and companies should not rely on the traditional way (retail outlets). Companies also need to consider expansion overseas to capture markets abroad, though he noted that any success formula in Vietnam should not be replicated in the international market.

Fig. 4



- The total retail consumption is shrinking
- The “3 set of the Covid Match”
 - » Market get worse in the 2nd set
 - » Restart the match? – anytime?
- Jewelry market - shrinking even faster
 - » Many jewelry companies closed or suspended
 - » Many workers left jobs / industry

Source: PNJ Jewellery Group

VIRTUAL APPMC: ON BITCOIN AND GOLD

BY SBMA

One of the most anticipated panels at the Virtual APPMC was the discussion on gold and bitcoin. For such a young asset class, how does cryptocurrencies compare with gold, which has thousands of years' head start?

The current market capitalisation of all tracked cryptocurrencies is approximately \$1.63 trillion, which comprises \$735 billion in bitcoin and \$285 billion in ethereum, according to crypto data provider CoinMarketCap. The value of gold alone is seven times as much as \$11.9 trillion, while investor holdings stands at \$4.7 trillion, moderator Rhona O'Connell, StoneX, noted.

"Clearly these assets have been on something of a roller-coaster in recent months and no doubt the fireworks will continue, while gold plays to its strengths as a relatively stable asset, with established credibility as a mitigator of risk", O'Connell said.

ABC Bullion's Nick Frappell repeated the argument that gold is ageless, a durable store of wealth and a portfolio diversifier. He noted gold's relatively low volatility and the fact that it is widely known and accepted. "Crypto can't make a similar claim as a durable store of value," he said.

Gold's price response to yields is also clear and robust, unlike bitcoin, which is risk-on and reflationary, correlated with growth and new economy equities, and works well in a rising yield environment. As the asset is highly volatile, it is "too early to talk about a store of value in a meaningful way", Frappell said.

There are also many alternate use cases for gold that sit outside its function as an investment class, which is not so with bitcoin, as its scalability trilemma will probably never be solved, he noted.

Gold and bitcoin are sufficiently different that digital gold appears incorrect, and the lack of real success of digital gold on the blockchain speaks to the difference between the two assets. "The best case is to treat gold and BTC as complementary alternative assets and respect their different strengths", Frappell said.

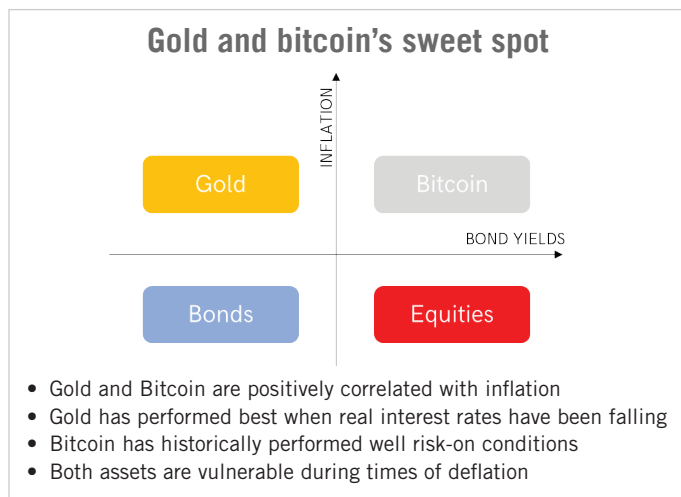
Gregor Gregersen, Silver Bullion, however, cautioned against lumping all cryptocurrencies together. Coins behave differently, and there is a distinction between cryptocurrencies and digital currency. At the same time, he highlighted the similarities between bitcoin and gold: they are both decentralised and finite.

Gregersen noted the "de-dollarisation" of the global economy: "We are moving towards a world where the US dollar is of less importance and towards alternatives", he said. With the US increasingly using the dollar as a political tool, there is a big demand for countries to trade in manners that do not involve the dollar, Gregersen said, pointing to El Salvador's recent move to make bitcoin legal tender, which has prompted many other US dollar-dependent countries to explore similar possibilities.

The rise of cryptocurrencies has not affected the demand for gold, nor has it diminished gold's appeal among retail investors, Adrian Ash, BullionVault, said, pointing to the record spike in the London OTC market in 2020 and the fact that there has been no relationship between bitcoin price moves and net gold investment demand, at least until mid-2020.

Ash also noted that younger investors have not abandoned gold, as shown by the share of new users aged below 30 on BullionVault, and the growing value of assets on the platform. Under-30s fell to 13% of new users in 2020, but that was a record year for new users on BullionVault. The number first-time under-30 users almost trebled that year, and as of May 2021, under-30s already comprise 85% of new users, Ash said.

The environment that gold exists in is fundamentally a positive one. Gold has not shrunk as a market alongside growth in bitcoin, Ash said. A risk of holding crypto assets is that they will not always work when you need it to, he added. Gold shows zero correlation with US equities over shorter periods, but on a five-year horizon, it has traded higher 98% of the time the S&P500 has fallen over five years. This is no small risk, Ash said, pointing out that this has happened 21% of the time over the last five decades.



Source: ByteTree

Charles Morrison of Byte Tree Management broke down the similarities and differences of bitcoin and gold, in particular noting the utility of bitcoin: it is a digital network with the potential to host the global financial system. Because of their different demand sources, he said gold and bitcoin can thrive side-by-side in an investor's portfolio: the two assets tend to be complementary and are positively correlated with inflation, so it makes sense to consider both in portfolios.

Gold performs the best when interest rates are falling, while bitcoin, on the other hand, has historically performed well in risk-on conditions. As such, he said a portfolio with a 80-20 mix of gold and bitcoin can maximise benefits.



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THE SIGNIFICANCE OF SPDR GOLD SHARES DUAL CURRENCY TRADING

BY GEOFF HOWIE, *Market Strategist, Singapore Exchange*

Effective 30 June, dual currency trading will be introduced to the SPDR Gold Shares ETF which will commence trading in a secondary currency of SGD, with the primary trading currency remaining the USD.

As the unit holdings executed via SGD and USD counters are custodied in a consolidated pool at the depository, investors can buy one currency counter and sell in the other currency counter.

The ETF, also included under the CPFIS-OA, has a minimum board lot size of five units (approx. 0.47 ounces of gold), which at a current unit price of US\$166, has a value of US\$830 (approx. S\$1,110). The SPDR Gold Shares ETF was the most traded ETF listed in Singapore in 2019 and 2020, and the second most traded ETF in the 2021 year to date.

The SPDR Gold Shares ETF has averaged daily turnover close to US\$4 million since the end of 2019, which compares to average daily turnover of US\$1.7 million for the three years pre-COVID.

RECENT VOLATILITY, THE SGD AND THE SPDR GOLD SHARES ETF

The past five years have seen the SPDR Gold Shares ETF generate a 32% return in USD terms, while the regional FTSE ASEAN All-Share Index generated an 8% price return, with reinvested dividends boosting the total return to 18.8% (also in USD terms). While both benchmarks generated gains over the five years, with the SPDR Gold Shares ETF return largely unchanged at 31% in SGD terms, periods of heightened volatility saw a number of performance divergences across the index, ETF and SGD/USD. So much so, that over the past five years, the daily moves of the SPDR Gold Shares ETF have been

inversely correlated to the FTSE ASEAN All-Share Index. When changing the denomination of the SPDR Gold Shares ETF to the SGD, the ETF's inverse correlation to FTSE ASEAN All-Share Index was increased further. One possible reason for this was that the SPDR Gold Shares ETF, and to a lesser extent, the SGD, have both appealed as less riskier assets that served investors seeking safer havens in recent years.

For instance, during the market volatility between 15 January 2020 and 15 April 2020 the FTSE ASEAN All-Share Index, which is denominated in USD, declined 26.5% while the SPDR Gold Shares ETF in USD terms gained 9.8%. The USD continues to remain the most used international currency used for international and intra-regional trade. During the four months, the SPDR Gold Shares ETF gained 16% in SGD terms, outpacing the 9.8% gain for the ETF in USD terms. This meant the simple inverse correlation of the SPDR Gold Shares ETF in SGD terms to the FTSE ASEAN All-Share Index in USD terms, for the short period, was exacerbated further, in this case, from -9% to -56%.

From 14 January 2021 to 1 February 2021, the FTSE ASEAN All-Share Index declined 4.6% in USD terms, while the SPDR Gold Shares ETF in USD terms gained 1.1% and the SPDR Gold Shares ETF in SGD terms gained 1.7%. More recently, the three weeks from 29 April to 20 May saw the FTSE ASEAN All-Share Index decline 3% in USD terms, while the SPDR Gold Shares ETF in USD terms gained 5.1% and the SPDR Gold Shares ETF in SGD terms gained 5.5%.

FTSE ASEAN All-Share Index vs SPDR Gold Shares ETF



Note these educative examples of inverse correlation were observed during increased market volatility that coincided with risk-off like themes making the headlines, with the key caveat that past cross-asset flows do not necessarily foreshadow future cross-asset flows. As a global asset class, gold has multiple attributes with portfolio diversification a popular application. Including assets with a low correlation to each other does help reduce overall portfolio risk and the World Gold Council suggests that when investors add risky assets, gold should make up between 2% and 10% of the portfolio.

With Singapore's open Capital Account, the International Monetary Fund noted in 2019 that due to Singapore's status as a trade and financial centre in Asia, changes in market sentiment can affect Singapore significantly, and that increased risk aversion in the region, for instance, may lead to inflows to Singapore, given its status as a regional safe haven, while global stress may lead to outflow.

BROADER APPLICATIONS

Much of the ASEAN population maintains a penchant for gold. The SBMA maintains that gold has played a very important role in ASEAN and is closely connected with the life and culture of the people in the region, and has been used often in the past as a medium of exchange and a unit of measurement. Back in 2017, the SBMA highlighted a regional propensity to buy gold jewellery, not only for use as accessories or gifts for cultural or religious ceremonies such as weddings, festivals and other special occasions, but also as a storage of wealth.

The SPDR Gold Shares ETF is also among the most traded ETFs across the region. The key attribute that State Street Global Advisors often associate with the ETF is its provision of a modern, cost-efficient and secure way to gain access to the gold market without having to pay the transportation, storage and insurance costs of holding physical gold.

Aside from gold helping manage risk and volatility as discussed above, gold may help preserve purchasing power. The leading ETF issuer maintains that the gold prices are influenced by multiple factors ranging from central bank policies and interest rates to emerging market demand and mining production and as a result, there is a diverse set of global drivers that impact the price of gold beyond localised events. State Street Global Advisors suggest that this could support gold prices during periods of local currency depreciation and may help it act as a hedge against global inflation.

Since its inception in the United States in November 2004, the ETF has generated an annualised return of 8% in USD terms or 7% in SGD terms through to 28 June. The SPDR Gold Shares ETF was subsequently listed on SGX in October 2006, and has generated an annualised return of 8% in USD terms or 6% in SGD terms through to 28 June. Globally, the SPDR Gold Trust currently maintains total net assets of US\$64 billion.

THE SPDR GOLD SHARES ETF IS A MODERN, COST-EFFICIENT AND SECURE WAY TO GAIN ACCESS TO THE GOLD MARKET WITHOUT HAVING TO PAY THE TRANSPORTATION, STORAGE AND INSURANCE COSTS OF HOLDING PHYSICAL GOLD



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



OUR VISION FOR THE GOLD MARKET

BY ANDREW NAYLOR, *Head of ASEAN and Public Policy, World Gold Council*

Covid-19 has brought the role of gold into sharper focus. Profound economic uncertainty has led to a renewed interest in gold's safe harbour properties. This is why, for example, we saw unprecedented investment interest in gold as demonstrated by record inflows into physical gold exchange-traded funds.

But the past 18 months have also brought up some issues: consumer demand was severely impacted by market lockdowns, and logistical constraints at the beginning of the pandemic led to a temporary disconnect between the New York and London markets. While we quickly overcame these challenges, we can avoid many of them in the future by grasping the opportunities of the digital revolution.

Environmental, social and governance (ESG) issues have been top of mind among investors for many years, but Covid-19 has led to a renewed focus on sustainability. Sustainable investing has increased in popularity for several reasons including an increased consumer and investor consciousness, and because sustainable businesses are viewed as better able to weather external challenges such as pandemics.

WE SHOULD BE DOUBLING DOWN ON OUR EFFORTS TO INCREASE THE SUSTAINABILITY OF OUR INDUSTRY

A recent report by Cicero Group showed that 69% of people believe protecting the environment is growing in importance following the pandemic.¹ The same report suggested that nearly three-quarters of respondents (73%) do not believe that brands are transparent about their supply chain. Protecting the environment, and enhancing supply chain integrity, have been two major priorities of the gold market for many years

and the survey shows that we should be doubling down on our efforts to increase the sustainability of our industry.

OPPORTUNITIES OF THE DIGITAL REVOLUTION

We are at the cusp of the fourth industrial revolution. All sectors of the economy, and indeed the way we live our lives, are being impacted through advances in digital technology.

The gold market is not immune. To ensure that gold continues to meet the needs and aspirations of individuals and investors in the 21st century, the market should fully grasp the opportunities that new technologies provide. That is why the World Gold Council has set out a broad vision for the gold market, focusing on integrity, accessibility and fungibility. This builds on the work we have collectively achieved so far, and leveraging the latest technological developments and financial market innovations.

ENHANCING INTEGRITY ACROSS GOLD'S VALUE CHAIN

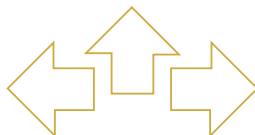
The gold industry has been working hard to ensure that our practices are sustainable and, where possible, exceed the expectations of investors, consumers and policymakers. Work to date includes the launch of the World Gold Council's Responsible Gold Mining Principles (RGMPs), setting out clear expectations for consumers, investors and the downstream gold supply chain as to what constitutes responsible gold mining. The RGMPs recognise and consolidate existing standards such as the UN's Guiding Principles, the OECD Due Diligence Guidance and the ICMM performance expectations into a single framework. This drives awareness of how gold producers are meeting ESG expectations and enhances reporting.

Of guaranteed provenance & integrity



- Universal, ethical sourcing standards, ESG
- Bar security technology applied across supply chain
- Larger ecosystems of gold good delivery
- Respected intermediaries enforcing rules, incl. financial crime

Accessible to all



- 24/7 access, anywhere, for everyone
- Frictionless customer experience
- Full investor transparency on price, costs, volumes, and liquidity
- Market practices clear, documented, well understood by market users

Fully fungible



- A trading unit for gold agnostic of bar and brand
- Ledgers providing legal title, processed instantly
- Deposit or withdrawal of physical at any global location
- Gold useable as an asset across the financial system

Other areas of work include analysing the carbon footprint of the gold industry, and raising awareness of how our industry is contributing to the UN's Sustainable Development Goals.

Last year we launched the Retail Gold Investment Principles. These are designed to increase trust in the retail gold market, a sector accounting for US\$50 billion annually. Trust is a significant barrier to the growth of the sector and the Principles are designed to enhance the integrity of the retail market through more robust best practice covering everything from responsible business conduct to transparency.

One area where a global, industry-wide solution is required is supply chain integrity. We need common agreement on a single system to trace the source of all forms of gold – including kilobars – throughout the entire supply chain. We should build on existing standards to develop a whole-of-market, global solution. While we have high standards on the responsible sourcing of gold, there is an opportunity to leverage new technological developments to create a truly global system of supply chain integrity covering gold in all its forms.

ENSURING UNIVERSAL ACCESS TO GOLD

A second priority for the gold market should be maximising accessibility to gold. Consumers, investors, and end-users of gold should be able to seamlessly transact and trade 24 hours a day and execute at best price. The World Gold Council has already worked to promote access, be it supporting the creation of new trading venues in India or acting as a catalyst for new product development in China, India and Japan. The gold market can benefit from the digital finance revolution by developing global market infrastructure that facilitates access to physical gold through online or digital platforms.

Gold is a hugely important household financial asset in many markets, especially in Southeast Asia. The model of purchasing physical gold from a jewellery or bullion shop will still exist, but we should work to facilitate the development of new channels of access. This is key if we are to ensure that gold plays an optimal role in the individual finances of younger, tech-savvy consumers.

ENABLING GOLD'S FUNGIBILITY

Finally, and going hand-in-hand with accessibility, we want to ensure that gold is fully fungible. This means we should be working to reduce fragmentation and ensure that local and regional gold markets are fully interoperable. Through a

combination of harmonised standards, smart regulation, and technology it should be possible to deploy gold across the global financial system, including depositing or withdrawing gold across a network of global locations.

This would be beneficial for several reasons, not least engendering trust through transparency and legal certainty, as well as broadening participation in the market due to increased liquidity, new use cases, and lower trading costs in all markets.

A DIVERSE MARKET

All of this can be achieved through common agreement on standards, technologies, and regulation. The gold market is global and diverse. Different forms of gold meet the varying needs and preferences of consumers, investors and end-users.

But to be successful in delivering this vision, the entire supply chain must come together to develop an interoperable and harmonised solution to the challenges of the 21st century, and opportunities afforded to us by the digital revolution.

Notes

- ¹ The Great COVID Reset Creating a More Sustainable Tomorrow (Cicero AMO, May 2021) <https://cicero-group.com/wp-content/uploads/2021/05/The-Great-COVID-Reset.pdf>



ANDREW NAYLOR joined the World Gold Council in 2016 and is responsible for its activities in the region – institutional investment, government relations, and public policy initiatives. He previously worked for international consultancy firm Cicero Group advising financial institutions on foreign investment and trade policy in Asia and regulatory reform. Andrew has been a supervisory board member of the EU-ASEAN Business Council since 2020 and he was a board member of the European Chamber of Commerce in Singapore from 2012 to 2019.

THE NEW INVESTMENT LANDSCAPE IS GREEN

BY VIKAS SHENOY, *Head of APAC Origination & Partnerships, Trovio*

With shifting social and cultural norms in recent years and a growing awareness of how human activities affect the environment, modern investors are becoming more environmentally conscious than their predecessors. The demand for “greener” portfolios is on the rise, and it doesn't look like it will be slowing down anytime soon. Fortunately, new products are being created that leverage the latest technologies to overcome some of the hurdles of traditional industries, offering more sustainable choices for the forward-thinking investor.

OLD VS. NEW

Not long ago, the conventional wisdom in the investment landscape was relatively simple: look for products with the highest risk-adjusted returns. From a purely value-focused standpoint, this, of course, makes perfect sense.

However, this mindset is swiftly changing. A growing, global focus on more ethical and sustainable practices for both industries and individuals has given rise to environmental, social and governmental (ESG) investing. ESG-centric products work to address issues surrounding sustainability, exploitation and inequality that arise in many of the sectors that traditionally have been highly attractive to investors.

The rise in popularity of ESG-based portfolios is being driven by several factors. For one, governments and regulators are placing increasing pressure on businesses to meaningfully reduce carbon emissions or go completely carbon neutral. For example, US President Joe Biden has already committed US\$2 trillion towards updating industry infrastructure to meet these goals. Furthermore, many G20 member nations are promoting the widespread adoption of corporate climate risk reporting in accordance with global standards.

In a similar vein, institutional investors are increasingly being subjected to ESG-based scoring of their investment portfolios. This means that those unwilling to conform with this new philosophy risk reputational damages, incentivising firms to reimagine how they do their business and encouraging them to seek new, more forward-thinking products.

Another important area in which ESG investing is gaining traction is in the retail sector. Since 2020, a flood of new users have flocked to easily accessible investment platforms such as Robinhood. Many of these customers are young and focus more on environmental and social concerns, than returns alone. They want their investments to minimise the impact on the world around them.

This outlook has also had a significant bearing on how institutional money managers and corporations think. Thus, companies are looking internally to make sure operational models meet the environmental and social benchmarks set by the market.

ESG GOLD?

Attempts to overhaul gold industry infrastructure and practices to minimise carbon emissions are under consideration. However, this transformation won't occur overnight, and will never fully address the problem at scale. Offsetting the carbon emissions created during the process, however, may represent an achievable and time-effective goal.

New technologies and methods are emerging that address both the needs of ESG investors while also ensuring robust returns. LBMA's Responsible Sourcing provides guidelines for Good Delivery List refiners to demonstrate their efforts to combat money laundering, terrorist financing and human rights abuses, and respect the environment globally.

On the technology front, companies like Trovio, for example, offer a blockchain-powered platform that enables a new, digital ecosystem and brings a range of assets, including commodities like gold, within the accepted framework of ESG investing. Such technology enables immutable linking of scientifically determined carbon offsets to assets. Additionally, providing provenance data to the investors ensures that the underlying asset can be tracked from mine to vault.

Asset owners, such as gold refiners and banks, could retire carbon offsets, couple them with supply chain provenance data, creating fully verifiable carbon neutral assets – an innovation that the investing community hasn't thus far seen. GoldZero is a listed ETF product that will be launched on ASX that gives investors exposure to physical gold, with the added benefit of carbon neutrality and its positive impact on ESG scoring. The ETF will make use of prevailing industry guidelines such as LBMA's Gold Bar Integrity Initiative to additionally verify that the gold used for these investment vehicles has come from responsible sources only.

It's these types of innovations that will pave the way forward for an increasing amount of ESG-minded products in the coming years. This trend towards earth-conscious investing is likely to pervade, especially as climate change becomes a more prominent issue. Technologies like blockchain are providing powerful new tools that allow for more people than ever to use their money to promote change, and it's looking to be a benefit for industry, investors, and the environment alike.



VIKAS SHENOJ is Head of APAC Origination & Partnerships at Trovio, a commodities digitisation company for the precious metals industry. Its current product suite includes GoldPass for The Perth Mint, Perth Mint Gold Token (PMGT) and Universal Gold token (UPXAU) issued along with the Universal Protocol Alliance. Prior to joining Trovio, Vikas spent nearly 10 years in commodities sales & trading with Société Générale, ANZ Bank and Deutsche Bank, across Mumbai, London and Singapore.

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GAINING EXPOSURE TO GOLD VIA STREAMING AND ROYALTY COMPANIES

BY EMIL KALINOWSKI, *Researcher, Wheaton Precious Metals*

The casual precious metal investor will likely consider only one of three categories of ownership: physical bullion, a metal-backed exchange-traded product (ETP), or equity in a metal producer. But for the well-versed investor, there is another category to investigate: streaming and royalty companies.

The streaming and royalty business has been in existence just as long as metal-backed ETPs. Indeed mere days separate their introduction to global markets. In October 2004, the first streaming company, Wheaton Precious Metals, began trading on the Toronto Stock Exchange. A month later, State Street, with the World Gold Council's sponsorship, brought the SPDR Gold Trust to the market.

In only the loosest sense can it be described as a “sibling rivalry” because Wheaton was stuck in the shadow of the towering, immediate success of the ETP. Not only did the SPDR Gold Trust spawn aureate imitators across the world, but argent replicators (i.e. iShares Silver Trust). The product would become the world's second-most valued ETP behind the SPDR S&P 500, but even briefly, the very biggest.

However, in recent years their roles have reversed, the just-as-successful performance of the streaming and royalty company is underappreciated. This precious metals investment category has risk-return characteristics that are entirely appealing, with more upside than an ETP but less risk than the equity shares of a metal producer.

STREAMING COMPANY

Streaming companies (Stream Co.) work by making an upfront payment to the mining company (Mine Co.) for a portion of metal produced. Stream Co. will also make additional payments upon delivery of the metal. The additional payments to Mine Co. are predetermined at the time of the contract and are either fixed (e.g. \$800 per gold ounce) or based on a proportion of the metal price (e.g. 20% of palladium's spot market price).

Why would Mine Co. give up any of its hard-earned metal? The upfront payment can help fund exploration, a greenfield development and/or a brownfield expansion. Alternatively, the upfront payment can have nothing to do with the field but instead be leveraged at the company's headquarters: repairing Mine Co.'s balance sheet and/or funding a merger or acquisition.

But most importantly, Mine Co. may be enticed to part with its hard-earned metal because the metal being streamed is not the core business. How can this be? Mother Nature's preference is to create polymetallic deposits, consequently the copper mine produces copper but also: gold, molybdenum, silver, rhenium, zinc, etc.

Copper Mine Co. is in the copper business and capital markets will both fund and value the enterprise on its copper business, not its byproducts. If Copper Mine Co. is at peace with this market evaluation it will treat its byproducts as credits to the cost of the copper operation, or as incidental revenue.

Alternatively, it can bundle up years of anticipated byproduct production and exchange the bundle for an upfront payment (and payments-on-delivery), and employ the capital immediately.

On the whole, 16 years of evidence suggests that metal producers do not believe capital markets value their byproduct appropriately. According to Sandstorm Gold, a major streaming and royalty company, the sector struck US\$23.4 billion worth of agreements between 2010 and 2019, with 74% of dollars structured as streaming contracts.

ROYALTY COMPANY

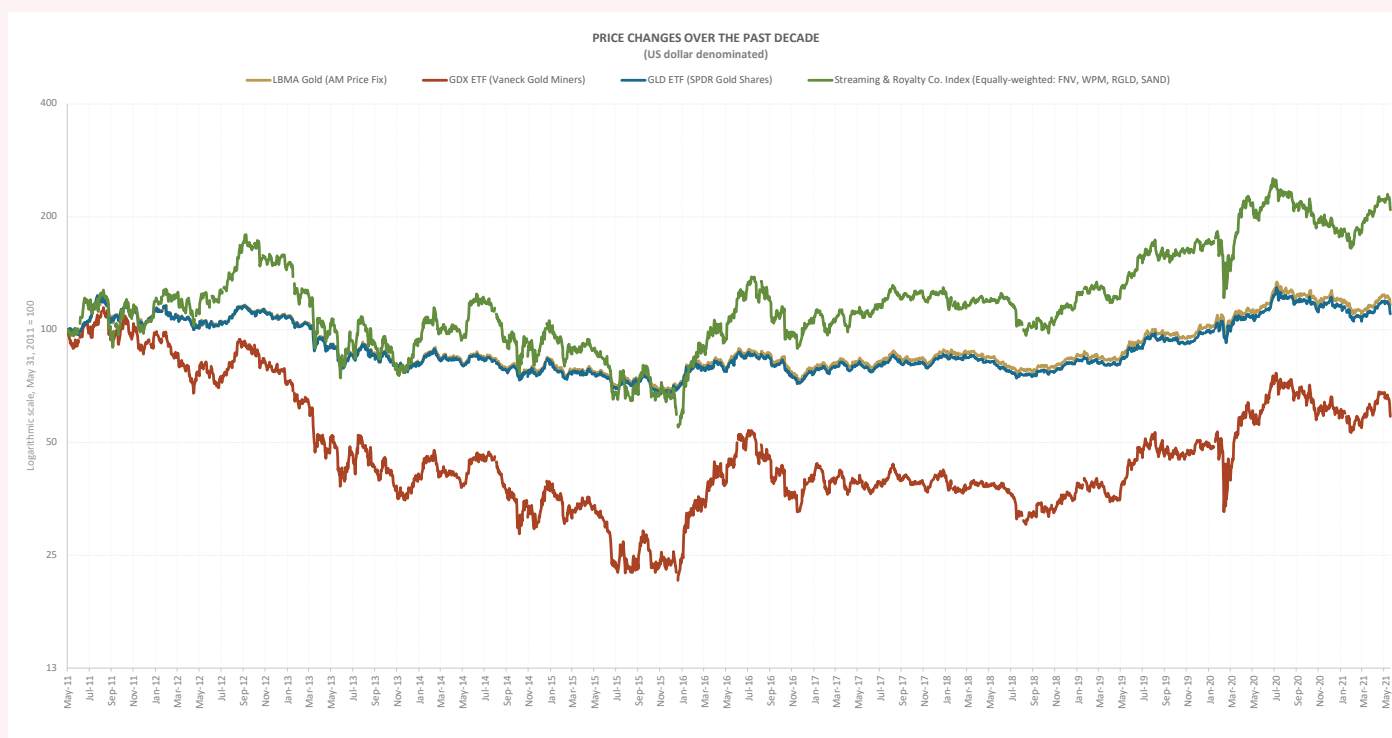
A royalty company (Royalty Co.) has many similarities to streaming companies. Royalty Co., likewise, makes an upfront payment to Mine Co. but instead of receiving a percentage of metal, it receives a share of revenues.

Other differences include Royalty Co. not making additional payments to Mine Co. (existing exceptions prove the rule). Also, Royalty Co. partnerships are typically with a Gold Mine Co. or a Silver Mine Co., as it seeks exposure to precious metals directly instead of via byproducts.

There are different royalty “flavours” within the two main groups: revenue-based and profit-based. The former is top-line and can come “gross” or “net smelter” (i.e. after the smelter gets paid). The latter is bottom-line and is paid out after capital costs or operating and capital costs. Franco-Nevada, a major streaming and royalty company, estimates that royalties are typically in the range of 1% to 5%.

BENEFITS

On the spectrum of physical gold ownership and the equity shares of a metal producer, the streaming and royalty company lies between the ETP and the producer. Unlike ETPs, investors are not tracking the price of the metal with such an investment, nor is the investment backed by pallets of bullion. Furthermore, unlike some ETPs, investors do not have ownership rights to the metal.



	2022 Metrics on Current Forward Curve									Production		
	P / NAV	EV / EBITDA	ND / EBITDA	P / E	P / CF	FCF Yield	FCF Margin	Sustaining FCF Yield	Sustaining FCF Margin	Growth (2021-23)	Cash Costs (2021-23)	All-In Sustaining Costs (2021-23)
Streaming & Royalty Co.	1.60x	15.9x	-1.3x	36.9x	19.3x	5.9%	68%	6.1%	70%	28%	\$240	\$336
Senior Producers	0.87x	4.7x	-0.6x	13.4x	6.7x	10.9%	26%	14.2%	34%	10%	\$675	\$963
Intermediate / Junior Producers	0.81x	8.6x	-0.5x	12.6x	6.8x	4.6%	9%	12.8%	29%	24%	\$762	\$1,032

Source: Canaccord Genuity Capital Markets (17-Jun-21)

Like an equity investment, investors will be leveraged to the price of the metal, as a mining company's profit is directly related to the margin between revenue (which is dependent on metal prices) and the cost of production. Also, like an equity investment, investors will enjoy a dividend yield and optionality from the successful exploration and on-site expansions of reserves and resources.

Unlike an equity investment, investors will have significantly limited their exposure to capital investment and operating costs. The streaming and royalty sector does not conduct exploration, develop projects, operate mines, manage environmental restoration, or organise post-production site closures. Indeed the sector's fundamental advantage is long-term cost.

Investing in a streaming and royalty company is an endorsement of the technical, engineering knowledge of its management. It is an endorsement of its due diligence on all aspects: financial, technical, environmental, social, political, etc.

STREAMING AND ROYALTY COMPANIES

The streaming and royalty sector increased gold production by 6% year-on-year in 2019. Its proportion of global gold mine supply remained unchanged in 2019, at 1%. The sector decreased silver production by 5% in 2019 relative to the year previous. Its proportion of global silver mine supply fell in 2019 to 4.3% from 4.5% in 2018.

If all companies are rescaled to gold-equivalent ounces, the industry saw a 2.6% decrease in production for 2020, according to Canaccord Genuity Capital Markets. The industry

is forecast to expand by 17% by 2022. Looking further out, BMO Capital Markets sees gold-equivalent ounces rising by 33% by 2025 relative to 2020's low.

According to Metals Focus, in 2019 the five largest precious metal streaming and royalty companies – Franco-Nevada, Osisko Gold Royalties, Royal Gold, Sandstorm Gold, Wheaton Precious Metals – accounted for 98% of the gold subject to streaming and royalty agreements. However, there are many more names to consider.



EMIL KALINOWSKI joined Wheaton Precious Metals in 2014. His research focuses on how socioeconomic and geopolitical trends affect the supply, demand, and price of precious and base metals. His present focus is on the malfunction of the monetary system in 2007 and how its continuing disorder has impacted commodity prices, macroeconomic trends and long-term country risks. He is also a part-time radio talk show host, a YouTube channel on economic and finance. He previously held positions at State Street and Goldman Sachs.

The World Platinum Investment Council was formed by the Six leading platinum producers to develop the market for platinum investment demand.

Our mission is to stimulate investor demand for physical platinum through both actionable insights and targeted development, providing investors with the information to support informed decisions regarding platinum; working with financial institutions and market participants to develop products and channels that investors need.

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World Platinum Investment Council is privileged to have organized the inaugural Shanghai Platinum Week (SPW) partnering with China Material Recycling Association Precious Metal Industrial Committee and China Gold Association Platinum Committee in the first week of June 2021. With similarities to London Platinum Week, the SPW is aimed to become an annual fixture for the PGM industry in China and beyond, acting as an interface between those involved in PGM market development in all its guises, from technology to jewelry and investment.

The first ever SPW gained supports from the Ministry of Mineral Resource and Energy, South Africa, the South African Embassy in Beijing, Shanghai government, major international PGM miners including Anglo American Platinum, Norilsk Nickel, Royal Bafokeng Platinum and Northam Platinum. The Chairman of London Platinum and Palladium Market (LPPM) also delivered his wishes to the event and expected to have in-depth involvement in next year after the pandemic.

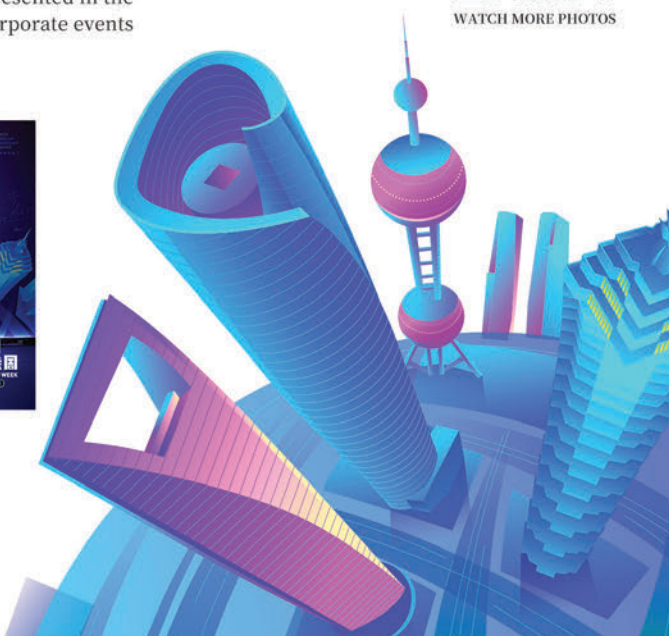
More than 29 speeches and discussions from Chinese and international PGM firms were presented in the 2-day Summit. It attracted 300 delegates and 40,000 viewers online, in addition to 4 other corporate events during the week. We are honored to have BASF as the featured sponsor for the SPW Summit.



WATCH MORE PHOTOS



For more details, please refer to
<https://platinuminvestment.com/about/60-seconds-in-platinum/2021/05/24>



THERE IS STILL METTLE LEFT IN THE PRECIOUS METALS

BY BART MELEK, *Global Head of Commodity Strategy, TD Securities*

Just as gold rebounded over \$200/oz from the late-March lows to trade in the \$1,900/oz territory during early-June and market chatter turned bullish again, there was a significant Federal Reserve-driven reversal. As the yellow metal plunged back into the \$1,770s/oz range in the days immediately after the June FOMC economic projections were released, the market delivered a sobering reminder to investors and analysts that the path to new highs is almost never a smooth one. A similar object lesson in market realities was also given to silver, platinum and palladium investors.

Despite the recent selloff, we judge that the Fed's continued emphasis on its full employment mandate should see gold recover most of its recent losses. The relatively new flexible average inflation targeting policy framework and the implied willingness to overshoot inflation targets for a period, should the output gap remain wide, are just a few reasons why very easy monetary conditions are likely to persist well into 2023. In this context, the US central bank should keep real interest rate environment highly accommodative across the yield curve for a prolonged period, which is gold and precious metal complex supportive.

At the same time, various mine site disruptions and other constraints will continue to limit supply growth, as investment and industrial demand remain firm. As such, supply side developments will very likely help the precious metals complex, particularly the more industrial silver, platinum and palladium.

Industrial precious metals are also likely to get support from gold's respectable performance, the ongoing post-Covid global economic recovery, and the positive sentiment generated by future efforts to decarbonise the global economy.

IN FED AND DATA WE TRUST

While positioning is not overly conducive to another sharp rally anytime soon following the post-June FOMC selloff, very

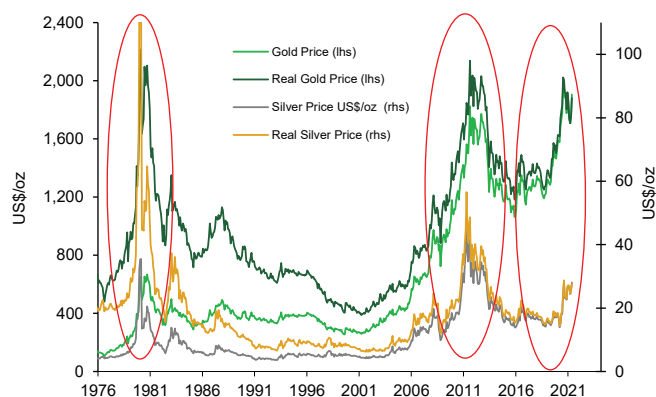
low nominal and real yields and a stable USD are serving as a stabilising force for gold. Despite the fact that the FOMC dot plot shifted hike expectations forward to late-2023 (median showing a 50bp of tightening), with many traders expecting a much earlier tightening, and that Fed Chair Jerome Powell has started the process of preparing markets for QE tapering, we believe that the yellow metal is still in a position which makes a return to a \$1,900/oz range possible into 2022.

Notwithstanding the massive US stimulus and the recent runup in prices, the negative impact of Covid-19 variants on growth around the world and the Fed's recent hawkish tilts are raising doubts that inflation is about to get out of control. Indeed, base effects, recent non-energy commodity price reversals, limited long-term crude oil upside and the pending end to Covid-related supply chain disruptions in the global logistics and the microchip industries, should all start to convince markets that price increases should not get unwieldy. Consequently, the Fed is unlikely to be behind the curve anytime soon and be forced to tighten much earlier. Considering recent price action, it seems that precious metals traders are starting to agree with that conclusion, as do we.

With the US central bank projecting 2% core PCE inflation in 2022 and 2.1% in 2023, and considering that the US economy will need to create some 380,000 jobs per month for the next two years to reach full employment, there seems to be plenty of time to keep the zero-bound policy alive (with negative real rates), before any inflation target overshoot forces a tightening.

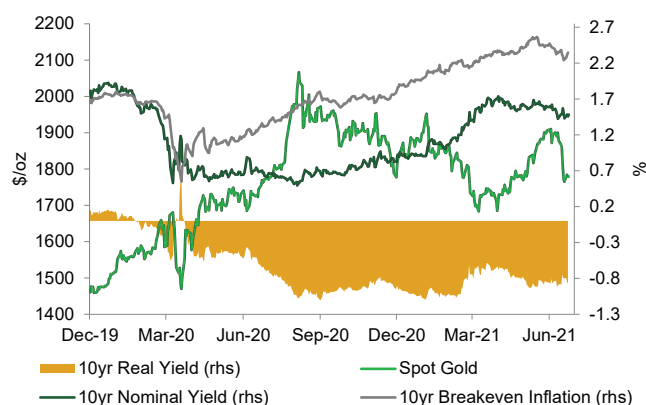
So far treasury markets don't seem to be worried about out of control price increases. Even if there is a period of above expectation prices, we suspect that Mr Powell and friends would intervene in the Treasury market should yields rise to the point that they would erode financial conditions and threaten the Fed's ability to deliver on its full employment mandate. This all likely means real rates remain at the lows along the longer end of the curve too, which is gold accretive.

Easy Money For Prolonged Period a Manna for Gold



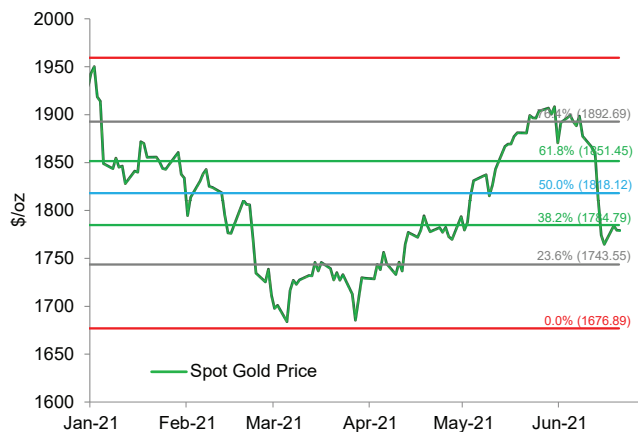
Source: Bloomberg, TD Securities

Gold Can Shine When Nominal Rates Don't Outpace Inflation Expectations Materially



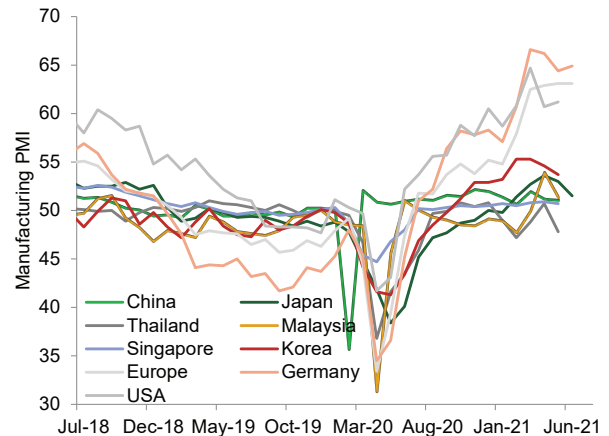
Source: Bloomberg, TDS Commodity Strategy

So Far so Good on the Rebound Front — Technicals Not a Barrier to \$1,900 Gold



Source: Bloomberg, TDS Commodity Strategy

Post-COVID Industrial Recovery Tightened Silver, Platinum and Palladium Markets



Source: Bloomberg, TD Securities

Notwithstanding the likelihood inflation will migrate lower from current highs, uber easy monetary policy being practiced by the Fed and other central banks along with trillions added to fiscal stimulus at a time a recovery is underway, should still elevate long-term inflation expectations above what we have seen in the last few years. And with nominal rates anchored by the very low fed funds rate, the resulting real rate environment should help keep investment and industrial demand firm for a while yet.

While an inflation problem should not develop given the FOMC's recent signaling that it will not sacrifice long-term price stability at the altar of full employment, there will be those who may see the world in less benign terms. They will worry about record public debt, purchasing power erosion and other potential catastrophes.

For all those reasons, the yellow metal has a good chance to again move into \$1,900/oz territory for part of 2022-23. In addition to all the macro and monetary policy ducks having to be lined up in a row, there will need to be an improvement to physical demand in China and India for our optimistic view to play out.

SILVER HAS GAME

Silver tends to do well when there is a favorable environment for gold. Considering that the white metal has a historical volatility roughly double that of gold, and given that it is directionally synchronised, it should outperform gold into 2022. Indeed, this is exactly what has happened in a dramatic way since June 2020, as the gold-to-silver ratio fell by roughly half from the bad days of March 2020 to just 68 currently. Given our robust gold outlook and considering silver's supply-demand fundamentals over the next few years, history tells us that silver still has plenty of relative value to recapture.

TD Securities expects investors to favor silver for the same reasons as they do gold, but also desire it for its industrial bonafides.

In 2020, the investment community and traditional buyers of physical silver purchased some 531 million oz of the metal and we project that they will buy another 885 million oz by the end of 2023. In addition to benefitting from the monetary, FX

and macro drivers like gold does, the white metal is projected to see an additional 115 million oz in industrial demand over the same period.

Since over 60% of demand comes from the industrial sector, silver should benefit from firmer industrial uptake, as the global economy continues to recover after the Covid-inspired deep global recession last year. The increase in demand should accelerate in the second half again, as the microchip shortage, which moderated auto and other industrial production, and other logistical issues get resolved.

Expenditures on green energy infrastructure, decarbonisation, and electrification should also help silver to rally, as it is intensively used in solar panels and electrical circuits. The intensity of silver use in the general economy is set to be sharply higher over the next decade, starting in 2021. Green initiatives under the Biden presidency, the European Green Deal, and China's 2060 carbon neutral goal, are all initiatives that should increase demand and likely attract investment ahead of the pending supply-demand tightening.

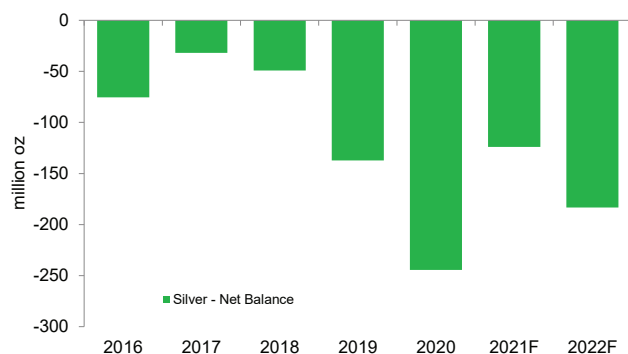
Declining mined metal production in 2019 and 2020, a relatively modest recovery this year and only limited supply growth after that, along with strong investment interest suggests tighter physical markets and robust silver prices.

Given the state of supply, and considering the long-term positive demand prospects from investors and industrial users prompts us to say that silver should trade at around \$30/oz over the next 12 months. The long-term may be even more impressive, as demand from green friendly sources, and limited capital investment in primary and secondary silver mine capacity tighten the fundamental outlook.

ENVIRONMENTAL REGULATIONS AND MINE SITE PROBLEMS AS MANNA FOR PGMS

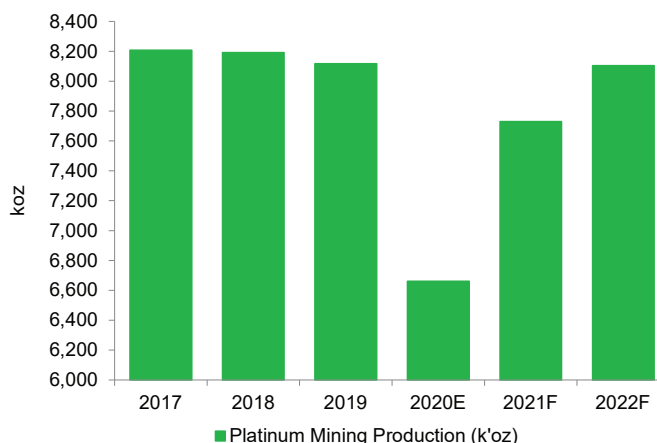
Platinum and palladium have surprised to the upside this year, as supply problems at Norilsk mines and in South Africa, along with post-Covid demand growth tightened the fundamentals. Both metals have also benefitted from the reflation trade and tightening emission standard regulations. Easy money and trillions in government spending, progressing vaccine programs across the Western world and China's surprisingly

Silver Fundamentals to Remain Firm as Industrial Demand Strengthens, Investor Show Strong Interest



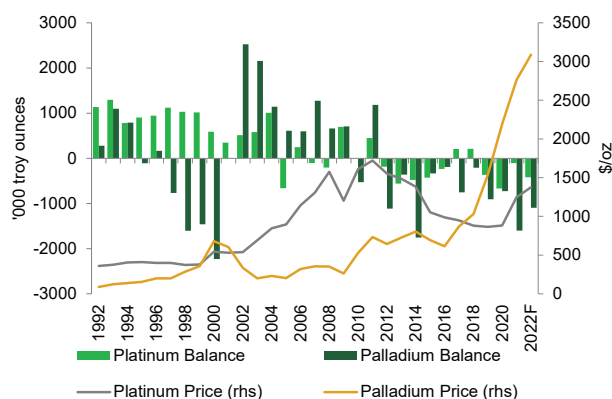
Sources: GFMS, Metals Focus, TD Commodity Strategy

Now That's What You Call a Supply Disruption



Source: TD Securities, JM, Metals Focus

Continued PGM Tightness in the Cards



Source: Johnson Matthey, TD Securities

Given that only a limited amount of palladium is held by ETFs across the globe, which has been a source of supply in previous years, and the price inelastic nature of bullion holdings, it is not clear how the supply-demand gap will be closed without demand destruction – which is usually accompanied by surging prices.

It should also be noted that autocatalyst demand is dictated by regulations that suggests a segment of demand that is inelastic. While there is chatter that Russian strategic stockpiles could be released into the market, which can take some pressure off, the impact would be limited in a serious scarcity environment as the material is unlikely to be good delivery, nor of sufficient quality for industrial use. As such, these sources of product are unlikely to substantially change the supply-demand situation this year.

According to our models, the palladium market should record large deficits in 2021 and in 2022, with platinum showing modest deficits when investment demand is considered over the same period. This suggests that the PGMs complex could challenge our already optimistic outlook. Traders should also expect very robust jumps in lease rates, as the front end of these markets tightens up.

economic performance should all continue to be important upside catalysts into 2022 as well, despite the microchip precipitated slowdowns in autos.

As the global economic recovery continues and global pollution standards tighten, the recent mine site disruptions suggest hefty deficits and another attempt at \$3,000/oz for palladium and new highs above \$1,375/oz for platinum next year.

Should our industrial and investor demand projections materialise into 2022, the recent mine site problems and the resulting lowering of production guidance by Norilsk should see supply-demand fundamentals stay tight, particularly for palladium. It is estimated that 2021 production from the impacted mine operations will directly reduce platinum production by as much as some 185 Koz in 2021, with a reduction of some 681 Koz for mined palladium supply. But there should be a 100 Koz offset for palladium due to the availability of above ground supply on the mine site. Downside production risks remain, as unanticipated issues are common in the remediation of underground water ingress.



BART MELEK has over 20 years of experience analysing precious/base metals, energy, and financial markets, as well as North American and global economies. He has worked closely with commodity, equity and FX trading desks in Toronto, New York, Chicago, London and Singapore, and has numerous forecasting distinctions and top global rankings to his credit. Bart

contributes to the TD Securities strategic view and is a commentator for leading media organizations. Previous to joining TD, Bart was a global commodity strategist and senior economist at another major global financial institution.



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INTERVIEW: SILVER BULLION'S GREGOR GREGERSEN

BY SBMA

Silver has garnered considerable interest among retail investors in recent years, with booming demand for coins and bars that has driven an eight-year high in prices.

Benefitting from this demand is Gregor Gregersen, founder and CEO of Silver Bullion, a Singapore-based company that provides liquidity, storage and testing services for gold and silver. Silver Bullion also allows customers to pledge their bullion as collateral to borrow funds, or offer low interest loans via the storage integrated peer-to-peer lending platform.

Silver Bullion's vaulting company, The Safe House, specialises in creating efficient, secure silver storage systems, and it is currently upgrading its facility from a leased 9,000 square foot facility to a 180,000 square foot building, which it acquired earlier this year.

Gregersen recently sat down with SBMA to share his thoughts on silver market trends and the developments at his company.

SBMA: WHY IS THERE A NEED FOR DEDICATED SILVER STORAGE IN SINGAPORE?

Gregor Gregersen: Silver is too bulky for traditional vaulting facilities yet too valuable to be stored in a normal warehouse. A bread loaf sized silver bar is worth S\$35,000 to S\$40,000 at current rates, and storing them in warehouses might not be secure enough.

Based on density and dollar value, silver requires about 100 times more space compared to gold and most vaults do not have the physical space to store silver efficiently. This lack of infrastructure means that silver is often stored at a high cost in a temporary or sub-optimal manner.

These efforts are underpinned by our belief that the demand for investment-grade bullion stored in Singapore will continue to escalate throughout this decade and we are preparing the infrastructure to fulfill and help accelerate this demand.

CAN YOU SHARE SOME DETAILS ABOUT THE VAULT YOU ARE BUILDING?

We acquired a new storage facility – which we call The Reserve – due to its very high floor load capacity (up to 90 kN/m²), which allows us to safely stack silver up to 12 metres high once fully renovated. In total, the building can store up to 15,000 tonnes (about 482 million troy ounces) which is about 60% of annual world production of silver.

The high floor load capacity, which is about 30 times that of a normal floor, enables cost-effective storage. The new facility's

fixed cost per tonnes of silver stored will thus be 50 times lower compared to our old facility. The facility will also feature 15 standalone UL rated class II gold vaults and specialty vaults that will be made available for third parties to lease.

In addition to its high storage capacity, our architects have created a stunning design which is likely to make The Reserve an iconic vault that will become well known throughout our industry.

The Reserve will also make extensive use of asset tracking system GramChain to digitise high-value assets such as precious metals. It will allow clients to use their bullion for loan collateralisation, tokenisation or other purposes with the greatest transparency and security possible.

WHAT'S BEEN DRAWING INVESTORS TOWARDS SILVER?

Interest in silver has certainly gone up, this has been the case since the second half of 2019 until now. Silver is still valued at just over half of its all-time high price of US\$49 per ounce in May 2011, making it a good value investment. For this reason, investors now see that appreciation will potentially be achieved faster when long silver as opposed to other assets.

HOW HAS SILVER BULLION'S BUSINESS GROWN IN RECENT YEARS?

Our company has added 110 tonnes of silver in 2020 and we are now storing more than 400 tonnes of silver. Demand in 2021 has so far exceeded 2020, and we projecting a 400% revenue increase over 2019.

WHAT FACTORS SHOULD CUSTOMERS CONSIDER WHEN INVESTING IN PHYSICAL SILVER?

Compared to coins, bars generally are bargains, especially cast bars whose supply is still relatively abundant. We have seen a big shift towards LBMA sized bars which now account for the vast majority of our sales.

Our customers typically view their holdings as a form of long-term wealth insurance that can withstand systemic risks, so storage and insurance are key considerations when investing in physical silver.

Investors store their bullion with us due to the transparency of our storage systems, exclusive Singapore jurisdiction, our extensive bullion testing programs and the comprehensive insurance that covers their bullion.

SBMA News

While in-person business dealing continues to be limited, the association has been busy planning ahead for eventual economic reopening. Here is an update of our activities in the past quarter:

MARCH 19, 2021: CEO Albert Cheng provides GoldSilver Central a congratulatory message and market update for their 10th anniversary.

JUNE 1-2, 2021: SBMA participates in the Shanghai Platinum Week co-organised by the World Platinum Investment Council.

JUNE 16-17, 2021: SBMA organises the Virtual Asia Pacific Precious Metals Conference (APPMC), which concluded successfully with 876 delegates registered for the event.

See page 3-4 for a summary of the event.

MEMBERSHIP

SBMA's total corporate membership consists of 46 companies, including three Category 1 members, 29 Local Associate Corporate members, 13 Foreign Associate Corporate members, and one Affiliate members.

SBMA is pleased to share that the **World Platinum Council (WPIC)** will be partnering with us on marketing initiatives. As part of the partnership, SBMA will be carrying WPIC news, reports and webinars on our website and social media platform. Readers will be able to find "Platinum Corner" in upcoming issues of *Crucible* as well as on our website at: <https://www.sbma.org.sg/platinum-corner/>

SBMA provides additional ad-hoc event management and marketing services for members who want more outreach and exposure in the precious metals industry. If you are keen to explore partnership opportunities, please contact Margaret Wong at margaret.wong@sbma.org.sg for more information.

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About Crucible

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Platinum Corner

The World Platinum Investment Council is privileged to have organised the inaugural Shanghai Platinum Week (SPW), held with the China Material Recycling Association' Precious Metal Industrial Committee and China Gold Association Platinum Committee, in June 2021. With similarities to London Platinum Week, the SPW aims to become an annual fixture for the platinum group metals industry in China and beyond, acting as a platform for PGM market development in all its guises, from technology to jewelry and investment.

The first ever SPW was supported by the Ministry of Mineral Resource and Energy, South Africa, the South African Embassy in Beijing, Shanghai government, major international PGM

miners including Anglo American Platinum, Norilsk Nickel, Royal Bafokeng Platinum and Northam Platinum. John Metcalf, London Platinum and Palladium Market (LPPM) chairman, delivered his wishes to the event and said he expects LPPM's involvement with SPW to grow going forward. More than 29 speeches and discussions by Chinese and international PGM firms were presented in the two-day summit, which attracted 300 delegates and 40,000 viewers online, in addition to four other corporate events during the week. BASF was the featured sponsor of the summit. For more details, please visit <https://platinuminvestment.com/about/60-seconds-in-platinum/2021/05/24>.