

**MEDIA ALERT**

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**GOLD ACTS AS SAFE HAVEN FOR PANICKED INVESTORS**

- **World Gold Council issues update on gold's response to financial market turmoil**

**18 September, 2008:** The gold price rose \$50 today to \$863/oz at the PM fix, the largest one day rise since February 1980, as investors took a 'flight to quality' to protect their wealth from the corrosive effects of the current uncertainty that has spread throughout financial markets across the globe. Like all physical commodities, gold is an asset that bears no credit risk and therefore involves no counterparty and is no one's liability.

Gold is unique because it is both a commodity and a monetary asset. Its tendency to move independently and not be influenced by external factors in the same way as other markets is rooted in its supply and demand dynamics. More specifically, the geographic and sectoral diversity of gold demand helps insulate the precious metal from western economic cycles.

Rozanna Wozniak, Investment Research Manager, World Gold Council commented:

"We are not surprised by the way gold has reacted. The gold price initially dipped slightly in the wake of this week's financial market problems, because it was acting as an insurance policy and coming to the aid of stricken investors or holders and being sold accordingly. With the cataclysmic downfall of a financial institution that was seemingly indestructible, investors around the world are on tenterhooks for the next piece of bad news. In just one day we have seen 6 per cent increase in GLD, the world's largest gold ETF, up from 614 tonnes to 650 tonnes. This follows evidence of widespread physical buying in key gold markets around the world. Gold, as no one's liability, is looking like a good place to be right now."

In addition to gold's safe haven attribute, the World Gold Council notes that despite the recent decline in the oil price, inflationary pressures in many parts of the world remain significant. 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 centuries.

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.* Robust global jewellery demand reaching \$54bn in 2007, a third successive annual record. In tonnage terms, overall jewellery demand in 2007 was 5% higher than in 2006
- *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 or set of assets that move in a similar direction. 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.

### **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).