

**MEDIA ALERT****GOLD PRICE REACHES ALL TIME RECORD**

**3 January, 2008:** The gold price reached a new dollar record today of \$865.35/oz at the AM fix, breaking the previous record of \$850/oz set on 21 January 1980.

James Burton, CEO of World Gold Council, commented on today's record gold price:

"It is very encouraging to see such a positive start to the gold market in 2008. With today's AM fix of \$865.35/oz we have witnessed an annual increase of over 37 per cent on January 2007's average gold price of \$631/oz. It is evident that gold's unique investment attributes as an effective safe haven and dollar hedge have resonated with investors during this time of financial uncertainty."

The record achieved today is substantially more firmly based than that in 1980. It follows a sustained six year rise in the price and was built on a combination of strong investment and jewellery demand. In contrast the record of January 21, 1980 was the peak of a very volatile market in which the price had risen nearly \$300 in just three weeks from the beginning of the year and subsequently plunged sharply, giving up all this gain by mid-March.

In today's financial markets investors seek exposure to gold for a range of reasons. With gold's role as a portfolio diversifier, a hedge against inflation and exposure to the dollar, there are several compelling arguments for investing a portion of one's portfolio in gold. The real value of gold is not that it provides a quick, speculative fix, but its capacity to provide a sure and steady means of protecting wealth and to enhance risk-adjusted returns.

The World Gold Council identified the following short term reasons for the recent gold price rise:

- *Inflationary fears as a result, in particular, of high oil prices.* Gold is seen as a hedge against inflation; while its real value can vary in the short term, its purchasing power has remained stable over the centuries
- *Continued weakness in the dollar.* Gold is a statistically proven hedge against fluctuations in the US dollar, the world's main trading currency.
- *Unstable financial conditions.* Gold is among only a handful of financial assets that is not matched by a liability. It can help to provide insurance against extreme movements in the value of traditional asset classes that can happen during unsettled times.

These short-term factors have, however, occurred on top of longer-term movements in supply and demand fundamentals that have supported the rise in the gold price since 2001:

- *Mine output.* The gradual reduction of mine output in recent years, with only a small number of major gold finds by the mining industry, is constraining supply. The cost of extracting gold has also increased substantially in recent years.
- *Jewellery demand.* Strong economic growth and sustained promotion in the key gold jewellery markets of India, China and the Middle East are leading to strong demand for gold jewellery.
- *Both institutional and retail investors are increasingly familiar with gold's portfolio diversification benefits.* The reason for holding diverse investments is to protect the portfolio against fluctuations in the value of any single asset class. Portfolios that contain gold can be more robust and better able to cope with market uncertainties than those that do not.
- *Easier access to investing in gold.* Gold exchange traded funds (ETFs) have been instrumental in providing easy access to investing in gold. ETFs have stimulated demand because it has become as easy to trade gold as it is to trade any stock or share.

The market-clearing price of gold is set twice a day in London and is commonly referred to as the London fixing price (AM or PM). This price, which is the international benchmark price, is set in US dollars per fine troy ounce of gold.

For further comment on the recent gold price movements or for any other information please contact:

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## **World Gold Council**

The World Gold Council (WGC), a commercially-driven marketing organisation, is funded by the world's leading gold mining companies. A global advocate for gold, the WGC aims to promote the demand for gold in all its forms through marketing activities in major international markets. For further information visit [www.gold.org](http://www.gold.org).