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LBMA WEBINARS

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A View From Asia

Speakers:

Jeremy East, Senior Advisor for Asia, LBMA/Speaker 1

Summary:

Giving us an update on what is happening on the other side of the world in the Asian markets we hear from Jeremy East, LBMA's Senior Advisor for Asia.

Speaker 1:

Hello everybody, this is a view from Asia. I'm Jeremy East giving you an update on what I'm seeing in the regional markets and, also, what's going on in Hong Kong especially. So, the last time we spoke, Hong Kong was in very good place in terms of the virus, with only just over a hundred people having the virus. Unfortunately, the situation has changed quite dramatically over the past four weeks with, I believe, almost 900 people now with the virus. This has caused quite a strong reaction from the government in terms of restrictions on the border, and restrictions on public movements and business. Although normal businesses are up and running, retail is definitely quiet. This situation is being reflected across Asia, and it has had a knock-on effect on the gold market.

In different countries, we see quite different views. So, for example, in Hong Kong and Singapore, we've been seeing quite good amounts of scrap selling. People buy gold for a rainy day, and *this* is a rainy day. But, on the other side of that, there is demand coming through investment bars and coins. So there's, a little bit, I would say, a two way market going on in Hong Kong and Singapore; China – they are back to work, almost back to normal although again, like in Hong Kong, the retail outlets are still very quiet. And speaking to my contacts in China recently, demand is still very weak, and it's been weak since the Chinese New Year. So, the amount in China from a retail, and also from an investor perspective, is low with the Shanghai Gold Exchange trading around the $15-20 discount to the international markets.

Of course, this is important because gold that's moved over the past five years into China, can't actually move out of China. It's illegal for gold to be exported from China. So, in some ways, the gold that's gone into China cannot then move back out to satisfy demand in the international markets. And in some ways, it could be seen as quite lucky, because if China was importing gold in the same way as it has been, over the past five years, then the international markets may have seen some even more extreme dislocation. So, China has been importing as we know, somewhere around a thousand tonnes a year, for the past five years. This huge demand in China, of around 1500 tonnes, means that gold in China generally trades at a significant premium to the international market – and that premium could be as much as $40. In my experience over the past five years, China's only gone to a discount on one or two occasions, and in those situations only for a $1-2 discount, as the

market generally trades at a premium. So, today with gold trading at a $15-20 discount, it seems highly unusual and really just reflective of the weak demand that we're seeing in China. However, I expect this to change, as, people come back to work and become more comfortable visiting the local stores. I think potentially there will be some pent up demand for gold, and I expect over the coming quarter to see the current discounts in the China market moved back towards where it normally is at a small premium.

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