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# WORLD GOLD COUNCIL & SBMA ACADEMY: TRAINING THE NEXT GENERATION OF THE BULLION INDUSTRY

By SBMA

The World Gold Council (WGC) and the Singapore Bullion Market Association (SBMA) collaborated on a specialised pilot program on January 9, 2023, aimed at training and developing the next generation of talent in the industry and enhancing their knowledge of the bullion market.

The Academy attracted nearly 30 participants with varying levels of expertise and diverse functions in the business. The attendees represented different facets of the industry, including bullion banks, refineries, logistics, wholesale and retail dealers.

The objectives of the Academy are manifold:

- Enhancing knowledge and expertise of the gold industry and gold as an asset class
- Attracting new participation in the industry and developing a pipeline of talent
- Promoting high standards of professional competency and ethical conduct
- Enhancing Singapore's role as a regional training hub

The programme consisted of the following modules:

1. Gold Market Fundamentals, by Albert Cheng (CEO, SBMA)
2. Gold Supply Chain, by Sean Mulhearn (Principal, Jacaranda Capital Partners)
3. Gold as an Investment, by Andrew Naylor (Regional CEO, APAC ex-China, WGC)
4. Basics of Bullion Trading, by Sean Mulhearn (Principal, Jacaranda Capital Partners)
5. Market Principles and Standards, by Andrew Naylor (Regional CEO, APAC ex-China, WGC)



Participants listening attentively to the trainers during the program.



After introducing the participants and providing an outline of the course, Cheng launched the first module by discussing the factors affecting the demand and supply of gold. He highlighted the four primary sources of gold demand, which include jewellery (36%), technology (7%), investment (40%), and central banks (17%). Cheng advised the students to stay up-to-date with these numbers to understand the trends and direction of the gold industry and to be able to adapt to them.



*Albert Cheng, CEO of SBMA, delivered the module on Gold Market Fundamentals.*

In the second module, Mulhearn explained that companies have different risk profiles depending on their role in the supply chain, and they must manage price volatility to mitigate risks effectively. He also introduced market terminologies to non-traders, emphasising how traders look for opportunities to profit from fair value and arbitrage.



*Sean Mulhearn, Principal of Jacaranda Capital Partners, who discussed the gold supply chain and basics of bullion trading.*

Naylor presented the third module on gold as an investment, emphasising its benefits, such as returns, liquidity, diversification and portfolio protection. He then elaborated on how to access the gold market through direct methods, such as outright purchases of gold, or indirect means, such as owning gold mining equities.



*Andrew Naylor, World Gold Council's regional CEO in APAC (ex-China), spoke about gold as an investment, and market principles and standards.*

In the fourth module, Mulhearn discussed the basics of bullion trading, focusing on trading and risk management techniques and trading strategies. He explained the three primary trading methods, which include physical trading, futures via regulated exchanges, and OTC swaps and options. Mulhearn also discussed how traders strategise their trades based on time spreads, future market direction, location and relative value.

The final module, delivered by Naylor, focused on technical standards for bars, coins, and jewellery, responsible sourcing and production concepts, and gold from an ESG perspective. He identified retail gold investment as a source of significant untapped demand and cited the lack of trust and poor public perception as barriers to owning gold. In Singapore, WGC is working with the SBMA on a Code of Conduct and certification to mitigate and bridge any gaps.

To conclude, Cheng encouraged the participants to network and stay in touch, emphasising that business relations in the gold industry tend to go a long way.

The Gold Academy modules are regularly reviewed and revised to meet the needs of businesses and institutions within the precious metals industry. For instance, in February, the academy held a customised two-day closed-door training session for a delegation from Indonesia.

If you'd like to work with us on running the Gold Academy for your company or organise events of a similar nature, please contact the SBMA Secretariat directly or email

[mail@sbma.org.sg](mailto:mail@sbma.org.sg).



# GOLD: WHAT IS THE OFFICIAL SECTOR TELLING US?

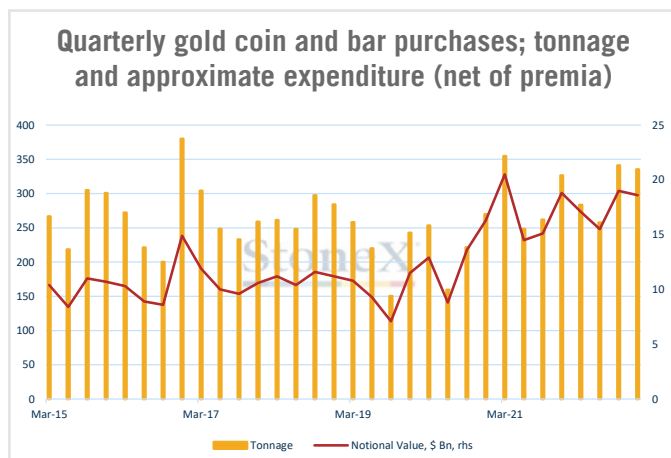
By RHONA O'CONNELL, Head of Market Analysis, EMEA & Asia, StoneX Financial Ltd

In January, the World Gold Council published the 30th edition of its “Gold Demand Trends” report. A notable aspect was the massive net gold purchases by central banks in the second half-year; we will return to that shortly.

## RETAIL AND PROFESSIONAL

Another crucial aspect was the comparison between professional and retail investors' attitudes towards gold. In an inflationary environment, retail investors generally view gold as a hedge, while professionals focus more on managing inflationary risks. This is by no means new, but was highlighted this year by reduced jewellery tonnage (exacerbated by China lockdowns) and growing demand for coins and bars, while there was further mild decline in the exchange-traded products.

Quarterly coin and bar demand increased sharply in Q3 and Q4, averaging 338 tonnes per quarter (tpq) against 270 tpq in H1, and a quarterly average of 217 tonnes in 2019 to 2021.



Source: World Gold Council, StoneX

## MONETARY POLICY

In inflationary times, some retail investors may allocate a portion of their income to gold as a store of value. On the other hand, professionals pay attention to monetary policy and its impact on inflation and the financial sector. Interest rate policy thus comes to the fore.

**“ IN INFLATIONARY TIMES, SOME RETAIL INVESTORS MAY ALLOCATE A PORTION OF THEIR INCOME TO GOLD AS A STORE OF VALUE. ON THE OTHER HAND, PROFESSIONALS PAY ATTENTION TO MONETARY POLICY AND ITS IMPACT ON INFLATION AND THE FINANCIAL SECTOR.**

Last year, attention was on the Fed's interest rate hike cycle; this time it is about whether and when the Fed will take its foot off the gas. At the February meeting the Federal Open Market Committee hiked rates by 25 basis points, with a target Fed funds band of 4.25-4.50%, and Fed Chair Jerome Powell emphasised that price stability is crucial for a healthy economy

and a restrictive stance is likely to remain “for some time”, while noting that the job market remains resilient.

And it is not just the Fed's moves that are attracting attention; the European Central Bank is vocally determined to maintain “significant” rate rises until inflation returns to 2%. We do not expect European interest rates to exceed those in the



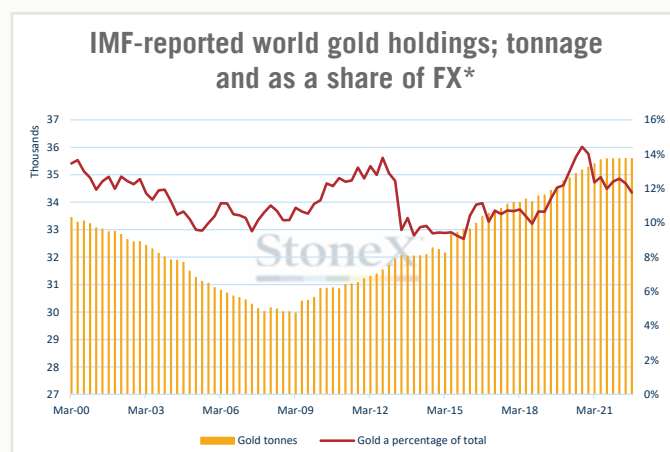


United States (nor do the bond markets), but the long dollar, long yield trade of 2022 has run its course, and there are signs of fresh life in the European economy. The Bank of Japan's moves in December to double its policy ceiling rate to 0.5% for the 10-year bond also sent ripples through the market, which have persisted since.

The fact that real interest rates were negative through last year seemed less relevant to professional investors than rising nominal rates. This year, the prospect of waning inflation is supporting gold because of the implications for interest rates. Longer-term bulls are looking to the potential for fresh physical demand and possible professional buying to maintain weightings in an equities bull market. Bears are hoping for a stabilising global economy and reduced geopolitical risk.

### THE OFFICIAL SECTOR AND GOLD

The World Gold Council uses data from the IMF and confidential fieldwork undertaken by the widely respected team at Metals Focus. The preliminary conclusions are that H2 2022 saw a surge in net official gold purchases, with a full-year total of 1,136 tonnes – the second highest since 1967, when central banks were buying gold partly in anticipation of a Kennedy dollar devaluation and before the dollar came off the gold standard.



*\*These numbers are skewed. If we strip out the countries that have inflated holdings as a legacy of the gold standard, the global average comes to 9% of total.*

Source: IMF, StoneX

The primary drivers were gold's performance during times of crisis, and its role as a long-term store of value. Emerging market countries were prominent buyers, with Turkey as the largest reported buyer with 148 tonnes (excluding the gold in domestic commercial bank deposits) accumulated during this period. The Middle East and Central Asia were also active buyers of gold.

It is arguable, given the shifts in economic relationships globally, that a good part of this was also moves to hedge against the dollar – either in expectation of the currency weakening, or a desire to rebalance anyway – although these are not mutually exclusive.

Either way, the official sector is signalling to the world that gold remains a key component of risk-hedging.



**RHONA O'CONNELL** has over 35 years' experience as a commodities analyst, and is a recognised authority in the precious metals sector. She has worked as a metals market analyst in many aspects of the industry, including the mining sector, commodities broking at Rudolf Wolff, and in the equity markets and investment banking, where at Shearson Lehman she was the

Group Precious Metals analyst. She is now the Head of Market Analysis, EMEA & Asia at StoneX Financial Ltd.



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# FROM SCRAP TO SUPPLY CHAIN: HOW BR METALS IS REDEFINING THE PGM INDUSTRY

By SBMA

Frank Chen is the founder and managing director of BR Metals Pte Ltd. Under his leadership, the company has become a leader in the management and conservation of non-renewable precious metals from recycled scrap sources, expanding its regional presence in Singapore, China, Cambodia, Malaysia and Thailand. BR Metals also clinched the top spot in 2022's Enterprise 50 Awards.

Crucible caught up with Frank to hear more about his entrepreneurial journey in the precious metals space, his outlook for the industry and plans for the company.

## COULD YOU PLEASE PROVIDE A BACKGROUND TO THE COMPANY AND THE ACTIVITIES YOU ARE ENGAGED IN?

I co-founded BR Metals with a Chinese partner in 2009 in Guangzhou after recognising an opportunity in extracting and recycling platinum group metals (PGM), such as platinum, palladium, and rhodium from discarded catalytic converters. With the vast Chinese market, we wanted to make recycling a viable alternative to PGM mining. Recovering PGM from discarded catalytic converters could result in up to 2,000 times more precious metals than mining from the ground. Since 2019, we have recovered an estimated 3 tonnes of PGM annually from end-of-life automotive catalytic converters, diesel particulate filters, and spent catalysts.

Our main goal when founding BR Metals was to find a sustainable and viable alternative to precious metal mining while contributing positively to the environment and society. Our company promotes responsible consumption and production and creates a circular economy by recovering PGM from end-of-life metal scraps and reintroducing them into the supply chain. By doing so, we meet the high demand for PGM sustainably while reducing the detrimental impacts of PGM mining on the environment and communities.



PGM Recycling Facility in Singapore

In 2020, we diversified our recycling service to recover gold and silver from different waste streams and forms, including industrial, manufacturing, and e-waste. In 2022, our Guangdong operations were granted a patent for the analysis of electric vehicle (EV) batteries, the first step towards EV battery recycling.

BR Metals currently operates two bulk semi-automated sampling lines, full analysis laboratories in Singapore and Guangdong, a processing plant in Malaysia, and representative



offices in Cambodia and Thailand. Our contribution to the PGM global supply chain has been acknowledged by the Singapore Economic Development Board (EDB), Ministry of Trade & Industry (MTI), and Enterprise Singapore.



Gold Recovery Process

### WHAT ARE THE KEY MARKETS AND FOCUS AREAS FOR THE FIRM?

BR Metals has an extensive supplier network, spanning countries in Asia, Europe, the Americas and Oceania, where we collect spent catalytic converters and other PGM scraps. For gold and silver recycling, our key markets are Singapore and Malaysia.

Due to market and consumer trend changes, BR Metals is diversifying into other industry segments such as recycling industrial sludge, jewellery scraps and e-waste to recover gold, silver and other precious metals. Supplying recycled gold to the jewellery market and other industry segments is what we are working towards at this moment. In 2021, the company collected 30,000 troy ounces of gold and silver for recycling.

Additionally, we will also be expanding upstream opportunities, honing our competitive edge and then capturing downstream opportunities for both PGM and gold recycling. For the former, we will strengthen our foothold in our main markets with local offices and processing plants to get closer to the customers, save costs and improve go-to-market timing to minimise price exposure. Towards this end, we set up Malaysia sales and processing facility in 2021, a new representative office in Thailand and two upcoming facility and office in Tunisia and Vietnam.

To better capture downstream growth opportunities, the company has invested US\$4 million to develop and build a pre-treatment PGM facility in Renhua, Guangdong, China. The new facility will have the capacity to process 1500 tonnes of spent catalytic converters, 1,000 tonnes of spent petrochemical catalysts, 3,000 tonnes of spent assets containing silver, PGM, and 3,000 tonnes of spent batteries. This will give us better control over the entire recovery process, increase cost savings and enhance our competitive edge in an increasing volatile market with a projected revenue growth of RMB1.8 billion for the Chinese operations in 2025.

### THE COMPANY HAS BEEN RECOGNISED AS BEING AMONG SINGAPORE'S FASTEST GROWING - CAN YOU SHED SOME LIGHT ON GROWTH AT THE COMPANY AND THE DECISION TO MOVE BACK TO SINGAPORE?

The decision to open the Singapore office in 2014 was largely due to changes in China's regulatory environment. In 2013, China reclassified catalytic converters as hazardous waste,

causing an increase in the price of PGM. Along with a growing Southeast Asian clientele, this made it financially feasible for us to finally open a facility in Singapore.

Compared to China, Singapore has a more transparent and stable regulatory environment for urban waste management. The National Environment Agency (NEA) consults with licensed waste management companies on policy changes and directions before implementation, allowing for ample time to plan ahead and make operational adjustments accordingly.

The pro-business environment in Singapore is a huge benefit, with the government supporting local businesses in developing new capabilities, innovations, and business transformations to stay competitive in current and future markets. Over the years, we have tapped into various grants to develop our capabilities and enhance our productivity. One recent example is the set-up of our e-waste analysis lab, partial automation of our auto catalyst sampling system, and development of an HRM talent retention framework. We have also benefited immensely from tax breaks throughout different growth stages.

Singapore also has a thriving ecosystem, where companies can work with local universities to develop new technology and connect with thought leaders in their industries. For the last two years, we have been working with the Singapore Institute of Technology (SIT) to develop a new methodology for analysis of PGM in catalytic converters, which was completed in October last year.

### WHAT WAS BEHIND THE DECISION TO BECOME A MEMBER OF SBMA?

SBMA is a well-recognised and respected trade association in the region. Being a member of this organization provides us with credibility in the regional gold market, and we hope to leverage SBMA's reputation and resources to raise our brand awareness while contributing to the growth of the precious metals market in Singapore.

### WHAT ARE THE OPPORTUNITIES YOU SEE IN THE REGION FOR BR METALS?

We are optimistic about our growth prospects despite the macro environment and plan to direct more resources towards developing our gold recovery capabilities and technology in Singapore and Malaysia. The company intends to achieve this by developing proprietary technology and building on what is already available in the market.

Since the soft launch of our gold and silver recovery solution in late 2020, BR Metals has been able to collect more than 200 kilograms of gold and silver each month for recycling, indicating that there is still a significant growth opportunity in this market vertical.

Our PGM-related business remains strong, as we currently reclaim about 80,000 troy ounces of PGMs every year. We plan to expand our market share by capturing more upstream opportunities, approaching customers directly, and consolidating our foothold in existing markets.

### HOW HAS AUTOMATION AND INNOVATION HELPED PROCESSES AT BR METALS?

Innovation and automation are key differentiators for us, setting us apart from ordinary waste recycling companies. BR Metals' heavy investment in automation has played a significant role in our success, enabling us to streamline

processes, increase accuracy, and achieve greater price transparency and cost efficiency. For instance, our use of robots to carry out the sampling process has reduced the error rate by tenfold.

To maintain our position as an industry leader, we make substantial investments in sophisticated sampling and laboratory analysis equipment. Additionally, we have developed a proprietary method for assessing the precious metals content of catalytic converter monoliths using XRF technology, which is cheaper and faster than most competitors' methods. The company has also invested in laboratories to study the ideal amount of chemicals to use in our testing and partnered with SIT to develop more efficient PGM analysis methods.



*Analysis laboratory for PGM and gold recycling in Singapore*

We are committed to developing sustainable gold and silver analysis and recovery capabilities for different waste streams and forms, enabling us to offer one-stop spent asset management solutions for customers across various industry sectors. This effort will create new jobs in business development, processing, sampling facilities, and laboratories for Singaporeans. In Malaysia, we will set up a new gold and silver recovery system that utilizes innovative analysis and recovery techniques, minimizing the use of environmentally harmful chemicals.

To safeguard our innovations, our operations in Shaoguan have secured six patents from the China National Intellectual Property Administration for our automated sampling line and lab analysis process. This patented technology allows for greater efficiency, improved speed, and reduced waste compared to conventional sampling lines. Moreover, our laboratory in Guangzhou has obtained a new patent for a laboratory automatic acid digestion system that automates tedious manual work in the analysis process.

#### **IN THE LONG-TERM, HOW DO YOU SEE THE PRECIOUS METALS INDUSTRY EVOLVING AND HOW IS BR METALS PREPARING FOR THE CHANGES AHEAD?**

Companies in the commodity industry tend to have difficulty gaining a convincing Unique Selling Proposition. That's why there's a need for us to constantly invest in better machinery, develop better analysis methodology and sampling technology to get a technical edge over the competition.

Our patented technology also allows greater efficiency, improved speed and less wastage compared to conventional sampling lines. Other fundamentals that have contributed to

our growth in the last few years include service differentiation as well as a strong reputation for integrity, fairness and reliability, which our brand audit uncovered. I believe this has helped us achieve a 95% customer retention rate year-on-year.



*BR Metals' PGM Sampling System in Guangdong*

Our sound financial standing also enables us to buy spent materials from customers regardless of market conditions, as opposed to others which tend to buy in excess when prices are high and stop when prices are low. This strategy allows us to refrain from engaging in price competition and instead to focus on consistently paying the right price to suppliers. By doing so, we have not only gained a reputation as a reliable business partner but also removed ourselves from the ongoing price wars, and steadily grow our bottom line.

The high prices of PGM over the last three years also contributed considerably to our revenue growth but we are prepared for a bear market ahead by diversifying into gold and silver recovery. We will continue to develop our gold and silver capabilities to take on waste of different forms and from different sources. Hopefully, we can expand our market share by expanding our network and raise our brand awareness by working closely with SBMA.

As with PGM recycling, we strive towards reducing the potentially destructive impact of mining activities by recovering gold and silver from recycled scrap sources, and bring a new lease of life to these finite resources that were otherwise discarded.

Even as our business strategies are constantly reviewed and modified, BR Metals is sure of one thing: sustainability and transparency will always be at the core of our business. Looking ahead, BR Metals aims to be at the forefront of responsible production and consumption in every aspect of our business operations including service offerings, new market development, processing and even CRS planning.

Our goals remain the same as from the very beginning: BR Metals is committed to offering a viable alternative to precious metal mining and to build a company that operates sustainably and gives back to the environment and society. The difference will lie in the scope, breadth and depth of our recycling service.





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# GETTING TO KNOW FGLD: AN ALTERNATIVE TO PHYSICAL GOLD

By BURSA MALAYSIA DERIVATIVES BERHAD

The Gold Futures contract (FGLD) is traded on Bursa Malaysia Derivatives Berhad, a wholly owned subsidiary of Bursa Malaysia Berhad, which provides, operates and maintains a futures and options exchange regulated by the Securities Commission Malaysia.

FGLD was first launched on 7 October 2013 and its contract specifications were revamped on 19 September 2022. The enhanced FGLD is a US dollar denominated futures contract and is settled through cash in Malaysian ringgit. It is designed to provide market participants with exposure to international gold price movements.

As a derivative of the precious metal, FGLD is tied to a minimum of 995 fineness of gold and is also in line with other technical specifications of gold under the London Bullion Market Association (LBMA). This ensures that the FGLD offers transparency in gold prices and reflects the true value of gold as precisely as possible.

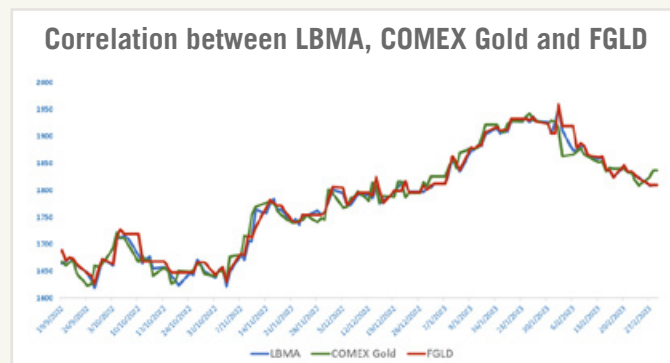
When it comes to the contract size, each FGLD contract is equivalent to the reference price per troy ounce multiplied by the contract multiplier of 40. This also means that each FGLD contract has a minimum price fluctuation of US\$0.10 at 4 ringgit per tick value.

FGLD is tradable from Monday to Friday, with the exception of public holidays in Malaysia. There are three key trading sessions for FGLD, starting from 9:00 am to 12:30 pm Malaysia time, resuming from 2:30 pm to 5:30 pm, and

recommencing for after-hours (T+1) trading session from 9:00 pm to 2:30 am (Monday to Thursday only).

By settling into the LBMA Gold AM Price at expiry, FGLD can mirror the international gold prices traded in key markets.

From 2 February 2023 to 30 June 2023, Bursa Malaysia Derivatives Berhad is offering a limited-time fee waiver on the trading and clearing fees for investors when they trade FGLD.



Source: Bloomberg

## LEARN MORE ABOUT FGLD

E-mail: [futures@bursamalaysia.com](mailto:futures@bursamalaysia.com)

Web: <https://www.bursamarketplace.com/fglD/>

## UNLOCK THE POWERFUL EDGE OF TRADING GOLD FUTURES

By CHIN YI XUAN, General Manager, Algotopia

With heightened uncertainty around the globe, gold is highly regarded as a way for investors to diversify their portfolios. When it comes to gold trading, FGLD is an excellent choice for investors who are seeking short-term speculative activities or longer-term portfolio hedging for gold.

As a derivative of gold, FGLD provides investors with exposure to gold, with an extra layer of convenience where investors do not need to manage the logistics of the gold they invest in, such as delivery and storage.

### KEY REASONS TO TRADE GOLD FUTURES (FGLD)

As a regulated product by the Securities Commission Malaysia, FGLD is designed to be secure and transparent so investors can trade FGLD with confidence. FGLD offers several complementary benefits over buying physical gold.

#### 1. Leveraged trading

FGLD provides leveraged trading, so that investors can gain leveraged exposure to the notional value of a gold futures contract with a relatively small amount of capital. At current notional value (as of late February 2023), this translates to investors getting access to approximately 36x leverage while trading FGLD. Essentially, this amplifies the impact of price changes, which provides a powerful edge, should leverage is utilised with clear intent.

#### 2. Forward price discovery

FGLD also allows for forward price discovery in the gold market as longer-term investors can trade up to 12 months ahead of the current spot month.

#### 3. Flexibility

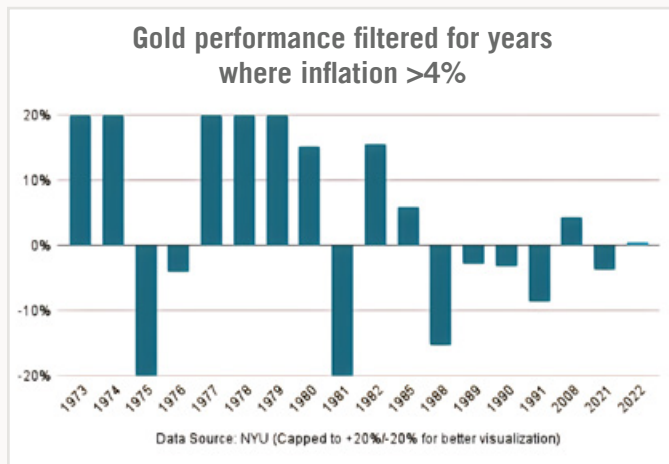
Investors with directional conviction on gold should consider FGLD as an alternative to physical gold as FGLD offers investors the flexibility to express their conviction and profit from both bullish and bearish market outlook in the gold market.

According to the World Gold Council, the net long positions of gold has been in a significant decline since 2020, from 871.92 tonnes to 527.03 tonnes by the end of 2022. This 65% drop in net long positions may suggest an inclination towards a bearish outlook in gold due to the continuous rate hikes by the Federal Reserve. As FGLD allows investors to initiate short trades in the gold market, it can be used to express speculative bearish outlook.

Contrary to the belief that gold is an excellent inflation-hedge asset, gold provides exceptional directional trading opportunities on either side of the market, despite being in a high-inflation environment.



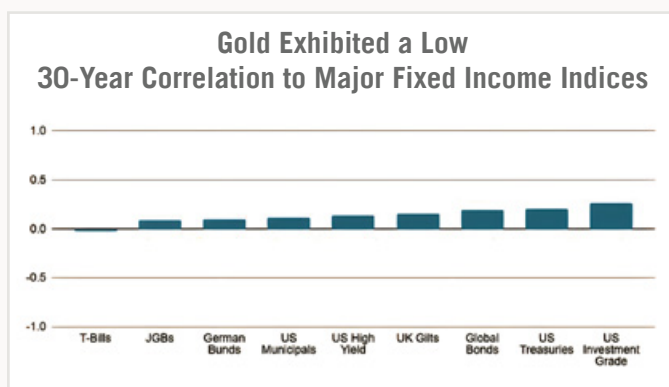
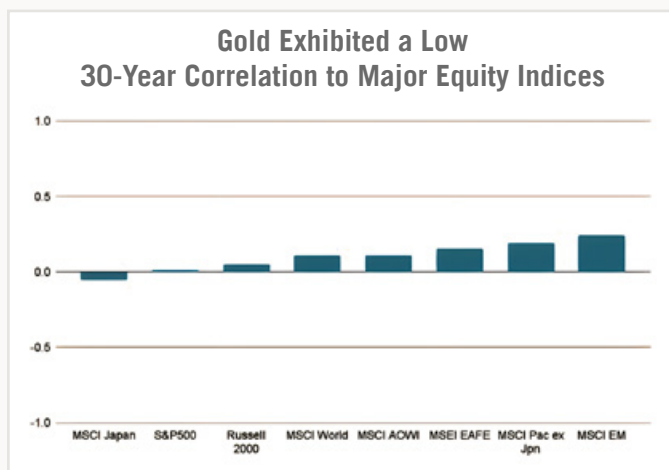
By filtering for a 50-year time horizon (1972–2022) where US inflation exceeded 4% (1973–1982, 1985, 1988–1991, 2008, 2021–22), the non-inflation adjusted return of gold displayed a fascinating narrative. Rather than hedging against inflation, gold produced performances on both extremes of the spectrum in a high inflationary environment, providing investors with ample directional speculative opportunities.



Source: [stern.nyu.edu](https://www.stern.nyu.edu)

#### 4. Portfolio diversification

That being said, a lack of historical linear relationship with inflation does not preclude FGLD from being used as an effective portfolio diversifier. Over a 30-year period, gold exhibited low correlation to major equity and fixed income indices. A low correlation between gold and other asset classes can help lower volatility in a multi-asset portfolio and enhance its risk-adjusted returns.



Source: 'Invest in Gold A Portfolio Diversifier With Staying Power' by SPDR Gold Strategy Team (Q1 2023)

#### 5. Hedging

FGLD can also be utilised as a hedging instrument. For instance, gold futures contracts can be used strategically to hedge against the volatility and uncertainty in the gold market, especially in periods when the gold price fluctuates significantly.

Considering the heightened volatility of the precious metal in 2022, a practical use case of gold futures is for physical gold owners to use FGLD to hedge against the risk of unfavourable price movements in the physical market.

A way to measure the volatility of an asset is through the Average True Range (ATR) indicator, where a higher value of ATR implies higher volatility compared to a lower value of ATR. In 2021, gold's ATR has stayed mainly below 25 since April, maintaining a range bound market movement throughout the year.

However, the Fed's seven rate hikes in 2022 to bring inflation under control has led to heightened uncertainty, which inevitably boosted the volatility in the gold market. This resulted in higher volatility in gold – its ATR stayed above 25 for most of the year.

Essentially, the volatility of gold has relatively grown in 2022 compared to the prior year, so hedging with gold futures can play a pivotal role in keeping gold investors' portfolio value intact.



Source: Gold Futures chart from TradingView

#### UNLOCK THE FULL SUITE OF POSSIBILITIES WITH FGLD

FGLD provides solid use cases and benefits from short-term speculation, to long-term hedging activities. As such, FGLD offers massive versatility to investors to participate in the gold market, regardless of time horizon at a reasonable capital requirement.

That said, as with any investment, it is crucial to be aware of the risks associated with gold futures and to ensure that any trades you make are well-researched and based on a sound trading strategy.



**CHIN YI XUAN** is the general manager of Algotopia, a professional proprietary trading firm in Malaysia. In addition to actively trading the futures market, he is also involved in developing proprietary automated and hybrid strategies to maximise edge in the market. Yi Xuan also drives the marketing strategy of the firm via content creation and idea sharing on all things trading and markets.



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# HOT TOPICS UNDER THE MICROSCOPE AT THE INAUGURAL 2023 MALAYSIA GOLD CONFERENCE

By SBMA

*Image provided by Public Gold.*

The local and global gold market, the sector's outlook, and market trends involving the yellow metal in various forms were key topics discussed at the inaugural Malaysia Gold Conference, held on 17 February 2023.

Organised by the Malaysia Gold Association (MGA), the event provided first-hand information from local and foreign gold veterans, as well as industry associations working to grow and develop the Malaysian gold market. Guests included Bulat Sugurbayev, Ambassador of the Republic of Kazakhstan to Malaysia.

The welcoming remarks were given by Haji Abdul Wahab Hamid, honorary secretary of MGA, followed by an opening speech by Louis Ng, founder and executive chairman of Public Gold (PG) Group and president of MGA. Chirag Sheth, principal consultant of Metals Focus, shed light on the global gold market and its outlook in 2023. Sheth explained that gold prices are likely to increase due to the easing of US inflation, raising hopes of a lower peak in US interest rates compared to the Fed's projections. He also mentioned that the weaker dollar would lend support to the gold price.

Albert Cheng, CEO of SBMA, elaborated on the types of gold available to institutions and consumers. He highlighted the benefits of gold, including returns, liquidity, diversification, portfolio protection, and long-term optimisation. Cheng cautioned investors to check the premium of physical gold products, including making charges and vendor's profits, since not all are created equal. He gave the audience a general rule of thumb: the larger the piece, such as 50 and 100-gram bars, the more cost-efficient it would be,

as small gram bars attract a higher premium compared to the prevailing international gold price. Proof-finished and thematic gold bars, medallions, and coins usually bear much higher premiums due to higher production value. Investors need to understand that a higher portion of their purchase price goes to the making charges, which producers cannot recover if they sell them back as scrap precious metal, he explained.



*Albert Cheng, SBMA CEO, receiving a token of appreciation from Louis Ng, MGA president. Image provided by Public Gold.*





*The launch of the Malaysia Gold ATM Ceremony. Image provided by Public Gold.*

The last session by Ermin Siow, advisor to the Federation of Goldsmiths and Jewellers Association of Malaysia, detailed the current situation of the Malaysian gold market. Siow said that Malaysia had recovered well after the pandemic in various sectors, including gold jewelry exports, IPM investment products, and domestic gold jewelry consumption, as illustrated by the annual reports of the two listed companies, Poh Kong and Tomei. Thanks to the general government financial support to the industry and individuals, which helped to release the pent-up demand from the lockdown period, leading to 2022 being a good year. The gold mining sector is small, with five operating mines in Malaysia, two active gold mines in Pahang and Sabah, and total output has returned to 5 tonnes annually.

**“ THANKS TO THE  
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MGA also invited Ryan Long, head of commodity derivatives at Bursa Malaysia, to present a short introduction on the Bursa Malaysia gold derivatives contract. Long shared that Bursa Malaysia recently revamped and enhanced its Gold Futures (FGLD) contract, allowing investors to have immediate exposure to international gold price movements. Its uniqueness is trading gold denominated in US Dollars, but cash settled in Malaysia Ringgit, giving retail investors exposure to the international trading market with the convenience of settlement in local currency.

The conference also saw the launch of the Malaysia Gold Automated Teller Machine (ATM) by Public Gold, with the ceremony officiated by the Kazakh Ambassador Sugurbayev, Danny Ooi, founder and advisor of The Malaysia Book of Records, Louis Ng, founder and executive chairman of Public Gold (PG) Group and president of MGA, and Yvonne Lim, executive director of PG Group.

The Malaysia Gold ATM allows consumers to purchase physical gold bars with a purity of 999.9, ranging up to 5 grams, at the push of a button. These gold bars, known as Gram Gold Bars, come in eye-catching designs featuring popular characters from Disney, Marvel Studios, Warner Bros, Juventus, Garfield, Ejen Ali, and Monsta, among others, to encourage consumers to buy them for personal collection, gift-giving, and physical gold trading purposes. Ng stated that the company aims to install 50 ATMs in 2023, placing them in high-traffic areas such as airports and theme parks, to make gold buying more accessible.

The Malaysia Gold Association is looking forward to hosting the Malaysia Gold Conference as an annual event to promote the local gold market to the community and international players.



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# MALAYSIA'S GOLD MARKET

By **ELVIS CHOU**, Senior Consultant, Metals Focus

Like many other South East Asian markets, Malaysians are familiar with using gold as a store of wealth, a currency hedge, or as gifts during cultural or religious ceremonies. That said, Malaysia is perhaps best known in the precious metals industry for being a gold jewellery exporter.

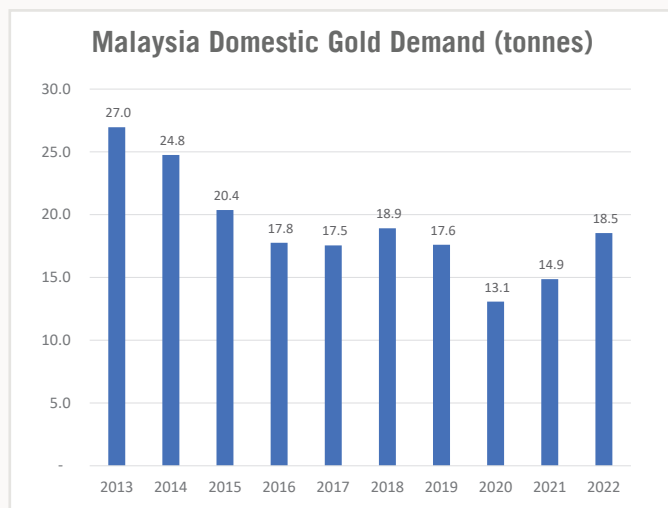
For example, in 2019 (pre-COVID), Malaysia exported \$1.4 billion worth of gold jewellery, which ranked 13th globally. With the onset of the pandemic, exports in 2020 and 2021 dropped sharply before enjoying a healthy recovery last year, with gold jewellery shipments returning to pre-COVID levels of \$1.37 billion.

Regarding investment, several options are available to Malaysians, including jewellery, bars and coins, digital tokens, gold accumulation programs, exchange-traded products, or saving plans available through a gold account.

Turning briefly to mining, there are 14 gold mines in Malaysia, with Penjom and Selinsing being the main producing areas; nearly 80% of the domestic output comes from mines in these two locations. According to our data, Malaysia's gold production has remained steady at around 2.2 to 2.5 tonnes from 2020 to 2022.

## DEVELOPMENT OF THE GOLD MARKET

Physical gold demand in Malaysia has varied noticeably over the past 10 years, reflecting changes in the domestic tax regime and investment behaviour, combined with the impact of the pandemic, all of which are captured in the following chart.



Source: Metals Focus

Looking back at some of the key developments in the local gold market, in April 2015, the Malaysian government introduced a Goods & Services Tax (GST) of 6%. Together with the devaluation of the ringgit, this greatly increased the cost of jewellery production, leading to a sharp drop in both jewellery exports and domestic demand.





In January 2016, the government introduced new amendments for the import of gold bullion. Importers would be granted exemption from GST for gold bars used solely for investment purposes (IPM), with certain conditions applied. In other words, kilobars, gold wafers, and coins had to be cast or minted by LBMA-accredited refineries. Importers also needed to apply for a permit to qualify for GST exemption to import IPM. Gold bars that were imported for jewellery fabrication would continue to be levied at 6% GST.

In May 2018, after the Malaysian general election, a new government was formed that abolished the GST. A new tax regime, the Sales and Service Tax (SST), was enacted later that year, resulting in the gold bars and gold jewellery trade becoming exempt from taxation. However, entities were required to register for the approved trader scheme to import bullion bars. The additional processes and logistics affected the competitiveness of small and medium bullion wholesalers and jewellery manufacturers. As a result, there was no significant upswing in sales after the removal of GST and the subsequent exemption from SST. Nonetheless, the tax-free status for gold and gold jewellery provided more straightforward access for overseas players, with the likes of SK Jewellery from Singapore and Chow Tai Fook Jewellery from China entering the Malaysian market.

Fast forward to the pandemic, in keeping with many other countries, Malaysia imposed a lockdown, which was short-lived (lasting from March 18 to May 4, 2020), resulting in retail gold jewellery shops and factories not being able to operate. As a result, retail demand fell by “just” 12%, while gold jewellery exports slumped by 46% from 2019 to 2020. However, thanks to rising gold prices and the government’s fiscal support program, retailers and manufacturers were supported by a relatively healthy domestic market.

Physical gold demand in Malaysia showed improvement throughout 2021, despite a short period of Movement Control Order, which was a full lockdown in June 2021 with strict restrictions on movement and a total shutdown of almost all sectors except essential economic and service sectors.

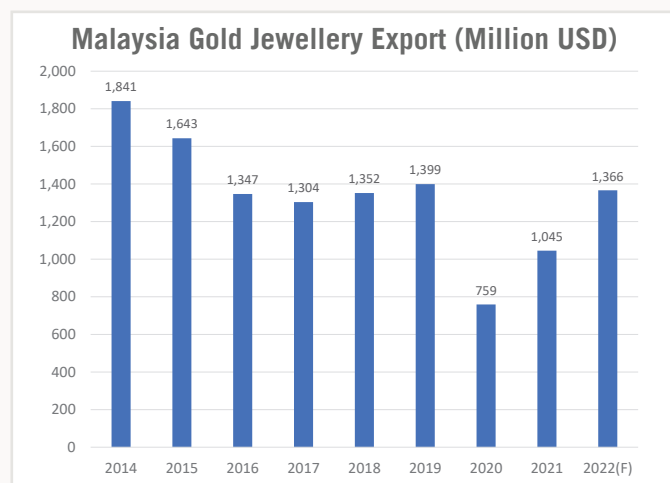
In 2022, Malaysia’s jewellery and retail investment sectors experienced a stronger recovery, with the former increasing by 24% year-on-year to over 13 tonnes and the latter rising by 27% year-on-year to 5.5 tonnes.

### JEWELLERY FABRICATION AND DEMAND

Jewellery stores are the most common channel for Malaysians to buy gold, with approximately 3,500 retail jewellery shops across the country. Nearly 90% of Malaysia’s gold jewellery

market is made up of 22K gold, while the remaining balance consists of 18K and 24K gold. Three branded publicly listed jewellery companies – Tomei Consolidated, Poh Kong Holdings Bhd., and Habib Jewels Sdn Bhd – operate a total of about 200 retail outlets.

Malaysia is also a major exporter of gold jewellery. Before the pandemic, gold jewellery manufacturing stood at 44-52 tonnes, with 75-80% fabricated in Penang and Butterworth. The primary destinations for Malaysia’s gold jewellery exports are Singapore, the UAE, and Hong Kong, according to our data.



Source: Metals Focus

### GOLD PRODUCTS

Buying physical gold is a popular option for retail investors in Malaysia because of its high anonymity. Gold bars with 99.99% purity or 24K, weighing 1g, 5g, 10g, 20g, 50g, and 100g are available at jewellery shops, post offices, online and offline bullion traders, and commercial banks. Coins are also popular among gold investors and collectors.

In particular, two well-accepted coins are the “Kijang Emas” (barking deer) gold coin and the gold “dinar” coin. The Kijang Emas is legal tender and available in three weights and denominations: 1oz (RM200), ½oz (RM100), and ¼oz (RM50). They are minted by the Royal Mint of Malaysia and were first issued in July 2001. The purchase and resale price of the Kijang Emas is determined by the prevailing market price of gold.

The gold “dinar” coin was introduced in August 2010 as an alternative to paper money. It comes in four sizes: 4.25g (1 dinar), 8.5g (2 dinars), 21.25g (5 dinars), and 42.50g (10



dinars). A large variety of dinars are available in Malaysia, including those used by the government, such as the Kelantan dinar, Perak dinar, or Malaysia dinar.

## GOLD INVESTMENT ACCOUNTS

Annual retail investment for Malaysia (covering purchase of bars and coins) from 2018 to 2022 was: 2018: 6.0 tonnes, 2019: 5.4 tonnes, 2020: 3.9 tonnes, 2021: 4.4 tonnes, 2022: 5.5 tonnes.

Gold investment accounts and gold accumulation plans offer alternatives to buying physical metal. They have grown in popularity due to low entry thresholds and low transaction costs. A handful of commercial banks and private institutions, such as Bank Muamalat, Affin Islamic Bank, Kuwait Finance House, Al Rajhi Bank, Maybank, CIMB, and Public Bank, offer gold investment accounts. The account allows the holder to invest in gold without the need to take physical delivery. The metal can still be withdrawn, holdings converted to cash, or funds can be withdrawn or credited to a designated cash account. Conversion and service fees typically apply for such transactions. The minimum purchase unit for gold accounts can be as low as 5 ringgit, or 0.1 gram, and holdings can be easily transferred to another account.

“**GOLD INVESTMENT ACCOUNTS AND GOLD ACCUMULATION PLANS OFFER ALTERNATIVES TO BUYING PHYSICAL METAL.**”

There are also gold accumulation/savings programs (GAPs) – long-term gold savings plans backed entirely by physical gold. They offer a straightforward method of owning gold through a savings vehicle, and investors can withdraw physical gold.

## TAX INCENTIVES

There is no import or export duty on gold bullion or jewellery in Malaysia. Precious metals products that comply with the Investment Precious Metals (IPM) criteria remain tax-free, and gold jewellery is fully exempt from SST.

IPM coins are also exempt from SST if they meet purity criteria and are, or have been, legal tender in their respective country of origin. Proof, numismatic and collector coins are not recognised as IPM and are subject to SST at the standard rate of 6%.

## SHARI'AH STANDARD ON GOLD

Shari'ah Standard on Gold was launched by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in December 2016. The Fatwa Committee of Malaysian National Council for Islamic Religious Affairs issued the Shariah parameters for gold investment in February 2017 to facilitate the creation of Shariah compliant products. The investment process is strictly governed by Bank Negara Malaysia through the muamalah and shariah principles.

## DIRHAMS AND DINARS IN ISLAM

The Islamic dinar weighs 4.25 grams and is struck in 22K gold, while the dirham is available in pure silver, weighing 3 grams. The dinar is used for savings, paying zakat and dowry, buying or selling goods, and is a legitimate medium of exchange.

## FUTURES MARKET

In Malaysia, the demand for physical gold remains more popular than exchange-traded gold products. However, Bursa Malaysia Derivatives Berhad launched the revamped Gold Futures (FGLD) Contract in September 2022. This contract is a US dollar-denominated and Ringgit Malaysia-settled gold futures contract, providing market participants with exposure to the international gold price.

The TradePlus Shariah Gold Tracker (“Fund” or “GOLDETF”) is the only gold exchange-traded product (ETP) listed on Bursa Malaysia, the country’s stock exchange. It was launched in December 2017 but has yet to gain much traction among local investors.

## BURSA MALAYSIA

Bursa Malaysia Berhad oversees both the Malaysia Stock Exchange (MSE) and Bursa Malaysia Derivatives Berhad (BMD). The Securities Commission Malaysia serves as the supervisory board of the BMD.

## FEDERATION OF GOLDSMITHS AND JEWELLERS ASSOCIATIONS OF MALAYSIA

The Federation of Goldsmiths and Jewellers Associations of Malaysia was founded in April 1976 and serves as Malaysia’s National Chamber of Commerce for the goldsmiths and jewellery industry. It represents 19 goldsmiths and jewellery industry associations, regulates labour disputes within the industry, and safeguards their rights and interests.

## SUMMARY

Malaysia’s gold market is relatively healthy, with a strong emphasis on the export of gold jewellery. The tradition of buying jewellery as both an investment and adornment during festivals is deeply rooted in the country.

However, there is an opportunity to attract more participants to the market by introducing new investment vehicles, such as gold futures contracts and those accredited with the Shari’ah Standard on Gold. Achieving this goal will require considerably more effort in terms of educating and promoting these products to potential investors.



**ELVIS CHOU** is a senior consultant at Metals Focus, leading its precious metals research team in Southeast Asia and East Asia. He has 23 years of experience and previously worked in product development for Materion and Solar Applied Materials. Metals Focus is a leading independent precious metals research consultancy. With a team spread across nine countries, the company provides world-class statistics, analysis and forecasts to the global precious metals market.

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# SBMA News

SBMA hopes that our members and friends have had a good start to 2023. We would also like to thank our contributors and sponsors for their continued support over the past year, and we're looking forward to our continued partnership in 2023.

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

**13 JANUARY 2023:** Following the monthly Management Committee meeting, SBMA committee members gathered for a networking event held in appreciation of Martin Huxley. Huxley served as the SBMA's chairman from 2017 to 2021 and as vice-chairman from 2022 until February 2023, and the event was held to recognize his dedicated service to the Association.



From left, SBMA chairman KL Yap, committee member Dawn Chen of MTS Gold Group, former vice-chairman Martin Huxley, current vice-chairman Vinh Nguyen, committee member Golf Hirunyasiri of MTS Gold Group.

**8-9 FEBRUARY 2023:** SBMA facilitated meetings between aXedras Group AG and key stakeholders in the bullion industry, including refiners, traders, banks, vaulting providers, and technology companies. These meetings aimed to explore opportunities for improving efficiency and enhancing integrity within the industry.

**27 FEBRUARY – 2 MARCH 2023:** SBMA hosted a group of delegates from Indonesia with a closed-door training programme and various meetings with different member companies.

## ANNOUNCEMENT

Martin Huxley, former global head of StoneX Group's precious metal business and SBMA chairman from 2017-2021, and vice-chairman from 2022 until his departure from StoneX in February 2023, has been appointed SBMA honorary advisor.

## MEMBERSHIP

D'Exchange Pte Ltd, KGI Securities (Singapore) Pte Ltd and Modern Asia Environmental Holdings Pte Ltd were onboarded as Local Associate Corporate members, and PT Brinks Solutions Indonesia, PT J Resources Asia Pasifik Tbk and PT Simba Jaya Utama were onboarded as Foreign Associate Corporate members in this quarter.

SBMA's total corporate membership consists of 66 companies.

## UPCOMING EVENTS

*4-6 June 2023. Singapore*

### Asia Pacific Precious Metals Conference 2023

The annual APPMC, organised by the SBMA and supported by Enterprise Singapore, is set on 4-6 June 2023 in Singapore. Registration is now open, and we hope to see you there!

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

*15-17 October 2023. Barcelona, Spain*

### LBMA/LPPM Global Precious Metals Conference 2023

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

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

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