

**ISSUE 116**

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# Alchemist

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# Editorial

By **Mike Hinds**

Consultant at MHinds Analytical Consulting

What happens when you mix assayers, scientists, refiners, central bankers, vendors, regulators, and sales personnel, and give them interesting presentations and time to mingle with good food and drink? You get the LBMA Assaying and Refining Conference, which brings together people from different parts of the precious metals industry to talk about the technical issues.

This year marks the eleventh Assaying and Refining Conference (A&R) – another Stewart Murray legacy – that began in 2005. I recall he felt bad about having to raise LBMA fees that year, and thought that hosting a symposium on Assaying and Refining might increase LBMA's value proposition. For those of us who attended the first A&R, it was a revelation! We could talk to people who do the same things we do each day, and we learnt that we all have many of the same problems. Also, everyone dreads inventory time!

There was overall support to repeat this meeting every two years. By bringing technical people together, there have been some very positive developments from these Conferences, such as:

- More industry connections through networking events at the Conference
- The development and sale of gold, silver, palladium and platinum reference materials by LBMA and LPPM – an essential component of Good Delivery best practice
- Annual Proficiency Testing Programme by LBMA
- Generation of a reference archive for past A&R presentations, which is a useful resource on the LBMA website.

We are fortunate to have two outstanding keynote speakers for the 2025 edition of the A&R. Prof. Kim Esbensen (KHE Consulting, Denmark) will provide an address on the importance of sampling in settling disputes that involve going to umpire assays.

The second will be given by Mr. Russ Calow (Calow Laboratory Consulting Ltd, Canada), who will be giving us his perspective on the commercial geochemistry laboratory industry over his 40-year career.

There is also a strong technical programme with 25 presentations covering a wide range of topics. Additionally, there is a general interest presentation from Prof. Ann-Marie Carey, School of Jewellery, Birmingham City University, who will talk about the restoration of the Staffordshire Hoard Helmet, which was originally made of precious metals.

I always come away from the A&R with stronger industry connections, as well as new ideas inspired by the fascinating insights shared by speakers.

I hope you enjoy this issue, and I hope to see many of you at the A&R!



**Mike Hinds**

## A&R

Assaying & Refining  
Conference 2025

### Join Us!

It's not too late to secure your spot at the A&R on Sunday, 16 to Wednesday, 19 March 2025 at the Royal Garden Hotel in London, UK. Visit our [microsite](#) for more information.



*Mike enjoyed university so much that he stayed there for many years while obtaining: B. Education 1979 (University of Regina, Canada), B. Science - Chemistry 1983 and Ph.D. Analytical Chemistry 1988 (University of Saskatchewan, Canada). Between degrees, he was employed as a teacher, laboratory instructor, and held various summer research positions.*

*Mike joined the Royal Canadian Mint in 1988 and has been employed as the Assay Chemist for 31 years. The main functions of his work involve: developing and introducing new analytical methods to support all the Mint's activities, making and certifying precious metal reference materials, and advising on sampling and mass metrology. Mike has written or contributed to 46 refereed publications and has given 43 invited conference presentations.*

*Since his retirement from the Mint in 2020, he has set up his own consulting company and continues to be involved with the LBMA to produce Reference Materials. He also continues on the teaching faculty of the XRF Short Course at Hamilton College in NY (formerly at Western University, London, ON, Canada) since 2005.*

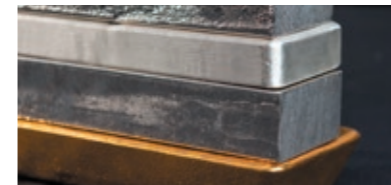
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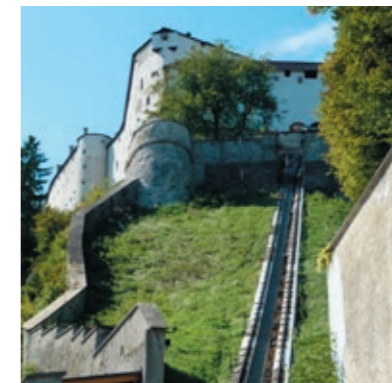


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The *Alchemist* is published quarterly by LBMA. If you would like to contribute an article to the *Alchemist* or if you require further information please contact the Editor, Shelly Ford, LBMA, 7<sup>th</sup> Floor, 62 Threadneedle Street, London EC2R 8HP.

Telephone: 020 7796 3067  
Email: [shelly.ford@lbma.org.uk](mailto:shelly.ford@lbma.org.uk)  
Web: [www.lbma.org.uk](http://www.lbma.org.uk)

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PRECIOUS METALS AND TRUMP 2.0:

# A Time of Elevated Uncertainty

By Dr Jonathan Butler

Mitsubishi Corporation International (Europe) Plc

It is said that history does not repeat itself but it sometimes rhymes, and as President Trump took the oath of office for a second time in January 2025, there were many familiar verses from his first term.

Tariffs, immigration, a US manufacturing renaissance, development of oil and gas resources and a rejection of the climate change consensus were all straight from the playbook of the 2017-2021 administration. So what is in store for precious metals as we embark upon this new political era?

### Trump 1.0 on Replay?

It is worth recalling what was happening in the markets during the first Trump administration, at least until the global COVID-19 pandemic of 2020 up-ended macroeconomics and commodities alike. The period from Trump’s first inauguration in January 2017 until December 2019, just before the start of the pandemic, was a time of generally subdued inflation, steadily rising interest rates (until mid-2019, whereafter it was followed by steady easing) and a somewhat range-bound dollar.

These relatively benign economic conditions helped gold, silver and platinum make gains during the period, while the more industrial-facing precious metals palladium and rhodium were on a tear, rising 158% and 608% respectively. Historians may argue about how much credit is due to the administration for this, but the tight global supply-demand fundamentals of these two metals certainly played a role during this period.

### Tariff: The Most Beautiful Word?

Perhaps not everyone would agree with President Trump that ‘tariff’ is the most beautiful word in the dictionary, but it is one we will be hearing a lot in the next four years. Already at the time of writing, in early February 2025, fear of tariffs on imports to the US is causing considerable market dislocation. Reports that the London market is being drained of its gold and silver, as metal is sent to the US ahead of potential tariffs, may be somewhat exaggerated – there is still plenty of physical metal in London’s vaults.

However, there has been a drawdown of physical metal as market participants look to close out futures contracts before tariffs are imposed. This rush to secure physical metal has depleted liquidity and led to sharply higher borrowing costs, with gold, silver and platinum all experiencing short-term lease rates well into double-digit percentage figures.

How long this market dislocation will last, and whether it will descend into an all-out trade war that could damage global growth, depends on whether President Trump will apply tariffs on some of the United States’ biggest trading partners, as has been widely threatened. Chinese imports are already subject to 10% universal tariffs as of February 2025, prompting even greater tariffs on US goods by the Chinese authorities.

A stay of execution has been granted to Mexico and Canada, which were facing 25% universal tariffs, until 1 March, while possible blanket tariffs on the EU have been the subject of a great deal of recent rhetoric and speculation. To date, tariffs have been used largely as negotiating tools (in relation to immigration and illegal drugs, in the case of Mexico and Canada) and the threat of tariffs will likely continue to be used as a bargaining chip.

While the wisdom of increasing the cost of raw material inputs at a time the US is looking to grow its manufacturing base may be questioned, tariffs are likely

to be a running theme of this administration and there are not expected to be specific exemptions for precious metals – unlike, for instance, Canadian oil, which may be subject to a lower tariff rate.

According to analysis done by the IMF before the US election, if higher tariffs were to be placed on a “sizeable swath” of global trade by mid-2025, it would reduce economic output by 0.8% this year and 1.3% in 2026. An escalation into a wider global trade war could be more damaging and, in such a scenario, gold would be in even greater demand as a risk hedge and portfolio diversifier among investors and central banks, and the more industrial-facing white metals’ prospects may be dampened.

### Price changes in President Trump’s first term

	Percentage USD/toz price change	
	2017 Inauguration to Dec 31 2019	2017 Inauguration to 2021 Inauguration
Gold	27%	55%
Silver	6%	51%
Platinum	2%	16%
Palladium	158%	220%
Rhodium	608%	2450%

### Inflation

Tariffs are of course potentially highly inflationary, not only for the US economy, but also for countries seeking to put in place retaliatory tariffs on the United States, or stimulate their economies to compensate for the loss of market share in the US. Other policies of the new Washington administration may also prove to be inflationary, such as immigration restrictions and possible large-scale deportations from the US, which may add to labour market inflation.

Tax cuts, pro-growth policies and Federal spending would also help fuel price rises. Higher inflation would of course be a positive factor for gold prices, with gold potentially in greater demand for its inflation hedging and wealth-preserving features, and the white metals may be lifted by greater demand and the rising tide of prices in an inflationary environment.

Higher inflation of course brings the risk of higher interest rates if the Federal Reserve’s long-term 2% inflation target is consistently exceeded, a situation that could be negative for precious metals by raising yields and increasing the opportunity cost for holding these non-yielding assets. Pressure to increase rates may bring the Fed into conflict with those in the White House for whom low interest rates are desirable for the boost they give to US economic growth more generally and for the fact that elevated inflation helps ultimately reduce the record level of US Federal debt.

### The Greenback

As well as inflation and interest rates, there is another conundrum at the heart of the new administration’s macroeconomic approach – how to square the circle of a stronger dollar emanating from pro-growth policies, tariffs and possible rate rises with the Trump administration’s desire to weaken the dollar in order to help exporters and reduce the US trade deficit. Donald Trump and his now-Vice President, JD Vance, spent a good deal of last year’s campaign talking down the dollar in order to help US manufacturing industry, and some future deal to weaken the dollar relative to other currencies, akin to the Plaza Accords of the 1980s, perhaps in exchange for waiving tariffs, is foreseeable in the next four years. Generally, a weaker dollar means stronger precious metals priced in US dollars – so a concerted effort to weaken the greenback would ultimately be beneficial to precious metals prices, at least in dollar terms.

### Geopolitics

At the start of 2025, geopolitical concerns continue to provide some support to gold as a risk hedge, and given the myriad risks and uncertainties, this seems unlikely to diminish in the near term. President Trump’s plans to reshape the Middle East in the wake of the Israel-Gaza conflict have unsettled many, while the ongoing war in Ukraine continues without a clear end in sight. Central banks around the world continue to dedollarise their holdings partly in response to geopolitical concerns and due to the macroeconomic uncertainties highlighted above. While an end to the Russia-Ukraine conflict may not be possible in one day, as promised by President Trump during his election campaign, some sort of settlement of borders in exchange for a security guarantee for Ukraine may be in the offering in the months ahead, though whether that then allows Russia to return to the international fold and potentially supply its PGMs, and in particular the 40% of the world’s palladium that it produces, more widely remains to be seen.

Overall, increasing fragmentation of international institutions and a more transactional US foreign policy are likely to keep geopolitical risks elevated and continue to support precious metals.

### Drill Baby Drill

One of the first acts of the incoming Trump administration was, like in 2017, to opt out of the Paris Climate Change treaty, and a slew of executive orders subsequently opened up new oil and gas exploration and development.

This represents something of a mixed picture for precious metals, which have a crucial role in both hydrocarbon processing and in clean energy generation. New oil and petrochemical refining capacity in the United States is of course positive for PGM and silver demand (as the metals are used in many different catalysts from the processing of fuels to the manufacture of plastics); however, this may represent a zero sum game globally if this comes at the expense of shuttered capacity elsewhere.

The suspension of Biden-era green new deal policies threatens to damage demand for silver in solar power generation and PGM demand in new and emerging technologies such as hydrogen and e-fuels, though since the latter are very much nascent technologies, the loss of demand is less significant for those markets in the near term. It remains to be seen whether the revocation of these policies by executive order will be successfully challenged in the courts or whether the Trump administration will unveil support measures of its own designed to drive innovation and domestic manufacturing in new clean technology industries.

### “You’ll be able to buy the car of your choice...”

Perhaps one of the brighter spots for industrial precious metals demand under the Trump administration (or the least negative, depending on your point of view) is the scaling back of support measures for electric vehicles, which was signed by executive order in the first few hours of the new administration.

Chart 1: Gold vault holdings (Moz)

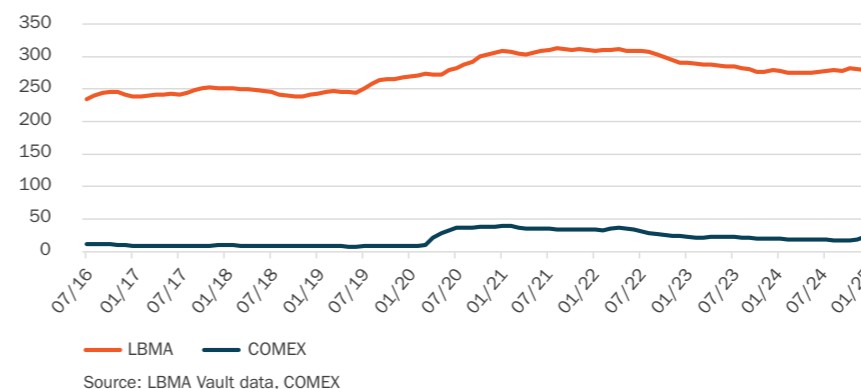
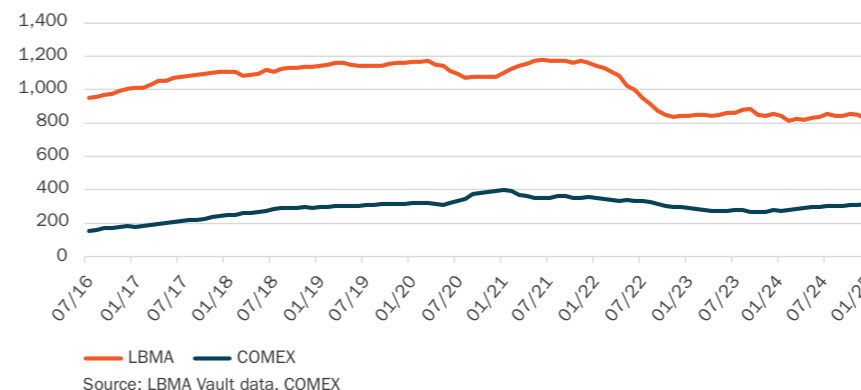


Chart 2: Silver vault holdings (Moz)



Surprising as this may seem for an administration that includes the CEO of Tesla, the world's largest EV maker, it is clear that this is a significant change of direction and that vehicles containing internal combustion engines will increase in market share.

Provided that pollutant emission limits are not dialled back, this should stem the decline in demand for PGMs in the automotive sector, and potentially usher in a new era for palladium and rhodium, which are still markets overwhelmingly dependent on emissions control applications.

However, the more positive outlook for PGM demand in the auto industry is tempered somewhat by the threat of disruption to the North American manufacturing supply chain due to potential tariffs on Canada and Mexico, and the tariffs recently announced for imports of steel and aluminium.

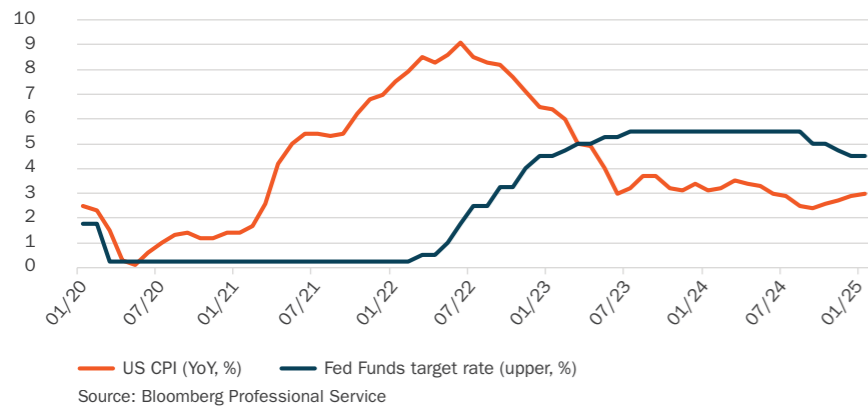
The next four years, and possibly beyond, are likely to be a time of big changes for trade relationships,



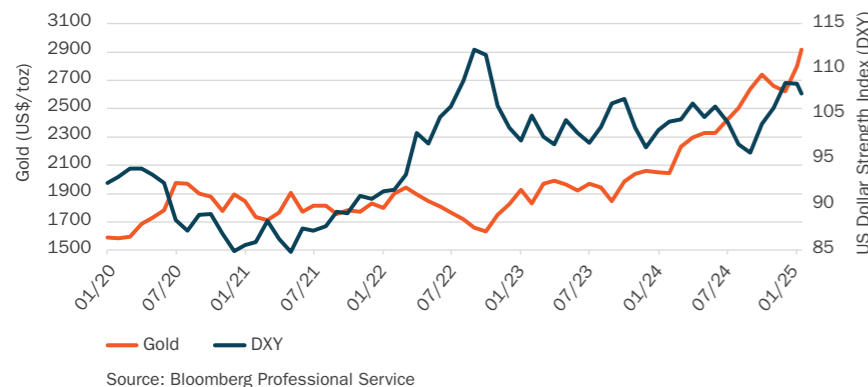
economics, geopolitics and security, with both challenges and opportunities for precious metals. Given the myriad risks and uncertainties, it could be an era in which gold performs well as a safe haven, but there are also opportunities in the more industrial, pro-growth white metals. Hang on to your hats, it's going to be an interesting ride!

*The opinions expressed in this article are those of the author(s) and do not necessarily reflect the views or official positions of any organisation or affiliated entity. The content provided is for informational purposes only and should not be construed as representing the official stance or policy of any organisation.*

**Chart 3: US inflation (CPI YoY, %) and Interest rates (Fed Funds Target Rate, Upper bound, %)**



**Chart 4: US Dollar Index and Gold prices (US\$/toz)**



**Jonathan Butler**  
Mitsubishi Corporation  
International (Europe) Plc

*Dr. Jonathan Butler is Head of Business Development & Strategy at Mitsubishi Corporation International (Europe), the President of the International Precious Metals Institute (IPMI), Vice Chairman of the London Platinum and Palladium Market (LPPM) and a member of the LBMA Public Affairs Committee.*



# A&R

## Assaying & Refining Conference 2025

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Don't miss:

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Gold Stack, Strategic Wealth Preservation Vault.

# Spotlight on Strategic Wealth Preservation

SWP joins LBMA as an Affiliate Member



## 5 QUESTIONS 5 ANSWERS

### What were the reasons for you wanting to join LBMA and what do you see as the key benefits of membership?

At Strategic Wealth Preservation (SWP), we are committed to providing world-class precious metals storage and trading solutions with integrity, transparency, and security at the core of our operations. Joining LBMA is an important step in reinforcing that commitment and a tangible way to demonstrate to our clients around the world that we adhere to the highest industry standards for integrity, security, and best practices in the precious metals market.

As the global authority on the wholesale precious metals market, LBMA plays a vital role in setting the standards that ensure trust

and efficiency in our industry. Membership provides us with direct access to a wealth of industry knowledge, regulatory insights, and a network of the world's most respected market participants. It reinforces our credibility as a premier storage and trading provider and strengthens our ability to serve our clients with best-in-class solutions.

We also see our membership as an opportunity to contribute to the ongoing evolution of responsible and ethical practices in the bullion industry. By engaging with LBMA members and adhering to its high standards, we are helping to support a sustainable and transparent global market for physical precious metals.

### Tell us about your company's role in the precious metals market?

SWP is a global leader in secure, fully allocated, and segregated precious metals storage. We specialise in helping investors, high-net-worth individuals, family

offices, and institutions safeguard their wealth through offshore diversification.

Our primary vaulting facility is strategically located in the Cayman Islands – an ideal jurisdiction for wealth protection due to its strong asset security laws, political stability, and absence of direct taxation on bullion grade precious metals. In addition, we offer secure storage options in Canada, Switzerland, Singapore, New Zealand, Dubai and the United States, allowing our clients to diversify across multiple jurisdictions with our *One Account, One World* advantage.

Beyond storage, SWP facilitates the buying and selling of London Good Delivery bars, providing our clients with direct access to two-way global precious metals market. Our focus on integrity, discretion, and personalised service has made us a trusted partner for those seeking to preserve and grow their wealth through physical precious metals ownership.

### What's the background and history of the company?

Founded in 2014, SWP was established in response to growing demand for secure offshore bullion storage outside the traditional banking system. Recognising that investors were seeking politically stable, tax-efficient jurisdictions to safeguard their assets, we chose the Cayman Islands as our headquarters.

Over the years, we have expanded both our physical presence and our service offerings, growing from a single-location storage provider to an international firm with a network of world-class vaulting facilities. We have built strong relationships with leading refiners, mints, and financial institutions, allowing us to offer our clients a seamless, full-service precious metals solution.

Despite our growth, our core philosophy has remained unchanged: trust, security, and personalised service are the foundation of everything we do. Today, SWP continues to be an independent, client-focused firm dedicated to helping investors protect and diversify its wealth through physical precious metals ownership. In fact, our new purpose-built 6000 square foot facility is designed to not only the highest security specifications but also to accommodate our clients who wish to visit and self-audit their metals.

### What factors do you expect to impact your business in the short to long term?

In the short term, ongoing macroeconomic uncertainty, rising inflation, and geopolitical instability are driving heightened demand for physical gold and silver as safe-haven assets. With central banks increasing their gold reserves and investors seeking alternatives to traditional financial assets, we expect continued strong demand for secure storage and efficient trading solutions.

Regulatory developments will also shape our industry, particularly in the areas of compliance and transparency. We are closely monitoring evolving AML (Anti-Money Laundering) regulations and best practices to ensure that SWP remains ahead of the curve in terms of security and compliance.

In the longer term, we anticipate a growing shift toward decentralisation, with investors looking for more control over their assets outside the traditional banking system. Additionally, technological advancements such as blockchain-based authentication and digital asset integration with physical bullion will likely play a role in shaping the future of precious metals ownership.

SWP is committed to staying at the forefront of these trends, ensuring that we continue to provide innovative and secure solutions for our clients.

### What are your future plans for the business?

SWP is focused on expanding our global storage network to provide clients with even greater jurisdictional diversification. We are actively exploring new locations that offer strong asset protection laws, geopolitical stability, and tax efficiency.

Additionally, we are investing in technology to enhance our clients' experience. From improved online trading platforms to digital auditing solutions, our goal is to provide seamless, transparent, and secure access to the precious metals market.

Education and thought leadership will also continue to be a key focus for SWP. We believe that informed investors make better decisions, and we are committed to sharing our insights through industry partnerships, thought leadership articles, and client education initiatives.

As we look to the future, our mission remains clear: to provide secure, transparent, and efficient precious metals storage and trading solutions that help our clients preserve and protect their wealth for generations to come.



2021 Cayman Island Marlin 1oz Gold.

Strategic Wealth Preservation building.

# 2025 Precious Metals Forecasts: Key Takeaways

**By Shelly Ford**  
Alchemist Editor and LBMA Digital Content Manager

Analysts in this year's survey submitted their forecasts by close of business on 13 January 2025, giving them the chance to observe eight days of trading before confirming their contributions.

## Gold outlook

This year's forecast has seen bullish price forecasts submitted by analysts, who collectively expect gold to outperform 2024 with an average price of **\$2,736.69** – 14.7% higher than the average price for 2024 (\$2,386.20), and just \$51 lower than the record gold price for 2024 (\$2,788.54 – AM auction, October 30). A wide forecast trading range, however, indicates analysts are expecting significant price volatility. Furthermore, no analyst has forecast an average price above \$3,000, but 20 analysts see a high price of \$3,000 or above.

## Silver outlook

Analysts expect silver to follow in gold's bullish path this year, with an average forecast price of **\$32.86**, 16% greater than the actual average price in 2024.

## Platinum outlook

The forecasts for platinum reveal low expectations, with an average price predicted by the analysts of **\$1,021.64** – just \$65 greater than the actual price average for 2024, revealing a similarly bearish sentiment to the 2024 forecast.

## Palladium outlook

Analysts reflect concerns of oversupply and weak demand growth for palladium, with an average forecast of **\$991** – barely scraping above the actual average for 2024 of \$983, which itself was a large drop from the 2023 average price of \$1,337.39.

## Discover More

Who are our most bullish and most bearish analysts for the four metals? And what are the key drivers they identified for the gold price? Take a look at our [website](#) to discover more. You can also [watch back our webinar](#) in which analysts dive deep into the data.

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AS SOMEONE WHO HAS BEEN SCEPTICAL ABOUT GOLD AS A FINANCIAL ASSET, IN THE PAST FEW YEARS I'VE BEGUN TO RETHINK THIS SCEPTICAL STANCE. I WAS TAUGHT THAT ASSET VALUATIONS REVERT TO A STABLE MEAN SET BY FUNDAMENTALS, WHICH HASN'T HAPPENED IN A LONG TIME.

# Confessions of a (Possibly Reformed) Gold Sceptic

Edited by Shelly Ford

Alchemist Editor and LBMA Digital Content Manager

This article is based on the keynote speech delivered by Robert Armstrong at the LBMA/ LPPM Global Precious Metals Conference on 15 October 2024.

Since the outbreak of the pandemic in 2020, we've seen an economic cycle which is historically unique, accompanied by monetary and fiscal action that is also unprecedented. In short, COVID-19 massively changed the volume and uses of money globally.

Now, I don't think gold is money, but as a store of value, gold is always going to be connected to changes in money. And the big change in money has led, after a period of delay, to a furious rally in the price of gold that began in autumn 2023, during which gold's value quickly rose by 50%, a spike we've only seen anything like in the years immediately surrounding the great financial crisis.

## Shining a Light on Gold Scepticism

As someone who has been sceptical about gold as a financial asset, in the past few years I've begun to rethink this sceptical stance. The first thing that helped me is that the way I learned to think about the valuation of financial assets has not worked in recent years. I was taught that asset valuations revert to a stable mean set by fundamentals, which hasn't happened in a long time. All we've seen in financial markets is cheap things get cheaper, and expensive things get more expensive.

This has led people in finance to think more seriously about another way to consider financial assets, starting with supply and demand instead of fundamentals, specifically for cash and liquidity. This alternative view of valuation gained popularity when the Fed and the Treasury pumped a huge amount of money into the financial system and, at the same time, stock prices rose dramatically.

The core idea here is that, as liquidity in the system rises, investors decide they have too much cash on their balance sheets and desperately try to swap it out for other assets that have some possibility of gain. Of course, at the systemic level, you can't get rid of the cash. All that can happen is that it gets shuffled from one balance sheet to another. But the attempt to get out of cash and into other assets drives asset prices up. That's the velocity of money in the financial system.

The problem with this approach is that liquidity, unlike fundamentals like cash flow or earnings, is hard to measure or define, and harder to track. Like all correlations in finance, the link between higher liquidity and asset prices is messy, and it changes over time. But the theory does give us a more sympathetic way of thinking about gold and other assets that do not generate cash flow.

My second reason for rethinking my gold scepticism is the simplest and most appealing of all: gold has gone up a lot, and at a moment when it is supposed to go up. Gold often shines through against human folly, monetary madness and fiscal dysentery, just like we were promised that it would.

Does this heroic view of gold hold up to scrutiny, though? Let's look at the following five propositions we hear about gold, consider historical and more recent data, and see if these propositions still hold true:

### 'Gold is a hedge against inflation and government money printing'

It's pretty well understood that this claim about inflation in gold is conditional. It's high inflation that gold guards against. Goldman Sachs analysts recently wrote that gold "typically only guards against very high inflation and large inflation surprises caused by losses in central bank credibility and geopolitical supply shocks. Gold usually didn't perform well in response to positive demand shocks when the central bank responded swiftly by hiking rates".

But over the long run, it is also true that gold has held its value well against inflation and the expansion in the money supply. The CIP index in America has (approximately) tripled since 1984; gold is seven or eightfold. The M2 US money supply is a little higher than that but, of course, the money supply has to grow with the economy and so forth.

An important piece of context to note is that there are very long periods in which gold has not protected investors from inflation. In the horrifying years of 1984-2004, for example, gold was not a hedge against inflation even as the money supply increased.

Gold has performed particularly well since the beginning of the pandemic, but let us note the pattern of performance. Right after the pandemic, gold rose 20%-25% very quickly as money was poured into the system by the Fed and other central banks. But it then went sideways while CPI inflation was rising and the money supply was going crazy, and has only recently spiked again.

My question to you is: why did gold wait? What happened in the middle? What was gold 'thinking' about at that time? By the time gold started to rally again in autumn 2023, the federal funds rate was already at its peak, Fed liquidity provision through quantitative

easing and other facilities had been flat to down for two years, the money supply had peaked and started to decline, and CPI inflation had been falling for over a year.

**'Gold's value is inversely correlated with real interest rates, which are the opportunity cost of holding it'**

Another interesting consequence of the timing in the rally of gold has been for its inverse relationship with real interest rates, which has been reasonably consistent since the financial crisis, but seems to have either reversed or disappeared. It was only after the opportunity cost of owning gold began to rise rapidly that gold really found its mojo.

**LIKE ALL CORRELATIONS IN FINANCE, THE LINK BETWEEN HIGHER LIQUIDITY AND ASSET PRICES IS MESSY, AND IT CHANGES OVER TIME. BUT THE THEORY DOES GIVE US A MORE SYMPATHETIC WAY OF THINKING ABOUT GOLD AND OTHER ASSETS THAT DO NOT GENERATE CASH FLOW.**

**'Gold strengthens as the dollar weakens'**

The dollar and gold are almost always inversely correlated, as gold is priced in dollars, and both gold and the dollar are linked to US interest rates. But, during H1 2024, gold and the dollar rose in tandem. The relationship has since normalised, but this break from the usual pattern is very striking.

**'Gold is a hedge in times of market chaos'**

Gold does really well when risk markets do really badly. Throughout history's most monetarily uncertain periods, gold is the outstanding asset. I would argue that the reason we own gold is that it allows you to rebalance when bad things happen.

However, it is interesting to note that, even while gold outperformed stocks and bonds in 2022, the period when the market was adjusting to the fact that inflation was perhaps not transitory and higher rates were on the way, it fell in absolute terms. Perhaps it was anticipating higher real rates to come, but when real rates rose, it shot up. Was it anticipating something else? Why wasn't it better in 2022 when you'd hope gold would shine?

**'Gold miners are a leveraged play on the gold price'**

There has been a lot of talk about how gold mining performance has been quite poor relative to the price of gold recently. But this trend is not that recent. Ever since the financial crisis, gold mining equities have risen with gold when gold is rising, but trail gold badly when the price is falling.

A couple of things are clear: there's a lot of investor scepticism about capital allocation among miners generally, and a lot of scepticism about gold miners specifically and their capital allocation choices. Value stocks have generally fallen out of favour with investors, and there is something about owning the metal gold through the increasingly popular ETFs that a hedge-seeking investor simply prefers to owning a gold miner. This unhappy relationship, unlike the others, has held since the pandemic began.

**What is Different About this Gold Rally?**

Despite these five propositions, it seems pretty clear that the big rally in gold, at least the one that began in autumn 2023, has a different character than the other rallies in recent decades. Gold did not respond to inflation and the expanding money supply until both grew. Gold's traditional relationship with real rates and, for a while, the dollar reversed, and gold did not rise.

A possible explanation for the change in relationship between gold and other financial assets is the de-dollarisation at work. In particular, central banks have increased gold buying, changing the relationship between gold supply and demand.

**GOLD OFTEN SHINES THROUGH AGAINST HUMAN FOLLY, MONETARY MADNESS AND FISCAL DYSENTERY, JUST LIKE WE WERE PROMISED THAT IT WOULD.**

Maybe part of the issue is that people trust and have more faith in central bankers than they once did. It is a striking fact that, during the recent worldwide inflationary episode, medium and long-term inflation expectations rose only briefly. This suggests that people believed central bankers would eventually get inflation under control, and that people trusted central bankers now in a way they maybe didn't in the 80s or 70s. If that's true, it's surely the case that gold is going to behave differently than it did before.

Another explanation is that we live in a world that is awash in liquidity. We have these enormous flows of savings and cash that need to go somewhere, and I wonder if gold, before a pure hedge for bad times, is now more like other risk assets. Maybe now gold is a place where people store their excess liquidity, or people try to get rid of excess liquidity by putting gold onto their balance sheets.

Finally – and this contradicts one of the earlier explanations about central banks – it may be that the strong rally in gold is a response to a changing view about what the neutral rate of interest is. There's a lot of people who argue that the neutral rate of interest is rising because governments are spending more money and because demographics are changing the world. As such, the target that central banks are now shooting for may be higher now. And if that's true, we're going to have incidents of inflation as policy rates bounce up against this higher neutral rate of interest. This means gold has not responded to an inflationary incident just now, instead responding to a sea change in the world of interest rates.

The key point is that, in a moment of change and dislocation, gold has come through for investors overall. If it can hold on to those gains over the next year or two, all a sceptic like me can do is tip his hat.



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# “Coulda Sworn it was Judgement Day...”

## Gold in the 21<sup>st</sup> Century: First Quarter Review

By Shelly Ford

Alchemist Editor and LBMA Digital Content Manager

New Year's Eve 2024 marked twenty-five years since Millennium Eve. How have gold, silver and the PGMs performed over that quarter-century? December's annual pre-dinner LBMA seminars found 20<sup>th</sup> Century kids Adrian Ash (now at [BullionVault](#)), Suki Cooper (now at [Standard Chartered](#)) and Matt Turner (now at [Anglo American Platinum](#)) looking back, taking stock and daring to look forward. Here's what they explored.

Unless you were pedantic enough to stay home and wait another 12 months, midnight on 1<sup>st</sup> January 2000 saw the dawn of a new century and ushered in a new millennium on the Christian calendar. The party to end all parties, it also marked 'the end of history', at least among Western bien pensants, because Capitalism had defeated Communism, resolving the violence and division of the 20th Century with blue jeans and the ballot box.

As peace broke out worldwide (other than in Chechnya, Eritrea, Kosovo and the Pakistan-India border among many other conflicts), the victory of Western rules-based democracy also meant the end of gold as well. Because "Who needs gold," as the *New York Times* asked in May 1999, "when you have Alan Greenspan" running US Central Bank the Federal Reserve?

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**GOLD HAS BEATEN ALL OTHER ASSET CLASSES SO FAR IN THE 21ST CENTURY, RISING OVER 795% IN PRICE AND DEFYING ALL EXPECTATIONS EXCEPT THOSE OF STOPPED-CLOCK GOLDBUGS.**

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### The sky was all purple

Central banks kept selling, mining producers sold their own product short, and investors shunned the barbarous relic in favour of go-go internet stock amid chatter of Dow 36,000, the title of one 1999 bestseller (the index was then at 10,800).

"The twilight of gold [has] appeared to have arrived," wrote Oxford (and now Harvard) historian Niall Ferguson. "Total blackout is still some way off, and gold has a future of course. But mainly as jewellery." History, however, had other ideas.

Gold has beaten all other asset classes so far in the 21<sup>st</sup> Century, rising over 795% in price and defying all expectations except those of stopped-clock goldbugs. While the other precious metals took a different path, the 'safe haven' of gold outperformed even the US stock market (535% including dividends), crushing real estate, bonds, commodities and cash, and far out-running inflation (the US CPI index has risen 90%).

### Tryin' to run from the destruction

Lots of factors matter, of course. But gun to head, here are the key drivers named by our panel:



#### Central banks

Back in 1999, when a young(er) Matt Turner began his career as a bullion-market analyst at the World Gold Council, the talk was all about which central banks had sold gold and which were going to sell next. It was ingrained, Matt recalls, that any speaker from the more pro-gold central banks was asked not to say "We have no plans to sell gold", because the market took that to mean the opposite, hitting the price yet again.

In those years Switzerland sold 1,300 tonnes of gold, and the Bank of England shocked the market when it joined Australia, Belgium and many others in unloading gold at a rate of around 500 tonnes per year. But fast forward a quarter-century and now central banks are buying 500 tonnes a year on the official data – a swing of 1,000 tonnes – with WGC estimates running twice as high. Putting a strong political bid into our market, this turnaround is so dramatic that now one might question any central bank which says "We have no plans to buy".

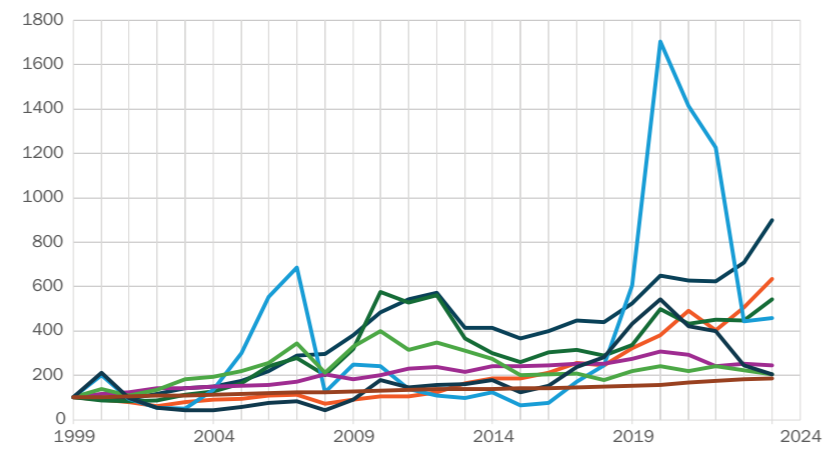


#### Market structure

A cocktail of market structure changes aligned for gold ranging from short covering activity to producers closing out hedge books, but notably the advent of a new channel for exposure was perhaps the most significant. While gold is both a commodity and a currency, market participants had limited avenues for exposure to gold, often opting for stock exposure instead. ETFs allowed easy, direct and liquid access to the gold market such that in some years fresh inflows were the equivalent of 10% of annual demand or net redemptions made up 17% to annual supply. From the launch of ETFs in 2003 until 2021, prices rose in years of inflows and fell during the years of net outflows.

Central bank demand became the most significant driver since 2022, but the ETFs at their peak holdings in 2020 surpassed 3,900 tonnes, which would be the equivalent of the second largest central bank. Market accessibility for a larger audience allowed gold to trade and respond to macro factors as well as mop up demand weakness elsewhere.

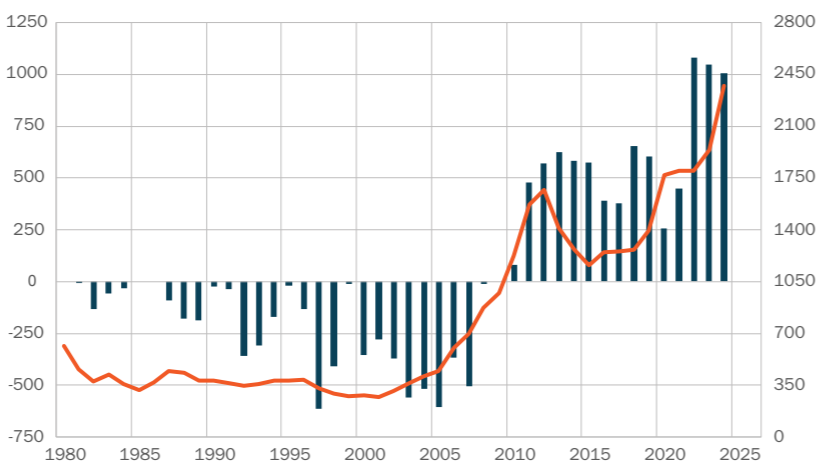
### 21<sup>st</sup> Century Q1 performance (US\$ terms, 100 = NYE '99)



Source: BullionVault via LBMA, LPPM, S&P, St.Louis Fed

Gold +798%   S&P500 +534%   Bonds +147%   Platinum +105%  
 Silver +442%   Rhodium +358%   Palladium +103%   Cost of living +88%

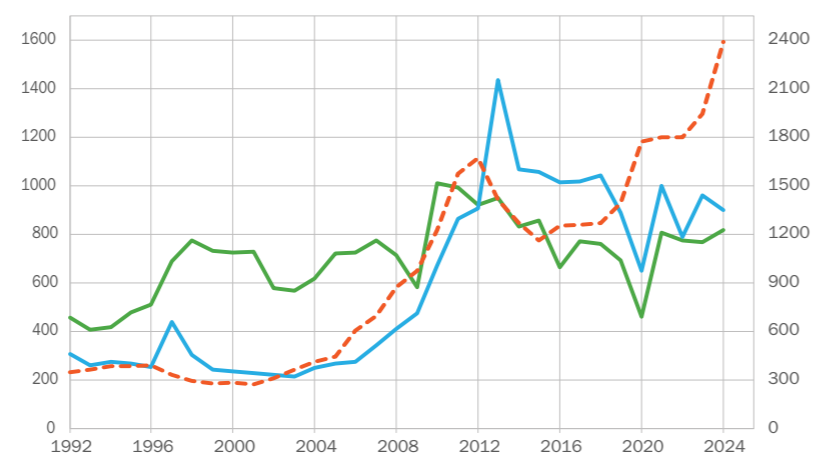
### Hate gold, love gold



Source: BullionVault via GFMS, WGC + Metals Focus estimates

Net central-bank gold demand or sales (tonnes)   Annual average price (\$/oz, right axis)

### Gold's giant consumer demand



Source: BullionVault via World Gold Council, GFMS, Metals Focus

India, jewellery, coins, bars, ETFs (left)   Dollar gold price per Troy (right)  
 China (also left axis in tonnes)



### Loss of trust

The DotCom Crash, 9/11, Iraq, Katrina, 7/7, subprime, Northern Rock, Lehmans, the Mumbai attacks and Eurozone debt crisis: the first decade of the 21<sup>st</sup> Century destroyed public confidence in government and markets.

Doubt and fear only worsened further during COVID-19, inflation, Russia's all-out invasion of Ukraine, the dreadful Middle East conflict, and the ever-growing sense that Western government debts (and therefore spending) have become unsustainable.

Instead of enjoying 'the end of history', says Adrian Ash, the world has been living through what feels more like millennial end times, an "epoch of chaotic polycrisis" to quote historian – and specialist in the genuine cataclysm of World War One – Christopher Clark. Little wonder that gold's unique appeal as an unchanging, uninflatable physical asset with zero default risk has stood out above all other assets since the year 2000.



### So sue me if I go too fast

On top of those three factors, we cannot ignore China. Joining the World Trade Organization in 2001, the Communist state at the same time deregulated its domestic gold industry and markets, allowing China's deep cultural affinity with gold to explode as its economic output rose 16-fold across the first quarter of the 21<sup>st</sup> Century.

China's annual GDP per capita has jumped from US\$875 to around US\$13,000 today. While that remains far below the rich Western nations, it contrasts with US output per head rising only 125% in nominal terms while Germany and the UK's failed to double.

Driven by massive manufacturing, export and infrastructure growth, China's economic boom has released hundreds of millions of people from poverty, and it's been key to the rise of base metal prices since New Year 2000 (copper +380%, iron ore +500%). But while this was, perhaps, forecastable at the turn of the millennium (thanks to deregulation and its wider economic momentum), many predictions proved wrong for India's gold demand.



### Life is just a party

The world's number one gold consumer at the turn of the century, India was widely expected to see demand drop in the early 2000s as its banking industry expanded, offering people alternative ways to save and invest. Yet India's household gold demand has held firm in tonnage terms and leapt in value. Like China, that's partly due to strong GDP growth (+650%) but India's affinity for gold – and its faith in gold as a hedge against inflation and the Rupee's relentless devaluation – has offset growth in financial services inclusion and adoption.

### What about the other precious metals?



#### Silver

Rising 460% since Millennium Eve, silver peaked in 2011 close to its 1980 high of US\$50 per Troy ounce. Central banks don't explain this rise, at least not directly. Indeed, the fact that silver

lacks demand from sovereign wealth managers looks a key reason for it lagging the gains in gold. But they most likely helped, because of the grey metal's close price correlation with the safe-haven asset.

That said, the rising gold/silver ratio (one ounce of gold now buys 90 ounces of silver, up from 54 twenty-five years ago) suggests the world has put an increasing premium on safety over industrial use. But silver's tech stories remain vital to its gains, with the rise of PV solar cells, electric vehicles and now AI adding to demand from defence, brazing and chemicals production to set fresh record highs in the weight of industrial use throughout the 2020s to date.

Silver's role in electricals and electronics mean industrial demand also looks strong for the next 25 years, too. But it's worth noting how, since the turn of the century, silver's then-biggest use has collapsed. Photographic demand peaked in 1999, halved by 2007, was overtaken by PV in 2011, and has now dropped 90% by weight. Which brings us to the industrially-useful platinum group metals and the 'death of the internal combustion engine' (ICE).



#### PGMs

Primarily used in autocatalysts to reduce harmful emissions from ICEs, platinum rose 105% over the first quarter of the 21<sup>st</sup> Century, peaking in 2007. Palladium rose by almost exactly the same (starting and ending at the same price, too) but with a higher peak 15 years later, when rhodium also peaked before cutting its rise to 360%.

Looking at the platinum/silver ratio lets us track the relationship between the 'industrial golds', and it has fallen from 100 to 30 since 1999. That suggests silver has become relatively more useful to the world. But the death of the ICE has been exaggerated, as Mark Twain would say, and the PGM's auto-sector demand has held resilient across the past quarter century even through large swings in price. Autocats remain the metals' number one demand use, because they are perfect for the job.

There's a lesson here for silver and its use in solar-energy tech. While the industry has worked to thrift and reduce the quantity of metal needed to produce each Watt, silver remains vital and has not (yet) been replaced.

Platinum meanwhile enjoys lots of uses besides autocats, not least in hydrogen fuel cells (a promise as yet unfulfilled, which it's held since long before the Millennium). But jewellery demand for the white metal has fallen and changed, while palladium's outlook now seems as gloomy as did gold's in 1999, with negative sentiment creating a huge speculative short in the derivatives market.

Could that change as dramatically? Lower prices certainly make research into new use cases far more likely at US\$1,000 per ounce than at 2022's peak of US\$3,400.

**Parties weren't meant to last**

Given how far precious metals and gold in particular have come since Millennium Eve, it's impossible to guess where the next quarter-century might take us. But it's also worth recalling how grim things looked for our markets 25 years ago, and also how quickly that outlook changed.

Instead of reaching 36,000 in 2002 as Dow 36,000 predicted, the US stock index took two decades to hit that level. Today, gold US\$36,000 would need more than a repeat of the past 25 years, and after outrunning all other asset classes since the dawn of the 21<sup>st</sup> Century, a repeat might sensibly be expected to struggle.

GIVEN HOW FAR PRECIOUS METALS AND GOLD IN PARTICULAR HAVE COME SINCE MILLENNIUM EVE, IT'S IMPOSSIBLE TO GUESS WHERE THE NEXT QUARTER-CENTURY MIGHT TAKE US.

Either way, the biggest factors ahead look likely to be the size and depth of China's private demand (its ageing demographic contrasts with India's and could prove a headwind for jewellery consumption, as John Reade – now at the World Gold Council – noted during the seminar's Q&A), plus the pace and extent of deglobalisation (already begun but now worsening under the new Trump administration), as well as the long-term dominance of the US Dollar in global trade and reserves, and – perhaps most importantly – the sustainability of government deficits and debt.



**Replay**

You can [watch the seminar here](#), and you can find out more about upcoming [LBMA events here](#).



Left to right: Matt Turner (Anglo American Platinum), Suki Cooper (Standard Chartered) and Adrian Ash (BullionVault).

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# LBMA Updates

## Joining the LBMA Board and Sub-Committees

The LBMA Board meets quarterly to set out our strategic and business vision and scrutinise our performance.

Our Sub-Committees, ranging from Membership and Physical to Public Affairs and Finance (and more), then advise on specific areas of expertise, enabling us to benefit from the knowledge, experience and dedication of senior members.

Board Elections for the three Market Maker representatives will take place at LBMA's Annual General Meeting (AGM) on Wednesday, 2 July. To find out more, particularly if you're interested in joining the Board, please reach out to us at [mail@lbma.org.uk](mailto:mail@lbma.org.uk).

Please visit our website to learn more about the [LBMA Board](#) and [Sub-Committees](#).

## Career Opportunities at LBMA

### Independent Non-Executive Director (iNED)

LBMA is looking for an experienced professional to join our Board as an Independent Non-Executive Director (iNED). As an iNED, you will act as an unbiased, objective and impartial member of the Board, ensuring that all decisions taken are in the best long-term interests of LBMA, Members of the London Bullion Market and LBMA employees.

You will bring to the role your experience in Corporate Governance, financial affairs, organisation development and risk management.

Please send your CV and cover letter to [recruit@integratedresources.co.uk](mailto:recruit@integratedresources.co.uk) by 12:00 GMT on Monday, 10 March to be part of the team that shapes the future of the precious metals industry. Please also reach out if you have any queries.

### Senior Leadership Role(s) Available

We will be announcing the recruitment for senior leadership role(s), which will report to the Chief Executive, in due course, following the upcoming departure of our Deputy CEO & General Counsel, Sakhila Mirza. If you have suggestions or would like to find out more, please contact [recruit@integratedresources.co.uk](mailto:recruit@integratedresources.co.uk).

# Market Moves

## The Royal Mint



Nick Bowkett is now the Head of Growth for precious metals at The Royal Mint, leading its expansion into new markets globally.

With over 14 years' experience within bullion, Nick will spearhead The Royal Mint's precious metals growth globally; growing The Royal Mint's market share within the D2C and B2B customer markets.



Kirstie Hopkins has been promoted to Head of Business-to-Business Precious Metals sales at The Royal Mint.

With nine years of experience in bullion, liaising with key global customers, Kirstie will oversee the strategic global sales of The Royal Mint's bullion coins and products, including the development and innovation of new products.

## LPPM

### Changes to the Management Committee of the LPPM and Addition of Independent Non-Executive Directors.

On 11 February, at LPPM's AGM, the Chairman confirmed the following Management Committee for the coming year:

**Chairman:** John Cullen, Johnson Matthey Plc

**Vice-Chairman:** Jonathan Butler, Mitsubishi Corporation International (Europe)

#### Committee Members:

- Vincent Domien (HSBC Bank)
- Anton Down (Royal Bank of Canada)
- Vikas Chamaria (TD Bank)
- Jon Jodry (Metalor Technologies) – return to the Committee
- David Jollie (Anglo Platinum)
- Harry Lampart (Bank of Montreal) – new to the Committee
- Joe Stefans (MKS PAMP SA)

The Chairman was also delighted to welcome LPPM's three new Independent Non-Executive Directors - Paul Fisher, Hans-Guenter Ritter and Tim Pearce to the AGM. You can find out more about LPPM's iNEDs on its [website](#).

Salzburg's Reisszug as it appears today. (Wikipedia)

# A Close-Run Thing

Jonathan Backhouse, the dastardly Duke and how gold 'balanced the wheels' of one of the first British railways.

By Simon Rostron  
LBMA Consultant

Considered superficially, the early history of the railways is also the early history of steam power.

But there were steam engines before there were locomotives: the first patent for a steam-powered pump – designed to drain coal mines of flood water – was granted in 1698 to Thomas Savery of Modbury, Devon, and it worked (up to a point).

Looking back even further, in fact to the beginning of the first millennium, we find the *aeolipile*, probably built by Hero of Alexandria, and described as a simple, bladeless radial steam turbine which spins when the central water container is heated. Other than entertain, it did nothing useful.

Equivalently, there were railways before they were linked to steam engines. In Britain, these were inevitably associated with mining – usually coal but sometimes iron ore – and the earliest, horse-drawn and running on wooden tracks, were apparently designed by German engineers working at the Cumbrian collieries in the 1590s. In Austria, the wooden-tracked Reisszug leading to the large fortress above Salzburg was first described in 1515 and, disturbingly, is still in operation (hopefully upgraded).

Steam and rail really came together in the first quarter of the nineteenth century in Britain, where the pace of invention and innovation has been equated to Silicon Valley two centuries later.

In short, Cornish mining engineer Richard Trevithick, who had already constructed a couple of steam-powered carriages, built the first railway engine in 1804, which won a bet by hauling 10 tons of iron and 70 men along 10 miles of tramway (details vary) at Merthyr Tydfil in South Wales. He built two more, the last wonderfully called Catch-me-who-can, in 1808 and then he lost interest because his locomotives were too heavy for the iron tracks, which kept bending or breaking.

By 1813-1814, Puffing Billy built by Messrs Hedley, Forster and Hackworth was in operation hauling coal trucks along metal tracks to Lemington Docks in Northumberland, and a little more than 10 years later, George Stevenson, who in addition to his own range of inventions, had taken advantage of Trevithick's disinterest to develop and dramatically improve many of his designs, as well as improve the track the engines ran on, launched the world's first steam-powered passenger railway, running between Stockton and Darlington (26 miles apart).

## The Original Passenger Line

This story is set on this original Stockton/Darlington passenger line, in 1819, as the process of planning and track laying began to take hold. The key characters in the drama are Jonathan Backhouse, Quaker and owner and manager of Backhouse's Bank, Darlington, and William Harry Vane, third Earl of Darlington.

Backhouse's Bank, one of a number of Quaker-run banks in the north-east of England, was the primary source of capital for the new venture, which was supported by most inhabitants of this predominantly mining community. The spirit of the Industrial Revolution was in the air. England had, only four years earlier, dealt with Napoleon at Waterloo (in Belgium, not the London station) and the post-war economy was relatively strong.

Lord Darlington, however, took rather a dim view of all this progress. His ancestral estates, focused on Raby Castle and Barnard Castle in County Durham, were funded by agriculture not by industry, and he was, like the majority of nineteenth century aristocrats, a believer in the maintenance of the status quo. Moreover, he was a great foxhunting man and the new railway tracks were set to cross the coverts or territories of the Raby Hunt.

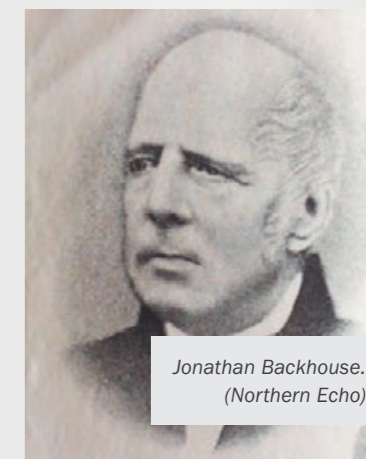
*(Note: Fox hunts inevitably had rights to hunt across land owned or leased by others, and these rights were jealously guarded. Thus, the Stockton/Darlington railway was planned to cross the Raby Hunt's territory, but this was not land necessarily owned directly by Lord Darlington).*

Lord Darlington's commitment to the sport is probably best summed up by the description that auctioneers Christies included with the sale in 2006 of a rare edition of *RABY HUNT – Earl of Darlington's Fox-Hounds. Operations of the Raby Pack, in the Years 1787 [-1826]*.

"The Earl of Darlington, subsequently the Marquess and Duke of Cleveland, continued to hunt, and to publish an account of his hunting, until 1839 when, at the age of seventy-three, he retired, noting, 'Thus ends a season better for sport than the former year but unfortunate in many respects but in none so much as my own want of health, which obliges me to decline and relinquish my pack, to which I had been attached for fifty-three seasons.'"



William Vane, third Earl of Darlington by William Thomas Fry.



Jonathan Backhouse. (Northern Echo)

## Break the Bank

What was to be done? Vane had already written to the appropriate parliamentary committee informing it that the proposed railway would cut across his foxhunting coverts and, indeed, had won a vote in the Commons which blocked the railway's development. The problem however was that the margin of victory had been small, and railway enthusiasts or 'pioneers' – led by an enthusiastic group of Quakers – were working hard to overturn the decision.

So, if London wouldn't do in the long term, clearly the answer was to address the source of the trouble – not the railway company but the bank, Backhouse's, which funded it. Vane, as well as being a committed foxhunter, had also been a student at Christchurch College, Oxford, and came up with, as Baldrick and Blackadder had it, a Cunning Plan: "as Cunning as a Fox who has just been appointed Professor of Cunning at Oxford University".

The idea was simple – break Backhouse's Bank by forcing (or attempting to force) the conversion of piles of banknotes into gold.



Gold Sovereign of 1819.

## Pay the Bearer on Demand

Until well into the twentieth century, British banks, including the Bank of England (BoE), were underpinned by gold at a fixed conversion rate to the pound, i.e. one paper pound to one gold sovereign. Thus, the holder of any banknote either issued by the BoE, or by a commercial bank such as Backhouse's, was entitled upon demand to convert paper to metal. In practice, however, this facility was rarely used (although, as is always the case, there remained a preference for gold itself) and, indeed, was sometimes suspended, for example, in times of war.

There was, however, no war and Lord Darlington determined to ruin the bank by instructing his tenants to stockpile Backhouse's paper and then send his agent, armed with this mass of banknotes, to demand immediate conversion into gold, knowing full well that few if any commercial banks ever had sufficient gold on hand to be able to cover all their paper liabilities without some notice.

On the other side of the counter, Backhouse got wind of the Earl's plan and set out to borrow as much gold as he could lay his hands on from nearby Quaker banks. Then loading this into a carriage, he set out at a gallop which would not have disgraced Lord Darlington's hunters, to return to Darlington.

But gold is heavy. And as Backhouse's loaded carriage attempted to traverse Croft Bridge, some three miles outside Darlington, one of its front wheels broke and the rescue mission seemed doomed to failure. Backhouse was unperturbed and – at least this is how the story goes – shifted the disposition of gold within the carriage so the weight was to the back and the front axle bearing the broken wheel was lifted clear of the ground. The carriage, and moreover its contents, survived this unlikely three-mile wheelie. Backhouse's Bank, and moreover the Stockton Darlington Railway, was saved to become the first railway passenger service when it opened 1825.

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THE IDEA WAS SIMPLE – BREAK BACKHOUSE'S BANK BY FORCING (OR ATTEMPTING TO FORCE) THE CONVERSION OF PILES OF BANKNOTES INTO GOLD.

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There are all sorts of apocryphal accounts of the words exchanged between Backhouse and Lord Darlington when they next met, but what is clear is that, a few years later, Jonathan Backhouse and his wife Hannah set off to become Quaker missionaries in America. At least for a while, Lord Darlington, despite the disruption to his precious coverts, continued foxhunting for many years and, moreover, in the archives of Barclays Bank. The books from 1819 survive with accounts of cash being taken to London and in the list of losses, the cost of a broken wheel at £2.3s.

**With many thanks to Aelred Connelly (now of Darlington, Co. Durham) for suggesting this story.**



**Simon Rostron**  
LBMA Consultant

*Simon has been Managing Director of Rostron Parry Ltd - media relations consultancy since 1991 and PR and media consultant to LBMA since 2014. In his earlier career he was a Stockjobber, London Stock Exchange and remains a legend in his own lunchtime.*

'Full Cry', the Earl of Darlington and others hunting with the Raby Pack  
John Nost Sartorius, 1804.

# The 2025 Compliance Playbook

By **Emmy Richardson** LBMA Senior Compliance Associate

As we enter 2025, geopolitical shifts, economic volatility, regulatory developments, and rapid technological advancements are reshaping the precious metals industry. Market participants must balance responding to new and emerging risks – such as financial crime, digitalisation, and evolving sanctions regimes – while maintaining the integrity of business-as-usual (BAU) compliance functions.

In this environment, agility and adaptability are more critical than ever. Illicit actors are becoming increasingly sophisticated in their exploitation of the market, leveraging complex networks to bypass regulatory scrutiny. Meanwhile, digital innovations such as AI and tokenisation present both opportunities and compliance challenges. At the same time, global regulatory expectations are shifting, particularly as new governments take office and refine their priorities.

The industry's response to these challenges will define its ability to maintain market integrity. While firms must prepare for the future, they cannot afford to neglect the fundamentals. This article explores three key compliance themes that will shape the year ahead: the increasing risks of financial crime, navigating uncertainty, and the importance of maintaining strong BAU compliance frameworks.

## 1. Follow the Money: The Acceleration of Financial Crime and AML Risks

As the gold price continues to chase new highs, the precious metals market faces heightened exposure to financial crime. The allure of gold's liquidity, portability, and intrinsic value has long made it an attractive asset for illicit actors. However, in 2025, the sophistication of financial crime is accelerating at an unprecedented rate, fuelled by technological advancements, economic uncertainty, and increasingly complex global supply chains.

### Organised Crime and Illicit Gold Flows: A Growing Threat

One of the most concerning trends in 2025 is the increasing role of organised crime in legitimate markets, particularly within the gold supply chain. Surging demand for gold has widened the gap between licit supply and market appetite, creating opportunities for illicit actors to fill the void. Unregulated gold mining, smuggling, and fraud schemes linked to high-value commodity transactions are likely to be more prevalent.

Organised crime remains the primary driver of financial and economic crime globally. Addressing this challenge requires a proactive, intelligence-led approach from both regulators and businesses. LBMA's Responsible Gold Guidance (RGG) has played a key role in setting global sourcing standards for refiners, but all market participants — traders, vault operators, and financial institutions — must assess their exposure to criminal networks. This means shifting from a 'tick-box' compliance mentality to dynamic risk management, leveraging technology to gain deeper insights into supply chain vulnerabilities.

## Regulatory Pressure and Market Expectations

The convergence of fraud and anti-money laundering (AML) risks presents one of the most pressing challenges for market participants navigating compliance in the year ahead. Traditionally, fraud detection and AML compliance have been treated as separate disciplines, but regulators are increasingly viewing them as interconnected threats.

Criminal networks are leveraging advancements in artificial intelligence (AI), automation, and decentralised financial technologies to execute more sophisticated schemes, exploiting gaps in compliance frameworks. As a result, financial crime oversight is tightening. Governments and regulators worldwide – including the UK's Financial Conduct Authority (FCA) and the US Department of the Treasury – are intensifying enforcement action, expanding their focus beyond traditional AML measures to tackle fraud, sanctions evasion, bribery, and corruption.

For precious metals firms, this means compliance must evolve beyond static risk assessments to agile, technology-driven approaches that can detect and respond to threats in real time.

## Technology and the Future of Financial Crime Compliance

The fight against financial crime in 2025 will be defined by the role of technology. As fraud and AML risks evolve, so too must the compliance tools used to detect and

mitigate them. Key trends shaping financial crime prevention this year include:

- 1. Real-Time Monitoring:** As financial institutions transition toward real-time transaction monitoring and cloud-based fraud detection, corporates must also enhance their surveillance capabilities to keep pace with evolving threats.
- 2. AI and Machine Learning for Risk Analysis:** AI-driven analytics are moving beyond Tier 1 banks, increasingly being adopted by mid-sized institutions and multinational corporations to improve data structuring and predictive risk modelling.
- 3. Automation in Investigations:** With fraud cases rising, firms cannot rely solely on human investigators. Automated fraud detection and AI-driven investigation tools will become critical in reducing the burden on compliance teams.

As firms adopt multi-layered detection strategies, combining transaction monitoring, payment screening, human-led investigations, and name screening, one thing is clear: complacency is not an option. In 2025, financial crime is more sophisticated and complex than ever before. Staying ahead of emerging threats requires continuous investment in compliance infrastructure, an openness to new technologies, and a willingness to recalibrate risk frameworks in response to an ever-evolving regulatory and criminal landscape.



## 2. Embracing the Unknown: Agility as a Strategic Imperative

The year ahead brings with it a wave of uncertainty: geopolitical shifts, economic volatility, rapid technological advancements, and evolving regulatory landscapes.

With significant changes in government leadership expected across multiple jurisdictions, regulatory priorities and enforcement approaches may shift, bringing new challenges and opportunities for the precious metals industry.

To navigate this environment, agility and adaptability must become strategic imperatives.

### Navigating Political and Regulatory Uncertainty

The precious metals industry has long operated at the intersection of finance, trade, and policy, meaning it is particularly exposed to changes in global governance. The outcomes of elections in major economies could impact everything from sanctions regimes and AML regulations to environmental and supply chain due diligence requirements.

While regulatory uncertainty can feel like a moving target, firms that remain engaged, informed, and adaptable will be able to anticipate and respond effectively to change. This means:

- Preparing for shifting compliance expectations, including new regulations covering financial crime, ESG, and digital assets.
- Monitoring evolving trade policies, as new tariffs or restrictions could alter supply chain dynamics and the movement of gold.

## 3. Business as Usual: Strengthening Core Compliance Functions Amid Change

While firms must prepare for an evolving regulatory landscape, strong BAU compliance functions remain essential. A proactive approach to compliance means ensuring that core frameworks – including risk monitoring, governance, and training – are robust enough to withstand new challenges.


Market participants should focus on:

- 1. Keeping Pace with Emerging Risks** by regularly updating policies, procedures, and systems.
- 2. Adopting a Dynamic, Data-Driven Approach to Risk Assessment** by incorporating new risks such as AI-driven fraud and cyber threats.
- 3. Building Compliance Awareness Across the Business** by investing in role-specific training, real-world case studies, and a culture where compliance is embedded in decision-making.
- 4. Strengthening Accountability** at the Leadership Level, ensuring boards understand key compliance risks and allocate sufficient resources to manage them effectively.

## A Defining Year for Compliance


2025 will be a defining year for compliance in the precious metals industry. Firms that treat compliance as a strategic asset rather than a regulatory burden will be best positioned to navigate uncertainty, maintain trust, and uphold market integrity.

By embracing technology-driven compliance, proactive risk management, and strong governance, market participants can turn disruption into an opportunity – one that strengthens resilience, enhances reputation, and safeguards the industry's future.



**Stay Compliant and Sharpen Your Market Expertise!**  
**Enrol in LBMA & ACI's Online Global Precious Metals Code Training today**

Contact [training@lbma.org.uk](mailto:training@lbma.org.uk) to sign up.



**Emmy Richardson**  
 LBMA Senior Compliance Associate

*Emmy works alongside the Membership, Good Delivery and Responsible Sourcing departments to manage and develop the compliance programme across the spectrum of LBMA's work.*

*Emmy also supports market development projects with a focus on data and analytics.*





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The gold used for the Small Craft product line is sourced from ASM mines accredited from the **leading world-recognized ASM focused programs**. Our digital ecosystem enables **easy traceability** of each gold bar.

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# Spotlight on Mint of Poland

Mint of Poland joins LBMA as an Affiliate Member



Mint of Poland, gold bars.

## 5 QUESTIONS 5 ANSWERS

### What were the reasons for you wanting to join LBMA and what do you see as the key benefits of membership?

As a company with nearly 260 years of history, we place particular emphasis on maintaining the reputation of our brand. We are listed on the Warsaw Stock Exchange. Our investment gold products are exclusively manufactured from ethically sourced gold. Honesty, transparency, and credibility are the cornerstones of our operations, which is why we support the principles upheld by LBMA regarding responsible sourcing and industry best practices. Values related to ethical production, the purity of precious metals, and high quality have been the foundation of our operations for generations. Joining a respected association of industry professionals as an Affiliate Member offers us the opportunity to engage in high-quality dialogue. We see this as an opportunity to engage in meaningful industry discussions and contribute to the broader conversation on best practices in the precious metals sector.

### Tell us about your company's role in the precious metals market?

We take pride in saying that the Mint of Poland is not only one of the oldest but also one of the most technologically advanced mints in the world.

Thanks to our state-of-the-art production facility and team of experts, we consistently expand both the scope and reach of our operations. Our comprehensive approach to production encompasses the entire process — from sourcing raw materials and design, to manufacturing the final product. This allows us to maintain strict quality standards at every stage. In 2022, we launched a new casting line, enabling the production of blanks and discs that meet domestic demand and strengthen our position in partnerships with international clients.

### What's the background and history of the company?

The development of the Mint of Poland and its products has always been intricately intertwined with significant moments in Poland's history, giving our brand exceptional value and solidifying its position as a key player on the country's economic landscape. The Mint of Poland was founded on 10 February, 1766, as part of the monetary reform initiated by King Stanislaw August Poniatowski. This reform introduced a new monetary system, established a new zloty exchange rate, and removed foreign coins from circulation. After Poland's partitions, the Mint ceased operations until 1924 when it resumed production in Warsaw following the country's regained independence. During World War II, the Mint was taken over by Nazi occupation forces, who confiscated precious metals and transported the numismatic collection. After the war, in 1952, the Mint was relocated to a new facility. Over subsequent decades, it expanded its operations, adopting modern technologies and diversifying its offerings to include collector coins and investment products. Since 1998, we have been listed on the Warsaw Stock Exchange and included in key

indices such as WIG, the oldest stock index calculated since the first trading session, and WIGDIV, which comprises companies that consistently pay dividends over five consecutive years.

### What factors do you expect to impact your business in the short to long term?

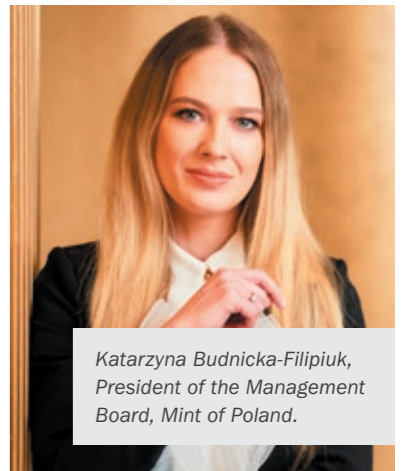
We view business development from a long-term perspective, focusing on our key competitive advantages while continuously adapting to the needs of our stakeholders and analysing the market environment. In Poland, we are committed to consistently expanding our sales network, both through physical outlets and online platforms. Our sales performance confirms that this strategy is yielding the desired results.

Globally, political developments in the US and shifting decisions regarding import tariffs will likely have a significant impact on the precious metals market. For companies involved in gold trading

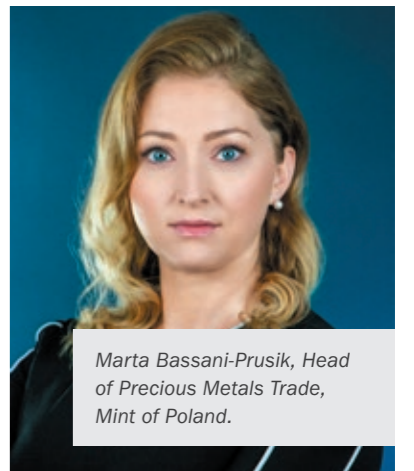
or investment, this may pose challenges related to the scarcity of this raw material. In the short term, this could result in higher gold prices and reduced availability, which would increase transaction and logistics costs. The rise in gold prices, both in US dollars and local currencies, may have a lasting influence on investment decisions.

### What are your future plans for the business?

In the minting segment, we are consistently executing a broad growth strategy, both geographically and product-wise. Becoming an LBMA Affiliate Member provides an opportunity to engage with industry stakeholders and stay informed about developments in the global precious metals market. At the same time, we are confident that our years of experience and the highest production standards will provide a valuable source of knowledge exchange and best practices for other LBMA members.



Katarzyna Budnicka-Filipiuk, President of the Management Board, Mint of Poland.



Marta Bassani-Prusik, Head of Precious Metals Trade, Mint of Poland.

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# Facing Facts

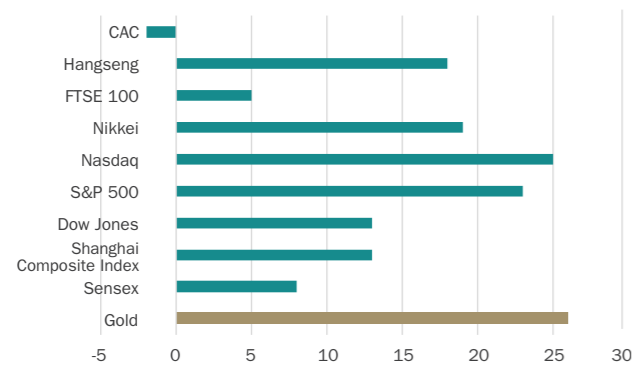
## Outstanding Return Followed by Speculative Tariff Premiums: How Gold Maintains its Worth in Physical Markets in 2025

By **Debajit Saha** Research Lead, Metals, London Stock Exchange Group

Gold's outstanding rise overwhelmed the leading global equity indexes in 2024, underscoring its growing value as a safe asset against ever-rising market turbulence. Gold appreciated 26% in 2024, outpacing global equity indices by far, except the S&P 500 and Nasdaq, both of which performed close to gold.

It was the US market that performed best in 2024 among global indices, despite having high inflation and high interest rates: gold outperformed on the back of strong central bank purchases and investment demand in the form of bars and coins, while ETFs and jewellery demand displayed negative growth.

Relative performance of gold against global equity indexes in 2024



Source: LSEG Workspace

Against this background, it is interesting to see how the physical market performed in 2024, as gold is always a favoured asset in Asia, extending to the Middle East and Turkey.

Let's dive deep into China and India to understand the demand landscape, which can roughly be attributed as a proxy for the rest of the physical markets.

### A Look at the World's Largest Physical Markets

Drilling deep into the world's two largest physical markets for gold, 2024 remained mixed. While the Indian market grew in both the retail investment and jewellery segments, China faltered, resulting in a fall in total physical demand.

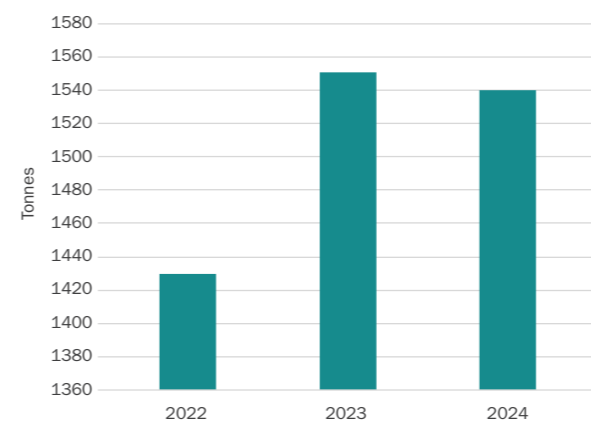
China suffered a major drag in jewellery demand, falling 25% on a year-on-year basis. Conversely, retail demand remained robust, growing by 25%, but failed to match the volume loss in jewellery due to the low base. The slowing Chinese economy put a dent in consumer confidence that impacted its behaviour. While the Chinese middle class was famous for heavy-weight jewellery purchases, they have resorted to lightweight jewellery. The rising gold price was also another factor. Investment demand remained robust as a countermeasure against the slowdown caused predominantly by the real estate bubble and low to negative yield in equities and bonds.

Indian demand remained robust despite the country's consumer spending drifting down due to slower than expected economic growth and, partly, to high inflation. The country's General Election (which happens every five years) also took place in 2024 and, thus, fiscal spending got disrupted due to 'model code of conduct'. Further, extreme weather conditions impacted vegetable production, putting pressure on prices. Despite this, Indian consumers showed tremendous faith in gold as an asset, both in jewellery and retail investment. One argument that partly explains the robust demand for gold was the slashing of import duty by the Indian Government in the Union Budget in July. The slashing of duty made gold less expensive, which resulted in a huge rise in consumption in the second half of the year compared to the first half. Continuous beating of Indian equities by the Foreign Portfolio Investors (FPIs) since October, owing to the strong US dollar and rising yield coupled with a slowdown in Indian corporate earnings, pushed domestic investors towards gold.

### Moving to 2025

Gold hit a new high in the first month of the new year, bringing much cheer to investors. Spot gold crossed the previous year's high of \$2,787/oz, proving again that a strong dollar is not a deterrent anymore. But, more than this, gold has been in the news for the price disparity between the London OTC market and the CME. More than 500 tonnes of gold were shipped to the US in the last two months. London is not alone – gold is moving from Switzerland as well. The latest Swiss customs data shows that Switzerland shipped 64 tonnes of gold to the US in December 2024. A similar kind of delivery was last observed in 2022, when Switzerland shipped 81 tonnes to the US as the Russia-Ukraine conflict broke out.

Total investment and jewellery demand (China+India)



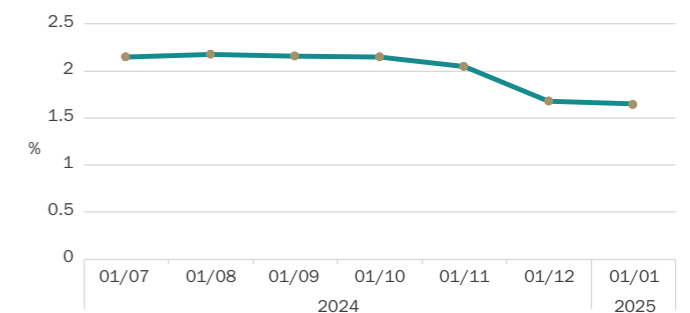
Source: LSEG Metals Research

Since the US is not predominantly a large consumption market like Asia, this kind of metal movement indicates that the current exercise is intended to avoid the tariff as the CME runs long-term contracts. Dealers need to safeguard their delivery obligations as higher tariffs will make gold expensive against the rates at which the current contracts are initiated. Some traders also are using the arbitrage opportunity by sending the shipment to the US to cash in the premium.

The question is, 'Is this speculation necessary'? Our market sources confirm that suppliers are mobilising gold lying in Asian and Middle Eastern vaults to the US to reap the current benefits of high premiums. Normally, gold lying in these vaults is meant to be consumed in the incumbent market. It is interesting to note that both India and China are currently trading at a discount compared to London due to poor demand. When demand is weak in both these countries, it invariably puts pressure on global demand. This artificially created demand around the so-called 'tariff' fear has allowed 'suppliers' to earn quick money in the short term, and we believe the return of physical demand would act as a catalyst to cut down the premiums to a large extent. We anticipate this to happen sooner rather than later.

The rising price is certainly a cause of concern for the physical market. We expect gold to reach still higher during the year. The jewellery demand in both China and India is going to be impacted as consumers will be moving more towards lightweight jewellery. On the investment side, both China and India are expected to do well. For China, the struggling property sector, low bond yield and tariff war are some of the factors that will continue to produce headwinds in the economy. Gold will be a leveller against these odds. India is expected to grow by at least 6.5%. However, consumption, job creation, inflation and money supply are some of the factors that the government must address. Tax relief in the Union Budget to the tune of an estimated \$12 billion is a big push towards consumption growth. Job creation in the private sector would be the next challenge to address. The valuation of Indian equity is also still a bit expensive. Against this backdrop, gold will certainly remain at centre stage among investors. Hybrid funds having gold components are getting traction, while ETFs are gaining in popularity as well.

China (Mainland) 10 Yr. Treasury Bond Yield



Source: LSEG Workspace



**Debajit Saha**  
Research Lead, Metals,  
London Stock Exchange Group

*Debajit is a Lead Analyst at LSEG, based in Mumbai. He is responsible for precious metals research in Asia, Middle East. He has a bachelor's degree from the University of North Bengal, India.*

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