

ASIA PACIFIC
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3-5 June 2018

PARKROYAL on Beach Road, Singapore



A PALLION COMPANY

Global Gold Market review and price outlook

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3-5 JUNE 2018

PARKROYAL on Beach Road, Singapore

Key factors driving gold prices



Real interest rates



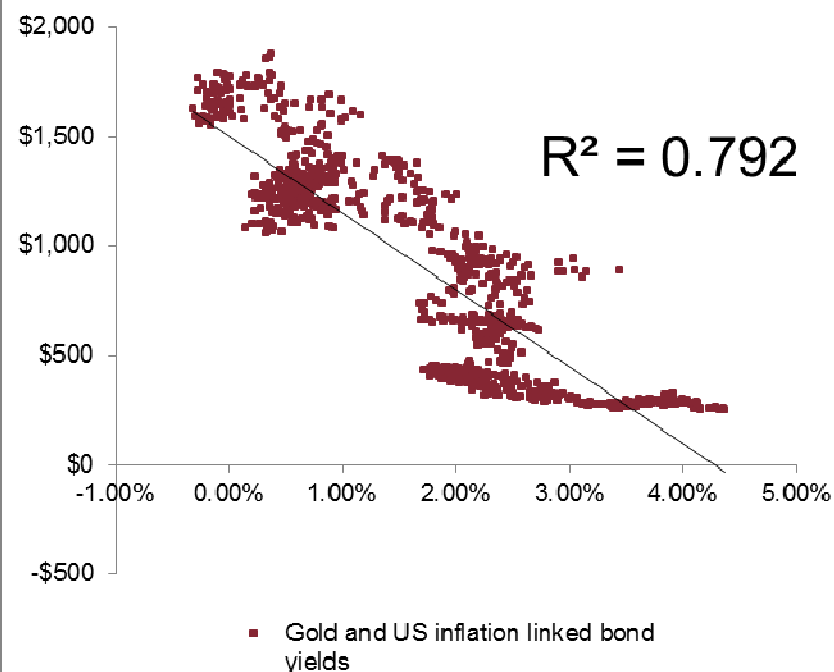
Changes in
US debt

USD

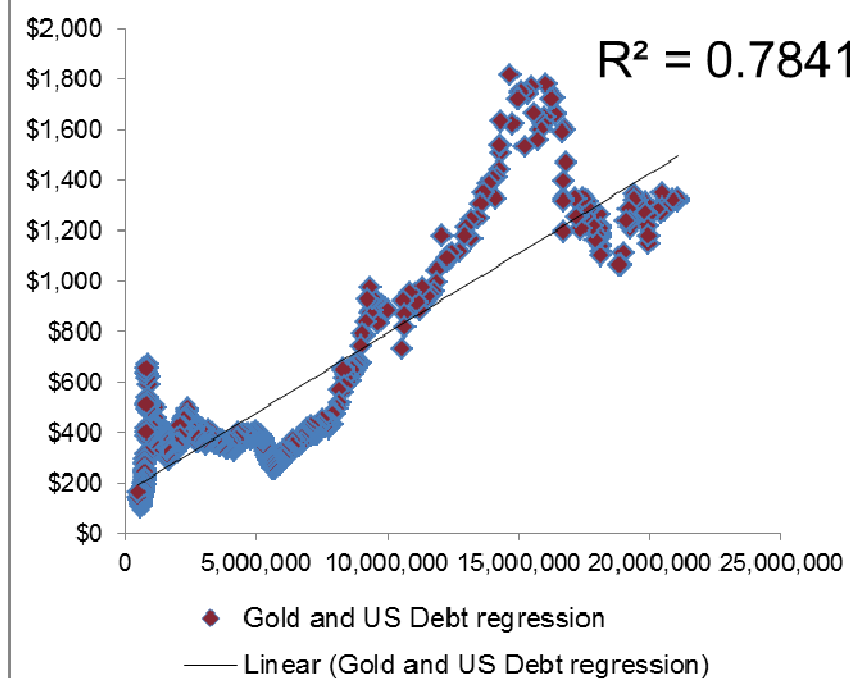
The US Dollar

Real interest rates & US debt...

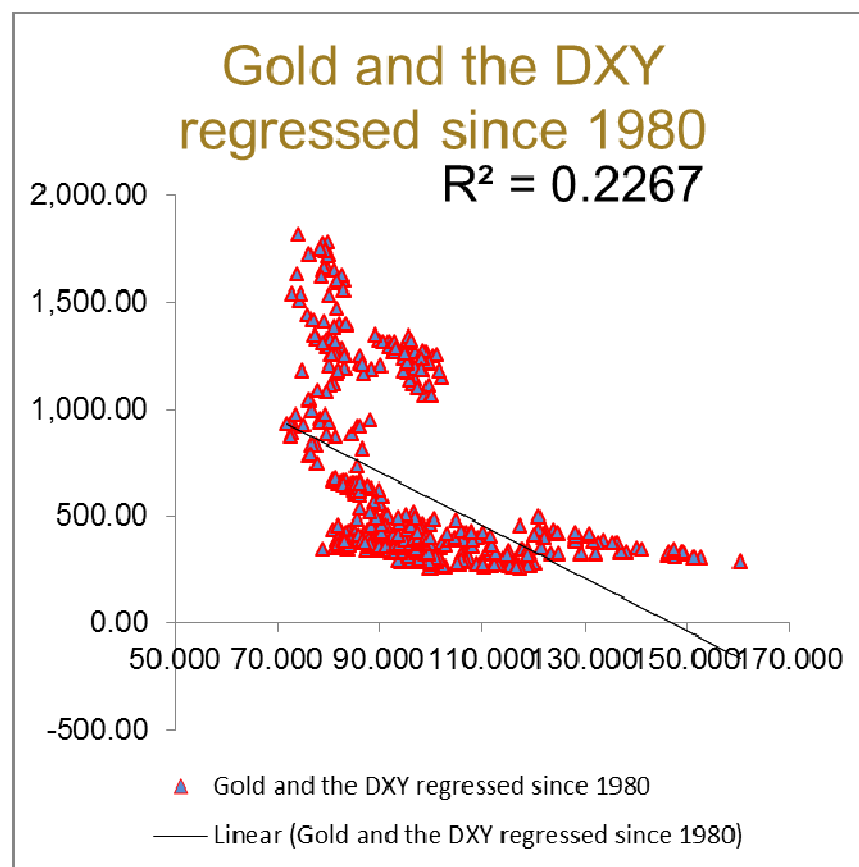
Gold and inflation-linked bond yields



Gold and US Debt regression since 1975



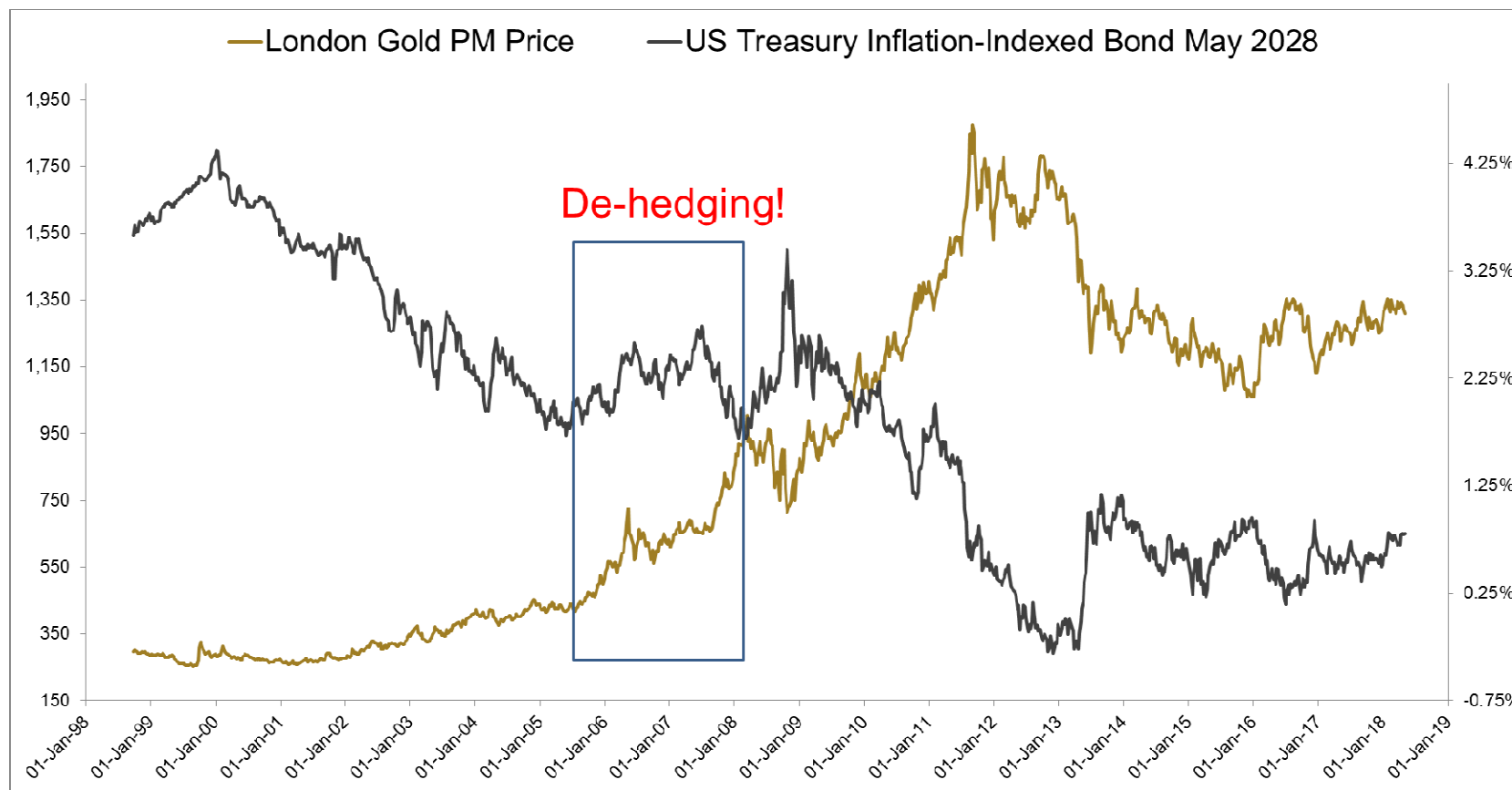
...and the Dollar



US\$ Gold and yield on Treasury inflation-linked bond

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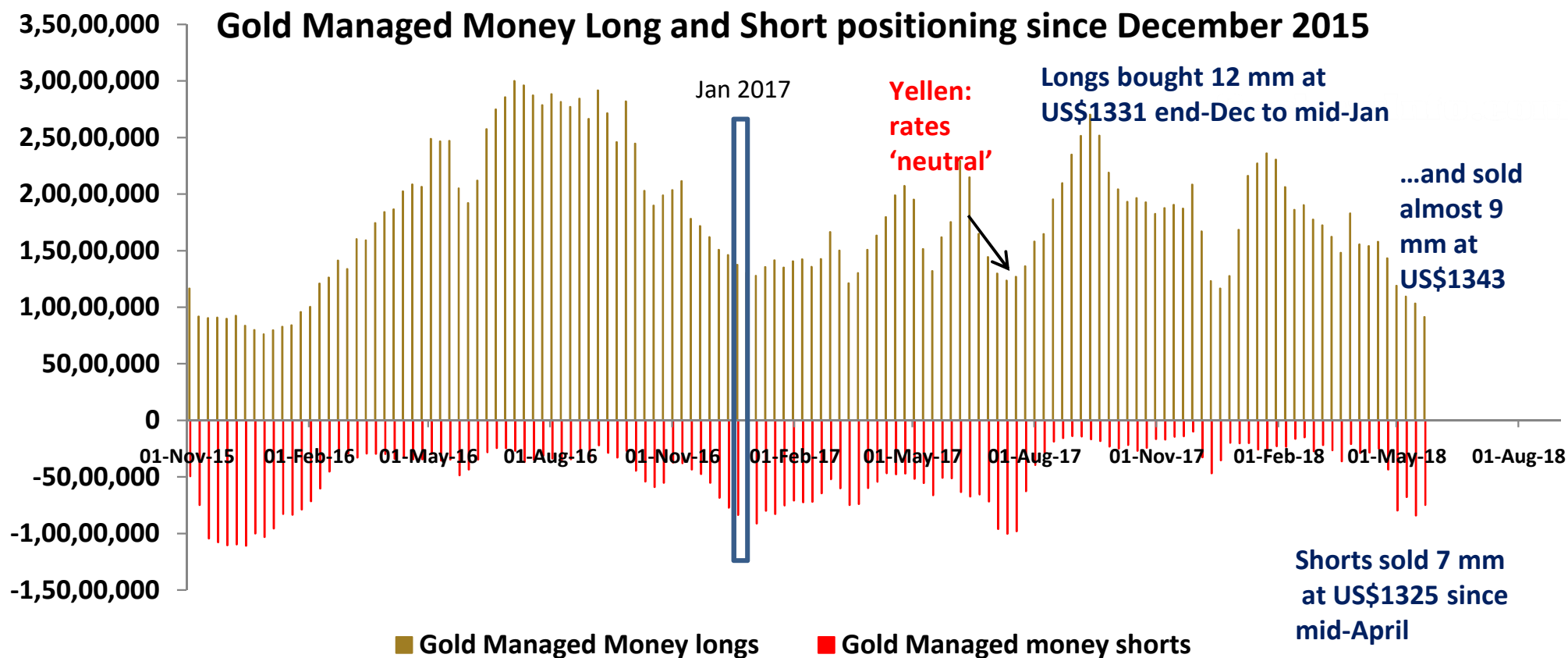
Behaviour of the Dollar Index



Reviewing gold's weekly performance 2017 to now



Gold managed money positioning



The outlook for gold in US Dollars

- America still ahead of Eurozone, Japan with regard to explicit tightening
- QE is now 'QT' as the Fed reduces its balance sheet – as non-US investors show buying fatigue
- US CPI showing signs of life
- Technical support for XAU at US\$1280 and US\$1240

The outlook for gold – not just the Fed

- US **tax cuts** and budget plans suggest higher consumption, a **larger current account deficit** and pressure on the Dollar
- Increase in **public debt** is positive for gold – debt will grow by 617 billion USD between January and the end of this month
- Both fixed income and equity valuations likely to come under pressure – positive for gold

Outlook for real interest rates

- The long-run outlook for real rates remains subdued:
- **Global savings glut likely to continue**
- **Corporate sector rich with cash**
- **US corporates held US\$1.90 trillion cash balances Nov 2017**
- **EMEA corporates held US\$1.10 trillion cash balances July 2017**
- **Global investment & capital formation on a declining trend**

American foreign policy effects

- Less certain than previously
- Tangible outcomes include a higher crude price
- Will raise caution around tightening

Summary for USD gold

- Gold remains in an uptrend
- Support at US\$1240-1250
- Resistance at US\$1370
- Upside targets in chart below
- Option market prices in
- 1 in 4 probability of US\$1455 in one year
- 1 in 8 probability of US\$1590 in one year

Gold in USD with targets



Gold in selected APAC currencies

- Australian Dollar
- Thai Baht
- Vietnamese Dong
- Singapore Dollar
- Indonesian Rupiah

Gold in AUD

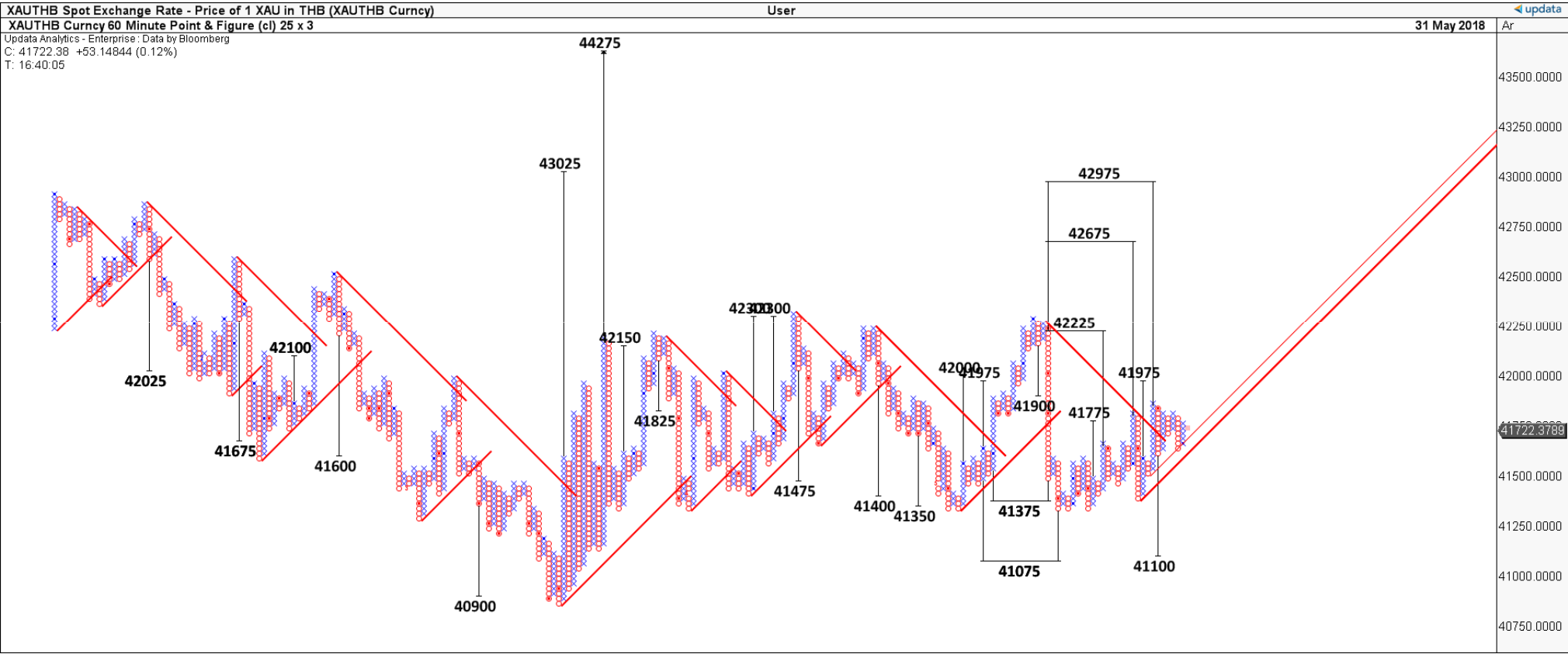


- AUD expected to weaken / remain defensive
- Moderating housing boom, minimal wage growth, lower consumption
- Support at A\$1650
- Targets towards A\$1750-1800

Gold in Thai Baht

- Strong export demand and large capital inflows help the THB perform strongly, likely to continue in 2018
- Largest risk is a trade dispute
- If weak domestic demand grows, expect BoT to raise rates, with THB appreciation a likely consequence
- Gold likely to remain subdued in local currency terms but an excellent hedge if trade becomes an issue
- Technical outlook in XAUTHB positive

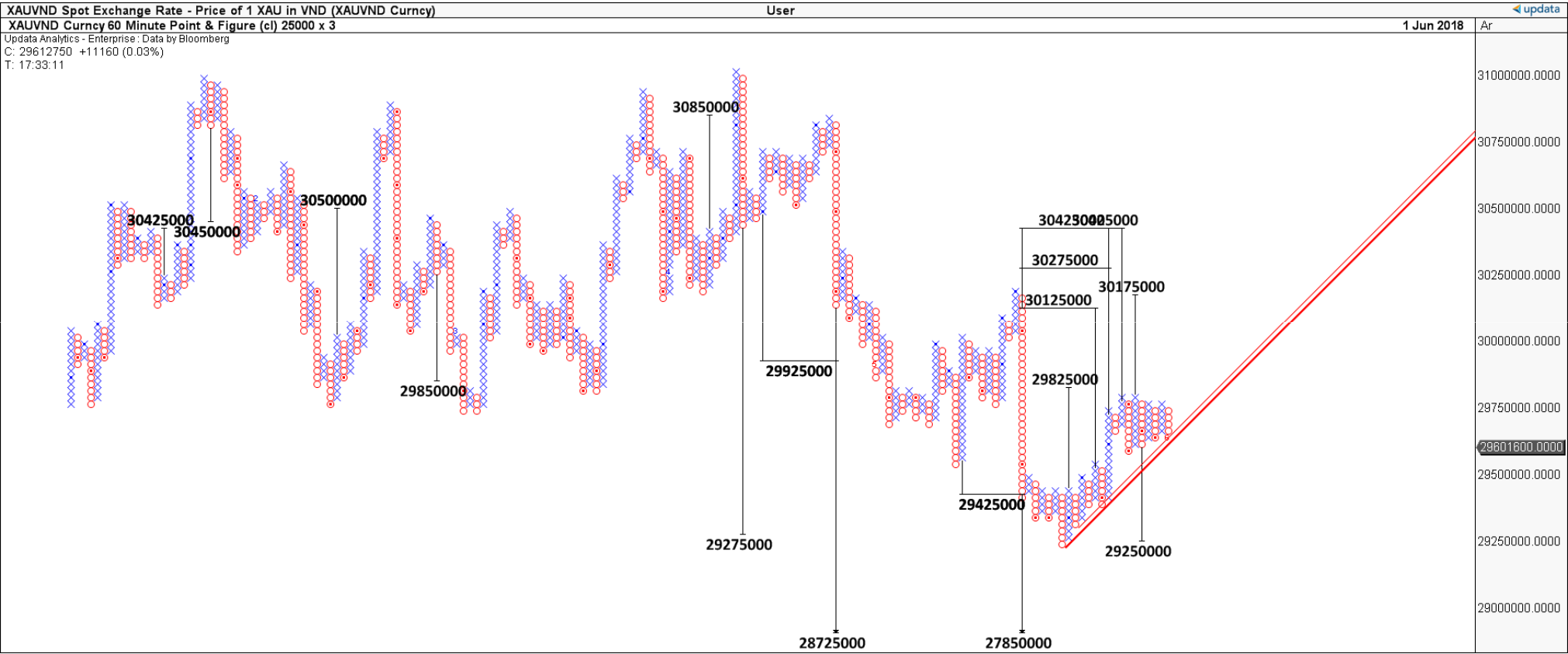
Gold in THB



Gold in VND

- VND is likely to remain steady in 2018 as the state divests key assets, attracting FDI inflows.
- XAUVND supported around 28 million
- Bullish outcomes suggest a move back to 34-36 million over a longer time frame

Gold in VND



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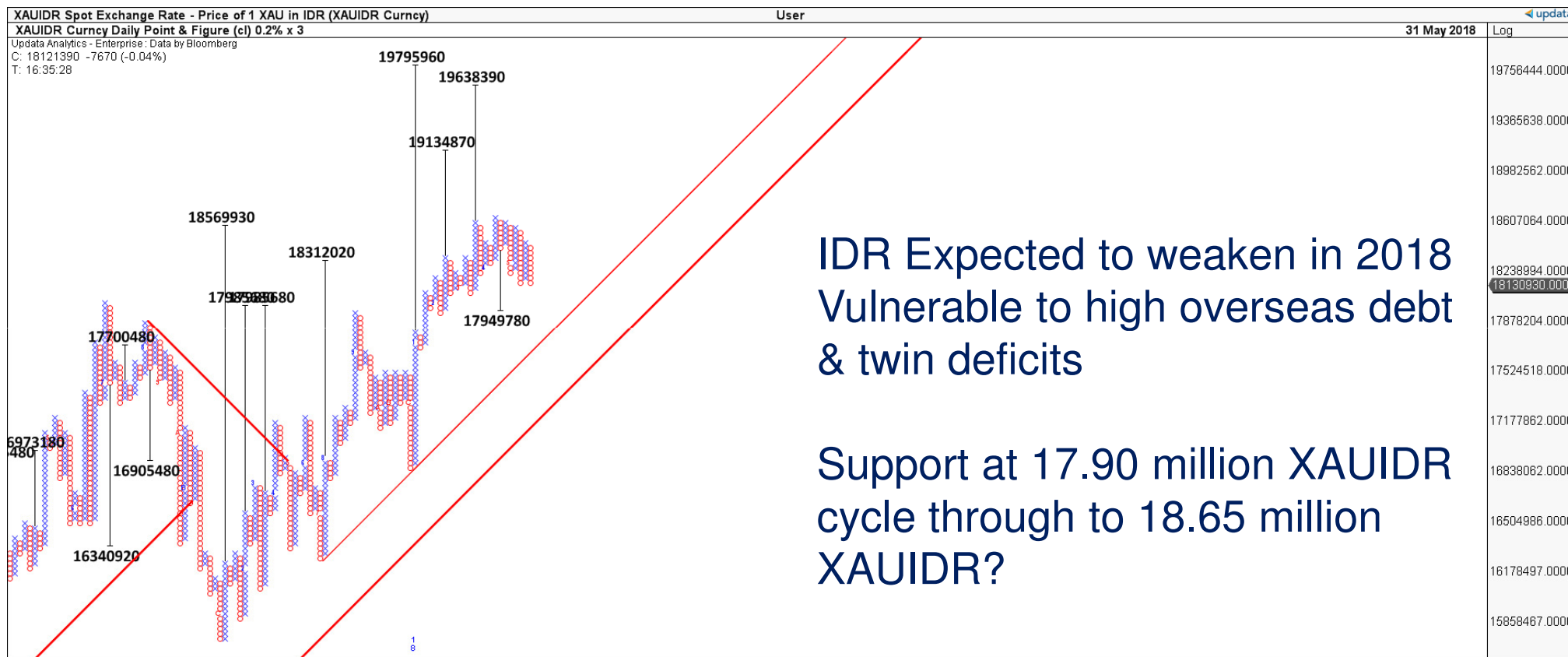
Gold in SGD

- The SGD is expected to appreciate this year with the MAS allowing the slope of the NEER to steepen, equivalent to a slight tightening of policy
- Strong underlying performance of domestic economy
- Hard to read MAS as interest-rate tools are avoided, only 2 meetings a year
- Trade disputes a risk to SGD

Gold in SGD



Gold in IDR



Summary of gold in APAC currencies

- Trade disputes risk disrupting growth
- Risk of crude prices impacting growth
- A resurgent USD creating a squeeze on growing USD denominated debt from Asian corporate issuers?
- In the above scenarios, gold holds up as a wealth-preserver and vital asset

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