WORLD GOLD COUNCIL

GOLD DEMAND TRENDS

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SECOND QUARTER 1998 HIGHLIGHTS

Gold bounces back from depressed first quarter
Total demand just 9% lower than record Q2 '97

Gold demand in Q2 '98 recovered sharply from the depressed conditions of the first quarter, although the economic and currency crisis in Asia continued to keep demand below normal levels in several countries. Total demand was 634 tonnes, 9% below the record second quarter demand in 1997 but more than 50% above Q1 '98 levels.

Developing Markets

- ***Total:*** *At 473.5 tonnes, gold demand was double that of the depressed first quarter although 14% lower than in Q2'97.*
- ***Jewellery:*** *407 tonnes, 16% below the record performance in Q2 '97 but more than four times the level of the opening quarter of this year.*
- ***Investment****: Up 2% year-on-year to 67 tonnes.*

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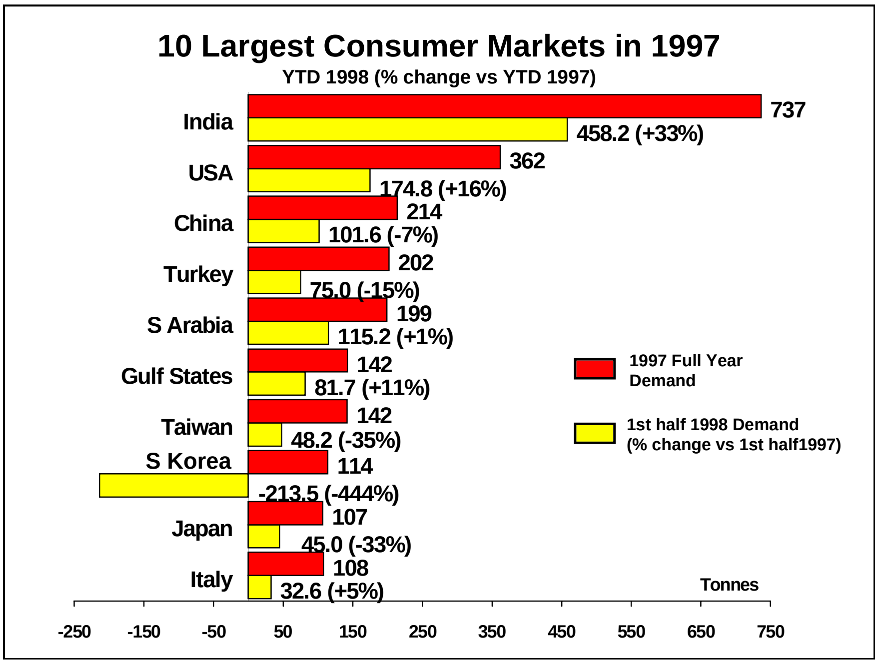
Developed Markets

- ***Total:*** *Total demand reached 160.8 tonnes, 9% higher than Q2'97. Strong growth in North America and Europe more than offset continued weakness in Japan.*
- ***Jewellery:*** *Up 4% year-on-year to 132.7 tonnes. Strong performance in both US and Europe, tempered by further decline in Japan.*
- ***Investment:*** *Demand surged to 28.1 tonnes, thanks to big increase in US, which outweighed declines in Europe and Japan.*

Regional Perspective

- ***Middle East and India:*** *Robust growth continued with Q2'98 demand up 6% over Q2'97 at 333.6 tonnes.*
- ***Asia****: The end of the national gold collection campaign in South Korea, coupled with a sharp reduction in dishoarding in Indonesia, staunched the massive outflow seen in Q1. However, the economic crisis continued to depress demand in the region, with the first effects becoming apparent in North Asia. Total offtake was 109.4 tonnes, just over half that of a year earlier.*
- ***Brazil & Mexico:*** *Total demand up 5% over Q2'97 to 30.5 tonnes.*
- ***Europe:*** *Up 10% year-on-year to 56 tonnes, the best second quarter performance since 1995. Jewellery rose 13%, more than offsetting a downturn in investment.*
- ***USA****: Record second quarter, demand rising 19% year-on-year to 84 tonnes. Strong growth in both jewellery and investment.*
- ***Japan****: Continued economic weakness brought a decline of 21%.*

DEMAND FOR GOLD IN THE KEY MARKETS



Demand in the twenty-five key markets for gold consumption monitored by the World Gold Council totalled 1,040.9 tonnes in the first half of 1998[(1)]. This was a 28% fall from the level in the first half of 1997, a fall which was essentially due to the effect of the economic and currency crisis in Asia and in particular to massive dishoarding in South Korea and Indonesia in the early months of the year. However, the picture was sharply different between the two quarters. In the first quarter, when dishoarding was at its height, overall demand fell to 406.6 tonnes, 46% below Q1'97. In the second quarter total demand was 634.3 tonnes, over 50% higher than the depressed first quarter, and just 9% lower than the record second quarter level achieved in Q2'97.

The fall in the first half of 1998 was essentially concentrated in the Far East. In most other regions demand either continued to rise or remained at already high levels.

The most significant changes in Q2 demand were:

- Second quarter record demand in India at 206.1 tonnes, up 15% from Q2'97.
- Demand rose to 83.7 tonnes in USA, up 19% from Q2'97, due principally to strong investment demand.
- European demand up 10% to 56.1 tonnes, with strong growth in France and UK.
- Demand fell to 76.6 tonnes in China, Taiwan and Hong Kong, down 23% from Q2'97, as the Asian contagion spread, and continued to fall in Japan (down 21% to 21 tonnes).
- Net demand in South Korea recovered to 14.5 tonnes following the end of the gold collection campaign, after net dishoarding of 228.0 tonnes in Q1. In Indonesia, net dishoarding fell to 1.0 tonne from 64.0 tonnes in Q1.
- Demand remained depressed in Thailand, Singapore and Malaysia.

[(1)] *The Council no longer monitors dental demand in Europe, USA or Japan and has therefore revised aggregate demand series to exclude dental demand (around 60 tonnes per annum).*

DEVELOPING COUNTRY MARKETS

Covers India, China, Hong Kong, Taiwan, SE Asia & S Korea, Saudi Arabia, The Gulf States (UAE, Kuwait, Bahrain, Oman & Qatar), Turkey, Brazil & Mexico

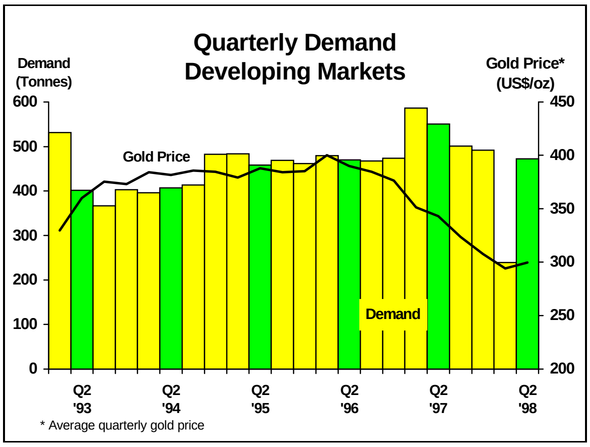
- Aggregate demand recovered sharply in Q2 as net dishoarding ended in South Korea and was virtually eliminated in Indonesia. At 473.5 tonnes, overall consumption was double that of the depressed first quarter, although it remained 14% lower than in Q2'97.

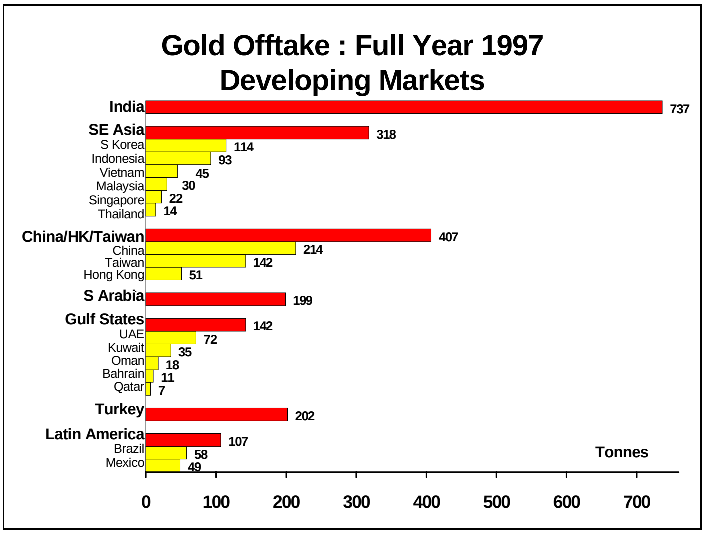
- Although the Korean national gold collection campaign and the consequent massive dishoarding has ended, the economic crisis continued to have a markedly adverse effect on demand in the Far East. In SE Asia and S Korea total consumption was 32.8 tonnes, a 301 tonne turnaround from the 268.1 tonnes net outflow in Q1 but still only around a third of the offtake in Q2'97. China, Taiwan and Hong Kong are now starting to suffer from the side-effects of the crisis and demand in this region reached only 76.6 tonnes, 23% lower than a year earlier.

- In contrast demand remained strong in India, boosted by the continuing effects of deregulation and by the low price.

- In the Middle East demand remained robust. In the Gulf States demand was unchanged from Q2'97 levels after a strong first quarter, but comparison was distorted by a change in the date of the Dubai Shopping Festival and the Eid gift-giving season which follows the end of the Muslim festival of Ramadan. Year to date, demand was 11% higher than in the first half of 1997.

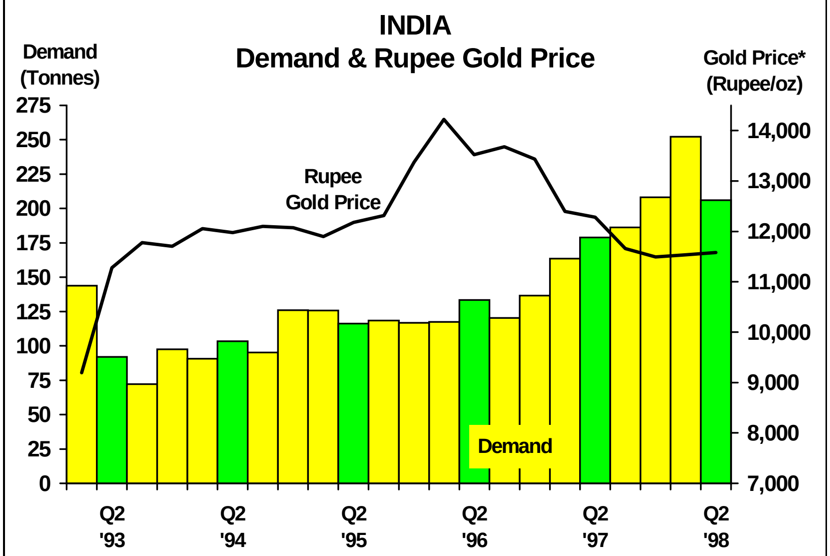
- In Latin America (Brazil & Mexico) Q2'98 demand was 5% higher, at 30.5 tonnes, than in Q2'97 with continuing strong demand for Mexican jewellery.





India

In **India**, gold demand set a second quarter record, rising to 206.1 tonnes, 15% above the second quarter of 1997 which was itself higher than in earlier years.



* Average quarterly gold price

Growth between 1997 and 1998 may, however, have been exaggerated by an improvement to the method of measuring imports that has become possible following the liberalisation of gold imports in October 1997. Data are now collected directly from gold importing banks and official bodies and it is no longer necessary to base estimates of imports into India on trade in Dubai.

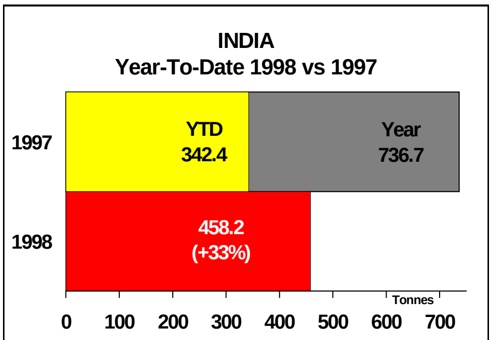
Statistics for the first quarter of 1998 have been revised onto this new basis and suggest that overall demand was even higher than earlier estimated. So far this year, and subject to the qualifications indicated above concerning year to year comparison, demand in India is one third higher than in the first half of 1997.

Gold Imports Into India

	1996			**1997**					**1998**		
	Year	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**YTD**
Tonnes	**279.8**	123.9	122.3	132.6	147.6	**526.4**	200.5	156.1			**356.6**

The difference between official imports and overall demand is met by other imports and recycled scrap gold.

Low prices and the continuing impact of deregulatory and liberalisation measures continued to underpin demand. So too did comparatively strong economic growth although there are fears that economic sanctions imposed following the nuclear tests in May could have an adverse effect on the economy.



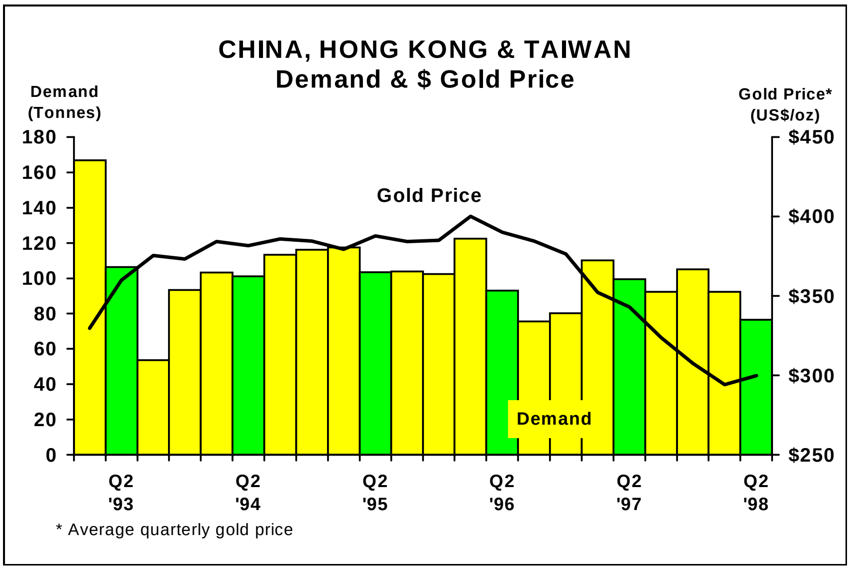
Demand was strong in April and in May, boosted, particularly in the latter month, by precautionary buying ahead of the budget on June 1. Bank imports through "open general licence" (OGL), which account for the majority of imports, totalled 42.5 and 47.5 tonnes in April and May respectively. In June demand was weakened by the onset of the monsoons, the reopening of schools, excessive heat and power cuts. Bank imports through OGL fell to 29.0 tonnes. The remaining 37 tonnes of imports during the quarter reflected declared imports by non-resident Indians.

In its budget on June 1, the Indian government announced increased import duties on gold (along with other products). The duty on gold was raised from 220 to 250 rupees per 10 grams, about 7% of the gold price.

North Asia

Covers China, Hong Kong & Taiwan

North Asia finally began to show some impact from the economic and currency crisis elsewhere in Asia, although the effects were mixed within the different countries in the region. Gold demand fell 23% in Q2 from the previous year to 76.6 tonnes. While economic conditions were primarily responsible for the decline, adverse weather in Taiwan and the belief that the Year of the Tiger is inauspicious for weddings also helped depress demand.



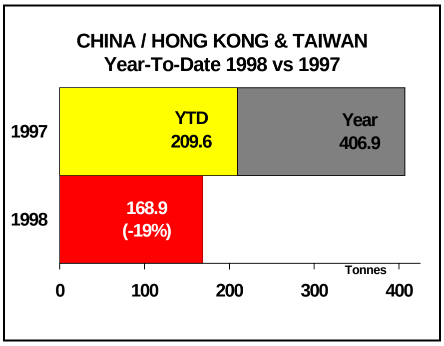
In China, Q2 demand totalled 49.3 tonnes, 9% below the level in Q2 '97. In the eastern part of the country, the buoyant retail sector, coupled with a high level of promotional activity by the gold trade, helped to maintain demand. Elsewhere in China, however, the climate was more subdued. The state-controlled gold jewellery retail price was reduced by 18% in April, but this has yet to generate any increase in consumption.

Gold Imports Into Hong Kong & Taiwan

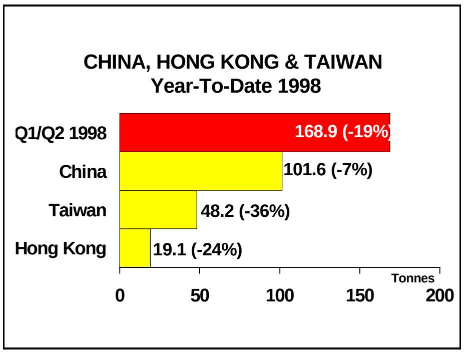
Tonnes	1996 Year	1997 Q1	Q2	Q3	Q4	Year	1998 Q1	Q2	Q3	Q4	YTD
Hong Kong	**219.7**	119.9	83.7	165.8	129.6	**499.0**	151.6	*28.7			**180.3**
Taiwan	**96.2**	33.7	24.3	25.0	26.1	**109.1**	24.2	12.3			**36.3**

*April / May only

In Taiwan, demand fell to 20.2 tonnes, 28% below the level in the first quarter and 40% below the level in Q2'97. In addition to the effects of the Asian economic crisis and reduced wedding-related purchases, sales were slow due to abnormally heavy rain in the south of the country coupled with unusually high temperatures. Imports fell to 12.3 tonnes, around half the level recorded in Q1 or in Q2'97.



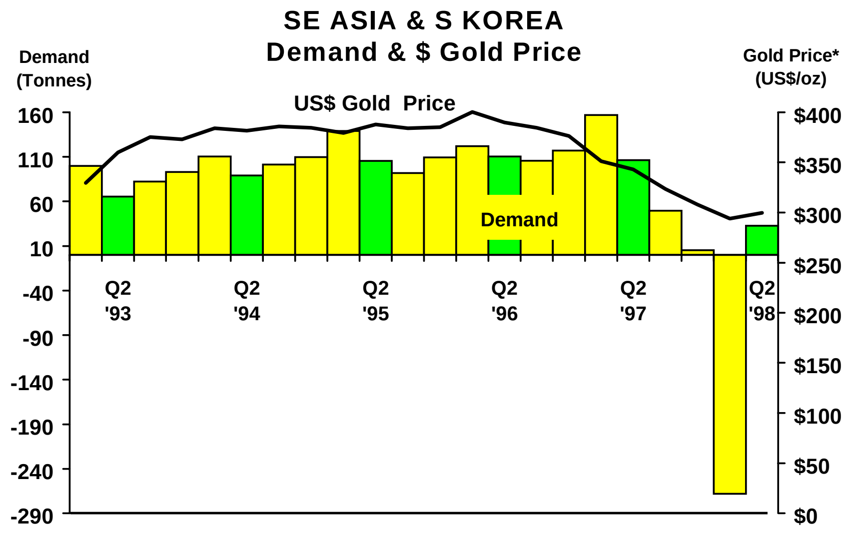
In Hong Kong, the retail sector, including jewellery, was severely hit by the combination of negative economic growth in the first quarter (the first time this has occurred since 1985), collapsing business and consumer confidence, weak property and stock markets, high interest rates to defend the currency peg and falling tourist arrivals. Overall gold demand fell by 39% compared to the second quarter of 1997, although it should be noted demand one year ago was inflated by the ebullience connected with the handover of the former colony to China.



SE Asia & S Korea

Covers Thailand, Indonesia, Singapore, Malaysia, Vietnam & South Korea

The Asian economic crisis continued to have an adverse effect on gold demand in these markets, with the exception of Vietnam. However, gold consumption turned positive once again in Q2 as the demand statistics recovered from the devastating impact of the widespread selling back to the market that distorted the picture in Q1, and the end of the Korean "Save the Nation" gold collecting campaign. Only in crisis-ridden Indonesia was there significant dishoarding and this was offset by record investment demand reflecting the attraction of gold as a safe haven in a time of collapsing confidence.



S KOREA, INDONESIA & THAILAND

1998 to Date Demand Perspective

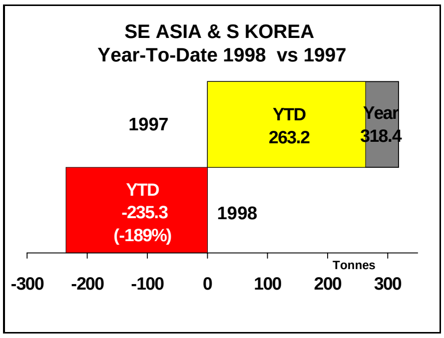
Tonnes	S Korea	Indonesia	Thailand	Total
Q1/Q2 '97 Demand	62.0	79.0	60.0	201.0
Q1'98				
- New Demand	22.0	8.0	8.0	38.0
- Selling Back	-250.0	-72.0	-6.5	-328.5
Q2'98				
- New Demand	26.5	10.0	5.0	41.5
- Selling Back	-12.0	-11.0	-2.0	-25.0
Net Offtake 1998 to date	-213.5	-65.0	4.5	-274.0

In S Korea, most institutions ended their gold collection campaigns in mid-March. One institution extended its collection into April although the amount of gold obtained was substantially reduced. The last of these campaigns finally ended in April.

As a result of the improving economic situation and the start of the wedding season, traditionally a high demand period, gross consumption for Q2 recovered to 26.5 tonnes, just 13% below the level in Q2'97. Jewellery demand, at 24.0 tonnes accounted for 91% of this. An estimated 12 tonnes was dishoarded during the concluding part of the collection campaign resulting in net offtake of 14.5 tonnes.

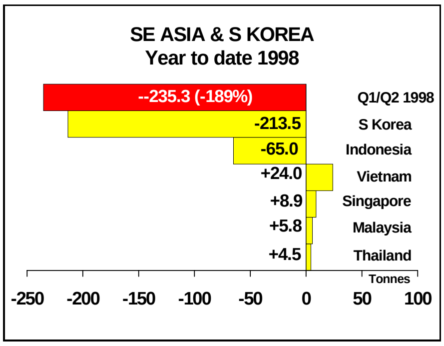
In Indonesia, the political and economic turmoil had contrasting influences on the gold market. Economic necessity and the high price of gold in rupiah terms continued to encourage selling of jewellery, notably in rural areas, although the amount sold, at 11 tonnes, was only a fraction of the 72 tonnes disposed of in Q1. In contrast, concern over the possible collapse of the banking system and increasing public awareness of the qualities of gold as an asset prompted record investment demand of 7 tonnes. Together with the 5 tonnes purchased in the first quarter, this brought the amount acquired for investment in the first half of 1998 to 12 tonnes. This already exceeds the total investment purchase of 11.5 tonnes, itself a record, for the whole of 1997. In addition to the recorded investment demand, there were also purchases of 3.0 tonnes of jewellery, primarily to meet traditional demand for wedding and new-born baby gifts.

In Thailand, there was some recovery in the quarter although net offtake remained very small compared to normal levels for Q2. There was a slight increase in jewellery demand during the Water Festival holidays but this was followed by some further dishoarding when schools re-opened in May, obliging many parents to sell or pawn their gold to pay for school fees and related expenditure. Gross purchases in the quarter amounted to 5.0 tonnes (of which 4.0 tonnes were jewellery) while there was net dishoarding of 2.0 tonnes (1.5 tonnes jewellery) resulting in net demand of just 3.0 tonnes.



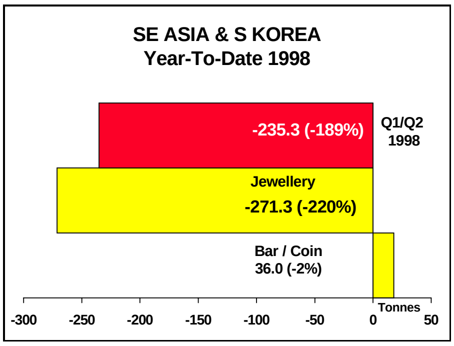
Demand in Vietnam during the traditionally slow Q2 was 11 tonnes, 10% higher than in Q2'97. Gold jewellery demand was relatively static but investment demand was boosted by the failure of savings interest rates to match inflation. The State Bank of Vietnam is still reluctant to lift its 18-month ban on gold imports so that border smuggling remains the main source of supply, encouraged by the $10 per tael premium of the state sanctioned price over the international price.

In Malaysia, net demand fell to 2.8 tonnes, a 52% fall from Q2'97. Gross purchases totalled 3.3 tonnes, of which jewellery, mainly gift purchases for family occasions, amounted to 2.8 tonnes. About 0.5 tonnes of jewellery was dishoarded by consumers while retailers continued their efforts to reduce their inventory levels. Since the onset of the crisis in July'97 some 8-10% of jewellery retailers have gone out of business. The national gold collection campaign garnered just 85 kilos of gold jewellery, a marked contrast to the highly successful campaign in Korea.



Gold demand in Singapore first began to show the effects of the economic and currency crisis in the region in Q1 '98, with a sharp fall. There was no recovery in Q2, with the retail market remaining cautious in the face of the continued depressed economic conditions. Total demand fell by almost half compared with Q2 '97 to 2.5 tonnes, with jewellery consumption down sharply while investment demand remained unchanged.

Imports of gold via Singapore in Q2 continued to run at less than half the record levels seen in the first half of 1997 reflecting both lower domestic demand and lower transhipments to other SE Asian markets.



Gold Imports Into Singapore

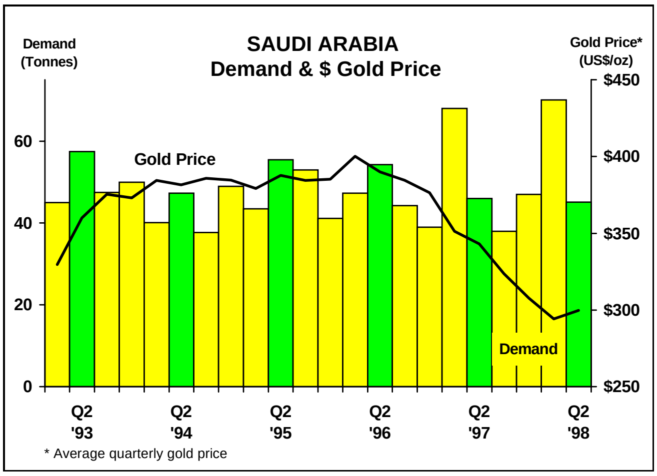
	1996	1997					1998				
	Year	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**YTD**
Tonnes	**357.8**	136.9	107.1	101.1	58.8	**403.5**	58.1	36.2			94.3

Saudi Arabia

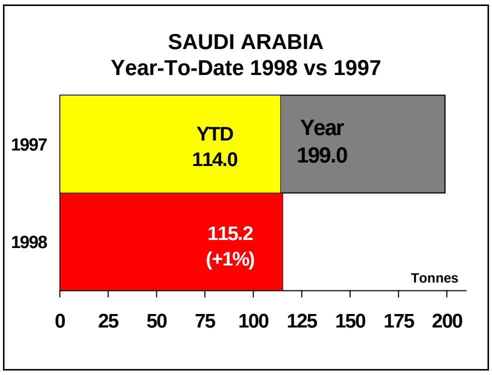
Demand in Saudi Arabia remained relatively stable. Q2 offtake totalled 45.1 tonnes compared with the 46.0 tonnes recorded for Q2'97, making year-to-date demand a total of 115 tonnes compared to 114 tonnes last year.

The economic crisis in south-east Asia continued to affect "pilgrim" demand due to the fall in the number of pilgrims from Malaysia and Indonesia and the reduced purchasing power of those who did arrive.

Local production remained at around 2 tonnes per quarter. Official imports in the quarter, which make up the bulk of supply, were 22 tonnes, up from 21 tonnes in Q2'97. In contrast scrap recovery continued to run below last year's level (16.0 tonnes compared to 18.0 tonnes), mainly due to lower gold prices.

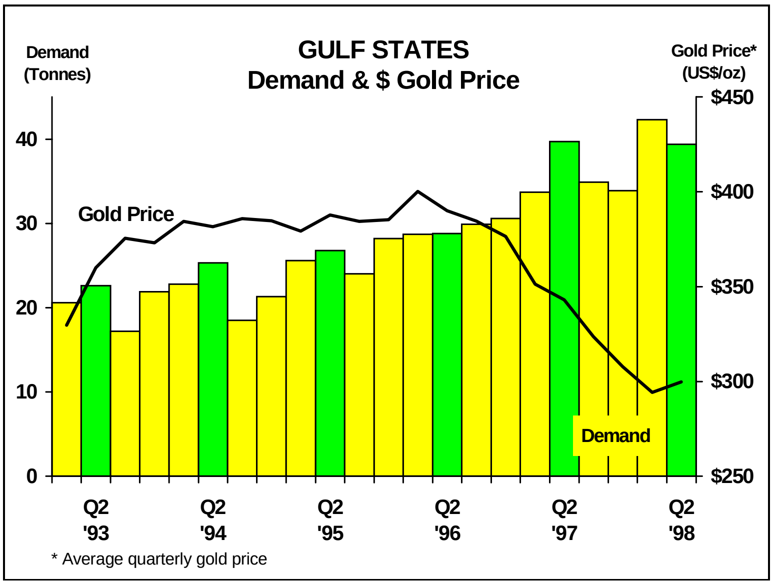


* Average quarterly gold price



Gulf States

Covers UAE, Bahrain, Kuwait, Oman & Qatar



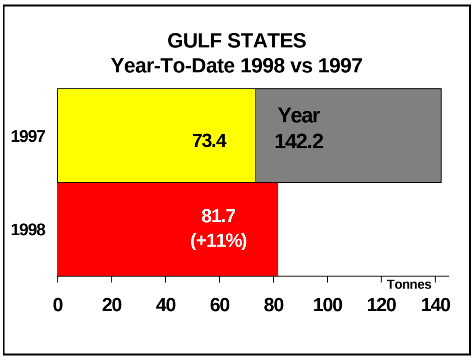
* Average quarterly gold price

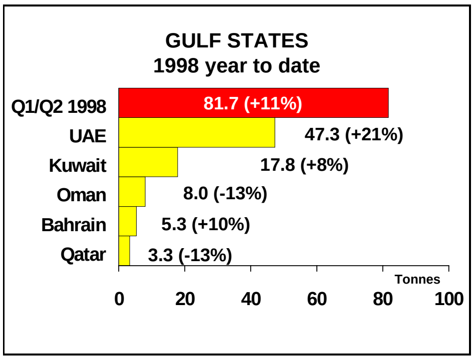
Demand in the Gulf States in Q2 was 39.4 tonnes, virtually unchanged from Q2'97. This apparent stability concealed underlying growth. In 1997 both the Dubai Shopping Festival and the Eid gift-giving season that marks the close of Ramadam took place entirely in Q2; in 1998 they straddled the second half of March and the first half of April thus providing a smaller boost to demand in the second quarter. A better comparison is the year-to-date offtake of 81.7 tonnes, 11% higher than demand in the first half of 1997.

Demand in the UAE, which accounts for over half of the Gulf total, was particularly strong reaching 47.3 tonnes in the first half year, 21% higher than a year earlier.

The Q2 figure was 22.0 tonnes compared to 22.2 tonnes for Q2'97. Low prices and an increase in the range of products available, as well as the Eid season and the Dubai shopping festival, helped to support demand.

Gold imports into Dubai were 32.2 tones in April and 34.6 tonnes in May, making official imports for the first five months of 1998 219.8 tonnes. This was 16% lower than in the corresponding months of 1997. The fall was due to rapid growth in direct imports into India following Indian liberalisation of gold imports last October. Before this 80-85% of Dubai bullion imports went onto India through either legal or parallel channels; this share has now fallen to 60%.





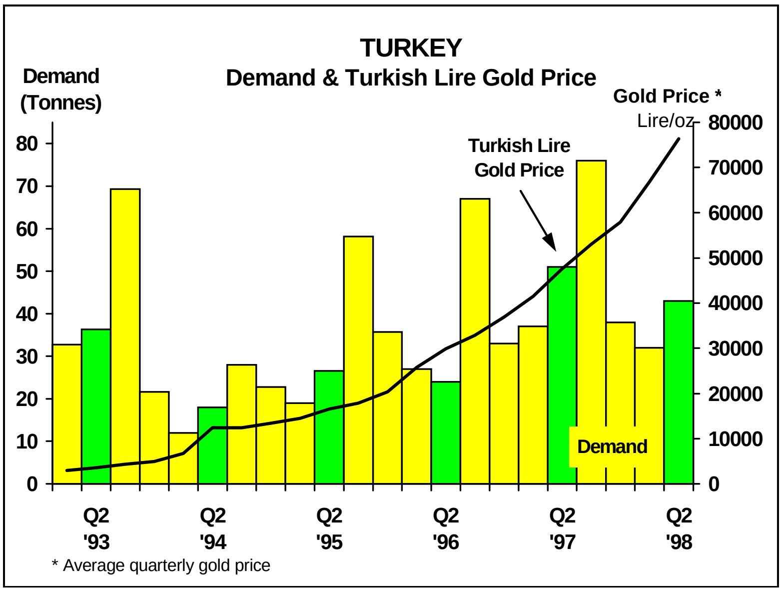
Gold Imports Into Dubai

	1996	1997					1998				
Tonnes	**Year**	Q1	Q2	Q3	Q4	**Year**	Q1	Q2*	Q3	Q4	**Year**
Dubai	**350.5**	154.9	152.9	165.8	186.7	**660.3**	153.0	66.8			**219.8**

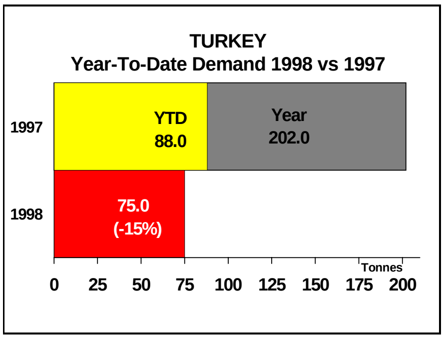
* April / May only

In the rest of the Gulf demand totalled 17.4 tonnes in Q2. As in Q1 this was effectively unchanged from 1997 levels. However demand rose in Kuwait and Bahrain (8% and 10% higher than a year earlier for the half year as a whole) while it fell slightly in Oman and Qatar (13% lower in both cases).

Turkey



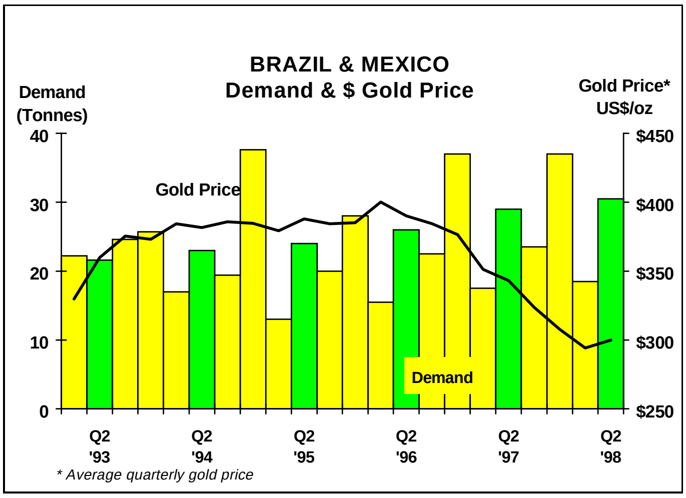
Demand in Turkey remained subdued in Q2, reaching 43 tonnes, 15.7% lower than in Q2'97. Trade adjustments due to previous overstocking by retailers, mainly in the Southern area, low tourist demand and a fall in purchases due to the World Cup caused the fall.



Brazil & Mexico

Covers Brazil & Mexico only. Products are jewellery, small bars/bullion coins.

Aggregate Q2 demand in Brazil and Mexico totalled 30.5 tonnes, 5% higher than the 29.0 tonnes recorded for Q2'97. Jewellery demand in Mexico continued to grow strongly with Q2 levels 17% higher than a year earlier; while in Brazil the picture was more subdued with demand unchanged from a year earlier. In the two countries together jewellery demand totalled 28 tonnes, 8% higher than the 26 tonnes recorded for Q2'97. Investment demand was 2.5 tonnes.

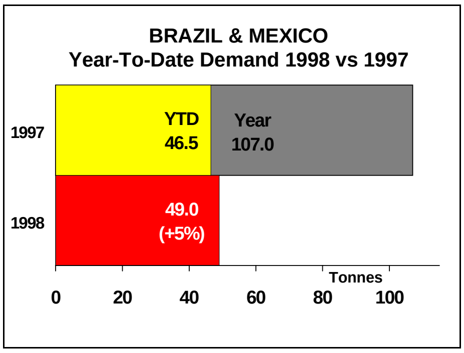


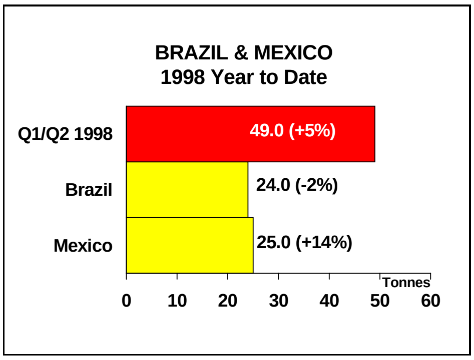
* Average quarterly gold price

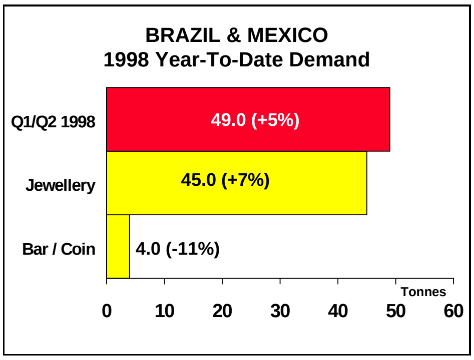
In Brazil, Q2 demand totalled 15.5 tonnes, 3% higher than Q2'97. Jewellery consumption was 14 tonnes, the same as in Q2'97. Retailers reported that sales dropped by around 10% but this probably reflected some further gain in market share by the "sacoleiras" (door to door sales ladies) who are now a major distribution channel for both local manufacturers and importers. Italian jewellery continued to be highly popular. Demand was spurred not only by quality, design and price but also by the fact that it could be offered locally on consignment, avoiding the need for large amounts of working capital on the part of the distributor. While high interest rates limited the purchase of gold as an investment, there was a growing appreciation of its use as a portfolio diversifier. Gold products were also increasingly used by corporations for incentives and awards. Investment demand for Q2 was 1.5 tonnes compared to 1.0 tonnes in Q2'97.

In Mexico, jewellery offtake reached 14 tonnes during the second quarter, 17% higher than a year earlier. Demand was spurred by booming private consumption generally and increasing confidence in the economic situation as well as by Mothers Day. The only contrasting note was lower sales to tourists due to a reduced number of visitors as a result of the World Cup.

The strong overall growth in jewellery outweighed a fall in investment demand to 1.0 tonne (down from 2.0 tonnes in Q2'97), making overall demand 15 tonnes, 7% higher than a year earlier.



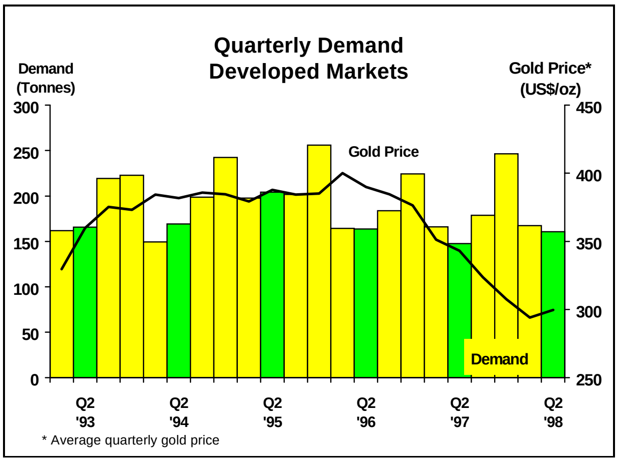


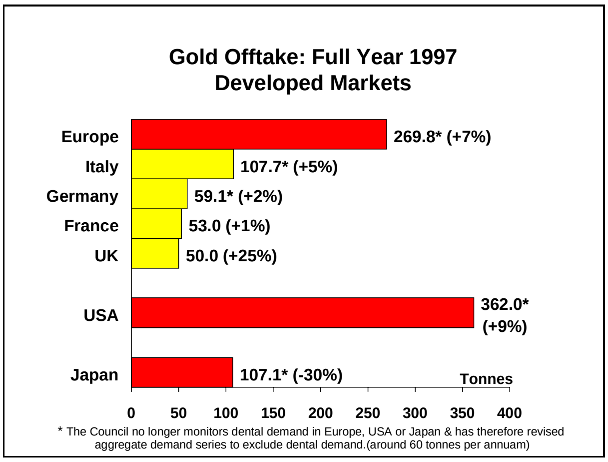


DEVELOPED COUNTRY MARKETS

Covers Europe, US & Japan. Products reported on are jewellery, gold bullion coins and bars (Japan).

- Total demand in Q2'98 was 160.8 tonnes, 9% higher than a year earlier. Jewellery demand was 4% higher than a year earlier with strong growth in most markets offset by falling consumption in Japan. Investment demand surged to 28.1 tonnes, 38% higher than in Q2'97, thanks to strong US growth.
- Demand was strong in Europe (up 10% year-on-year to 56.1 tonnes) and even stronger in the US (up 19% to 83.7 tonnes) but economic crisis continued to depress offtake in Japan (down 21% to 21.0 tonnes).

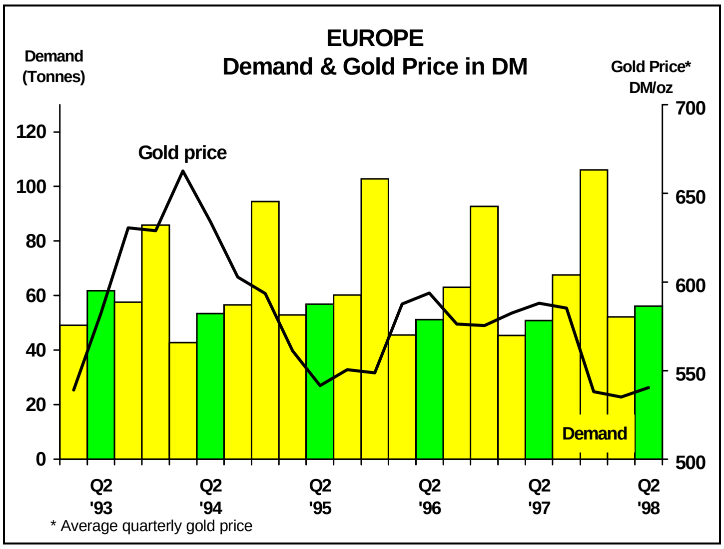




Europe

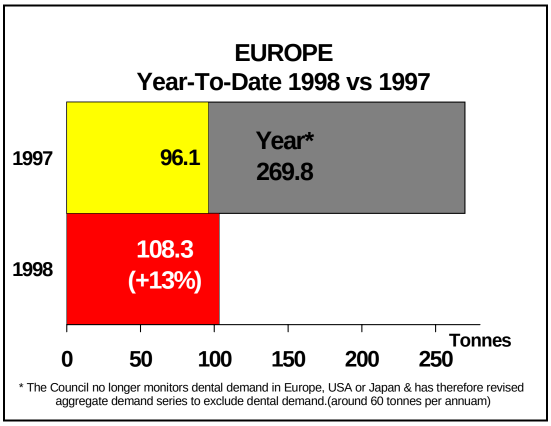
Covers jewellery demand in Italy, France, Germany & UK, bullion coin demand in Europe.

Overall demand in **Europe** in Q2'98 totalled 56.1 tonnes, the highest Q2 figure since 1995 and 10% higher than in the corresponding quarter of 1997. While the UK economy is slowing, albeit from a high level, and the economic situation in the former East Germany remains difficult, the economic upturn in "core" EU countries is well established and seems likely to continue in the near future, supporting consumer demand.



Jewellery demand at 53.7 tonnes in Q2'98 was 13% higher compared with a year ago. Growth was strong in all markets apart from Germany where offtake was only marginally higher than in Q2'97.

Investment demand (based on bullion coin sales mainly into Germany and Austria) during the quarter was just 2.4 tonnes, down from 3.2 tonnes in Q2'97.

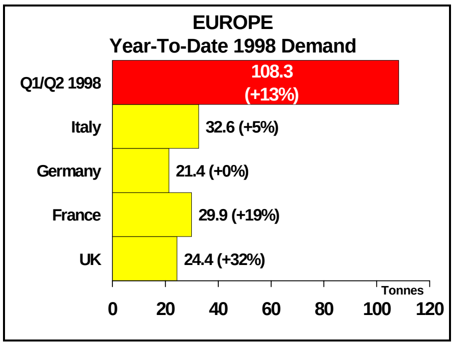


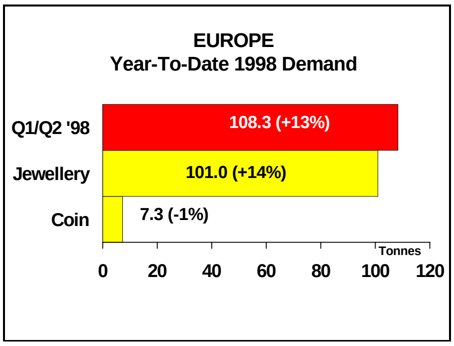
In Italy, Q2 demand was 16.8 tonnes, 2% up on Q2'97. The recovery in demand was mixed. It was concentrated in the north of the country with limited signs of revival in the south; innovative retailers appeared to be benefiting at the expense of more traditional outlets. In contrast to the still moderate growth in domestic markets, export growth was strong, rising by more than 20% over a year earlier during the first half of 1998, despite the weakness in Asian markets. Fabrication growth was correspondingly rapid with production, at 248 tonnes, 22% higher in the first half year than in the first half of 1997; Q2 growth was 21% year-on-year.

Q2 jewellery demand in **Germany** confirmed the impression given by Q1 data that demand had bottomed out and may now, with consumers showing more propensity to spend, be starting hesitantly to rise again. Purchases totalled 7.6 tonnes, 1% higher than in Q2'97. The harsher economic conditions in the eastern region, where the unemployment rate was double that in the west, held down sales in that area. Overall demand, including investment purchases, totalled 10.0 tonnes. Fabrication also rose marginally in Q2, driven partly by growing exports.

Demand was strong in **France** with Q2 jewellery purchases reaching 16.5 tonnes, 22% above Q2'97 levels, with imports of Italian jewellery increasing 27%. This reflected an upsurge in consumer spending compared with 1997, plus stock refurbishing, although underlying consumer confidence was still tempered with caution over economic prospects. Q2 results may have been slightly inflated by the increase in employment generated by the World Cup, although the final stages of the contest and euphoria over France's win seemed also likely to have provided a good start to Q3. Export demand also remained robust with Q2 fabrication 24% above year-earlier levels.

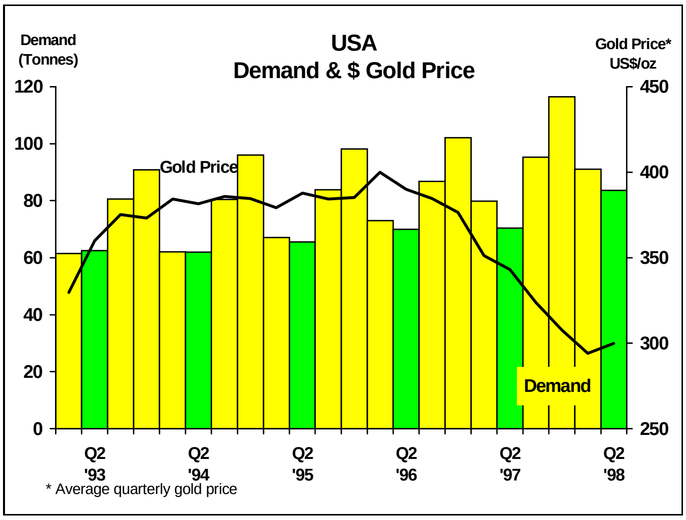
The economic upturn in the UK is slowing and there are fears of a steeper slow-down to come but for Q2 year-on-year growth in consumer spending remained high. Jewellery purchases totalled 12.8 tonnes, 24% higher than in Q2'98.





USA

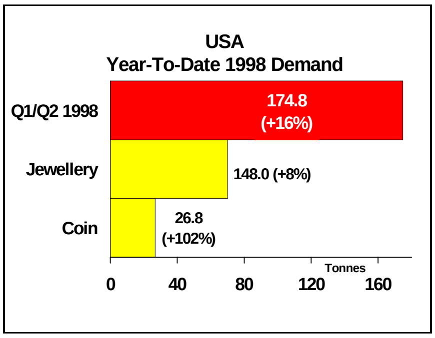
Covers jewellery and coin demand in the US



Demand in the USA continued to be very strong with Q2 demand, totalling 83.7 tonnes and 19% higher than in Q2'97, setting a second quarter record.

Jewellery demand was 70.0 tonnes, up 7% over Q2'97, slightly higher than growth in non-auto retail sales generally. Growth was supported by both the low gold price and by strong and sophisticated promotion pro-grammes by certain retailers.

Investment demand grew very strongly, running at more than double 1997 levels. Three factors lay behind this growth. The first was the low gold price. The second factor was a growing realisation among a broader audience of the value of gold in portfolio diversification since returns on gold investments tend to be negatively correlated with most other investments. The third factor was growing fears in certain quarters of economic breakdown resulting from year-2000 computer problems, with gold seen as a safe haven investment.

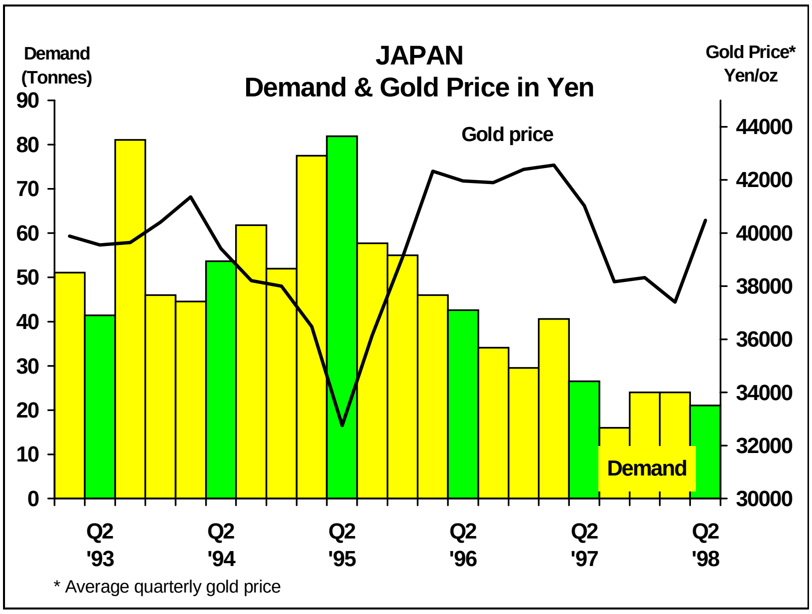


Japan

Covers jewellery, coin and bar demand in Japan

The longstanding economic crisis in Japan continued to dampen demand for gold both as jewellery and as an investment asset. Total demand in Q2 was 21.0 tonnes, 21% lower than a year earlier.

Jewellery demand was 9.0 tonnes; while this was 1.0 tonne above Q1 levels it remained just 62% of year-ago levels. Despite the economic situation and the weak yen, the current fashion for white jewellery enabled imported white gold items to sell well.

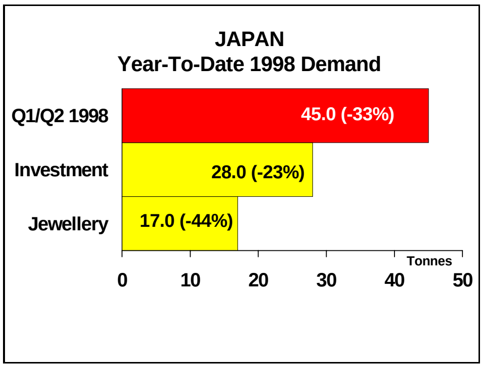


The investment market was dominated by the weak yen and the resulting higher local gold price. As a result new buying was offset by dishoarding. Sporadic purchases by high-net-worth individuals were offset by distress and bankruptcy selling by others. Total offtake was an estimated 12 tonnes, the same level as Q2'97 and 25% lower than Q1'98.

Recently private banking institutions have started to become interested in gold as a portfolio diversification asset.

Investment Demand in Japan

	1996	1997					1998				
Tonnes	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Bar	52.0	24.0	11.0	4.0	12.0	51.0	15.0	11.0			26.0
Coin	5.2	0.6	1.0	1.0	1.0	3.6	1.0	1.0			2.0
Total	57.2	24.6	12.0	5.0	13.0	54.6	16.0	12.0			28.0



MARKET FACTORS

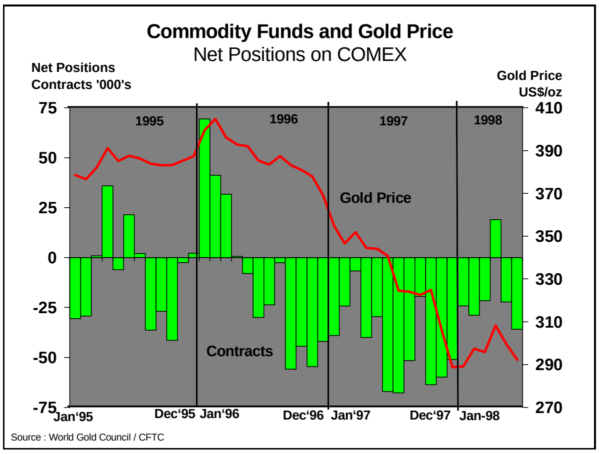
The Gold Price and Interest Rates

The level of activity in the gold market declined once more during the second quarter of 1998, although there were occasional bursts of interest. The average net daily turnover in trades cleared through the London market was 1,058 tonnes, a 10% decrease on the first quarter of the year. The range between the highest and lowest PM London fixings during the second quarter was $27.30, little changed from the previous quarter. The average second quarter gold price of $299.78 was more than $5 above the average of the preceding quarter, marking the first quarter-on-quarter increase in prices since the beginning of 1996, but was still $43 below the average for the second quarter of 1997.

The period opened with gold prices maintaining their stronger tone, holding around the $300 level as market sentiment continued to improve, mainly due to receding fears of central bank sales. The market's attention focused more on the likely gold holdings of the European Central Bank (ECB) and on currency movements, with the fragility of the yen, the South African rand and the Australian dollar relative to the US dollar giving rise to considerable uncertainty. Against the background of an upturn in oil prices following a reassessment of OPEC's agreement on production cuts, together with mounting concern over the Japanese economy after a negative report from the Moody's credit rating agency, gold soon showed renewed signs of strength. Overhead resistance at $302 was penetrated on April 3, and with both fund and Asian buying in evidence, the price surged to $314 on April 6.

The sharpness of this rally quickly led to the perception that the market had become overbought, and after the resulting technical selling had run its course, prices settled within a $305 - 310 trading range. Comments by Bundesbank council member Ernest Welteke to the effect that gold would play only a small part in the reserves of the ECB had only a limited impact, and the release of Commodity Futures Trading Commission (CFTC) figures showed that the net position of the large speculators on Comex had switched dramatically from a short of 42,151 contracts (equivalent to 131.1 tonnes) to a long of 5,247 contracts (16.3 tonnes).

Prices held steady over the Easter period as the market's focus switched to palladium, which was soaring to 18-year highs on supply developments in Russia. Light producer forward selling of gold was in evidence, encouraged by the favourable Australian dollar price, but underlying support proved firm and the re-emergence of fund buying on April 21 started prices moving higher once more. The highest fix of the quarter was $314.60 on April 23.



Profit-taking then caused gold to retreat, with a renewed bout of yen weakness applying additional downward pressure. On May 1, Belgian Finance Minister Philippe Maystadt was quoted as saying that Belgium might sell more gold; this triggered a strong burst of selling, and although the reports were promptly denied, the damage had already been done, with the price falling back toward $302. Short-covering helped quotations to bounce briefly back up to $307, but selling from disappointed bulls steadily undermined the recovery, and by May 6 gold was testing support at the $300 level. The release of CFTC statistics showed that the large speculators on Comex had continued to add to their long positions until April 28, but there was no doubt in the market that this began to change immediately thereafter.

Over the next two weeks gold traded within a narrow range, with the volatility in the precious metal markets confined to palladium and silver. External events such as the imposition of US sanctions on India following that country's series of nuclear tests, and the mounting civil unrest in Indonesia, had little impact; even developments more closely related to the gold market, such as a series of comments by central bankers and government officials speculating on the likely role of gold after the establishment of the ECB, lacked the power to move prices.

On May 14, Gold Fields Mineral Services launched its annual gold survey covering the calendar year 1997. The survey's main comment, after reporting on the record levels of both supply and demand during the year, was on the large increase in market liquidity flowing from central banks in the form of swaps and deposits which, in turn, had facilitated the big rise in producer hedging and speculative short-selling.

An indication of the amount of stale bull liquidation that occurred in early May became apparent on May 18, when CFTC figures showed that the large speculators on Comex had turned around from a net long 17,885 contracts (55.6 tonnes) to a net short 18,715 contracts (58.2 tonnes). On May 25, gold began to slip away from its $300 anchor point. Options-related selling put further downward pressure on prices ahead of the OTC options expiry, and news that the Swiss government had approved draft legislation to sever the official link between the Swiss franc and gold caused the market to fall to $290 on May 27.

Prices then firmed for a while in quiet trading conditions, only to fall back to $288 on June 1 following news that Uneximbank, a major Russian bank that had recently been granted an export licence for precious metals, had shipped more than 1 tonne of gold to London. This development gave rise to fears of increased Russian exports in the months ahead, in view of the fact that a number of Russian banks had received export licences and the country's economy was in disarray. Some producer buy-backs provided support for the price, however, and with bargain buying arising in Asia following a temporary downturn in the dollar, gold stabilised above $290.

The market suddenly came to life on June 8, in spite of the continued strength in the US dollar and increased producer selling out of Australia, where miners were seeking to take advantage of the sharp fall in the Australian dollar which had pushed domestic prices up to A$500. Nevertheless, prices firmed as steady buying from a major Swiss bank absorbed all the gold on offer. The firmness triggered some short-covering, and gold ran up to a fixing of $297.60 on the next day.

The market then faltered following ECB president Wim Duisenberg's announcement of a consensus within the ECB that the new bank would hold between 10 and 15% of its reserves in gold. Market speculation had put the percentage of gold at up to 30%, with the result that the announcement was perceived as disappointing. Speculative short-selling quickly set in, pushing gold below $290. However, as soon as it became evident that Swiss buying was still in place, prices bounced back up to $295 on June 10.

The buying, which appeared to be a coordinated programme, had by this stage involved more than one major Swiss bank, and the total involved was estimated at between 80 and 100 tonnes. Rumours as to the identity of the buyers pointed to either an official institution or to a large investor or consortium of investors seeking to diversify assets at a time of economic uncertainty. In any event, the buying appeared to have run its course by June 11, and with the dollar breaking above Yen 143, gold started to slide, falling to $285 by June 15.

Shortly thereafter, on June 17, the US Federal Reserve and the Bank of Japan intervened heavily in the currency markets in support of the yen, which recovered sharply. Gold rallied in sympathy, reaching $293 that day. The price continued to strengthen, reaching $298 on June 19 following the release of the Bank of France's annual report (see below), which contained supportive remarks for gold. A calmer tone then began to develop and quotations edged gradually lower, with currency movements dominating sentiment. The rand plunged to 5.60 against the dollar on June 25 following a reduction in South African interest rates, but there was little sign of any significant increase in producer hedging. Moves toward tax cuts in Japan and the threat of further currency market intervention lent support to the yen, however, and after easing back to $293, gold recovered a little to end the quarter at $297.

Longer term gold lease rates, usually taken as an indication of producer hedging activity, remained fairly stable over the quarter; the 12-month rate held mainly around the 1.90% level throughout the period. Shorter term rates were much more volatile, however, reflecting the swings in speculative activity. In April the one-month rate fell from 1.38% to 0.77% as speculators turned around from short to long positions, which not only lowered the demand for short term liquidity but increased its availability as funds engaged in lending their holdings. In early May the one-month rate edged above 1.00% again as speculators liquidated their long positions and by early June, with the funds going short once more, it moved up sharply to 1.32%. Short-covering towards the end of the quarter saw the one-month rate ease to 1.10%.

Official Sector Activity

The Swiss Finance Ministry announced on May 27 that the cabinet had approved a draft constitutional amendment abolishing the link between the Swiss franc and gold. Under the terms of the amendment, the Swiss National Bank (SNB) would continue to hold a portion of its monetary reserves in the form of gold, but monetary policy only required about half the current level of gold reserves. The remainder, about 1,300 tonnes, could be used for other public requirements. After subtracting the amount expected to be needed to finance the Solidarity Foundation, those assets not required for monetary policy should, while remaining the property of the SNB, be profitably invested by external money managers.

As with other recent Swiss proposals, this requires approval by a referendum, so that nothing appears likely to happen before 2000.

In its annual report published on June 18, the Bank of France said that the planned transfer of gold reserves to the ECB represented an important signal of the need for central banks to hold gold. It also said there had been no change in the view of the main holders of gold that it was necessary for gold to make up a part of official reserves in order to guarantee the international financial system. “Neither the US Federal Reserve, the Bundesbank, the Bank of Italy nor, of course, the Bank of France plan to sell the precious metal” the report said.

More recently, European finance ministers decided on July 6 to remove value added tax (VAT) from transactions in investment gold. This move, which will not take effect until January 1, 2000, because of the need to incorporate the change into domestic legislation, will exempt from VAT within the 15 member states of the EU gold bars weighing more than one gram and with a fineness of at least 995, non-numismatic coins of a purity greater than 900 and gold-related securities, together with forward and futures transactions.

On July 7, the ECB took the decision to hold 15% of its foreign reserves in the form of gold. Although the ECB has the right to call up an initial euro 50 billion of foreign reserve assets, it has chosen to limit the call to some euro 39 billion at this stage, thereby leaving room for contributions by the four EU countries not participating in European Economic and Monetary Union (EMU) from the outset. The figure of 15% of euro 39 billion is equivalent to about $6.5 billion, or approximately 22 million ounces of gold at current market prices.

Elsewhere, the Cambodian government successfully claimed 12.4 tonnes of gold held on account by the Bank for International Settlements since 1958.

On the regulatory front, the Pakistani government announced that from July 1 the import duty on gold would be reduced from $1.40 to $1.00 per 10 grams, while the deposit due against the importation of gold and silver will be reduced from $75,000 to $50,000. Rules under which only three registered importers were legally allowed to import gold were also eased. In May’s budget, the Indian government raised the import duty on gold from 220 to 250 rupees per 10 gms.

Gold holdings of "All Countries" as published by the IMF showed a decrease of 10.6 million ounces between February and April 1998. Most of this fall was due to delivery against Belgium's forward sale of 9.6 million ounces (299 tonnes), announced on March 18. At the same time, however, and partly offsetting this, 1.9 million ounces of gold was returned to Belgium from European Monetary Institute holdings following readjustments in the wake of the sale.

Other significant changes included a 1.25 million ounce fall in Indian reserves resulting from payment against a maturing gold-backed bond. A 1.3 million ounce decline in Venezuelan reserves and a 0.8 million ounce fall in Czech reserves were both related to swap activity.

Official Holdings of Gold - IMF Statistics

Fine Gold, oz million *end of period*	1995 Year	1996 Year	1997 Year	1998 March	 April	 May
All Countries	909.8	907.3	890.6	880.6	880.7	880.9
of which Industrialised Countries	755.0	748.2	732.5	723.1	725.0	725.0
International Financial Institutions	204.4	202.0	199.1	199.1	197.1	197.1
Total	1114.2	1109.3	1089.7	1079.7	1077.8	1078.0

Note: The table covers all countries reported on in "International Financial Statistics" (IFS), published by the IMF. The item "International Financial Institutions" includes the IMF, the European Monetary Institute and the Bank for International Settlements. The statistics exclude: (1) a few member countries, (2) non-members of the IMF and (3) investment and monetary agencies of various national governments.

Sources and Reliability of Data

Category / Country		Source	Reliability
Developing Country Markets			
- India China, Taiwan, Hong Kong S.E. Asia / S. Korea, Saudi Arabia Gulf States, Turkey		Import statistics / trade sample	Measured / Indicated
- Brazil, Mexico, Vietnam		Trade sample	Inferred
Developed Country Markets			
Europe			
- Jewellery	UK & France	Hallmarking	Measured
	Germany,	Trade Panel	Inferred
	Italy	Trade sample	Indicated
- Bullion Coins		Issuing Mints' sales data	Measured
USA			
- Jewellery		Trade Panel (Representative)	Indicated
- Bullion Coins		Issuing Mints' sales data	Measured
Japan			
- Jewellery		Import statistics/trade sample	Measured/Indicated
- Bars & Coins		Import statistics/trade sample	Measured/Indicated
		Gold Accumulation Plan sales	Measured

* Measured : Data fully based on statistics believed to be reliable, such as Government import and hall-marking statistics
* Indicated : Information projected from a representative sample of data
* Inferred : Information derived from a small sample of data and/or informed contacts in the local market-place.

Definitions

Tonnes (mt): Metric ton = 1,000 kg or 32,151 ounces of fine gold.
Import Data: Volume of gold imported into key bullion trading centres which serve as an important supply source for gold in the region.

Fabrication: Total volume of gold, either newly-mined or scrap, converted into the end-use products being reported on.
Trade Purchases: Total volume of gold contained in products purchased by the trade, either retail or wholesale, for ultimate sale to consumers.

Consumer Purchases: Volume or value of gold purchased by consumers in a given market. Usually measured by WGC's representative panel of retail shops or by WGC surveys of consumer buying behaviour.

The aim of Gold Demand Trends is to review the latest state of demand for gold in the leading gold-consuming countries of the world. The areas covered are those where the World Gold Council is currently best positioned to provide a perspective on demand trends through a field staff located in the key demand centres and in contact with the major entities in the gold business.

The primary focus of the data is on the state of retail purchases of gold for the onward sale to the consumer, this being the common measurement parameter of demand in all World Gold Council markets and a proxy for consumer demand. At a subsidiary level, other data are provided, as available, which can help shed light on market trends e.g. gold imports, jewellery fabrication, consumer purchases.

No attempt is made to arrive at a global demand figure. This is because the Council cannot track between 15% and 20% of global demand where it is not represented (Africa, parts of Latin America, the former Communist bloc and parts of the Middle East) or where demand is difficult to measure (investment demand in Western markets).

Gold Demand in Key Markets Worldwide (Tonnes) : 1992-1998

	1992	1993	1994	95-3	95-4	1995	96-1	96-2	96-3	96-4	1996	97-1	97-2	97-3	97-4	1997	98-1	98-2
Gold Price ($)	343.45	359.18	384.14	384.30	385.12	384.08	400.13	390.05	384.62	376.47	387.87	351.28	343.07	323.66	307.72	331.26	294.18	299.78
India	454.3	405.4	415.0	118.5	116.8	477.2	117.5	133.3	120.4	136.6	507.8	163.6	178.8	186.2	208.1	736.7	252.1	206.1
China, Taiwan, HK	497.8	420.0	433.8	103.9	102.5	427.3	122.5	93.1	75.6	80.2	371.4	110.1	99.5	92.3	105.0	406.9	92.3	76.6
- China	250.0	223.0	224.3	57.3	47.4	223.9	59.3	58.1	48.9	41.4	207.7	55.3	54.3	49.0	55.2	213.8	52.3	49.3
- Taiwan	191.2	160.6	162.0	36.5	43.0	160.2	52.0	26.4	17.5	27.4	123.3	41.3	33.6	33.7	33.5	142.1	28.0	20.2
- Hong Kong	56.6	36.4	47.5	10.1	12.1	43.2	11.2	8.6	9.2	11.4	40.4	13.5	11.6	9.6	16.3	51.0	12.0	7.1
SE Asia & S.Korea	306.0	340.8	410.7	91.8	109.5	445.7	122.1	110.2	105.7	117.1	455.1	156.8	106.4	49.9	5.3	318.4	-268.1	32.8
- Thailand	87.0	96.0	124.0	23.0	24.5	116.0	34.5	24.5	22.5	24.5	106.0	41.5	18.5	-15.0	-31.0	14.0	1.5	3.0
- Singapore	25.0	21.4	23.9	5.6	4.6	24.1	7.1	4.3	3.8	4.8	20.0	8.9	4.5	5.2	3.8	22.4	6.4	2.5
- S Korea	73.5	90.0	106.0	28.2	32.2	121.0	30.0	31.5	30.5	33.5	125.5	31.5	30.5	32.5	19.9	114.4	-228.0	14.5
- Malaysia	22.5	22.4	24.8	6.0	8.2	29.6	11.5	5.9	6.9	9.3	33.6	14.9	5.9	4.7	4.6	30.1	3.0	2.8
- Indonesia	70.0	80.0	97.0	23.0	32.0	119.0	29.0	35.0	32.0	33.0	129.0	42.0	37.0	15.5	-2.0	92.5	-64.0	-1.0
- Vietnam	28.0	31.0	35.0	6.0	8.0	36.0	10.0	9.0	10.0	12.0	41.0	18.0	10.0	7.0	10.0	45.0	13.0	11.0
Saudi Arabia	225.0	200.0	174.0	53.0	41.1	193.1	47.3	54.3	44.3	39.0	184.9	68.0	46.0	38.0	47.0	199.0	70.1	45.1
Gulf States	101.4	82.3	87.9	24.0	28.2	104.6	28.7	28.8	29.9	30.6	118.0	33.7	39.7	34.9	33.9	142.2	42.3	39.4
- UAE	37.0	32.7	33.2	8.0	11.0	39.2	13.3	12.0	13.9	13.4	52.6	16.9	22.3	17.3	15.1	71.6	25.3	22.0
- Kuwait	35.0	20.0	25.0	8.5	8.9	35.1	8.1	9.4	8.4	8.8	34.7	7.2	9.2	9.0	10.0	35.4	7.6	10.2
- Bahrain	7.0	7.2	7.4	2.0	2.2	7.8	1.8	1.8	2.1	2.3	8.0	2.6	2.2	2.9	2.9	10.6	2.8	2.5
- Oman	16.5	16.5	16.5	4.0	4.3	16.5	4.1	4.1	4.0	4.3	16.5	4.8	4.4	4.4	4.2	17.8	4.5	3.5
- Qatar	6.0	6.0	6.0	1.5	1.8	6.1	1.4	1.5	1.5	1.8	6.2	2.2	1.6	1.3	1.7	6.8	2.1	1.2
Turkey	128.1	159.9	80.8	58.1	35.7	139.4	27.0	24.0	69.0	33.0	153.0	37.0	51.0	76.0	38.0	202.0	32.0	43.0
Latin America	74.0	94.0	97.0	20.0	28.0	85.0	14.5	26.0	22.5	37.0	100.0	17.5	29.0	23.5	37.0	107.0	18.5	30.5
Brazil	41.0	52.0	50.0	12.0	16.0	54.0	8.5	15.0	14.5	21.0	59.0	9.5	15.0	14.5	19.0	58.0	8.5	15.5
Mexico	33.0	42.0	47.0	8.0	12.0	31.0	6.0	11.0	8.0	16.0	41.0	8.0	14.0	9.0	18.0	49.0	10.0	15.0
Developing Mkts	1786.6	1702.4	1699.2	469.3	461.8	1872.3	479.6	469.8	467.3	473.5	1890.2	586.7	550.4	500.8	474.3	2112.2	239.2	473.5
Europe	282.5	254.3	247.2	60.2	102.8	272.7	45.5	51.2	63.0	92.7	252.4	45.3	50.8	67.6	106.0	269.8	52.2	56.1
- Italy	125.0	106.0	103.0	26.6	46.1	108.0	14.4	17.3	29.0	41.5	102.2	14.6	16.4	31.9	44.8	107.7	15.8	16.8
- France	42.0	48.9	50.5	9.5	18.0	52.0	12.1	13.8	9.8	16.8	52.5	11.7	13.5	10.0	17.8	53.0	13.4	16.5
- Germany	80.9	66.5	58.9	14.3	26.2	73.4	12.1	11.2	13.4	21.0	57.7	10.8	10.6	12.1	25.5	59.1	11.4	10.0
- UK	34.6	32.9	34.8	9.8	12.5	39.3	6.9	8.9	10.8	13.4	40.0	8.2	10.3	13.6	17.9	50.0	11.6	12.8
USA	272.2	295.5	300.6	83.9	98.2	314.7	73.0	70.0	86.8	102.1	331.9	79.9	70.4	95.3	116.5	362.0	91.1	83.7
Japan	186.3	219.6	212.1	57.7	55.0	272.1	46.0	42.6	34.1	29.5	152.2	40.6	26.5	16.0	24.0	107.1	24.0	21.0
Developed Mkts	741.1	769.4	759.9	201.8	256.0	859.5	164.5	163.7	183.9	224.4	736.6	165.9	147.6	178.9	246.5	738.9	167.4	160.8

Some data may have been revised since the last issue of Gold Demand Trends

N.B. Figures may not add due to rounding

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