

## MEDIA ALERT

### INVESTORS SEEK SAFE HAVEN AMID FINANCIAL CRISIS AND MARKET MELTDOWN

**October 23, 2008** – The third quarter saw one of the biggest financial crises in history unfold as financial institutions failed, global stock markets plummeted, credit spreads soared and the fear and panic led investors to flee for the cover of traditional safe-haven assets, such as government bonds and gold, according to World Gold Council's latest *Gold Investment Digest*. In Q3 gold ETFs experienced their strongest inflows since the launch of SPDR®Gold Shares in November 2004. Investors bought a total of 145 tonnes of gold via this channel in Q3, worth US\$2.8 billion when converted at the average monthly gold price.

The financial crisis prompted a massive increase in price volatility across the board; however, the gold price remained less volatile than most other commodities and the world's major stock market indices.

"Gold is unique in that it is an asset that bears no credit risk and therefore involves no counterparty and is no one else's liability; this is an extremely attractive characteristic to investors given the current financial environment," said Natalie Dempster, Head of Investment, North America for World Gold Council. "The fact that gold did not head higher during the current phase of the crisis reflects gold's status as an asset of last resort which investors will use to raise cash in desperate times."

Short term impacts on the gold price have included a combination of the rise in the US dollar, de-leveraging of commodity positions, sales to meet margins calls on other assets and the unwinding of the long-gold, short-dollar trade by some investors.

*Gold Investment Digest* is a concise and comprehensive analysis of investment trends and economic indicators that influence investment interest in and the demand for gold.

Highlights from *Gold Investment Digest* for the third quarter include the following:

## **Investment trends**

- The average gold price edged down slightly in Q3, to \$870.88/oz, from \$896.11/oz in Q2, based on London PM Fix prices.
- Gold remains less volatile than most commodities, even other precious metals. At the end of Q3, silver, platinum and oil 22-day price volatilities had spiked to 82%, 75% and 63% respectively, compared with 39% for gold.
- The collapse of Lehman Brothers and AIG during the week of September 8th and culminating with Lehman Brothers filing for bankruptcy on September 15th caused gold ETFs to experience their strongest inflows since the launch of SPDR®Gold Shares in November 2004.
- A wave of liquidations occurred in the OTC and futures markets in September, which is attributed to a round of selling as hedge funds were forced to raise cash in the face of margin calls and massive investor redemptions.

The following are the main market trends and economic indicators that affected the gold market during the third quarter.

## **Market trends**

- During the latest quarter, the dollar rebounded by 7% on a trade-weighted basis.
- Brent crude prices fell by 30% during the quarter, to \$97.4/barrel, and have continued to decline in early Q4.
- Government debt was the best performing asset in Q3, as investors fled to traditional safe-haven assets to escape the turmoil in credit markets, and as interest rates were cut across the board.
- On October 4, Congress passed the Treasury's US\$700 billion Troubled Asset Relief Program (TARP), having rejected it just four days earlier.
- In an unprecedented move, the world's major central banks announced a coordinated cut in global interest rates: The US Federal Reserve Bank, European Central Bank, Bank of England, Bank of Canada and Sweden's Riksbank all lowered interest rates by 50 basis points. The Chinese central bank also cut interest rates by 27 basis points.

## **Key economic indicators**

- US growth had already slowed to 2.8% in the second quarter, and was heading lower according to coincident and leading indicators of economic activity.
- The Eurozone economy was doing even worse, with annual growth having slowed to just 1.4%, approximately the same as in the UK.
- The IMF sees global growth slowing from 5.0% last year to 3.9% this year and 3.0% in 2009, which would be the slowest pace since 2002.

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\*\*\*The following statistics reflect trends established in the Q2, the most recent data available at this time. Comprehensive third quarter supply and demand statistics and analysis will be released by World Gold Council in mid-November in the *Gold Demand Trends* report.\*\*\*

## **Gold market trends**

- Jewelry demand in the second quarter of 2008 recovered from the depressed levels of the previous quarter to reach 504.5 tonnes.
- Anecdotal information from the Indian market and preliminary data on Indian imports, point to a strong revival in Indian jewelry demand during Q3.
- Second quarter demand for gold in industrial and dental applications recorded a modest decline compared with year earlier levels, falling 5% to 111.8 tonnes.
- Mine production declined by a further 4% year-on-year in Q2 to 590 tonnes, bringing output in the first half the year to 1,133 tonnes, 6% below the same period a year earlier.
- Signatories to the second Central Bank Gold Agreement (CBGA) sold the lowest amount of gold in the current year, which runs from September 27, 2007 to September 26, 2008, since the CBGA began in September 1999.

The *Gold Investment Digest* can be downloaded at [www.gold.org](http://www.gold.org). Users will need to register, which is free of charge. At the same address, users can access a range of investment statistics, which we have completely overhauled to extend the country coverage and make the materials easier to download. For further information, or should you like to learn more about investment in gold, please contact:

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## Notes to Editors:

To extend and enhance the reach of World Gold Council's investment research programme, French, German, Italian, Dutch and Flemish language versions of the Investing in Gold web site have been launched. This will allow the investment case for gold to be communicated more clearly and effectively across Western Europe and beyond. Additional language versions are likely to follow to serve the investment community in Asia and the Far East. [www.invest.gold.org](http://www.invest.gold.org)



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## **World Gold Council**

World Gold Council (WGC), a commercially-driven marketing organization, is funded by the world's leading gold mining companies. A global advocate for gold, 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).

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