



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR JUNE 2018

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,309.55	17.3275	916.30	1,033.50
Date	14-06-2018	14-06-2018	01-06-2018	07-06-2018
Lowest price USD/oz	1,245.70	15.8750	839.00	930.30
Date	28-06-2018	28-06-2018	28-06-2018	26-06-2018

2 July 2018, Prague – Volatility of the monitored precious metals started to change in June at long last. The difference between the highest and lowest price of gold was 5.1%, silver 9.1%, platinum 9.2% and palladium exceeded the value of 11%. The metals recorded their price minima at the end of the month, and the maxima in its first half.

The most noted event was **the session of the American central bank**, which – as expected – **increased its interest rates by a quarter of a per cent, getting into the zone of 1.75 – 2.00%**. Surprisingly FED advised that it will increase the rates yet twice. Thus, in September and December, following announcement of the FED outcome, the price of the monitored metals rapidly increased and gold attacked the value of 1,310 USD per ounce. Unfortunately, despite the expectations of analysts, gold did not manage to break this principal resistance level and was decreasing in the following two days, below the level of 1,250 dollars per ounce. **The main reason for the decrease of all the precious metals in this period was strengthening of the American dollar.**

Dollar strengthened not only thanks to optimistic statements by FED, the ongoing increase of the rates, GDP growth and inflation, but – surprisingly – also thanks to the statements by the American president Donald Trump, who is a partisan of more protective measures and customs in economy and uncompromising fight with illegal immigration in politics. The investors feel that Trump is serious and rely on supposition that dollar will strengthen in comparison with all the currencies.

As regards American dollar, it is rather a short-term view. **From the long-term point of view, we may witness an end of the so-called dollar era in the reserve funds of the central banks.** The majority of the central banks endeavour to decrease their foreign exchange reserves maintained directly in dollars or American bonds. For example, Turkey decreased its dollar reserves by 38% during five months. Along with Russia, Turkey is adding gold to its reserves, which is substituted just for dollar. **Since the beginning of the year, the central banks have purchased 159 tons of pure gold in total.** The most gold – 71 tons - was purchased by Russia, and more than 60 tons by Turkey. It is questionable what will happen with the interest rates of American bonds when their greatest holders - China and Japan - start to get rid of them. If this happens, their interest rates will rapidly increase and it will be very difficult for the USA to pay them. The fact that China is looking for a way how make its foreign trade independent from dollar is well known. The so-called “gold yuan” is used already now in trading with Russia. It is a paradox that the introduction of the customs on Chinese goods by the USA can accelerate this process. The dollar may get stronger for a short time, but it may be fatally damaged in a long term.

Also the pension funds start to change their investment strategy towards the physical gold. In June the **Swiss pension fund AHV/AVS** announced that - instead of paper gold and energy commodities - **it will start to transfer its assets to the physical gold.** This is because it regards the physical gold as a safer



instrument for protecting the savings of its clients against inflation and recession. At the first stage, the pension fund will purchase almost 20 tons of gold bricks. It is a paradox that this announcement raised fear of the Swiss precious metal refineries. This is because the fact that, if the similar measures are taken also by the other Swiss pension funds, they will not have enough gold for such purchases. Let us imagine what would happen with the price of gold, if the greatest pension fund in the world, the Japanese GPIF, intended to transfer only 5 % of its assets, which is approximately 60 milliards dollars. At the present prices, it could purchase almost 1 500 tons, which is half of the yearly global mining output.

Germany endeavours to accelerate the repatriation of its gold reserves. Germany withdrew 583 tons of gold to its territory in advance of one year than planned. The main reason for this haste are probably problems of the greatest German bank, Deutsche Bank. **The Berlin government intends to calm investors who holds bonds of this bank** in order to prevent them from selling the bonds on a massive scale. This is because the loss of the bank in 2017 reached almost half a milliard EUR, which did not make the investors feel assured. In addition, bankruptcy of such a bank could cause an unprecedented global crisis.



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