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# GOLD MARKET FORECAST

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**Realising South East  
Asia's Gold and Copper  
potential**

**MINING AND MINERALS INDUSTRIES HOLDINGS**  
101 CECIL STREET, #10-11 TONG ENG BUILDING, SINGAPORE (069533)

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# GOLD

## Commodity and Industry Overview

Gold, a precious metal, mostly appears in alloys and rarely in its pure form. Gold’s physical properties make it resistant to air, moisture, heat and many solvents. It also has a high density. Gold is considered a safe haven in times of crisis which also withstands inflation. Investments in gold are seen as a crisis-resistant capital investment because of its high-value and rarity.

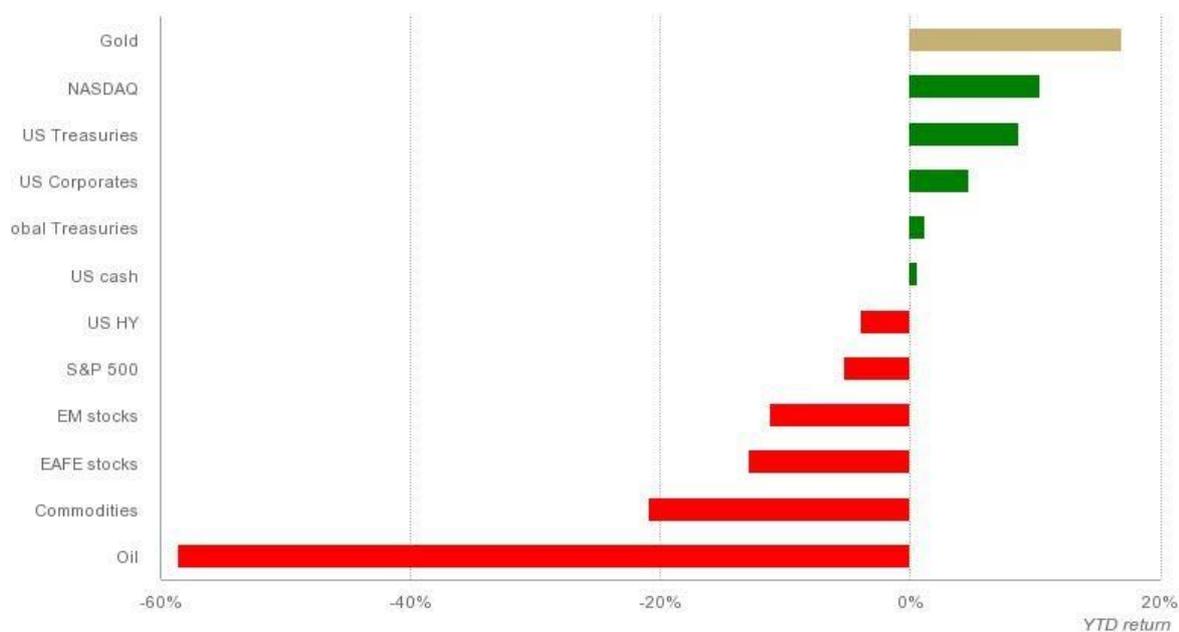
The yellow precious metal is easily workable and conducts electricity and heat. Gold’s excellent conductivity makes it particularly useful in the electrical industry. Gold has also been used in dental technology for around 3000 years. However, the jewellery industry accounts for around 75 per cent of the gold worked. About half of gold jewellery consumption is in India and China and these markets trends greatly influence the overall gold industry.

Gold Spot Price	Gold Price Today
<b>Gold price per ounce</b>	<b>2,013.30</b>
Gold price per gram	64.73
Gold price per kilo	64,729.10

Gold Spot Price as at August 4, 2020 (23:53 NY time)

**Chart 1: Gold outperformed all major assets in H1**

Y-t-d performance of major global assets\*



\*As of 30 June 2020. Returns based on the LBMA Gold Price PM, Nasdaq Composite, Bloomberg Barclays US Treasury Index and Global Treasury Index ex US, ICE BAML US 3-month T-bill Index, Bloomberg Barclays US Corporate and High Yield Indices, MSCI EM Index, Bloomberg Commodity TR Index, MSCI EAFE Index, S&P 500 Indices, and Bloomberg Oil TR Index.  
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

## Gold Demand Drivers and Overview

Gold's behaviour can be explained by five broad sets of drivers:

**Economic expansion:** periods of growth are very supportive of jewellery, technology and long-term savings, thus, lifting demand for gold.

**Risk and uncertainty:** market downturns often boost investment demand for gold as a safe haven

**Opportunity cost:** interest rates and relative currency strength influence investor attitudes towards gold. As seen during the COVID-19 crisis, depreciating dollar value raised gold prices to over US\$2000, setting a record high.

**Momentum:** capital flows, positioning and price trends can ignite or dampen gold's performance

**Consumer demand:** the number one driver for gold prices, as an increase in consumer demand for the metal during uncertain times can drive prices up. In addition, gold futures' prices are driven by investors demand as well, meaning as long as investors are buying gold futures their price will keep increasing. Central banks also play an important role in driving gold prices. When central banks diversify their monetary reserves by investing in gold rather than paper currencies, demand for the metal rises. About 29% demand for gold comes from national central banks, and it has been growing especially from banks of developing countries in Latin America, the Middle East and Asia. The US abandoned the gold standard in 1971, but today global banks are bulking up their gold reserves. For example, before the COVID-19 outbreak, Poland, which had previously boosted its gold reserves by 25.7t in 2018, followed this up with a whopping 100t purchase in late 2019.

In the current economic environment, high uncertainty, low opportunity cost, positive price momentum and central bank and investor demand are supportive of investment in gold.

## Gold Supply

Mining accounts for 75% of annual gold supply. The Philippines accounts for 38.3 tonnes of gold production every year. Most recycled gold (90 percent) is derived from jewellery, and the rest (10 percent) from technology. Economic crises and gold price swings have a significant impact on the level of gold recycling in any given year. Asia as a whole produce 23% of all newly-mined gold. Central and South America produce around 17% of the total, with North America supplying around 16%. Around 19% of production comes from Africa and 14% from the CIS region.



Data as of 31 March, 2020

Sources: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council; Disclaimer

Investment in exploration has reduced in the past few years, possibly leading to the supply shortages. In 2012, the gold industry spent \$11.8 billion on exploration. In 2019 only \$4.4 billion was spent. However, as gold prices reach an all-time high, investment in gold exploration projects could expect a boost. Furthermore, depleting deposits could further bump up gold prices in the long run.

### Medium to Long term Gold Price Outlook

With more downside expected in US real interest rates, Goldman Sachs reiterating their long gold recommendation from March and are raising their 12-month gold price forecasts to \$2300/toz from \$2000/toz.

The following are forecasted gold prices in the upcoming years:

Month	Open	Low-High	Close	Mo,%	Total,%	Month	Open	Low-High	Close	Mo,%	Total,%
<b>2020</b>						<b>2022 Continuation</b>					
<b>Jul</b>	1779	1766-2077	<b>1978</b>	11.2%	11.2%	<b>Aug</b>	2807	2556-2825	<b>2690</b>	-4.2%	51.2%
<b>Aug</b>	1978	1903-2103	<b>2003</b>	1.3%	12.6%	<b>Sep</b>	2690	2518-2784	<b>2651</b>	-1.4%	49.0%
<b>Sep</b>	2003	1948-2154	<b>2051</b>	2.4%	15.3%	<b>Oct</b>	2651	2506-2770	<b>2638</b>	-0.5%	48.3%
<b>Oct</b>	2051	1993-2203	<b>2098</b>	2.3%	17.9%	<b>Nov</b>	2638	2489-2751	<b>2620</b>	-0.7%	47.3%
<b>Nov</b>	2098	2098-2339	<b>2228</b>	6.2%	25.2%	<b>Dec</b>	2620	2563-2833	<b>2698</b>	3.0%	51.7%
<b>Dec</b>	2228	2119-2343	<b>2231</b>	0.1%	25.4%	<b>2023</b>					
<b>2021</b>						<b>Jan</b>	2698	2625-2901	<b>2763</b>	2.4%	55.3%
<b>Jan</b>	2231	2118-2340	<b>2229</b>	-0.1%	25.3%	<b>Feb</b>	2763	2613-2888	<b>2750</b>	-0.5%	54.6%
<b>Feb</b>	2229	2217-2451	<b>2334</b>	4.7%	31.2%	<b>Mar</b>	2750	2617-2893	<b>2755</b>	0.2%	54.9%
<b>Mar</b>	2334	2284-2524	<b>2404</b>	3.0%	35.1%	<b>Apr</b>	2755	2520-2786	<b>2653</b>	-3.7%	49.1%
<b>Apr</b>	2404	2210-2442	<b>2326</b>	-3.2%	30.7%	<b>May</b>	2653	2634-2912	<b>2773</b>	4.5%	55.9%
<b>May</b>	2326	2272-2512	<b>2392</b>	2.8%	34.5%	<b>Jun</b>	2773	2694-2978	<b>2836</b>	2.3%	59.4%
<b>Jun</b>	2392	2210-2442	<b>2326</b>	-2.8%	30.7%	<b>Jul</b>	2836	2639-2917	<b>2778</b>	-2.0%	56.2%
<b>Jul</b>	2326	2326-2594	<b>2470</b>	6.2%	38.8%	<b>Aug</b>	2778	2656-2936	<b>2796</b>	0.6%	57.2%
<b>Aug</b>	2470	2412-2666	<b>2539</b>	2.8%	42.7%	<b>Sep</b>	2796	2677-2959	<b>2818</b>	0.8%	58.4%
<b>Sep</b>	2539	2539-2827	<b>2692</b>	6.0%	51.3%	<b>Oct</b>	2818	2677-2959	<b>2818</b>	0.0%	58.4%
<b>Oct</b>	2692	2602-2876	<b>2739</b>	1.7%	54.0%	<b>Nov</b>	2818	2754-3044	<b>2899</b>	2.9%	63.0%
<b>Nov</b>	2739	2596-2870	<b>2733</b>	-0.2%	53.6%	<b>Dec</b>	2899	2899-3205	<b>3052</b>	5.3%	71.6%
<b>Dec</b>	2733	2585-2857	<b>2721</b>	-0.4%	53.0%	<b>2024</b>					
<b>2022</b>						<b>Jan</b>	3052	2850-3150	<b>3000</b>	-1.7%	68.6%
<b>Jan</b>	2721	2535-2801	<b>2668</b>	-1.9%	50.0%	<b>Feb</b>	3000	2673-3000	<b>2814</b>	-6.2%	58.2%
<b>Feb</b>	2668	2610-2884	<b>2747</b>	3.0%	54.4%	<b>Mar</b>	2814	2586-2858	<b>2722</b>	-3.3%	53.0%
<b>Mar</b>	2747	2732-3020	<b>2876</b>	4.7%	61.7%	<b>Apr</b>	2722	2604-2878	<b>2741</b>	0.7%	54.1%
<b>Apr</b>	2876	2711-2997	<b>2854</b>	-0.8%	60.4%	<b>May</b>	2741	2521-2787	<b>2654</b>	-3.2%	49.2%
<b>May</b>	2854	2813-3109	<b>2961</b>	3.7%	66.4%	<b>Jun</b>	2654	2572-2842	<b>2707</b>	2.0%	52.2%
<b>Jun</b>	2961	2782-3074	<b>2928</b>	-1.1%	64.6%	<b>Jul</b>	2707	2707-3019	<b>2875</b>	6.2%	61.6%
<b>Jul</b>	2928	2667-2947	<b>2807</b>	-4.1%	57.8%	<b>Aug</b>	2875	2566-2875	<b>2701</b>	-6.1%	51.8%

Source: The Economy Forecast Agency (EFA)

**AUTHORED BY:**

RIDHIMA AWASTHY

(ANALYST, MMIH GROUP)



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