# Alchemist

The London Bullion Market Association ISSUE 36 November 2004

LBMA


## In this Issue



**Ring of Fire** Flames of yellow, pink and white gold form a ring of fire in a brooch designed by Sarah Preston. The design was one of the finalists in AngloGold's annual Riches of Africa competition – others can be found on page 13.

# Shanghai 2004

## *Record Attendance at Fifth Annual Conference*

by Susanne M Capano, Editor

*What potential does gold have to attract further investment from either institutional or retail investors?*

*Could collective action help to grow the markets for investment and jewellery?*

*What are the prospects for supply and demand in the platinum market?*

Discussed and debated – along with other questions – during a packed day-and-a-half of plenary sessions, panel discussions and Q&A forums. This year's event, the fifth, attracted a record attendance of more than 370 delegates from more than 20 countries.

From the opening keynote speech on Monday, 6 September, by the governor of the People's Bank of China, Dr Zhou Xiaochuan, a recurring theme was the development and potential of the precious metals markets in China. Dr Zhou advocated the launch of forwards and futures trading on the Shanghai Gold Exchange and saw great potential in offering trading in gold to individuals. An excerpted version of his speech follows on page 5.

The morning's second plenary session focussed on the role of gold in portfolio diversification from the point of view of the official sector, institutional and private investors, while the afternoon was devoted to workshops on developments in industrial applications and mining, and two panel discussion on growing the markets in jewellery and investment. The evening was devoted to networking, with a reception held at the Shanghai Museum and the Conference dinner at the Grand Theatre.

For the first session on Tuesday morning, the spotlight was on China – prospects for growth in the jewellery demand and developments in the banking system and silver market. The Conference ended with a look at the future, with James Kynge, China Editor of the *Financial Times*, breaking down some of the myths and realities of China's socio-economic development. An article based on his speech can be found on page 7.

There follow selected excerpts from speeches. And keep your calendar open for 14 and 15 November 2005, when we'll be meeting in Johannesburg.

Stewart Murray, Roland Wang, WGC and Shi Sining, CCTV

From left to right: Jean-François Rigaudy, BIS; Jessica Cross, Virtual Metals; Dennis Gartman, The Gartman Letter; Han Zheng, Mayor of Shanghai; Delegates in the main ballroom

Monday's Reception in the Shanghai Museum

Jesse Yang, Simon Weeks, Martin Stokes, Wendy Andrews, Stewart Murray and Dr Zhou Xiaochuan

Serge Gambs, Peter Häsler and Marc Diserens

Paul Walker and Harish Bhat

"Is this to say that gold is not interesting for central banks as a diversification tool for their portfolio? This is not exactly true for the following reasons: First, investments in gold should be looked at for a longer period for central banks than for the usual asset manager. Second, central banks have a limited panoply of assets at their disposal in order to invest their reserves and, even if the diversification brought by gold is limited, we have seen that it can be material over certain periods Third, past figures are not always a prediction of future development, and the out-performance of fixed-income securities over the last 20 years is very much linked to an historical drop in interest rates – a drop that may not repeat itself before long."
**Jean-Francois Rigaudy** – Bank for International Settlements

"One aspect of gold I do find interesting. I will tell my Middle Eastern clients, at this point, that if I were the manager of their reserve positions and their crude oil positions, that looking historically at the relationship between crude oil and gold, gold appears to me to be, in the terms of a Virginian, 'a tad cheap', that is, a bit inexpensive. Either that, or crude oil is egregiously expensive: one or the other."
**Dennis Gartman** – The Gartman Letter

"I am personally convinced of gold as an investment story. Has the story been told and do institutional and retail investors buy gold? If you compare the gold market in 2000 and in 2003, to cut the answer short: yes – a little bit."
**Markus Mezger** – BW Bank

"The challenge [for banking in China] now is to transfer risk from the state to the newly rich citizens by persuading them to buy into the banks. At the same time the state is discovering that allocation of capital without stringent economic constraints, such as profitability, can seriously distort investment patterns. In a country like China, where levels of wealth and employment are so diverse, it is however unlikely that the state can stand back from all forms of directed lending."
**John Adams** – China Financial Services

"A quick point on the 'feel good' message: gold – maybe more than the other precious metals – is effectively an irrational investment in terms of both jewellery and investment. It's not something you feel. As soon as you rationalise it, you can find something else that would be better. There's nothing wrong with that. We live in a pretty irrational, uncertain world. We should just accept that and give people the opportunity to invest on that basis."
**Kamal Naqvi** – Barclays Capital

"Branded jewellery has higher values and higher premiums. It leads steadily – at least in India and I'm sure in many other countries as well – into other luxury goods – silk saris, silk garments, personal accessories, consumer durables – and it positions jewellery very clearly in the luxury brand space, and not in the commodity space. It moves jewellery beyond investment and into the fashion and adornment space. That is where the volumes and the values of the future are."
**Harish Bhat, Tanishq** – Titan Industries Ltd

"Like the other associations, we don't have as much control over things as we would like – that is, over the product that's manufactured, the place that it's sold, the price at which it's sold or even the raw material price, for that matter. A lot of what we do has to be in terms of supporting and growing confidence for everybody in the industry by providing knowledge and expertise."
**James Courage** – Platinum Guild Intl

"Some call the success of platinum jewellery in China a miracle. But in fact, it took more than a miracle to achieve all that it has ... Foreign companies were allowed to be involved in the platinum trade and they brought in not just capital, but innovative designs. Many fabricators became involved since higher profits were guaranteed, especially when the metal was set with diamonds.

And in the early nineties, consumers, especially younger ones, were bored with the old, traditional styles of 24K gold jewellery and wanted something new, something they could wear as fashion. Platinum jewellery appeared at the right time. Buying it became a fashion trend."
**Duke Lee** – Shanghai Prime Platinum Jewelry Ltd ■

Mzolisi Diliza and Roger Baxter





# Give Full Play to the Gold Market's Investment and Hedging Function

By Zhou Xiaochuan, Governor, the People's Bank of China

**The establishment and development of China's gold market marks the basic completion of the construction of a market for major financial products in China, which will provide better micro grounds for China's macroeconomic adjustment. For further development, China's gold market should gradually realise three transformations: from commodity trade to financial product trade, from spot transactions to futures transactions, and from a domestic market to integration with the international market.**

The London gold market is the largest in the world; in addition it has the longest history. In 1804, London, taking the place of Amsterdam, became the center of the global gold trade; the London gold market was officially established in 1919; and the London gold futures market debuted in 1982. At present, the London gold market conducts US$2-3 billion of trade each week, accounting for 43 per cent of total global gold transactions. The London gold market is not only the largest gold sale market, but also the arena for most central banks' official gold transactions, and, more importantly, the major price-maker for gold markets in other countries and areas worldwide.

As the administrator of the London gold industry, the London Bullion Market Association (LBMA) enjoys a lofty status and has an outstanding reputation in the international gold circle. The LBMA convenes its annual meeting for precious metals in different cities around the world, which has become one of the most important international meetings for the gold market. The LBMA's choice of Shanghai for the 2004 annual meeting will facilitate communication and cooperation between China and the world gold industry, thus contributing to the further reform and the opening of China's gold market.

Compared to the long history of the London gold market, China's gold market is merely two years old, during which time, however, it has witnessed remarkable achievements. Market scale has expanded markedly; the proportion of investment has risen rapidly; a pricing mechanism is taking shape; investment varieties have diversified; and an increasing number of participants access the market. As of the end of 2003, the Shanghai Gold Exchange had 108 members. It traded 235.35 tonnes of gold worth 22.962 billion yuan in 2003, with the real delivery volume reaching 148.62 tonnes. In the same year, gold production in China stood at 200 tonnes, indicating a rosy future for the gold market.

### Realising the full Potential of China's Gold Market

The international gold market and those participating in this annual meeting are concerned with the past and present of China's gold market. However, most of us are more concerned with the future reform and the opening of the gold market in China. I would like to avail myself of this opportunity to discuss the developing orientation of China's gold market. In my opinion, China's gold market should gradually realise three transformations: from commodity trade to financial trade, from spot transactions to futures transactions, and from a domestic market to integration with the international market.

First, China's gold market should move from commodity trade to financial product trade. Gold is a commodity that combines the attributes of a currency, financial commodity and general commodity. Despite the declining function of gold as currency in the world, the activeness and development of investment activities with gold as the target indicates that gold still has a strong financial nature and remains an indispensable investment tool. In major financial centers in the world, the gold market, together with the money market, securities market and FX market, constitutes the main part of the financial market.

Since China's reform and opening up to the outside world, gold has entered China's consumption domain as a general commodity, and in particular, as a consumable item. The establishment of China's gold market has satisfied the consumption demands of the public and enterprises producing and using gold. Nevertheless, the financial demand for gold investment and hedging is yet to be met, and the country still exercises control on trading of gold as a financial product. Thus the gold market's investment and financing function has not been fully explored.

How best to transform China's gold market from commodity trade into financial product trade? In light of current conditions, developing individual gold investment business is a practical option. At present, up to 12 trillion yuan stays in domestic residents' saving accounts. The launch of individual investment in gold, therefore, will allow residents to change currency assets into gold assets. At the macro level, it will expand channels for changing savings into investment, thus adjusting the money supply; in the micro aspect, allowing citizens to trade and keep gold can improve social welfare, benefiting both the country and the population. Moreover, with the dual attributes of common commodity and currency commodity, gold is a desirable instrument for hedging. Therefore, developing individual gold trade is practical.

Secondly, China's gold market must grow from spot transaction to that of gold derivatives. Currently global gold market trade can be classified into two types. The first is the traditional spot transaction, mostly found in the London, Zurich and Hong Kong gold markets. The other type is gold futures trading, including gold options, gold futures and swaps, mainly traded on the Chicago Mercantile Exchange, New York Mercantile Exchange, Mid-America Commodity Exchange and Tokyo Commodity Exchange for Industry. The development and improvement of the gold derivatives market can effectively improve the gold market's hedging, investment and financing function.

Currently, spot transactions are still the major transaction form at the Shanghai Gold Exchange, but as the market grows, the Exchange will eventually offer various kinds of gold derivatives, including forward transaction and futures. In February and August this year the SGE, based on spot transaction, introduced T+5 and deferred delivery businesses respectively, attempting to help, to some extent, enterprises to fix cost, hedge, and ward off uncertainties in production cost from price fluctuations. The pilot deferred delivery business is operated in the manner of initial payment, either by delivering and paying in advance according to two parties' negotiation, or by on-time or deferred delivery and payment with the spot matching price as the concluding price. The introduction of this business, on the one hand, provides enterprises producing or needing gold with the opportunity to hedge, and, on the other hand, offers investors diversified investment tools and enriches market trading varieties. Under the premises of effective prevention of financial risks, the central bank will launch gold futures and option products step by step.

Thirdly, China's gold market must integrate into the global market. As is known to all, China's gold market is still relatively closed. Trading participants are limited to domestic gold-producing/consuming enterprises and commercial banks; free import and export of gold is not allowed in China; and the domestic gold market is not capable of conducting 24-hour trading in line with the global market. Therefore, considering the above-mentioned problems, China will further open up the market and quicken its steps toward integrating into the international market. China should actively create conditions for its gold market to become an important component of the international gold market.

From the perspective of the central bank, the development and improvement of the gold market will facilitate the improvement of regulating instruments for monetary policy and macro adjustment system. On the one hand, gold still bears the marked nature of money under the modern financial system. Though gold currency has been less important as a value measurement since the Bretton Woods System collapsed, the fluctuation of gold prices remains a key reference for central banks to judge the level of inflation.

Furthermore, central banks still hold a considerable amount of gold as official reserves. Gold reserves, FX reserves, and special drawing rights in the IMF form the international reserves of a country, jointly assuming the function of warding off risks. The establishment and development of China's gold market marks the basic completion of constructing a market for major financial products in China, including markets for currency, securities, insurance and foreign exchange. A complete financial market system will provide more solid and efficient micro grounds for China's macro economic adjustment. Therefore, China's aim is, through the three transformations, to establish a safe and effective system for gold trading and to give full play to the gold market's functions of investment and risk warding, thus promoting the development of China's gold market. We will strive for this aim with members from the international financial industry, and in particular, the global gold fraternity. ■

(Source: Governor Zhou Xiaochuan's speech at the 2004 annual meeting of the London Bullion Market Association

**Dr Zhou Xiaochuan** *assumed the Governorship of the People's Bank of China in January 2003, at which time he also became Chairman of the Monetary Policy Committee of the People's Bank of China in January 2003.*

*Dr Zhou has served as Deputy Governor of the People's Bank of China and Director of the State Administration of Foreign Exchange and been President of the China Construction Bank and Chairman of the China Securities Regulatory Commission.*

*His early career in finance includes positions as Assistant Minister of Foreign Trade, membership on the State Economic System Restructuring Committee and Vice President of the Bank of China and Director of the State Administration of Foreign Exchange. He graduated from Beijing Chemical Engineering Institute in 1975 and received his PhD from Tshinghu University in 1985.*





# Insatiable Dragon

## *What the Future Holds for China*

by James Kynge, China Editor, Financial Times

**It's been an unusually wet summer in Beijing.**

**But while the capital has been drenched, the countryside all around has remained desiccated by drought. How has this happened? Have the clouds been obeying some secret Communist party directive to hold their rain until directly above the capital?**

**Of course not. In fact, the rain has been caused by an immense cloud-seeding programme: more than 30 modified aircraft, 6,900 anti-aircraft guns and 3,800 rocket launchers have done battle with the heavens to squeeze more moisture out of the sky. But why seed the clouds directly above Beijing and not in the surrounding countryside? The answer, apparently, is that the prime object of this rainfall has not been to ease a shortage of water but to alleviate a dearth of electricity. The more it rains, the cooler it is – and the less people use their air conditioners.**

**I tell this story not because, being British, I am obsessed with rain, nor do I seek to make a point about China's environmental challenges. Rather it is because in economics, as in meteorology, China is often not quite what it seems, and rarely what the national bureau of statistics would have us believe.**

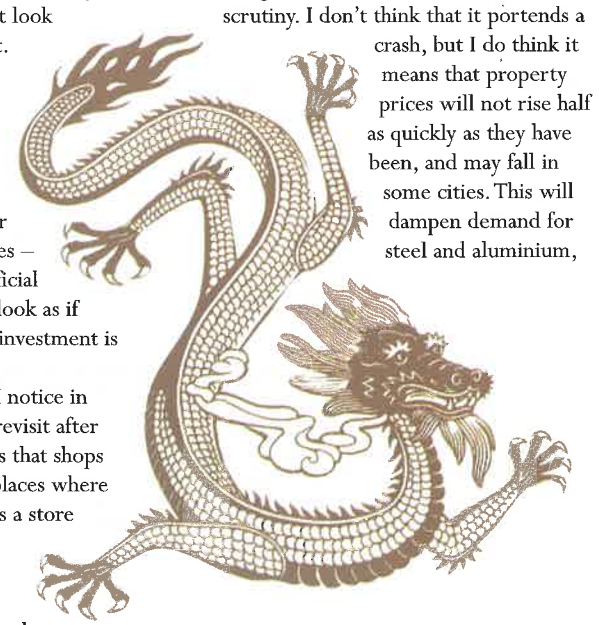
### All Wet – and Yet Overheated?

I am not one of those that believes that China is badly overheated and heading for a crash. I think there will be a soft landing this year, with GDP growth coming in at somewhat above 8.5%, compared to an official 9.7% in the first half and 9.1% last year. The slowdown now under way will become more pronounced next year, but it is likely that even at the end of 2005 growth will still be around 8%.

So in what sense is China not badly overheated? Official figures show that fixed asset investment contributed 47% of GDP last year and has been growing so far this year at over 30%. These admittedly are scary figures – way above the long-term trend line for China and above any sustained experience in other countries like Japan and Korea. But the Chinese official figures give slightly the wrong impression. First, and unusually, they include land sales. Second, they include not only investment in property by developers, but also retail purchases of property. These figures are inflated by a big one-off shift: about five or six years ago, the houses and apartments of people in China were not really traded commodities. But reform of the housing market – which in my opinion was the single biggest source of wealth creation in China in the last decade – has meant that homes are now freely traded, the mortgage sector has taken off and property prices have risen sharply.

So this should bring some solace to those concerned about China's fixed-asset investment figures, because these purchases are an expression of demand, not supply. The other point here is that as house prices rose from an anomalously low base five years ago, the asset appreciation also shows up in the fixed asset investment statistics, thereby inflating those figures further.

My third point about fixed-asset investment is more contentious and more personal. As somebody who travels in China every month and has reported from every province, the economy does not look terribly overheated or overbuilt.



### The March of Consumerism

My theory about why the figures seem out of sync with observable fact is that consumer spending – especially on services – is quite a bit higher than the official statistics show, which makes it look as if the contribution to GDP from investment is higher than it really is.

The biggest difference that I notice in small towns and villages that I revisit after an absence of five or six years is that shops have sprouted everywhere. In places where the only shop five years ago was a store selling peanuts and nails, there are now typically a motorbike sales outlet, a restaurant, a hardware store selling agricultural pumps, a garbage collection point, a place selling building materials and, without fail, a place offering foot massages. Well, I suppose there are 2.6 billion tired feet out there.

This boom in services is very striking, but it does not show up in official figures. The stats bureau says that services still contribute only about one third of GDP. While the tax bureau complains bitterly about service sector companies dodging taxes, statistics bureau officials deny the possibility that the same service companies may be under-reporting to them too. "We have complete confidence in the accuracy of our figures," the head of the stats bureau said recently.

The truth, I think, is that the service sector forms the bulwark of a large and established underground economy that remains beneath the radars of the tax and stats bureaux.

I have spent some time on the issue of investment because I regard it as crucial to understanding that China is not badly overheated. But it is equally important to realise that it is a bit overheated.

The steel, aluminium, cars, cement and property markets have grown considerably faster than their historical trends and against what has been observed as sustainable elsewhere. The average price of a dwelling in 35 Chinese cities is now 10 times the average urban wage – a statistic that does bear scrutiny. I don't think that it portends a crash, but I do think it means that property prices will not rise half as quickly as they have been, and may fall in some cities. This will dampen demand for steel and aluminium, undermine the wealth effect being felt by homeowners, restrain speculation in the housing market and curb consumption. As this happens, much of the investment that was predicated on investment demand – for example, the expansion of steel, aluminium and cement factories – will be mothballed and a mildly vicious circle will emerge in these sectors.

I suggest that such a scenario will come to pass naturally. However, if it doesn't, government action will probably precipitate it. Officials in Beijing have been telling me recently that the property market is now regarded as the source of China's over-investment troubles. Beijing's aim is to reduce house-price appreciation to around one or two percent a year from an average of 10% in 35 cities recently. They will use the various weapons in their armoury to bring this about.

The outlook for property forms the foundation of my prediction that a GDP slowdown is in prospect. In addition, other areas are showing signs of growth fatigue – car prices are falling and sales growth has slowed dramatically from last year. Corporate earnings are starting to moderate. Inventories are climbing.

## A Look inside the Dragon

This makes it both more interesting and more challenging to predict the future. First, a disclaimer: I am not an expert on precious metals. I will confine myself to looking at some of the big trends that are shaping China's future. I want to focus on demand, to study the anatomy of the dragon's appetite, to take a look inside the belly of the beast.

China's appetite has become the theme of this year – and with good reason. From being a significant but not spectacular buyer of base metals, China in 2003 transformed itself into the overwhelming factor in global markets. It accounted for 100% of the growth in world copper demand, 99% of the growth in nickel demand, 95% of the growth in steel demand, etc. The drama of China's arrival in global markets was matched only by its speed.

And what happened to the base metals market may be about to be repeated in many other areas. Take tourism, for example. China's outbound tourists numbered 20m last year, are growing at around 20% a year, and are now more numerous than Japan's. There are expected to be 100m outbound Chinese tourists by 2020, and that in my view is an exceedingly conservative estimate. When they arrive at their destination, they are not afraid to open their wallets; in Hong Kong, mainland tourists spend an average of US$772 a night, about $100 more than an average American. So where has this sudden projection of Chinese buying power come from? And more importantly, where will it go from here?

The first element in the anatomy of appetite is population, which has three main aspects: first its size, estimated at 1.4bn but almost certainly greater, second its growth rate, about 14m a year and third – by far the most important – its mobility. In the old days 25 years ago, Chinese were basically tied to the places that they lived. Now there are by official reckoning about 120m workers that have migrated from villages to urban areas. Some are temporary; many will become permanent urban dwellers. By 2020 there will be an urban population of 900m people in China – up from 484m urban dwellers in 2003.

This migration, the greatest by far in human history, is both a consequence and a catalyst of the other big driver of Chinese demand: an industrial revolution unfolding at warp speed. It took centuries for China to attain its status as the world's economic superpower in the mid-1700s, when it produced about one third of the world's GDP. But in the eyes of some, it will only be 30 to 40 years from now before it regains that position. China's emergence, spurred on by the globalisation of trade, technology and capital, is evolving at a far greater pace than the similar transformations that took place in Japan, Korea and the other Asian tigers. The other point about China's emergence is that its appetite will be more enduring than anything we have yet seen. When, and if, China overtakes the US as the world's largest economy, its people on a per capita basis will only be one sixth as wealthy as Americans. They will still be hungry, still cost competitive.

It is the scale and speed of China's transformation that make it unique. Many people had heard the predictions of what would happen when the world's biggest market took off, but it was last year that the world really began to feel it in earnest. When you travel inside China and witness what is happening, it is breathtaking.

## The Rise and Rise of a Services Economy

These factors – the movement of people and the industrial revolution – together form part of the dragon's yearning to be fed. Other drivers are more subtle, but no less important. Among these, the emergence of the middle class is key. My forecast is that the middle class will grow more quickly than GDP each year – which is another way of saying that the gulf between rich and poor will widen each year.

First, let's define who qualifies as middle class. I would set the bar quite low because, according to the rules of purchasing power parity, a little cash goes a surprisingly long way in China (unless you are staying in a hotel in Pudong). In 2002, there were 28m people who earned more than RMB 4,500 a month, or in US dollar terms, more than $6,500 a year. This category I call wealthy. Another 168m people earned between RMB 2,776 and 4,500 a month. This category I call well off. Together they make up a middle class, which in 2002 totalled 196m people.
By 2010 there may be 560m people belonging to the middle class, and 154m of them will be in my wealthy category. You may quibble with my categorisation, but I believe the trend is clear. The reason that I think the middle class will grow more quickly than GDP is that China is now capitalist, and in capitalist societies, the rate at which capital appreciates outstrips the rate at which wages rise. That was Karl Marx's bugbear.

But it won't only be the capitalist class that gets richer. Life is about to get considerably better for Chinese workers too. The ascent of factories along the east coast up the technology ladder has meant better wages for workers in the medium- to high-tech segment. Workers' pay in the Pearl River delta around Guangdong is about double what it is in Anhui, an inland province about eight hours drive west of Shanghai. That has two big implications: first, that low-tech factories are being forced to move inland. Second, that factories along the coast must move up the value chain and pay more to their workers. This is a good thing for China. It will increase the contribution of consumer spending to GDP, helping to rebalance the current investment-dependent model of development. At the same time, it is almost beyond doubt that independent or semi-independent trade unions will spring up in the years to come, creating greater wage bargaining powers and therefore higher wages.

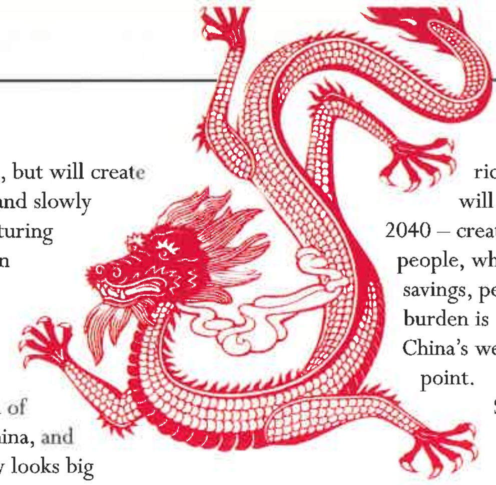
This trend will coincide with another basic re-alignment – that from a manufacturing-led to a service-led economy. At the moment, the shape of the Chinese economy is highly anomalous. It is a continental country with a pretty much maritime economy. Total trade amounts to about 60% of GDP, compared to about 30% for big continental economies such as the US. At the same time, services in China contribute only one third of GDP, compared to over 60% for most western economies. But China, as it matures, will start to resemble its type. Trade will amount to a much smaller portion of GDP and services will start to drive the economy.

A services economy is, by its nature, a knowledge economy. And a knowledge economy is brand conscious, fashion conscious, argumentative and high tech, at least in parts. When this services economy starts to take hold – and let's be clear that it is already growing fast – the nature of China's appetite will start to change. Maybe people will become even keener on adorning themselves with precious metals.

There is another reason why I think a services economy will emerge: the current model of development is unsustainable. In my view the problems on the horizon are not of the type that will cause China to collapse, as







some have predicted, but will create volatility in growth and slowly sap China's manufacturing energy. The two main problems are environment and demographics.

Environment first. About one fifth of humanity lives in China, and although the country looks big on the map, only half of it is habitable. So these people live on and around 7 % of the cultivatable land. There is already intense competition in land use; the local governments generally want to use it for factories while the central government, worried about China's ability to feed itself, wants to ensure that enough is left over for crops.

Chronic water shortages in the north of the country add another very physical limit to industrial development and to China's appetite.

Air pollution is so bad, and getting worse, that the health care bill incurred through factory emissions will one day start to exceed the value created from new factories. In addition, China already has too much stuff; more than 90 % of manufactured products are in oversupply and the thin or negative margins gained from selling them are a prime cause of the mountains of debt in the banking system.

The last inhibitor of development and appetite is demographic. China may grow old before it grows rich. The part of the population over 60 will rise from a current 11 % to 28 % by 2040 – creating an elderly segment of about 400m people, which will place a huge burden on savings, pensions and the capital markets. The burden is all the more stark because few of China's welfare liabilities are funded at this point.

So in summary the type of China that I see emerging 10 years from now is one in which manufacturing is still king, but services are creating more depth and balance to the economy. Its appetite for base metals, food and probably also luxury items will strain the world's ability to produce them. But its people, tired of the pollution and the daily ferment, will be travelling abroad, buying property abroad and educating their children abroad in numbers that will shock the world. The government in Beijing will at times resent this dependence on the outside world, but they will have no option but to accept it. The dragon's hunger will make it tame. ■

***James Kynge** For the last 20 years, James Kynge has worked as a journalist in various parts of Asia. For the last seven years he has been Bureau Chief of the Financial Times in China. In that time, he has covered many major stories that have shaped the region in the last two decades, including the collapse of Japan's bubble in the late 1980s, the Asian financial crisis in the late 1990s, the emergence of five new republics in former Soviet Central Asia, Mongolia's independence and the economic rise of China.*

*James is a regular speaker on the Chinese economy at conferences in China and abroad, is a commentator on radio and TV and has won several journalism awards. He graduated with Honours in Chinese and Japanese from Edinburgh University.*

Bubble Trouble?

# Viewing Platinum in the Round

An Interview with René Hochreiter of Nedbank Investment Bank

Platinum watch from Patek Philippe – Platinum-based drugs can be used to treat a number of cancers – Platinum grain and rolled sheet

**The platinum industry is now close to being in balance after many years of deficit – yet some analysts see the deficit returning, and with a vengeance. One who does is Rene Hochreiter, who believes that – unless the South African miners plan now to ramp up production – the price could skyrocket as high as $3,000 an ounce.**

Motorcycle catalysts *All photos courtesy Johnson Matthey*

***How critical – and how real – is the threat of a platinum deficit?***

I don't think that a deficit will mushroom overnight, but it becomes a very real possibility over the next decade. I see demand remaining steady or increasing from a variety of sectors, particularly autocatalysts, jewellery and fuel cells.

Given that, if steps are not taken to ensure there is ample supply to meet the market's needs, there could be a dramatic impact on the price – $2,000 or $3,000 per ounce would not be out of the question. It could end up in a situation similar to rhodium in the late 1980s, when the price shot up from $1,200 to $7,000, then collapsed within three years to $150. And rhodium has still not really recovered from that.

***What are some of the factors behind this strong demand?***

Let's start with jewellery, which has been referred to as the market's natural shock absorber. Lower prices should encourage demand, and consumers tend to back off as prices rise – although to a certain extent, some of platinum's appeal has been seen to lie in exclusivity. The more expensive it is, the more desirable it becomes, up to a point. And Chinese demand has finally showed signs of being somewhat price sensitive this year.

But as long as the price remains relatively steady, consumers will grow used to prices around $800 and demand should start to pick up again. However, a sharp spike in the price – quite possible under a large deficit scenario – would be disastrous for jewellery demand.

**Table 1:** PLATINUM DEMAND (000oz)

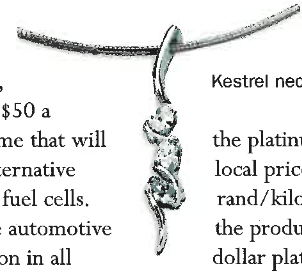
| CALENDAR YEAR | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Autocatalysts | 3,190 | 3,300 | 3,572 | 3,904 | 4,127 | 4,494 | 4,715 | 5,063 | 5,320 | 5,555 | 5,725 | 5,903 | 6,087 |
| Rate of growth | 0 | 3% | 8% | 9% | 6% | 9% | 5% | 7% | 5% | 4% | 3% | 3% | 3% |
| Secondary recovery | -645 | -700 | -750 | -800 | -676 | -794 | -1,058 | -1,088 | -1,340 | -1,386 | -1,500 | -1,640 | -1,734 |
| Rate of recovery (8 years life) | 0 | 37% | 40% | 44% | 42% | 42% | 42% | 42% | 42% | 42% | 42% | 42% | 42% |
| Fuel Cells | 10 | 40 | 75 | 100 | 200 | 300 | 400 | 500 | 700 | 900 | 1,000 | 1,100 | 1,200 |
| Chemical | 310 | 300 | 320 | 330 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | 350 | [illegible] |
| Petroleum | 150 | 120 | 120 | 120 | 120 | 150 | 150 | 170 | 170 | 170 | 170 | 170 | [illegible] |
| Jewellery | 2,440 | 2,750 | 2,800 | 3,150 | 3,300 | 3,400 | 3,600 | 3,800 | 4,000 | 4,100 | 4,200 | 4,300 | 4,350 |
| Investment | 15 | 120 | 200 | 250 | 230 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Electrical | 340 | 400 | 400 | 400 | 400 | 420 | 440 | 460 | 460 | 460 | 460 | 460 | 460 |
| Of which hard discs | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Glass | 175 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| Other (excl. FCs) | 535 | 350 | 370 | 400 | 400 | 370 | 350 | 350 | 350 | 350 | 350 | 350 | 350 |
| **TOTAL WORLD DEMAND** | **6,521** | **6,930** | **7,358** | **8,105** | **8,702** | **9,140** | **9,397** | **10,056** | **10,461** | **10,949** | **11,205** | **11,443** | **11,684** |
| Y-o-Y growth | 1% | 6% | 6% | 10% | 7% | 5% | 3% | 7% | 4% | 5% | 2% | 2% | 2% |

**Table 2:** PLATINUM SUPPLY (000oz)

| CALENDAR YEAR | | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country Totals | | | | | | | | | | | | | |
| South Africa | 4,699 | 5,263 | 5,687 | 6,250 | 6,546 | 6,809 | 7,225 | 7,599 | 7,975 | 8,077 | 8,331 | 8,445 | 8,461 |
| Russia | 1,050 | 800 | 800 | 850 | 875 | 840 | 850 | 850 | 850 | 850 | 850 | 850 | 850 |
| North America | 295 | 433 | 431 | 431 | 431 | 431 | 431 | 431 | 431 | 431 | 431 | 431 | 431 |
| Zimbabwe | 118 | 156 | 172 | 221 | 270 | 404 | 425 | 425 | 425 | 425 | 425 | 425 | 425 |
| Other | 90 | 90 | 90 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 101 |
| Total Non-South African Supply | 1,553 | 1,479 | 1,493 | 1,602 | 1,676 | 1,775 | 1,806 | 1,806 | 1,806 | 1,806 | 1,806 | 1,806 | 1,807 |
| **TOTAL WORLD SUPPLY** | **6,252** | **6,742** | **7,180** | **7,852** | **8,222** | **8,584** | **9,031** | **9,405** | **9,781** | **9,883** | **10,137** | **10,251** | **10,268** |
| **SUPPLY (SHORTFALL)/ SURPLUS** | **-268** | **-188** | **-178** | **-252** | **-480** | **-557** | **-366** | **-651** | **-680** | **-1,066** | **-1,068** | **-1,193** | **-1,416** |







Kestrel necklace, designed by Claire Woolley

Turning to industrial uses, if oil prices remain above $50 a barrel for any length of time that will help to spur interest in alternative energy sources, including fuel cells. I expect demand from the automotive sector to grow as legislation in all parts of the world continues to require stricter emission controls. The California Air Resources Board recently approved a plan that would impose rigorous requirements on the reduction of emissions on vehicles sold in the state from 2009.

***There have been gaps for several years prior to this – what would make this one different?***

In the past, sales out of Russian stockpiles came to the rescue, but they've since been depleted. I don't see any additional supply coming from Russia or North America – I expect production levels in these areas to remain relatively constant over the next several years.

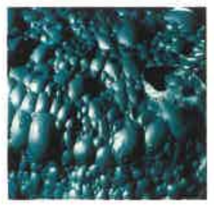
However, I do expect levels of secondary scrap recovery to rise sharply over the next decade, and that will help fill the deficit to an extent, though that won't be sufficient in and of itself. Beginning in 2001 there has been a steady increase in the use of autocatalysts.

Based on an average auto life of eight years for half of these vehicles, and figuring that roughly the other half will wind up being re-exported to Eastern Europe or other regions, recovery levels should reach 1,000,000 ounces in 2009.

***So if not Russia, and if not scrap, then where – or who?***

South Africa – the world's only primary producer, with 95%of global platinum reserves – is the sole realistic source able to meet the market's needs. Producers here need to plan now to increase production to levels sufficient to keep the market relatively close to being in balance going forward.

Platinum accounts for 70% of South African mining revenue – this is a captive market. In healthy market conditions, it must be feasible for about 90% of producers to operate profitably, leaving about 10% working at a loss. For the past two to three years, the basket price of platinum in local terms has been quite steady, at about 120,000 rand/kilo regardless of currency fluctuations. If the rand rose to 5 to the US dollar and the platinum price remained unchanged, the local price would drop to 103,000 rand/kilo. At that level, only 60 to 70% of the producers would be profitable. The dollar platinum price would have to rise to $1,200/ounce in order to maintain the basket price. If the rand rose to 2, the dollar price would need to go to $3,000.



Froth flotation is one of the numerous proceses used to extract platinum from the ore

***You've said that changes have to be made. In your view, what action would you suggest the industry take?***

Firstly, plans need to be put in place now to expand production. It takes two years to develop an open-pit mine; five years for an underground mine. I would suggest the industry work towards an output of four million ounces by 2015. And because substantial investment will be needed, it will be necessary to raise funds from a variety of sources.

In addition, costs should be reduced wherever possible, and producers should target a reduction in labour – after all, personnel accounts for 50% of overall costs. They should mechanise wherever possible and take advantage of the extra purchasing power of the strong rand in sourcing equipment. It may be more cost effective to import some materials, taking advantage of the strong rand. It may even be possible to reduce recovery rates in smelting and refining – I have heard that the current three weeks could be shaved to as little as three days. And, finally, perhaps steps could also be taken to reclaim more of the ore and reduce waste. ■

**René Hochreiter,** *an Analyst at Nedbank Investment Bank, produces mining research on platinum and small and medium capitalisation resources shares. His strong track record has led to industry recognition – including a 2004 achievement of ten years in a row rated No.1 analyst in the platinum sector and four years in a row rated No.1 in small- and mid-cap resources shares. His publication, Platinum in South Africa, was a South African Institute of Mining and Metallurgy Special Feature. His professional memberships include the Association of Mine Managers of South Africa and the Johannesburg Stock Exchange. He is also a Fellow of the Geological Society of South Africa (during his early career he held positions as geologist and mining engineer). René has BSc degrees in geology (1979) and in mining engineering (1982) from the University of Witwatersrand.*

## EU Retaliatory Duties

**An Update from the Chief Executive**

In March 2004, the European Union implemented a previous decision to impose retaliatory duties (at an escalating rate commencing at 5% ad valorem) on a wide range of products imported from the United States. This decision related to the US Foreign Sales Corporation – Extra Territorial Income legislation (FSC-ETI), which had earlier been judged by the World Trade Organisation to represent illegal export subsidies.

Importantly – as far as the bullion market in London was concerned – the affected products included both gold and silver bars. As these duties could not be recovered on resale of such bars it became economically impossible for US-manufactured bars to be imported, and the bullion market suffered considerable disruption. As a result, during the past eight months there have been a series of meetings between representatives of the LBMA and the UK government authorities (the Department for Trade and Industry and HM Customs and Excise). During this period, LBMA Members and Associates were kept informed about these discussions by means of a series of briefing notes.

Discussions with the DTI and Customs focussed on clarifying the damaging (and complex) impact of the retaliatory duties on the bullion market in the EU and, in particular, in London, for instance in relation to rules of origin and the import of gold under the monetary classification (this not being subject to the new duties).

Although various methods of ameliorating the situation for the bullion market were discussed, it was clear from the outset that the best solution would be for the US Congress to pass a repealing bill that would remove the export incentives and would allow the EU Commission to recommend the lifting of the retaliatory duties.

Just before the presidential election, US President George Bush signed a bill that had previously been passed by Congress and that would remove the main bulk of the FSC-ETI benefits with effect from 1 January 2005. On 25 October, the EU Commission issued a statement welcoming this and indicating that it would ask the EU Council to lift the retaliatory duties, also on 1 January 2005. ■

# Proactive Monitoring: Round One

By Stewart Murray, Chief Executive, London Bullion Market Association

*The first round of proactive monitoring, involving seven silver refiners and three gold refiners, has now been completed. Two of the gold refiners elected to be monitored using the "four-nines" approach, in which they are asked to assay a set of six LBMA reference samples across the full range of Good Delivery alloys from 995 to 999.9.*

The assays carried out by these companies represented a clear pass based on the criteria that the LBMA had published. The third gold refiner opted for the dip sampling approach, in which it provided a sample from a commercial melt that was witnessed by one of the LBMA's approved supervising companies. The sample was assayed by one of the Association's referees and the assay proved to be a good match with that provided by the refiner. However, because the dip sample was not within the required fineness range (between 995 and 999), the refiner will be asked to provide a further dip sample.

Six of the seven silver refiners produced dip samples that, on check assaying by the referee, were all within the LBMA's criteria.

In the case of one silver refinery, the assay it produced using a direct method of determination failed to match the referee's assay (the latter being carried out using a spectrographic method). As prescribed by the Monitoring rules, the second sample provided by the refiner was sent to a different referee for check assaying, and the result matched very closely that of the first referee. Following discussion of this case within the LBMA Physical Committee and involving its independent technical consultant, a meeting will take place with the refiner concerned to discuss the issues surrounding the use of different methods of assaying, i.e., direct and spectrographic.

The second round of monitoring has now been initiated, involving five gold refiners and six silver refiners.

## Proposed Assaying Seminar in 2005

During the process of accreditation for the five LBMA Good Delivery List referees in the period 2002-2003, much was learned about the precision and accuracy achievable using both direct and instrumental methods for assaying Good Delivery gold and silver alloys.

In the process, there was a general lifting of standards, in particular in relation to the precision achievable using the fire-assay method for gold. This was achieved by optimising the parameters of the method – for instance, one recommendation was that a trial size of 500 milligrams should be used.

For silver, the superiority in general of spectrographic methods at the Good Delivery level of 999 and above was also demonstrated by this work, though it was noted that one of the referees was able to achieve excellent precision using a modified version of the standard potentiometric titration technique.

In order to better assist other refiners in improving their assaying for gold and silver Good Delivery alloys, the LBMA is considering organising a special seminar on assaying. The seminar could take place in London during the first half of 2005. The programme would include some of the commercial issues underlying the introduction of proactive monitoring, but the main focus would be on assaying methods and the ways of obtaining optimum levels of precision and accuracy at various fineness levels.

Before making a final decision on whether to go ahead – and on the format and timing of the proposed seminar – the LBMA requests feedback from refiners and independent assayers on their views on such a meeting. Any comments, suggestions or expressions of interest should be sent to the Chief Executive (stewart.murray@lbma.org.uk). ■

## MARKET MOVES

### Philip Clewes-Garner to HSBC

In September Philip Clewes-Garner joined HSBC Bank USA, where he will apply his market experience in support of the existing team. He has worked in commodities for 30 years, during the last 20 of which he has concentrated on precious metals. He has in that time held positions with Engelhard, N.M. Rothschild, Union Bank of Switzerland, Standard Bank and, most recently, BSI Inspectorate.

### Nick Moore to ABN-AMRO

Nick Moore has joined ABN-AMRO Equities in London as Global Commodities Analyst. Nick, who has been analysing commodity markets for 20 years, joins from JP Morgan after having been with its heritage firms, Ord Minnett and the Robert Fleming Group.
Alan Morris to Société Générale

### Alan Morris to Société Générale

Alan Morris has joined Société Générale as spot trader. He joined in August; in September, the company relocated their bullion trading operation from Paris to London.

Alan's career in precious metals spans 21 years, including seven years at JP Morgan, two of which were spent at the company's office in Hong Kong, and three years at Bank of Boston, where he had responsibility for the trading desk in the London office. Prior to joining SGCIB, he worked at J Aron from 1991 to 2001.

### Jonathan Spall to Barclays Capital

Jonathan Spall has joined Barclays Capital in London, charged with growing the commodity business on a global scale within the official sector. With over 20 years of experience in the gold market, Jon's most recent position was with Deutsche Bank AG where he was head of European Metal Marketing and in charge of gold sales for central banks.





**The Riches of Africa Competition**

Now in its fifth year, AngloGold's annual gold jewellery competition attracted a record 1,112 designs, which were narrowed to 25 finalists. Intended for the catwalk rather than the sidewalk, the collection includes – in addition to the more traditional forms of jewellery – shawls, a fan, necktie, hairpin, mask and breastplate. Given the theme of fire, contests are limited to fashioning their pieces of 18-carat gold – the only other limit is their imagination.

Clockwise from above to bottom right – Adele Pretorius, Lungile Maseko, Karen Lategan, Veronique Blignaut

# Biennial Dinner Serves Food – and Thought

Clockwise from upper right: Toastmaster Derek Sanders; dinner guests assembled in the Hall; Ian Plenderleith; Sally Helmsley; Stewart Murray and Richard England; Clare Black, Veronica Brown and Martin Stokes; Simon Weeks; Rachel Lomax

**On the evening of 26 October, over 170 Members, Associates and guests gathered in the magnificent and fitting setting of Goldsmiths' Hall in central London for the LBMA's Biennial Dinner.**

The evening began with a champagne reception, followed by a meal of smoked duck breast, marinated loin of lamb and mango tart tatin. LBMA Chairman Simon Weeks proposed the toast to the guests, and Rachel Lomax, Deputy Governor of the Bank of England, responded on their behalf.

Ian Plenderleith, Deputy Governor of The South African Reserve Bank, toasted the Association, noting that it was in its recognition of the market's global nature that the LBMA had been best able to promote and serve it, thereby also helping to strengthen London's position as the pre-eminent financial centre.

He observed that gold had a unique benefit amongst commodities due to its ability to attract demand from four separate markets: jewellery, industrial applications, as a private financial investment and as a monetary asset.

The deputy governor feels that prospects are encouraging for jewellery – the greatest source of demand – in light of the continued global economic recovery and rising living standards in emerging economies.

Opportunities should be good for financial investment as well, where he felt that efforts should be made to promote gold – not only as a hedge against disaster, but also on the basis of its prospects for return over the long run, a more constructive approach. "As with jewellery demand," he said, "the industry can help to shape its own future." ■

Top table, from left to right: Marc Dobler, Paul Fisher, Jeremy Charles, David Whittle, Martin Stokes, Simon Weeks, Rachel Lomax, Ian Plenderleith, Rebecca Jones, Stewart Murray, Hans-Ueli Schneider, Kamal Naqvi, David W Evans, Peter Dattels

# LBMA News

By Stewart Murray, Chief Executive, LBMA

## Membership

### Members

EBS Dealing Resources relocated on 18 October to 10 Paternoster Square, London EC4M 7DY.

### Associates

On 1 November 2004, Finorafa of Switzerland was admitted as an Associate.

### Good Delivery List

The Kolyma Refinery of Russia was added to the Gold List on 17 September 2004. At the invitation of Gokhran of Russia, the Chief Executive participated in a ceremony in Moscow on 17 September at which he presented Good Delivery certificates to the representatives of Kolyma and Urlelectromed (which was admitted to the silver list in the previous month).

### Biennial Dinner

The Biennial Dinner was held in Goldsmiths' Hall on 26 October. See the article on page 14.

### Shanghai Conference

A review of this year's LBMA Conference appears on page 3.

### Good Delivery Seminars

Following the Shanghai conference, the LBMA hosted meetings of Good Delivery refiners in Shanghai and Tokyo.

The purpose of these meetings was the same as that held in Moscow earlier in the year. At each meeting, Peter Smith, the Chairman of the Physical Committee introduced the subject of proactive monitoring and the commercial significance of the Good Delivery List. This was followed by a presentation given by the Chief Executive describing the system of monitoring that has been introduced. This was followed by a question and answer session. In due course, the LBMA will publish a comprehensive report covering all the questions that have been raised and the LBMA's responses. Following the seminar in Tokyo, the Chief Executive held a number of one-on-one meetings with Japanese refiners in order to address specific issues on proactive monitoring that they had raised.

### Indian Gold Summit

The Chief Executive attended the International Gold Summit organised by the Indian Association of Chambers of Commerce (ASSOCHAM) held in New Delhi on 30 October and presented a paper that provided an update on the LBMA and the London market, together with his views on the future development of the gold market in India.

The other speakers at the summit included LBMA members with an active interest in the Indian market, the World Gold Council, a senior representative of the Reserve Bank of India and, most importantly, the Commerce Minister, Mr Kamal Nath. The significance of the event being held by ASSOCHAM is that this is the first time that the Chamber has become involved in precious metals. This reflects the further development of the market and in particular the establishment of commodity exchanges dealing in both gold and silver during the last year. A copy of the Chief Executive's presentation can be obtained from the LBMA Executive.

## Committees

### Management

The Management Committee held meetings in September and October. Apart from the regular items reviewing the work of the other committees, and making preparations for the Biennial Dinner, the Committee discussed the LBMA response to the EU duties question (described above). It also noted that a recent paper prepared for the Office for National Statistics as a contribution to the international discussions on the treatment of gold in financial statistics had recommended that gold should be treated as a financial asset rather than a commodity. The Committee also noted the work currently being undertaken by the International Swaps and Derivatives Association reviewing and amending its commodity definitions, including those for bullion.

The Committee has approved the appointment on a part-time consultancy basis of Peter Smith, of JP Morgan Chase, who has chaired the Physical Committee since July 1992. Peter will make an input to the LBMA's thinking on issues such as clearing and vaulting arrangements for the London bullion market. In view of Peter's continuing employment with JP Morgan Chase, the consultancy work will be carried out from his home. The Committee also approved the appointment of Douglas Beadle, currently with NM Rothschild and Sons, as a consultant following his departure from NMR at the end of December 2004. He will assist the Executive in the office with, among other things, various aspects of the administration of the Good Delivery system.

The Committee also approved the listing on the LBMA website of the list of bullion custodians in the London market which had been approved by the London Precious Metals Clearing Ltd.

### Physical Committee

At its recent meetings, the Committee has discussed a wide range of issues apart from the maintenance of the Good Delivery List and the progress of proactive monitoring. The Committee has been assisting HM Customs and Excise with a statistical collection that will allow Customs to gauge the size of the gold loan and gold option business in London. Customs are currently reviewing the market agreement with the LBMA (which stems from 1991) in the context of the Investment Gold Directive, the Special Accounting Scheme for Gold and the Terminal Markets Order. The results of the statistical collection will assist Customs in this review.

The Committee has also discussed the proposed assaying seminar which the LBMA hopes to organise during the first half of 2005.

### Public Affairs Committee

At its meeting in October, the Committee reviewed the LBMA's very successful conference held in Shanghai in September and started to discuss the programme for next year's event, which will be held in Johannesburg on 14/15 November 2005. It also gave initial consideration to venues for the 2006 Conference, recommending that a number of European venues should be considered. The Committee has also been considering the structure and content of a revamped website that will be launched early in the New Year.

As always, the PAC reviews and discusses the content of the *Alchemist*. Any readers with suggestions about the contents of future *Alchemist* articles are asked to contact the editor, Susanne Capano (susanne.capano@lbma.org.uk).

The PAC has put forward suggestions for the LBMA Members annual party to the Management Committee. One possible format for this year's event will be that of an Indian festival.

### Finance Committee

The Finance Committee met in October to review the management accounts for the first nine months of the year and to prepare a budget for 2005 for submission to the Management Committee. ■





# *Golf Days*

By John Coley

## Sin Wins Spall Swiss Mounts Alpine 43 at LBMA Golf Day

The LMBA Annual Golf Day took place at Brickendon Grange on 28 October. The weather was kind, the course in super condition and the company excellent, as 20 players battled for the Jack Spall Trophy.

It was refreshing to count some new faces in addition to the regulars, especially as they figured strongly in the prizes. Graham Stewart came down from Liverpool to pick up third place. Doug Bull came from around the corner to his local course for second place. But the winner, with an outstanding 43 points, was Bernard Sin, who came all the way from MKS in Switzerland. As well as taking away the trophy, he also won a Rescue Wood which – judging by his score – is probably the last thing he needs.

In other prize categories, the longest drive was won by John Moulding and nearest the pin by David Spraggs. The afternoon round for the Tradition Team Trophy also saw a mix of old and new faces, with John Moulding, John Clark, Ernie Watkins and David Spraggs getting their names on the silverware.

Thanks are due to Securicor for their generous help with sponsoring the event which, as well as providing a good day of competitive golf, was also an opportunity for old friends to get together again – and perhaps even discuss business in quiet corners of the course or bar. We can all now look forward to next year's event, which will be held on Thursday 2 June 2005 at Blackmoor Golf Club, Hants.

## LBMA Trumps LME!

(at Annual Golf Day)

The LBMA successfully retained the Foster Smith trophy in their annual match against the LME at Fulwell Golf Club on 4 October. The match in fact ended in an honourable draw at four points each but – because the LBMA were the current holders – they retain the trophy in name, though it still sits in the LME display cabinet.

The chosen day coincided with some torrential rain that swept in overnight and was still throwing it down as we all fought our way through the Monday morning traffic. In view of the conditions, we swapped the running order around and played the afternoon greensomes round in the morning over 13 holes, and the four-ball better-ball full round in the afternoon.

A morning win for Doug Bull and Robert Weinberg and halves for the Andy Smith/Mike Aldwin and John Coley/Phil Warrington combinations left it neatly balanced at two points each. The afternoon rounds started with two wins for the Doug Bull/Terry Barnes and John Coley/Phil Warrington pairings, but the opposition fought back strongly in the final two matches to force an overall score of 4:4.

The weather improved dramatically as the day progressed so that, having started in lashing rain, we were able to finish in balmy sunshine, sending everyone home with a warm feeling of convivial company among old friends playing a great sport. ■

## DIARY OF EVENTS

### November 2004

**11**
30th Anniversary of the New York Mercantile Exchange Gold Futures Contract
New York, USA
edotson@nymex.com
www.nymex.com

**15 – 16**
Portfolio Diversification with Commodity Assets
New York, USA
T: +1 800 882 8684
info@iqpc.com
www.iqpc.com

**15 – 18**
China Mining 2004 Congress and Exhibition
Beijing, China
T: +86 1084515559
F: +86 1084540489
Nereida@china-mining.com
www.china-mining.com

**16**
Platinum 2004 Interim Review
London, England
T: +44 (0) 207 269 8264
F: +44 (0) 207 269 8399
ptlaunch@matthey.com

**17 – 18**
World Platinum Congress 2004
Johannesburg, South Africa
T: +27 (0) 11 463 2802
Verity.Welling@terrapinn.co.za
www.terrapinn.com

**28 – 29**
Gold and Precious Metals Investment Conference San Francisco, USA
T: +1 (305) 669-1963
F: +1 (305) 669-7350
iiconf@iiconf.com
www.iiconf.com

**29 – Dec. 2**
Pricing, Trading & Hedging Commodities
London, England
T: +44 (0) 207 779 8780
info@euromoneytraining.com
www.euromoneytraining.com/uk

**29 – Dec. 3**
NorthWest Mining Association 110th Annual Meeting and Convention
Spokane, USA
T: +1 (509) 624-1158
F: +1 (509) 623-1241
nwma@nwma.org
www.nwma.org

**30 – Dec. 2**
Mines and Money
London, UK
T: +44 (0) 20 7216 6060
F: +44 (0) 20 7216 6066
minesandmoney@mining-journal.com
www.mining-journal.com

### December 2004

**5**
20th Minesite Mining Forum
London, UK
T: +1 (705) 679-5403
F: +1 (705) 679-5360
www.minesite.com

**7 – 8**
How Gold Works
Geneva, Switzerland
T: +44 20 7482 1000
F: +44 20 7482 1100
www.shorex.com

### January 2005

**16-23**
Vicenzaoro I
Vicenza, Italy
T: +39 0444 969 111
F: +39 0444 969 000
Info@vicenzafiera.it
www.vicenzafiera.it

### February 2005

**1 – 4**
The 7th International Exhibition and Conference 'Gold' 2005
Moscow, CIS
www.amscort.ru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