

# Crucible



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*Collection of Roman Gold and Silver Coins including an AV Aureus of Emperor Trajan Decius (AD 249-251) and Silver Denarius, Antoninianus.  
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# 2023 ASIA PACIFIC PRECIOUS METALS CONFERENCE SUMMARY

By SBMA

The 2023 APPMC focused on ASEAN's role in building an integrated precious metals market in the Asia Pacific region. Discussions covered market demands, Gold Bar Integrity, PGM, ESG initiatives, technological advancements, and price outlook.

Approximately 470 delegates from across the globe gathered to attend a series of insightful sessions featuring expert panellists and keynote speakers. The conference commenced with an opening speech by KL Yap, Chairman of SBMA, followed by four special addresses that set the stage for the discussions ahead.



KL Yap, Chairman, Singapore Bullion Market Association, welcoming delegates to APPMC 2023.

## STRATEGIES AND INITIATIVES FOR SINGAPORE'S PRECIOUS METALS HUB

Ivan Tan, Director of Trade at Enterprise Singapore, took the floor to emphasize the significant role of the precious metals industry in enhancing the country's trade. He outlined Enterprise Singapore's strategy to establish Singapore as a prominent precious metals hub within the region, focusing on three key areas: improving infrastructure, expanding the participant network, and nurturing young talent.



Ivan Tan, Director (Trade), Enterprise Singapore, delivering a special address on Enterprise Singapore's strategy for building Singapore as a precious metals hub in the region.

## LBMA'S STRATEGIC PLAN: SUSTAINABILITY AND RESPONSIBLE SOURCING IN ASIA

Ruth Crowell, Chief Executive of LBMA, then enlightened the delegates on LBMA's strategic plan concerning Asia, specifically addressing recycled gold, sustainability, and responsible sourcing. She mentioned LBMA's collaboration with the ISO project to propose a globally recognised definition for recycled gold. Additionally, LBMA emphasised three other initiatives aimed at promoting sustainability and responsible sourcing: the Sustainability & Responsible Sourcing Strategy, Responsible Silver Guidance, and Artisanal Mining. Crowell encouraged participants to actively engage with LBMA, provide feedback on their strategies, and become more involved in their efforts.



Ruth Crowell, CEO of LBMA, delivering a special address on LBMA's strategic plan for Asia.

## WORLD GOLD COUNCIL'S VISION: OVERCOMING TRUST ISSUES AND ENHANCING MARKET INTEGRITY

David Tait, Global CEO of the World Gold Council, drew attention to the fact that trust issues, provenance concerns, barriers to market participation, capital costs, and settlement

**TAIT URGED THE INDUSTRY TO COLLABORATE IN DEVELOPING UNIVERSALLY ACCEPTED SOLUTIONS THAT UPHOLD THE HIGHEST LEVELS OF INTEGRITY.**

risks continue to deter institutional and retail investors from engaging with gold. Tait discussed various initiatives undertaken by the World Gold Council to address these challenges. These initiatives include launching responsible gold mining principles, implementing an international system of gold bar integrity in collaboration with LBMA, and developing principles for retail gold investment and responsible gold investor guidance in key markets, including

Singapore. Tait urged the industry to collaborate in developing universally accepted solutions that uphold the highest levels of integrity.



David Tait, the global CEO of the World Gold Council, attentively listened to other speakers after delivering a special address on the WGC's regional initiatives and the vision for the gold market.

## SHANGHAI GOLD EXCHANGE INTERNATIONAL: ADVANCING INTEGRATION IN THE ASIA PACIFIC GOLD MARKET

The final special address was delivered by Li Ming, Supervisor of Shanghai Gold Exchange International. Li shed light on SGE's endeavours in advancing the integration of the Asia Pacific gold market. SGE established an 'International Board' in 2014, enabling direct participation of overseas investors in China's market trading. Over time, the number of SGE international members has grown from 40 in 2014 to 100 as of May 2023. SGE has also been actively promoting the adoption of standardized market practices to foster integration within the region. Notably, this includes quoting Shanghai gold in RMB per gram, based on a 1 kg standard gold ingot with no lower than 999.9 fineness, and facilitating physical settlement within SGE. Moreover, SGE has facilitated the connection between domestic and international gold production capacities, with the aim of upgrading the regional industrial chain. Li firmly believes that the cooperation between the Chinese market and the Asia Pacific region holds tremendous potential for growth.



Li Ming, supervisor of the SGEI, speaking in a special address on SGE's efforts in advancing the integration of the Asia Pacific gold market.

## KEYNOTE SPEECH: MACRO BACKDROP AND THE ROLE OF PRECIOUS METALS

Taimur Baig, MD and Chief Economist at DBS Bank, delivered a keynote speech on the macro backdrop, covering inflation, geopolitics, and the role of precious metals. Key takeaways: inflation is easing, but prices may need revaluation. Inflation peaked at 8%, with Core PCE data reaching 5.5% before trending downwards. Geopolitics could drive medium-term

inflation, with factors like USD weaponisation and China's strategies. Gold, despite expectations of a sell-off, remains valuable due to central bank purchases, indicating its future role in portfolios.



DBS's managing director and chief economist, Taimur Baig, delivering a keynote address on inflation, geopolitics and gold.

The first panel, moderated by Albert Cheng, CEO of SBMA, provided regional updates. Louis Ng, President of the Malaysia Gold Association, discussed the Malaysian gold market. Malaysia's annual GDP growth rate during the pandemic was negative, but stability is expected at 4.5% in 2023. Gold jewelry exports matched pre-COVID levels at USD 1,341 million, but an upcoming luxury goods tax may impact demand.

Nuttapong Hirunyasiri, MD of MTS Gold Group, shared an overview of Thailand's gold trade. Thai gold prices reached a record-breaking 32,965 baht in May 2023,

**“ HUYNH TRUNG KHANH, VICE CHAIRMAN OF THE VIETNAM GOLD TRADERS ASSOCIATION, ESTIMATED H1 2023 GOLD DEMAND AT 27 TONNES, WITH 8 TONNES FOR JEWELRY AND 19 TONNES FOR RETAIL INVESTMENT.**

while jewelry factories prioritize sustainability. Thai manufacturers are actively joining the Responsible Jewellery Council for responsible sourcing, and Thai companies are introducing digital platforms and gold wallets to promote local participation, he said.

Huynh Trung Khanh, Vice Chairman of the Vietnam Gold Traders Association, estimated H1 2023 gold demand at 27 tonnes, with 8 tonnes for jewelry and 19 tonnes for retail investment. Decree 24 liberalised gold jewelry production and

sales, simplifying requirements for gold tael bar production. However, it has allowed only foreign-invested enterprises to import gold raw materials for the purpose of manufacturing gold jewelry for export. Discussions with the central bank's forex department aim to classify jewelry as regular commercial items and permit the sale of non-SJC gold tael bar brands.

Sahat Pangaribuan, Senior EVP of PT Pegadaian, discussed Indonesia's gold ecosystem. Low domestic demand, despite being a global producer, led the government to prioritise development. Tax regulations will be reassessed, and gold exportation restricted. Promoting gold as an asset class requires strengthening the financial system and implementing appropriate measures, he noted.





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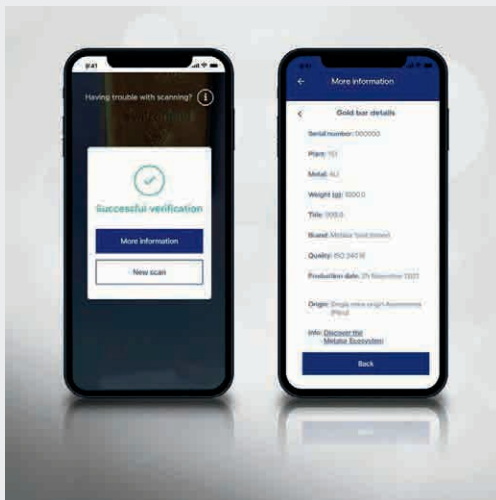


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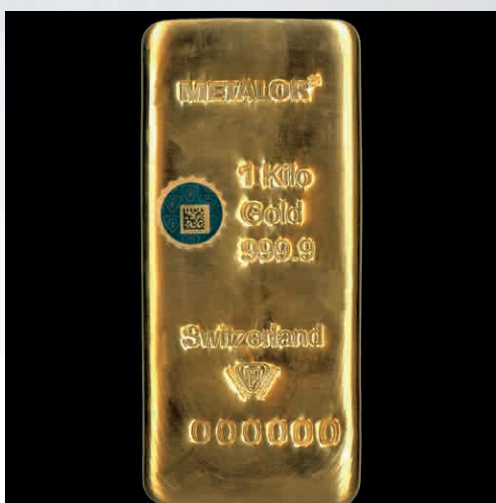
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Panelists for "What Do Market Participants Want From the ASEAN Precious Metals Markets?" (L to R): Louis Ng (Malaysia Gold Association, Malaysia), Nuttapon Hirunyasiri (MTS Gold Group, Thailand), Albert Cheng (SBMA, Singapore) – moderator, Huynh Trung Khanh (Vietnam Gold Traders Association, Vietnam), and Sahat Pangaribuan (PT Pegadaian, Indonesia).

A special session on China, curated by the SGE, began with an address from Zhang Yongtao, VP & Secretary-General of the China Gold Association. Zhang highlighted China's gold market, emphasizing its present state, opportunities, and challenges. He noted geopolitical tensions, a bleak global economic outlook, and rising global inflation as factors supporting gold's significance as a safe haven and store of value. These factors are expected to drive China's domestic gold market. However, tighter regulations in the private precious metals trading business have reduced gold trading volume, limiting market expansion. Zhang suggested standardising and internationalising the domestic market while improving physical gold repurchase channels.

Roland Wang, Regional CEO – China at the WGC, emphasized gold connectivity potential between China and ASEAN. China experienced a strong gold consumption recovery in 2023, with double-digit year-on-year demand growth predicted. ASEAN also maintained strong gold consumption. Wang highlighted the close trade partnership, China's manufacturing prowess, and innovative gold products as a foundation for potential gold connectivity with ASEAN.

Li Ming provided further details on SGE's international development initiatives, including the Shanghai Benchmark Price and the "Gold Road" Project. The project aims to streamline interactions between Chinese manufacturers and international enterprises using the SGE/SGEI platform. Li discussed four business models supporting the initiative. Lee Koon Wong, Head of Commodity Sales at ICBC Standard Bank Plc, provided insights into ICBC Standard Bank's active participation in cross-border gold trading through the SGE Gold Road initiative.

Mary Lim, COO of SK Jewellery, expressed interest in collaborating with Chinese jewelry manufacturers to enhance production processes with advanced technologies and designs. This partnership benefits both Singapore and China, providing access to expertise and markets. Lim highlighted the trend of adults encouraging younger generations to invest in jewelry.

Wang Yuhan, Chairman of Dongwu Gold Group, reiterated collaboration potential between China and Southeast Asia's bullion market. He emphasized China's recognized bullion market, strong infrastructure, and jewelry manufacturing capabilities. Historical trade and cultural exchanges, Southeast Asia's sizable gold market, and rapid growth

support collaboration. Wang emphasised mutual benefits, such as new product development, regional financial stability, and increased cross-border trade.



Panelists for the Special Session on China (L to R): Zhang Yongtao (China Gold Association), Roland Wang (World Gold Council), Li Ming (Shanghai Gold Exchange International), Albert Cheng (SBMA), Lee Koon Wong (ICBC Standard Bank Plc), Mary Lim (SK Jewellery), and Wang Yuhan (Dongwu Gold Group).



Day 2 Networking Lunch sponsored by LBMA: Attendees gathered for a delightful networking session at the event.

The second panel session, chaired by Sakhila Mirza (Executive Director, LBMA), focused on the Gold Bar Integrity (GBI) program. Mirza emphasized its objective to ensure genuine and responsibly sourced precious metals, free from fraud. Speakers elaborated on their contributions.

David Woodford (CFO, ABC Refinery) discussed the development of a security feature to identify counterfeit bars using QR codes, scanning, and coating/DNA markers. ABC Refinery also enabled authentication through a mobile app in collaboration with Provche.

Urs Rösli (CEO, aXedras Group AG) presented a blockchain-based bullion integrity ledger, facilitating data exchange among participants. It provides a digital twin for each bar, enhancing transparency and offering valuable information like custody and authentication. The decentralised aXedras ecosystem enables partners to exchange data through a single interface.

Gregor Gregersen (Founder, Silver Bullion) introduced GramChain, a real-time tracking system across Zurich, Dallas, and Singapore. It offers traceability, live broadcasts through RFID scanners, and integrates with Chainlink for reliable on-chain contract integration.

Sachin Patel (Executive Director, CME Group) shared LBMA and WGC's findings on the GBI initiative. COMEX gold inventories and deposits at CME vaults increased due to geopolitical tensions. Patel highlighted milestones, including COMEX aligning with international standards for conflict-free gold, LBMA brands added for Gold and Silver Futures, and the requirement for responsible guidance compliance for silver, platinum, and palladium producers.



Panelists for "Understanding the significance of Gold Bar Integrity" (L to R): Sakhila Mirza (LBMA), Gregor Gregersen (Silver Bullion), Sachin Patel (CME Group), Urs Rössli (aXedras Group AG), and David Woodford (ABC Refinery).

Ferry Irawan, Acting Deputy Minister for Macroeconomic and Finance Coordination at the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, kicked off the second special session on Indonesia with a keynote address. He outlined the country's economic growth targets, aiming for a 5.3% growth rate in 2023 and further increases in 2024. The government is committed to expediting structural reforms to enhance investment competitiveness and promote downstream activities in the natural resource sector. The development of the Indonesia Knowledge Network (IKN) will also be accelerated to boost the construction sector. Bullion services have made significant progress in Indonesia, with legal provisions in place for conducting such services within the country. Technical regulations (POJK) are being drafted to determine if financial service institutions can offer bullion services, and the government has reduced the tax on gold to expedite their implementation.

**“ OPTIMIZING THE GOLD SUPPLY CHAIN IS EXPECTED TO BOOST GDP BY 1.3% AND CREATE APPROXIMATELY 800,000 NEW JOBS.**

0.28%, and investment by 0.32%. Optimizing the gold supply chain is expected to boost GDP by 1.3% and create approximately 800,000 new jobs. The implementation of bullion services could also increase the money supply by up to IDR 53 trillion, indicating substantial economic benefits.

To conclude the session, PT Pegadaian's Sahat Pangaribuan gave a detailed overview of the company's execution roadmap as the pilot for bullion banking. In Phase 1 (2022-2024), PT Pegadaian will introduce various products such as dore

Agus Wibowo, Assistant Deputy for Financial Services and Information Industry at the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, provided insights into the establishment of bullion services and their potential impact on the economy. The introduction of bullion services is projected to increase GDP by 0.15%, consumption by

financing, unallocated accounts for retail customers, and gold metal loans. Phase 2 (2025-2027) aims to offer a full suite of products including gold-backed financing, unallocated accounts, physical gold, and paper gold trading.



Panelists for the Special Session on Indonesia: Ferry Irawan (CMEA, Republic of Indonesia), Albert Cheng (SBMA), Agus Wibowo (CMEA, Republic of Indonesia), and Sahat Pangaribuan (PT Pegadaian).

The conference then turned its focus to Platinum Group Metals (PGMs). Zhuoying Jing, Chairperson of the Asian WiPGM chapter - Women in PGMs, delivered a special address introducing WiPGM, an organisational network that promotes collaboration among women in the PGMs value chain. WiPGM provides a platform for learning, mentorship, and contributing to industry growth.



Zhuoying Jing, Chairperson of the Asian WiPGM chapter - Women in PGMs, posed for a candid photo with Ruth Crowell and Sakhila Mirza from LBMA after delivering a special address.

The third panel session, led by Martin Huxley, Honorary Advisor of SBMA, centred on the rise of PGMs in ASEAN. Frank Chen, Founder of BR Metals, introduced the company specialising in collecting, sampling, and recycling scrap materials containing platinum, palladium, and rhodium.

Deng Weibin, Regional Head - Asia Pacific of the World Platinum Investment Council (WPIC), provided insights into the formation of WPIC and its response to increasing investor demand for platinum. Global platinum demand grew by 28% YoY in 2023, with South Africa and Russia as major suppliers. Deng highlighted platinum's primary use in automobiles and its emerging demand from green hydrogen fuel for electric vehicles.

Gregory Frith, Director of Precious Metals Sales & Trading at StoneX, highlighted the company's leading position as an OTC physical and hedging counterparty for various precious metals.





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Frith proposed establishing an Asian Catalyst Recycling Hub in Singapore to centralise spent catalyst recycling from major markets, aligning with the shift toward environmentally friendly vehicles. He expressed optimism about increased PGM trading with Japan, given its advanced manufacturing capabilities and appeal for foreign investment.

Simon Huang, Managing Director of Sino-Platinum Metals, concluded the panel session by showcasing the company's extensive ASEAN operations since 1938. Sino-Platinum Metals specialises in automotive catalysts, precious metal alloy materials, and pastes for electronic components. They offer a wide range of platinum-based solutions for catalysts, alloys, and electronic applications.



Panellists for "The Emergence of PGM in ASEAN" (L to R): Simon Huang (Sino-Platinum Metals), Frank Chen (BR Metals), Deng Weibin (World Platinum Investment Council), Martin Huxley (SBMA) – moderator and Gregory Frith (StoneX).



Photos of Day 2 Gala Dinner sponsored by Rand Refinery: A memorable evening of celebration and camaraderie among attendees at the event.

On the final day, Kamlesh Sharma, GM & Head of Precious Metals at IFSCA, initiated the session on India's gold market. With India being the second-largest gold importer globally, IFSCA aims to establish the India International Bullion Exchange (IIBX) in collaboration with five market intermediary institutions. It plans to enable foreign banks for trading and custody of bullion, expand vaulting facilities, and introduce derivative products via IIBX.



Kamlesh Sharma, Head of Precious Metals - International Financial Services Centres Authority, presenting "Development of a Precious Metals Ecosystem at GIFT-IFSC".

The fourth panel session, led by Hannah Brandstaetter, ESG Programme Director at WGC, focused on ESG initiatives in the gold industry. Brandstaetter highlighted the Gold Industry Declaration of Responsibility and Sustainability Principles, emphasising responsible sourcing, sustainable development, human rights, and diversity. Wayne Gordon, MD of UBS AG, mentioned UBS's commitment to environmental and societal issues. Jonathan Jodry, BD Director at Metalor Technologies, discussed their ESG initiatives, including strict gold sourcing regulations and compliance with the Responsible Jewellery Council's standards. Robin Wang, Executive Chairman of Zijin (Singapore) International Mining, shared Zijin Mining's goal to become a green and efficient company. They aim to reduce their carbon footprint, employ local residents, and restore vegetation.



Panellists for "ESG Initiatives in Precious Metals Sector" (L to R): Jonathan J. Jodry (Metalor Technologies SA), Wayne Gordon (UBS AG), Hannah Brandstaetter (World Gold Council) – moderator, and Robin Wang (Zijin International Mining).

The fifth panel session, chaired by Andrew Naylor, examined technology and innovation in the precious metals industry. Anoushka Rayner, Head of Growth - Commodities at Paxos, discussed how blockchain technology can improve



## “ PAXOS OFFERS REGULATED CUSTODIAN, INFRASTRUCTURE, AND TOKEN SERVICES, INCLUDING PAXG, A REGULATED GOLD TOKEN BACKED BY LBMA-ACCREDITED PHYSICAL GOLD.

market infrastructure. Paxos offers regulated custodian, infrastructure, and token services, including PaxG, a regulated gold token backed by LBMA-accredited physical gold. Tokenising gold enhances transparency and expands investment opportunities, she highlighted.

Steven Randall, Director at Kallanish Index Services (KIS), introduced their gold reference price offerings in

Asia to enhance pricing transparency. KIS delivers precise daily reference prices for kilobar spot premiums in Singapore, Hong Kong, and Bangkok, providing flexibility in data selection, comparison, and export.

Peng Jingkai, Senior VP at HydraX, presented the platform's regulatory-compliant financial infrastructure solutions. HydraX enables traditional finance companies to transition to Web 3.0 through token management, exchange services, self-custody solutions, and digital asset custody. Features include Smart Order Routing, Real-time Positions Management, and Liquidity Management.



*Panellists for "Technology & Innovation in the Precious Metals Industry" (L to R): Andrew Naylor (World Gold Council), Steven Randall (Kallanish Index Services), Anoushka Rayner (Paxos), and Peng Jingkai (HydraX).*

The sixth and final panel was packed with information and kicked off with the launch of the 2023 Gold Focus by Nikos Kavalis (Managing Director, Metals Focus Singapore). He was later joined by Bruce Ikemizu (Executive Director, JBMA), Nicholas Frappell (Global Head Institutional Markets, ABC Refinery) and Bart Melek (Managing Director and Global Head of Commodity Strategy, TD Securities) as panellists to discuss gold's price outlook.

The panellists shared a consistent bullish outlook for gold in the long term. Melek anticipated a potential pivot by the Fed towards accommodative policy rates, leading to a decrease in real interest rates and supporting gold prices.

TD Securities set a target of US\$2,100 for the end of the year. Ikemizu expressed optimism due to geopolitical factors, de-dollarisation, and increasing US public debt, favouring gold over the US dollar. Frappell concurred with Ikemizu's long-term analysis but noted a possible short-term dip to around US\$1,800 due to reduced liquidity after the debt ceiling agreement.



*Panellists for "Precious Metals Price Outlook" (L to R): Nikos Kavalis (Metals Focus Singapore), Bart Melek (TD Securities), Bruce Ikemizu (JBMA), and Nicholas Frappell (ABC Refinery).*



*Photos of Day 1 Cocktail Reception sponsored by Metalor Technologies.*



# WHAT NEXT FOR GOLD?

By **SACHIN PATEL**, *Executive Director, Metal Products, CME Group*

- Gold price is influenced by factors like dollar strength, potential recession, inflation, and the future trajectory of interest rates.
- For most of the year, gold and equities maintained their correlation, with gold notably outperforming during the onset of the U.S. banking crisis.

Gold has experienced significant volatility recently. In March 2022, the start of the Russia-Ukraine conflict saw the gold prices jump to a high of \$2,069 before a steady selloff brought prices down to nearly \$1,600 in September 2022. In March 2023, following the collapse of Silicon Valley Bank in the U.S., gold rebounded robustly, breaking the \$2,000 threshold to register a new high, before shedding some of its lustre. The yellow metal currently faces an array of tailwinds that could potentially propel its price upward, counterbalanced by headwinds that could exert downward pressure.

## SAFE HAVEN ASSET

Gold's traditional status as a safe haven asset contributed to its price breaching the \$2,000 barrier several times during the early part of the year. The [collapse of Silicon Valley Bank](#) and the forced takeover of Credit Suisse by UBS led to investors piling into gold in search of stability. However, a combination of rising yields, a stronger dollar, and persistently hawkish sentiment from central banks resulted in a subsequent price drop. Meanwhile, ongoing geopolitical tensions and concerns that the United States might enter a recession in 2023 have helped support the price of gold, keeping it above the \$1,900 level.

Optimism surrounding the lifting of COVID-19 restrictions in China, the world's largest gold market, at the start of 2023 provided an additional boost for gold. The anticipated post-COVID recovery and resurgence of consumer confidence

ignited pent-up demand for gold. However, the rally was brief as concern mounted over the outlook for China's economy and a potential debt market crisis.

More recently, signs that inflation in the U.S. is moderating have been bolstering gold as it tempers interest rate expectations going forward, making the metal more attractive to investors.

## HEADWINDS PERSIST

Despite these supportive factors, the price of gold still faces several challenges. Though the strength of the U.S. dollar has retreated from the peaks seen in the second half of 2022, it remains robust by recent historic standards. A strong dollar is detrimental for gold as it makes purchases outside the U.S. more expensive. The metal's price, denominated in U.S. dollars, can impact foreign demand, leading to a potential drop in gold prices when the dollar is strong.

The future trajectory for the dollar remains uncertain, with much depending on whether the U.S. economy enters a recession, the pace at which inflation decreases, and the future path of interest rates.

## INTEREST RATE IMPACT

Interest rates typically exhibit an inverse relationship with gold prices. With high rates, and in some cases still rising, bonds and fixed income investments are an attractive alternative to gold. But an end to the current rate hiking cycle could positively impact the price of gold.

In July, the Federal Reserve resumed its interest rate hikes, with Chair Jerome Powell not ruling out the possibility of further increases, contingent on economic data assessed on a meeting-to-meeting basis. Following this announcement, the market was [placing the highest probability](#) on rates to remain unchanged for the rest of the year.



The Fed faces a tough balancing act, tasked with curbing inflation on the one hand while mitigating the impact of high interest rates on the economy on the other. Although the threat of a recession seems to be receding, the Fed may still have to quickly pivot its monetary policy to support growth.

The last time the Fed dramatically changed its course was in May 2019, signalling the start of the last gold bull run. Investors flocked to gold in response to lower fixed interest yields and a weaker U.S. dollar. A similar situation might arise if the recent rate hikes need to be swiftly reversed to support the economy amid waning consumer and business confidence.

## DEMAND WEAKENS

On the demand front, 2022 was the strongest year for gold consumption in over a decade, according to the World Gold Council. Consumption of the yellow metal rose 18% to 4,741 tonnes, driven by a 10% increase in purchases by investors and robust purchases by central banks looking to promote stability.

But this trend reversed in 2023, with demand for gold during the first quarter falling by 13% year-on-year. [Ongoing purchases by central banks](#) and a surge in buying by Chinese consumers following the lifting of Covid restrictions were insufficient to compensate for lower investor demand and weakness in India, where high gold prices dented consumers' appetite for the yellow metal.

The use of gold in technology also continued to trend downwards. Global economic headwinds dampened consumers' appetite for electronic goods, causing gold consumption in this sector to plunge to its second-lowest quarterly level since the World Gold Council began its data series in 2000. At the same time, jewelry consumption remained stagnant.

Meanwhile, the total supply of gold marginally increased in the first quarter to 1,174 tonnes, buoyed by [a 2% rise in mine production](#) and a 5% rise in recycling spurred by higher gold prices.

## UNCERTAIN PRICE TRAJECTORY

Looking ahead, the outlook for gold remains delicately poised. The price rose by 5.4% in the first half of the year. An end to the Fed's rate-tightening cycle and a correspondingly weaker U.S. dollar could bolster gold. An economic downturn would

also push the price higher due to its impact on investors' risk tolerance. However, if the U.S. and global economies continue to display resilience, interest rates rise further, or the U.S. manages to avert a recession, the gold price could take a hit.

The correlation between gold and the U.S. equity market is another critical factor.

Generally, the long-term correlation is positive. However, the two can decouple during periods of heightened stress and volatility. This year, gold and equities have responded similarly to shifts in dollar strength and yields. Nonetheless, gold did outshine equities during the onset of the U.S. banking crisis in March as its safe haven appeal was accentuated.

“**LOOKING AHEAD, THE OUTLOOK FOR GOLD REMAINS DELICATELY POISED. THE PRICE ROSE BY 5.4% IN THE FIRST HALF OF THE YEAR.**”

## CME GROUP GOLD FUTURES AND OPTIONS CAN BE USED TO MANAGE PRICE RISKS

Given the delicate balance of the outlook for gold, gold futures and options allow investors to mitigate the risk of price fluctuations. CME Group's COMEX Gold suite of derivatives displayed robust performance in the first half of 2023, with volumes across our key products demonstrating substantial year-on-year growth. Here are some highlights of the average daily volume (ADV) growth year-on-year for our key products:

- COMEX 100oz Gold futures (GC): 6.2%
- COMEX 100oz Gold options (monthly expiry): 19%
- COMEX 100oz Gold options (weekly expiries): 33%
- COMEX 10oz Micro Gold futures (MGC): 33%

CME Group provides clients with round the clock liquidity on our global benchmark gold products, with market access provided 23 hours per day, 5 days per week. The Asia-Pacific region has become increasingly important over the years for the overall gold business at CME Group, with customers in the region regularly contributing up to 25% of the total day's volume.

In terms of recent trends that we have seen in our markets, a standout feature has been the growth of our weekly options suite. CME Group now offers gold options that expire every Monday, Wednesday, and Friday. Customers can use these options to manage specific event risks in the market, which can impact gold prices (e.g., FOMC decision, Non-Farm Payroll). Their popularity is evidenced by their share of overall gold options volumes at CME Group; year-to-date, it stands at above 20%, compared to just 4% in 2018.

For any questions related to CME Group's gold futures and options products, please feel free to reach out to [sachin.patel@cmegroup.com](mailto:sachin.patel@cmegroup.com).

### Disclaimer

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**SACHIN PATEL** is the Executive Director, Metal Products, Asia Pacific at CME Group, based in Singapore. He is responsible for expanding CME Group's metal business and developing new opportunities across the region. Prior to joining CME Group in September 2017, Patel spent 10 years in Bank of America Merrill Lynch's Global Commodities division, where he covered numerous roles across trading, structuring, as well as sales in metals, exotic options and commodity index products.

# SILVER BULLION: A JOURNEY OF INNOVATION AND TRUST IN THE PRECIOUS METALS INDUSTRY

By SBMA



Founder of The Reserve: Gregor Gregersen

In the heart of Singapore's bustling financial district, a beacon of stability and security stands tall. Founded in 2009 by Gregor Gregersen, Silver Bullion Pte Ltd has emerged as a leading player in the precious metals industry. Offering segregated ownership of physical commodities like gold, silver, platinum, and other metals, Silver Bullion has carved a niche for itself by reducing counterparty, storage, and jurisdictional risks associated with holding these commodities.

Gregersen, a German native who partially grew up in Italy and England, spent 12 years in the United States before settling down in Singapore. His journey into the world of precious metals began during his tenure as a senior data architect at a major bank in Frankfurt during the 2008 collapse of Lehman Brothers. This experience opened his eyes to the fragility of the world's financial system and the ephemeral value of currency, sparking his move to precious metals.

Silver Bullion, a member of the Singapore Bullion Market Association (SBMA) and an affiliate member of the London Bullion Market Association (LBMA), has delivered more than 764.3 metric tons of bullion since its inception. But the company's operations extend beyond mere trading. In 2011, Gregersen launched the S.T.A.R. storage programme, allowing people to securely store their precious metals outside the financial system. This was followed by the launch of The Safe House (TSH) vault in 2014, a state-of-the-art facility offering secure storage designed to Silver Bullion's specifications.

The company's commitment to security and authenticity is evident in its operations. All bullion stored under the S.T.A.R. storage program is authenticated and uniquely identified,

ensuring clients that they are buying actual physical gold or silver, not just paper rights. This, coupled with the company's robust insurance coverage and stringent adherence to LBMA's rules on good trading practices, makes Silver Bullion a solid counterparty against global systemic crises.

Gregersen's vision extends beyond the present. With the increasing demand for renewable energy sources, silver's role in photovoltaics for solar panels is becoming more extensive. Gregersen believes that the Silver Institute's estimate of 237 million troy ounces of current silver supply shortage, coupled with its increasing demand, could push silver into triple-digit valuations. This foresight, coupled with his readiness to adapt and innovate, has positioned Silver Bullion at the forefront of the precious metals industry.

As Silver Bullion continues to grow, it remains committed to its mission of providing a safe haven for investors. With its recent expansion into a six-story building in Changi, Singapore, named The Reserve, the company is set to offer a wider range of services, including testing and authentication labs for physical assets like watches and rare industrial metals, digitization, and collateralization.

In a world of financial uncertainty, Silver Bullion stands as a testament to the enduring value of precious metals. Through its innovative business model and unwavering commitment to security and authenticity, the company offers investors a safe harbour in the stormy seas of the global economy.

To delve deeper into the workings of Silver Bullion and its future plans, The Crucible had the opportunity to sit down with founder Gregersen for an enlightening Q&A session.

## WHAT DOES BECOMING THE FIRST SOUTHEAST ASIAN AFFILIATE MEMBER OF THE LONDON BULLION MARKET ASSOCIATION (LBMA) MEAN FOR SILVER BULLION?

It means a lot. Having witnessed the financial crisis of 2008 and recent bank failures firsthand, we've seen how fragile the financial system can be. We have a vision of what we feel is the best way to protect wealth with physical precious metals, and we have spared no effort in working to realize it. Being accepted by LBMA is validation of these efforts, and proof that we're working with the right goals in mind. Being in the industry for over 14 years, we have grown from strength to strength as we now serve tens of thousands of unique customers.

For our clients, this gives them peace of mind that their wealth is in good hands. And that the bullion they get through us is sourced ethically according to the global precious metals code.





*The Reserve: A New High-Capacity Vault and Alternative Asset Center*

LBMA membership is widely recognised as a mark of credibility and trust within the global bullion market. It allows us to have the right to vote at AGMs and to sit on LBMA Sub-Committees and Working Groups to influence policymaking in the precious metals market.

Our participation in LBMA roundtable discussions has initiated promising dialogues with institutions and progressive enterprises, fostering potential collaborations to innovate and enhance services for our clients.

As a member, we are excited to have access to the LBMA's Sub-Committees and Working Groups. We look forward to working with other LBMA members to collaborate on initiatives and support policies that are positive for the precious metals market and consumers. Given our experience, I believe we can contribute meaningfully to key issues and hopefully present our views to the LBMA board.

#### **CAN YOU DISCUSS THE SIGNIFICANCE OF SILVER BULLION'S ISO 9001-CERTIFIED VAULT, THE SAFE HOUSE, AND THE S.T.A.R PROGRAMME?**

The Safe House plays a pivotal role in upholding the company's commitment to excellence and trustworthiness. The ISO 9001 certification is a globally recognized standard for quality management systems, and by achieving this certification, [The Safe House](#) demonstrates its adherence to rigorous quality control processes and a dedication to continuous improvement.

We are also in the process of obtaining the ISO 17025 certification for our bullion testing laboratory at The Safe House. The vault's state-of-the-art security measures, combined with its advanced vault management system, ensure that every item stored is accounted for and protected against potential threats.



*Silver Bullion's ISO 9001-certified vault, The Safe House*

S.T.A.R storage reduces our clients' jurisdictional exposure, ensures that our clients are legal title owners of their bullion, and authenticates precious metals, ensuring that all bullion entering our storage is genuine. We also have comprehensive insurance to protect our clients' wealth.

#### **WHAT ARE SOME OF THE SIGNIFICANT MOMENTS AND LESSONS SINCE SILVER BULLION'S FOUNDING IN 2009?**

It's been quite the journey. Both the company and the team have grown and changed along the way. What hasn't changed is our dedication to providing the best wealth protection possible for our clients.

And that can be seen from how we've moved from being only a dealer to also being a vault operator and later a landlord with the purchase of our building, The Reserve. Every step and

#### **“ WHAT HASN'T CHANGED IS OUR DEDICATION TO PROVIDING THE BEST WEALTH PROTECTION POSSIBLE FOR OUR CLIENTS.**

decision were made with the aim of removing a level of risk for our customers, and we will continue to keep innovating to ensure our clients' wealth is well protected.

For example, we've leveraged technology to allow customers to offer loans to potential borrowers with our [Bullion Secured P2P Loan program](#), using the borrower's stored

bullion as collateral. This allows a way for lenders to get returns on their extra fiat funds with minimal risk.

#### **WHAT CAN WE LOOK FORWARD TO WITH THE UPCOMING COMPLETION OF THE RESERVE?**

Anticipated for completion by the close of 2023, The Reserve, our upcoming vaulting facility, is already proving instrumental in unlocking fresh avenues for business expansion. When completed, [The Reserve](#) will be a wealth hub that also securely vaults high-value assets beyond precious metals. We have plans to store valuables including art, rare earth metals, luxury timepieces, and wine. We aim to create an ecosystem within The Reserve allowing clients to transact between different hard asset classes under one roof.

We believe The Reserve will not only be an iconic landmark in Singapore but it will also become an important destination for those seeking wealth protection.



# The Reserve

#### **The Reserve**

Address: 6 Changi South Street 3, Singapore 486128

Website: <https://thereserve.sg/>

Phone: +65 6100 3040

# A SAFE HAVEN FOR GENERATIONAL WEALTH



The Reserve

## HIGH-SECURITY VAULTING

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- Wealth management
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- Trustee services
- Digitalisation services

## EVENT SPACES

The 4<sup>th</sup> and 5<sup>th</sup> floors feature extensive lobbies and meeting rooms, a recording studio, as well as spaces suitable for auctions and custom events for up to 100 people.



For leasing enquiries, please email  
[contact@thereserve.sg](mailto:contact@thereserve.sg)



**The Reserve Pte Ltd**  
6 Changi South Street 3  
Singapore 486128

[www.thereserve.sg](http://www.thereserve.sg)



# SBMA News

The team at SBMA has been busy this quarter with membership enquiries and is working to onboard new members, as well as collaborating with various stakeholders to open up different markets within the ASEAN region. We also would also like to thank our contributors and sponsors for their contributions to *Crucible*.

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

**AUGUST 18–20, 2023** SBMA CEO Albert Cheng participated in a panel discussion alongside other esteemed industry experts, at the India Gold Conference 2023. The panel discussed the Gold Industry Declaration of Sustainability Principles, including responsible sourcing, sustainable development, human rights, and diversity. During the conference, the organizers also honored him with a Special Category Award in recognition of his exceptional contributions to the global bullion industry.



## UPCOMING EVENTS

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

## Membership

Morgan Stanley Capital Group (Singapore) Pte was onboarded as a Local Associate Corporate member, and Eliz Precious Metals Malaysia was onboarded as a Foreign Associate Corporate member.

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

SBMA proudly congratulates Jason Chan, our esteemed honorary legal counsel, on being named one of Southeast Asia's Top 15 Litigators 2023 by Asian Legal Business. Jason's exceptional expertise and dedication to the field of law over the past two decades have earned him this prestigious recognition. As a senior counsel and co-head of the white-collar and investigations practice at Allen & Gledhill in Singapore, Jason has been an integral part of their team, consistently showcasing outstanding skills and unwavering commitment to justice. We are incredibly proud of Jason's remarkable achievements and his invaluable contributions to the legal profession and SBMA.

## About Crucible

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

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# NOTHING NEW UNDER THE SUN

By JOSHUA ROTBART, MANAGING DIRECTOR, J. ROTBART & CO.

In the year 301 AD, the Roman emperor Diocletian issued his famous “Edict on maximum prices”. This law attempted to fix the prices of commodities, wages and freight rates throughout the empire.

It named the prices of no less than a thousand different products, from grain and wine to the prestigious purple silk, used for aristocratic robes. Copies of the edict were displayed in every town square, and any violation was punishable by death. Diocletian believed that fixing prices would stop the inflation ravaging the economy at the time. Needless to say, his attempt failed miserably as merchants preferred risking death than sell their products at a loss. The edict was largely ignored and eventually abandoned.



The inflation plaguing the Romans did not happen overnight; It was the result of a century of political turmoil and currency debasement. Starting in 193 AD, with five different emperors vying for control, the Roman empire faced civil wars, epidemics and barbarian invasions. To cope with these crises, its leaders gradually reduced the silver content

of the denarius, the coin of the realm. Originally made of almost pure silver, it slowly turned into a bronze coin, with only a thin silver coating. Over time, merchants noticed that the new denarii were less valuable than the old ones and increased their prices accordingly. However, they were not responsible for the inflation; the expanding money supply was strictly the fault of the government. While most people were impoverished by this inflation, those who kept their savings in gold remained immune.

**“CENTURIES  
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THE PRINCIPLES  
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EMPIRE STILL APPLY.**

Centuries have passed, but the principles that governed the economy during the days of the Roman empire still apply. After World War II, delegates of the 44 allied nations convened in Bretton Woods, New Hampshire and agreed that from then on, the US dollar would serve as the global reserve currency. The US would back its currency with gold, and the rest of the nations, which were devastated by the war and had very little gold reserves left, would back their currencies with dollars. The link between the various national currencies and gold was weak and indirect, but it existed nonetheless. This gave them enough credence to support the post-war reconstruction, and the world economy was able to prosper once again.





## “ DURING THE 1950S AND 1960S, THE US GOVERNMENT RESORTED TO EXCESSIVE MONEY PRINTING TO FUND WARS AND SOCIAL PROGRAMS, DEBASING THE DOLLAR.

However, during the 1950s and 1960s, the US government resorted to excessive money printing to fund wars and social programs, debasing the dollar. As a result, the rate of inflation in the US started to creep up, from an average of 1% during the early 60s, to 4.5% at the end of the Lyndon Johnson presidency. Led by France, America's

trading partners began to convert their overvalued dollars to gold. During that period, the reserves at Fort Knox declined from about 20,000 metric tonnes to just under 10,000.

In 1971, President Richard Nixon severed the link between the US dollar and gold. Few people remember, but also imposed a 90-day freeze on all wages and prices, just like emperor Diocletian did 1,670 years earlier. Unsurprisingly, this had no long-term impact on inflation. It abated for a short while, but then started to rise again, reaching no less than 12% in 1974, and over 14% by 1980. Yet again, those who were wise enough to keep their savings in gold were protected from inflation. During the 1970s, the price of gold rose from

about \$40 an ounce to \$800 an ounce, compensating its holders for the dramatic decline in the purchasing power of the dollar.

Today we are living in a fiat world, where currencies are no longer backed by tangible assets but exist as digital entries on bank servers. As many in the sound money community have predicted, the rapid expansion of the money supply in the past decade has led to inflation. This fact can no longer be denied, even by the most ardent Keynesian economist. Governments and central banks across the western world may try to blame it on the war in Ukraine, or on the disruptions to the supply chain that followed the COVID-19 pandemic. But the rate of inflation in the US was already 7.5% before the Russian invasion of Ukraine, and to our view, the disruptions in the supply chains were the result of the brewing inflation, and not the cause of it. Unchecked money printing has increased aggregate demand, above and beyond what suppliers could possibly handle.



The only surprising aspect of the current financial situation is that the price of gold has not moved substantially higher. In the summer of 2020, it reached an all-time of \$2,075, but since then it has entered a prolonged period of consolidation. Lately, it briefly touched this level again, against the backdrop of the developing banking crisis in the US. However, it is yet to break out of this trading range and resume its upward





trajectory. This has left many precious metals investors perplexed. How come the performance of gold has been so underwhelming in the face of such persistently high inflation?

First, this consolidation comes after an impressive 70% rise in the price of the metal between 2018 and 2020. It seems as though the price of gold anticipated the inflation and reacted to it in advance. Therefore, it is only natural for it to consolidate in preparation for any future move.

Furthermore, although the price of gold has been moving sideways in dollar terms, it has been setting record highs in terms of other currencies. The price of gold is at all-time highs in terms of euros, British pounds, Japanese yen, Canadian dollars and Australian dollars. We believe that citizens of these major economies, who happen to be holding gold, are quite pleased with their investment. It is mainly to Americans that gold's performance appears lacklustre. Indeed, due to a decisive tightening campaign by the Federal Reserve, the US dollar remained remarkably strong in 2022. But as Fed chair Jerome Powell recently signaled, this tightening cycle is drawing to its end. We suspect that the current turmoil in the banking sector will not permit rates to go much higher, and that the dollar will no longer be a headwind to the price of gold.

Finally, a new factor that may impact the price of precious metals positively has recently become relevant. Most asset portfolios are currently managed according to the 60/40 model, which divides the capital between two asset classes – stocks and bonds. Stocks are considered as the risky and volatile portion of the portfolio, while bonds are supposed to be stable and boring. Stocks are expected to perform well in good times, and provide most of the growth, while bonds are supposed to perform well in bad times and compensate investors for any declines in the stock market. However, this theory has worked well only in a high growth, low inflation environment, the kind of which we've had continuously since the early 1980s.

But now circumstances have changed: there's an inverse ratio between the yield of a bond and its price. In the past three years, interest rates across the world have risen considerably, pushing the price of these bonds down. To illustrate this point, consider the price of the iShares TLT ETF, which invests in long-dated US treasuries. Since its all-time high reached in March of 2020, this ETF has lost over 40% of its value. That is a tremendous loss of capital for an investment vehicle that is supposed to be the safest in the world and the cornerstone of every retirement portfolio.



**Bonds**

vs



**Stocks**



Thus far, the losses in the bond market have been substantial, but they haven't triggered a complete collapse. Investors seem to expect the bond market to rally in response to the banking crisis and a falling rate of inflation. As a result, the US treasury yield curve is deeply inverted, with long-dated bonds trading at a lower yield than short-term treasury bills. But if for some reason, these expectations do not materialise – for instance, if inflation turns out to be hotter than expected or if a major issuer suffers a default – the bond market may enter a protracted bear market. In such a scenario, asset managers will need to ask themselves: what safe and reliable alternative is there to bonds? We believe that there is nothing new under the sun and that gold will once again serve as a safe haven. Currently, the allocation to precious metals in the average portfolio is negligible. If only a small fraction of the roughly \$200 trillion invested in financial markets across the world finds its way to gold, this could have a dramatic impact on the price.



**JOSHUA ROTBART** (LLM, MBA) is the founder and managing partner of J. Rotbart & Co., a bullion house providing global solutions for HNW who invest in physical precious metals. Joshua started his career as a corporate lawyer before entering the precious metals industry in a senior position with one of the world's largest vault operators. In 2015 Joshua founded J. Rotbart & Co., which has traded over USD 1bil worth of bullion.





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# WHAT HAPPENS WHEN THERE IS A LOSS?

By ALLAN FINN, *Director of Global Commodities, Malca-Amit*

The physical precious metals market, like all markets, has many risks. A successful logistics operation requires a thorough understanding of the risks and knowledge of how to mitigate them where possible. Reputational risk, regulatory risk, and credit risk are all factors considered and managed in-depth by logistics providers.

Precious metals are inherently valuable and therefore the risk of theft of metal is always present. As a logistics provider it is dangerous to become complacent with the significant values being handled daily - the movement of hundreds of millions of dollars from country to country is extraordinary and robust security measures always need to be maintained.

## HANDLING SHIPMENT ROBBERIES: THE CLAIMS PROCESS AND LIABILITY

So, what happens when external factors intervene, and a shipment is targeted by thieves? Readers are probably aware of the recent robbery of gold at Toronto Airport in April 2023, where US\$20 million worth of gold was stolen (at the time of writing, the gold has still not been recovered). A robbery like this prompts the need for understanding the general investigation and claims process that will run concurrently with any media hype.

For those affected by a loss of goods or precious metals resulting from a robbery, it is worth understanding the general investigation and claims process that will run concurrently with any media hype. A robbery like the one at Toronto Airport is one of the simpler examples, as the gold was proven to be stolen and therefore easily defined as a “total loss”. It goes without saying that any loss needs to be established through

thorough investigation, which involves liaising with anyone who handled the goods, law enforcement, and other relevant stakeholders such as loss adjusters appointed by an insurer. If a total loss scenario has been factored into a company's risk assessments, the owner of the goods may find that the Total Loss can be reimbursed, and it is at this stage important to understand the term “liability”.

## LIABILITY AND INSURANCE IN LOGISTICS

In the context of a logistics provider, liability is the responsibility assumed by the logistics provider to safeguard the goods in its custody and control. The extent of the logistics provider's liability is set out in the logistics contract and the liability is often capped. A prudent logistics provider will insure its liability to be sure that there is money at hand to reimburse the customer in the event of a total loss. There are different ways to insure liability and risk of total loss. The logistics provider may choose to place policies with reputable insurers and regulated markets, they may “self-insure” the risk and manage it internally with their P&L, or they may choose to combine market insurance and self-insurance.

It should be borne in mind that the liability assumed by a logistics provider (whether or not such liability is insured) is different from insurance. A logistics provider cannot insure



the goods as it has no insurable interest in them. Only regulated insurance companies can offer insurance coverage to interested parties for the goods themselves.

For a secure logistics provider such as Malca-Amit, the scope of liability and liability caps included in our logistics contracts are generous and far exceed the low liability caps stipulated in international shipping conventions. Malca-Amit generally caps its liability to the values declared by the customer but in the context of gold and silver bullion, the London Bullion Market Association's (LBMA) published price combined with the fine weight of the lost metal is used to determine the cap on Malca-Amit's liability. The use of the LBMA price is a more practical, transparent, and independent method and today also market standard.

### SETTLEMENT AND RECOVERY

Only the customer that signed the logistics contract may make a claim for total loss against the logistic provider and benefit from the agreed liability cover. The customer may not always be the ultimate owner of the precious metal, which the logistics provider will not have visibility of, but the customer must claim anyway as the logistics provider has only agreed to compensate its counterparty for a total loss. Once a claim has been lodged and the total loss confirmed then payment to the customer is made as swiftly as possible. Insurers are acutely aware of cash flow implications and the reputational risk of not settling claims in good time, and where facts are clear payment normally follows quickly.

The final part of the claims process for the customer is the execution of settlement and release documentation. The customer needs to agree to the terms of settlement, principally the size of compensation to be paid, and agree to pass title to the goods to the logistics provider and/or its insurer, should goods later be recovered.



**ALLAN FINN** is the director of global commodities Malca-Amit, a storage and logistics company specialising in precious metals, jewellery, fine art. He has been with Malca-Amit for a decade and has a total of over 15 years of logistics experience.

### LEARNING FROM INCIDENTS AND FUTURE RISK MITIGATION

Customer's receipt of compensation for the total loss will end its claim process, but for other parties involved in the incident, the process is far from over. Logistics providers will carry out a full review of the incident, identify weaknesses, vulnerabilities, and new risks and take steps to prevent any chance of reoccurrence.

### “INSURERS WILL SEEK TO RECOVER THE GOODS WITH THE COOPERATION OF LAW ENFORCEMENT OR ANY OTHER RELEVANT ORGANISATIONS.

In addition, insurers will seek to recover the goods with the cooperation of law enforcement or any other relevant organisations.

An interesting example of insurers' perseverance was the recovery of the Polar Mist, a ship contracted by a logistics provider to move US\$17 million worth of precious metals along the Patagonian coast. The Polar Mist sank enroute in January 2009 in 80 metres of water, with gold valued at US\$857 per troy ounce. The claim was settled with the customer, and insurers subsequently launched a recovery operation. In 2011, all the gold was recovered and legally owned by the insurer at a price of US\$1,780 per troy ounce. The change in global price more than compensated for the recovery operation costs.

### UNDERSTANDING YOUR RISK IN THE PRECIOUS METALS MARKET

To help understand your risk when participating in the physical precious metals market, it is important to understand:

1. The difference between liability and insurance.
2. Your place in the contractual liability chain.
3. Your risk appetite and the risk appetite of your chosen logistics provider.
4. What contractual liability your logistics provider is offering.

Thankfully, large losses are few and infrequent. An understanding of the process and terminology will, however, make the process easier should an unfortunate event materialise.

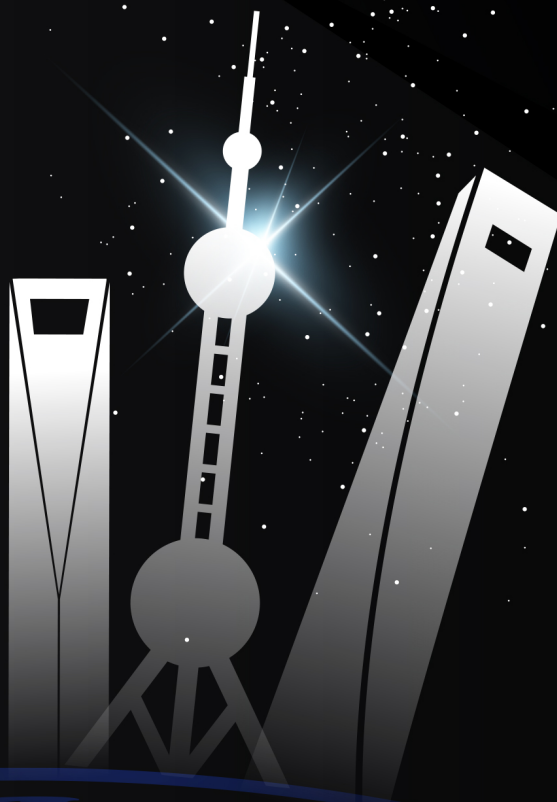


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# SHANGHAI PLATINUM WEEK SHINES BRIGHTLY

By EDWARD STERCK, *Director of Research, WPIC*

The World Platinum Investment Council (WPIC) co-hosted the 2023 Shanghai Platinum Week (SPW) from June 26 to June 30. The event was a resounding success, solidifying its position as a key annual fixture for the platinum group metal (PGM) industry.

## GROWING IN INFLUENCE

Since its inception three years ago, SPW has experienced significant growth. This year's main event spanned two and a half days, featuring 39 presentations and panel discussions. The conference's strength lies in its high-quality speakers and breadth of topics discussed, which ranged from global economics and PGM catalysis to the hydrogen economy and China's role in the investment case for platinum.



Panel session in progress during Shanghai Platinum Week 2023

More than 1,000 delegates from over 400 organisations attended SPW 2023, with around 180,000 viewers watching the event online. These numbers highlight the event's scale and appeal. Planning for SPW 2024 is already well underway, scheduled to take place between Monday, 8 July and Friday 12 July 2024.

Representing the respective governments of China, the UK and South Africa, SPW 2023 received speeches from Yuan Guohua (Deputy Secretary of the Party Working Committee of Lin-Gang New Area), Ma Xingfa (Member of the Standing Committee of the Shanghai CPPCC), Sohail Shaikh (Sector Director and Minister Counsellor, UK DFIT), and Phuti Tsipa (South African Consul General to Shanghai, China). This level of support from national, regional and local governments underscores the event's significance.

Further support for SPW came from the local government of Shanghai's Lin-Gang Special Area. The establishment of the international PGMs Technology and Trade Centre (PPMC) in Lin-Gang in September 2022 aims to promote PGM use in China, which is already the world's largest consumer of PGMs, at 25% of total platinum demand. After the main SPW event, WPIC joined dignitaries at the inaugural PPMC Summit at the Lin-Gang Special Area, strengthening ties between Lin-Gang and SPW, with further growth expected in the future.

## CONNECTING THE PGM VALUE CHAIN

SPW fostered strong engagement across the PGM industry, offering unique networking opportunities. Senior executives from PGM producers Anglo American and Northam Platinum utilised the event to meet existing customers and forge new relationships with other industry participants. Attendees from various industries, including catalyst manufacturers, pharmaceuticals, and hydrogen-related technologies, showcased the wide spectrum of platinum consumers. This included fuel cell producer Hytrin, which showcased one of their fuel cells at the event.

Other exhibitors presented platinum products that ranged jewellery to bars and coins. One of the most interesting developments in platinum jewellery fabrication is electroforming manufacturing techniques, which creates opportunities via a range of new and innovative designs.



Platinum bars on display at the exhibition which ran in parallel to the conference.

## INSIGHTFUL KEYNOTES

SPW drew a broad range of influential and respected keynote speakers, including Yu Wenjian (Chairman of Shanghai Gold Exchange), John Cullen (Chairman of LPPM), Paul Dunne (CEO Northam Platinum), Benny Oeyen (Executive Head of Market Development, PGMs, Anglo American plc) and Trevor Raymond (CEO, WPIC). Notable corporate attendees included ICBC, China Construction Bank, the Singapore Bullion Market Association, the Japan Bullion Market Association, Johnson Matthey, Heraeus, Guangzhou Futures Exchange, the International Hydrogen Fuel Cell Association, JPX and Metals Focus. The hydrogen venture capital event is an example of the targeted break-out sessions that ran alongside the main presentations.





*Trevor Raymond, CEO, WPIC, talking to delegates during the conference.*

## KEY INSIGHTS AND MARKET INTELLIGENCE

SPW provided invaluable market intelligence and insights, highlighting PGMs' critical role in enabling new technologies. Discussions focused on medical applications, new uses in semi-conductors, artificial intelligence, and the growing demand for platinum in hydrogen-related applications, particularly in fuel cells.

Three subjects stood out as being potentially significant for future platinum demand: sustainable aviation fuel (SAF); automotive production forecasts for China; and future fuel cell loadings.

## KEY TAKEAWAYS

SAF production is relatively limited today, but the International Air Transport Association (IATA) projects that for the industry to reach net-zero, SAF production must reach 360 Mtpa by 2050. Replacing the use of fossil fuels with SAF is expected to reduce CO<sub>2</sub> emissions by 80%. Using data presented by the Dalian Institute of Chemical Physics, we estimate this will require almost 6 Moz of platinum in catalysts by 2050 (cumulative). The timing of SAF additions would see annual platinum demand ranging between 172 koz to 358 koz during the 2030s, although this may displace some existing platinum demand from the production of fossil fuel-based aviation fuel.

Looking at the automotive industry, Tongji University forecasts that China's automotive production will increase from around 30 million units today to 45 million by 2030 and 45-60 million by 2040. Whilst this must assume that some market share is captured from other producers, it is still a long way ahead of our forecasts for China's production, which we expect to peak at 35 million vehicles. Assuming the automotive industry in China does achieve the higher production forecasts, we estimate that annual platinum demand would be 200-300 koz higher than on our published base case estimates.

The International Hydrogen Fuel Cell Association (IHFCA) presented a forecast outlook for fuel cell loadings. The IHFCA anticipates that loadings for light-duty fuel cell vehicles will be 0.125 g/kW by 2030, which is slightly higher than our estimate of 0.11 g/kW. However, the IHFCA expects fuel cell loadings in heavy-duty vehicles to fall to 0.25 g/kW, significantly less than our projection of 0.41 g/kW. This suggests that the industry is reaching technological

maturity and presumably assumes a higher quality of hydrogen fuel going forwards. Using the IHFCA estimates, FCEV demand for platinum in 2030 would be about 190 koz lower than our base case projections; while this is lower, it would reduce some of the pressure on the platinum market in the future.

We took the opportunity to present WPIC's own supply/demand outlook at the conference, focusing on China's importance to the investment case for platinum and the platinum industry. This was a highly relevant topic as, in addition to its identified demand, China has been importing substantially more platinum than it seemingly needs. These imports have been so large that there appears to have been a significant flow of material from inventories in the West into China. We estimate that more than 80% of all above-ground stocks are now concentrated in China. As China has export controls on strategic minerals, this means that platinum stocks within in China may not be available to the rest of the world in the event of a supply/demand shortfall, as forecasted to occur in 2023.

In our most recent Platinum Quarterly, published in May, we forecast 2023 platinum supply to fall short of demand, resulting in a deficit of almost 1 million ounces (approximately 31 tonnes).

That said, commodity markets cannot physically be in a deficit; if buyers of a commodity are struggling to source it, then competition should drive prices higher until either additional supply is incentivised into the market, or demand is priced out of the market. Primary mine supply for platinum is highly price inelastic, and given platinum's critical importance to the automotive industry and numerous other industrial applications, we believe that platinum demand is also largely price inelastic. Filling the supply/demand gap will, therefore, rely on incentivising platinum sales from above-ground stocks. However, as mentioned, with above-ground stocks so concentrated in China, there are significant uncertainties regarding how readily available those stocks are to the broader global market.

## A PROMISING FUTURE FOR SPW

SPW 2023 impressed attendees with its diverse range of topics, high-quality exhibits, and valuable information. As a pivotal annual event for the platinum industry, SPW is expected to attract even more industry participants in the future. WPIC extends its gratitude to the co-sponsors of SPW 2023: China Gold Association, China Precious Metal Industrial Committee and Anglo American. For more information on SPW, please visit [www.shanghaiplatinumweek.com](http://www.shanghaiplatinumweek.com).



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