



## REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR JUNE 2017

	Gold	Silver	Platinum	Palladium
<b>Highest price USD/oz</b>	1 296,50	17,7675	969,50	923,35
<b>Date</b>	6 Jun 2017	6 Jun 2017	6 Jun 2017	9 Jun 2017
<b>Lowest price USD/oz</b>	1 235,30	16,2725	909,70	815,55
<b>Date</b>	26 Jun 2017	26 Jun 2017	29 Jun 2017	1 Jun 2017

3 July 2017, Prague - In June, **there was no high volatility observed** in the precious metals followed, and therefore, the trend of previous periods remained preserved. The only palladium recorded a double digit percentage of volatility, namely 13.2%, it was followed by silver with 9.0%, platinum with 6.5%, and gold with less than 5%.

The US dollar prices were rather declining during the month, and interestingly, the price of palladium is slowly approaching the price of platinum. **The palladium** is experiencing a very favourable period. Not so long ago, its price was about 600 USD per troy ounce, **in June, it exceeded the limit of 900 USD** per the same amount. However, we should be cautious as for the investment in palladium. There is still concern about the rapid **onset of electromobiles**, which will replace cars with a traditional gasoline engine where more than 40% of the palladium supply worldwide is being consumed.

**The expected increase of interests** by American bankers was the most important event of the sixth month. They increased the benchmark interest rate by 0.25% **to 1 - 1.25%**. FED also announced to **increase the interests not more than once by the end of the year**, instead of the two increases planned beforehand. Most of experts, and we agree with them, agree on that it was the last increase in this year. However, inflation in the USA exceeds 2%, however, most of other economic factors observed are not exactly successful. Though, central bankers in the USA worry about oil and energy prices the most. They slip to 6month lows, and we all remember that a dramatic decrease of oil and energy prices triggered concerns about deflation development and zero-interest-rate policies of USA. Though, it is a piece of good news for a common citizen. Travelling and energy costs will be cheaper for them.

In June, experts started to discuss the topic **China and its golden reserves** again. They increasingly agree on the fact that **China does not confess its real gold reserves** which it buys and that are kept by its central bank. It is advantageous for China to pretend to stop buying gold and in fact, China is not interested in it so much. The reason is **that if China confesses massive restocking of gold reserves**, the price of gold on the world market would be **abruptly increased** and **purchases would become more expensive** for China. Thus, China buys for still acceptable prices and it is probable that after confessing its real stock, it will stop or at least limit its purchases.

In the last week of the month, we witnessed a very **interesting event**. On Monday 26th June at 9 am, an **order to sell 56 tons of gold was given**. It is not known by whom and why and there is much speculation about it. The most probable one is that it was done by mistake. **A one-time order to sell such a huge amount is not usual** – it concerns **1.8 million of troy ounces**. **The gold experienced a decline from 1,255 USD to 1,235 USD** per ounce in a minute. **The trade was 18,149 lots**. One lot = 100 ounces. A very often and **usual order is 18,149 ounces**, i.e. about 564 kg of gold. However, this was the order to 18,149 lots of gold –



**100times more!** Therefore, the most probable theory is that someone clicked incorrectly while inserting lots instead of ounces. The reason for this theory is not only the fact that it is an **uncommonly high amount but also the time of the trade**. At 9 am of our time, there is very low liquidity on the market, and it is better to choose time rather later in the afternoon, when the European market is still open together with the American market and a huge amount can be easily sold while not causing such a decline to the market, i.e. a lower sales price. In this case, the limit of 1,250 USD/ounce was exceeded, which **resulted in further automatic trades**, which were set by brokers to the decline under this limit. However, it should be added that it concerned sales of so called paper gold - i.e. "securities" (beautiful oxymoron). This event clearly **underlines the need to create separate markets as fast as possible for trading with paper gold and real gold**. On the real-gold-market, a similar error of someone selling such an amount of physical gold in a second could never happen. Just to give you an idea – in 2016, more than **10 billions of USD in paper gold was traded, which is 233times more than the trade with physical gold**. Such a ratio is unsustainable in the long term.



Libor Křapka  
Chief Executive Officer of IBIS InGold®, a. s.