



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR APRIL 2019

1 May 2019, Prague – **Global production of gold reaches its peak.** However, experts warn that its **available reserves are being consumed very fast.** There has not been any significant mine opened **over the last thirty years** even though mining companies invest significant amounts into research. **The average mining recovery has also been decreasing.** In the 1970's, it reached 10 grams per ton of soil; nowadays, it amounts only to 1.4 grams of gold per ton of soil. According to Ian Telfer, the chairman of the Canadian mining company Goldcorp, it will reflect in steady decline in gold production soon. If it comes down to his words, the precious metal price will also undergo changes.

The peculiarity of the current days in the capital and commodity markets is a very **narrow price band** in which asset prices move. This is good news for those who buy gold as a hedge and protection of their savings – **they do not have to worry about large price fluctuations,** and they reach virtually ideal prices at the moment when they save regularly.

Monthly movements in gold prices – its volatility – were **the lowest since 2000.** From a long-term point of view, the volatility is low, and for the last time, such a long period without the steep price movements was recorded in the nineties. However, nothing lasts forever. **It may be changed** very fast. When mainly US bond yields begin to fall (we can see first signs already), the ridiculously overvalued stock market will start to fall; trade disputes between the US and EU will deepen and investors will seek safety in the form of yellow metal.

National banks have already started to buy gold. They **bought 145.5 tonnes** in the first quarter of this year, which is the most for the same period since 2013. At that time, the banks bought the gold due to the lingering financial crisis. The national banks know perfectly well what they are doing – they use low prices to ensure their reserves in gold sufficiently.

The ownership of gold is not the sole domain of central banks. It was at least proven by the survey conducted by the German bank ReiseBank the results of which were published at the end of April. **In Germany, there are more than 8,900 tonnes of gold in private hands.** In Germany, there are 71 grams of investment gold in the form of ingots or coins and further 58 grams in the form of jewellery – i.e. **129 grams** of gold in total – being ascribed to every adult. The German Central Bank holds 3,370 tons of gold reserves, which is 70% of its all foreign exchange reserves. **91%** of survey participants in total mentioned to be **satisfied with gold** as an investment and **78%** of respondents have decided to buy gold in future as well. It is clear that the positive attitude of the Germans to gold is given by their historical experience with huge instability after two lost wars. Hyperinflation in the twenties of the last century and the total disruption of the economy after 1945 taught German people a lesson and they know that **the only certainty they can rely on is physical gold which they have under their own control.** Therefore, Germany is a state with the highest private ownership of gold in the world.

As for the Czech Republic, we have some catching up to do. It is estimated that there is only 1 gram of gold per adult in private hands. While the Czechs need not be ashamed of their saving behaviour, the total volume of household bank savings reported by the Czech National Bank at the end of March 2019 amounts to almost 2.6 trillion CZK. Moreover, nearly half of the nation (49%) considers investing in gold interesting and in terms of popularity; it surpassed retirement schemes and savings accounts. Nothing seems to stand in the way of change.



Precious metals in April 2019

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,309.30	15.35	915.05	1,477.20
Date	10-04-2019	10-04-2019	22-04-2019	29-04-2019
Lowest price USD/oz	1,266.05	14.735	843.00	1,317.50
Date	23-04-2019	23-04-2019	01-04-2019	05-04-2019

Gold – There was no significant movement of gold price in April. Its decline was triggered by the EU and British Parliament decision calling for a postponement of so called Brexit. However, this problem has not been resolved, only delayed. Most US companies reported good results, which helped equity indices to overcome their historical highs. The dollar continued to strengthen and its index level exceeded 98 – the highest since May 2017. Strengthening dollar and US stocks push the price of gold down.

Silver – it reached its maximum and minimum month prices in the same days as gold. In case of this metal, the experts expect, contrary to gold, an increasing offer, which will be a by-product of increasing mining of gold, copper and zinc. However, they also predict a decline in demand for industrial silver, which should arise in relation to decreasing demand for mobile phones and other electronic devices in which more than 7,600 tons of silver is being consumed per year and to uncertainty about the development of Chinese economy which consumes more than 4,500 tonnes of metal per year.

Platinum – The sale of new cars in the first quarter in Europe declined by 3.2%, even by 6.7% in Italy, compared to the same period of the last year. Given that Italy still holds a relatively high proportion of diesel cars on the market (44% in total); this fall had a huge impact on the demand for platinum. The decline in the price of platinum was not so significant after this news because it was balanced by the “problem” on the part of offer. The two largest South African companies, which mine platinum, Impala and Anglo American Platinum, mentioned that their mining continues to be interrupted by blackouts.

Palladium – Car sales, this time from the US, spoke to the price of palladium as well. Stocks of unsold cars in the US were the highest since June 2017. The sale of cars in the US dropped by 2.5% year on year. The demand from the US automotive industry accounts for a quarter of total demand for palladium. The decline in demand for cars in the US as well as in China was due to decline in prices to 1,300 USD per troy ounce. The good news for metal is that the sales of petrol cars in Europe are rising where they replace vehicles with diesel engines.



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