LBMA WEBINARS

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Why are Precious Metals On The Move Now with U.S. Investors?

Speakers:

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Summary:

Albert Johnston, III (Broker, Monex Precious Metals) provides an in-depth overview of what is driving the US physical demand for precious metals. Albert is an industry veteran with more than 46 years in the sales, marketing and promotion of hard, tangible physical assets. John Reade (Chief Market Strategist, World Gold Council) looked at the ETF side of US investor demand and what has driven the record-breaking gold ETF holdings this year.

Speaker 1:

Good morning, good afternoon and welcome to today's live LBMA Webinar. We are delighted to welcome you to listen to Albert Johnson III, of Monex Precious Metals, who will be providing an in-depth overview of what is driving the U.S. physical demand for precious metals. Albert is an industry veteran, with more than forty-six years in the sales, marketing, and promotion of hard, tangible, and physical assets. He is joined by John Reade, Chief Market Strategist of the World Gold Council, who has over thirty years' experience in the gold industry and related fields. John will look at the ETF side of U.S. invested demand and what has driven the record-breaking gold ETF holdings this year. If you have any questions throughout this webinar, please feel free to write them into the questions section, and our panellist will try to answer at the end should there be time. But, for now, I shall hand over to Albert. So, Albert, whenever you're ready.

Speaker 2:

Thank you very much for the introduction there Tayler. First of all, I'd like to explain the forty-six years of experience. For twenty-one years of my life, I was in the wholesale gemstone business of loose colour gemstones and diamonds, jewellery, estate jewellery and things of this sort. And this is where I got – and I was to sell strictly to the trade, to retail stores, different wholesalers, and also different manufacturing jewellers, okay. So, that is where I got my affinity for precious metals, and I knew the precious metals only from the jewellery interface. And then my last twenty-five years, as of last this past June here, which is twenty-five years at my post that I am at right now, just marketing and sales of physical precious metals – gold, silver, platinum and palladium – directly through individual investors throughout North America.

Now, I want to go back a little bit in time here. Okay? Let's go back to 1999/Y2K. Okay? The buyers at that time that came in, were panicking a little bit. Those who mostly do a lot of the old established gold bugs, and the 'doom and gloom' type of people. Okay? And what I meant by the 'doom and gloom' – people would call in and say, "Well listen that, make sure you have your wife, you've got two year's supply of bottled water and canned tuna fish here and your shotgun and shells and a bag of silver coins". That was most of the type of investors that were coming in at that time. And then you would have some doctors and other professional people who would buy a little something just to have a little security. Next, we go on to 2008, the world is familiar with the financial crisis, and there we saw high demand for small bars and all bullion coins, and that's where we had a big problem with the supply chain because the mints would just – ran out completely. They were backed up for weeks and weeks and weeks, and people were, you know, panicking quite a bit and that was one phase. And the type of buyer there was a little bit panicky. People were worried about maybe their financial assets going down the drain with the stock market since Bear Stearns and Lehman Brothers went out overnight. And, you know, Bank of America had to buy Merrill Lynch on a Sunday afternoon, so it wouldn't crash on Monday morning. So, we had a diff – a kind of a little bit more fear involved in that. Then, just a little later, we started to climb, and we came to 2011 where we had gold coming to an all-time high of somewhere around a little over $1,920, I believe, intraday. And then we had silver almost reaching its all-time high and breaking $4,900 intraday. So, this got people excited.

Now, with that happening, the higher the price got, the more people came into the market. The higher the price, people will be calling off the shelf left and right to buy. Let me buy, let me buy! The higher the price, the higher the price, the higher price, they got very, very excited. Now, I once used this in a speech that I spoke at in 2006 at the LBMA conference in Montreux, Switzerland. At that speech I used this saying: "Winston Churchill once observed, Americans always tried to do the right thing after they've done everything else." And I think this is a very good example of when you see the prices going high and high. Now, we have a little bit of a different situation here with the COVID coming that's, you know, acted like a catalyst of things. And, you know, we have a big problem with the supply chain and a new kid on the block call logistics. No one was really expecting that to, you know, be thrown into the fire, let's say. So, the type of investor now that's coming are the same type of people from before, but there's a whole new wave of investor that's never bought before. They call in and they say, "Look, I know I need to buy gold and silver. I've never done it before. How do I do it?" So, you make a presentation and tell them, you know, make some suggestions. For instance, if someone says I have a hundred thousand dollars to invest, I would suggest them to put maybe 60/70% of it in gold, maybe 20%, plus-minus in silver, and put 10% plus-minus in platinum. That way, they've got a nice diversification. And the reason for platinum, I believe that platinum in the current market conditions is extremely, extremely cheap.

Next slide, please? Why are they buying? Basically, they're buying for the preservation of wealth, the common things we know, ahead of worrying about the U.S. Dollar and everything. But, basically, right now we have a lot of panic and fear going on. We have people that can't get into their banks, for instance. In my area here, this may be six or seven branches of the Bank of America, which is a large nationwide bank that we have here. Well, out of the six or seven, for the last three months, only two of them were open, so people can't have access to their safety deposit boxes. Some of the elderly people are accustomed to going to the bank rather than going online. So, there's a panic going on. So, now we're seeing people actually calling in and say "Listen, I've got money in the bank, Albert. What do I do with it? I'm not making any interest, you know. I want to buy some gold – put it in some gold – at least I can preserve myself because I'm worried about this Dollar devaluing." So, this is something that's very, very common, and that's a very common thing that's coming in, which I haven't seen in the past before.

Next slide, please? These are the common things that people are buying. Did we skip a slide there? Number 3? Okay. These are the common coins that people are buying. In the U.S., it's probably, for the private individual – except for the high-net-worth individual – it's primarily the government bullion coins. And this one up here, in the left-hand corner – the walking liberty or the eagle – is the coin. Nine out of ten times when they're calling in, that's what they want. And these are the other coins that are very common for people to buy. Now, myself, I quite often recommend people to buy the maple leaf or the Vienna Philharmonic. Just because it's a four-nine purity coin. I find that a little interesting. The next slide? Okay, these products all sell well also, but the United States really is not too much of a bar market for the investor except for the high-net-worth investor. Okay? But what is quite successful in the United States is the one-hundred-ounce silver bar. That was something that was made by North American refiners back, I think, in the late seventies approximately. And it was a design specifically for the American investors, it wasn't designed for industrial use.

Next, please? Who are these investors? In the U.S., there is a wide range in backgrounds and professions, from farmers to business owners, lawyers, high-net-worth individuals, and everything in between. Surprising enough, the farmers in the Midwestern part of the United States are really good, consistent buyers of precious metals and, actually, I've learned a lot from them. These farmers are like wheat farmers. It could be corn; it could be soybeans – some of them are into cattle – things of this sort. The reason why they're generally third, maybe fourth-generation farmers, and their families and parents and grandparents before are very used to working with the Chicago Mercantile Exchange for their commodities, and so they're quite, you know, familiar with the precious metals. And a lot of times when they have a good harvest or something they'll call and make a purchase, or perhaps they've sold off a parcel of land or something like that, they'd like to take delivery of things. Now, there's a number of business owners who are interested in the precious metals, and the ones who are in the engineering business seem to happen to be pulled towards the PGMs a little bit. I noticed they like the platinum/palladium – they're a little bit of aware of what they are. Now, doctors are very good targets for investors but, in the United States, the doctors like to read before they actually invest, they like to read up on stuff and everything. And doctors and lawyers are also very, very good candidates for something I will talk about in a little bit here in regards to retirement plans because they generally have very large retirement plans. Usually, it's something called a SEP which is a self-employment pension plan, which they're able to put up just a little bit more in there than a regular Individual Retirement Plan of some sort.

And the high-net-worth individuals, well, that's a different picture. They generally buy very discreetly, so, there's not a whole lot, maybe, I can say on them. They do like to buy coins, but primarily, they're the ones who are going to be buying the kilobars, or maybe even the four-hundred-ounce bars of gold. And if they are silver investors, they're going to be buying the thousand-ounce bars of silver. And most of them will have their holdings in different places, and a lot of them will buy abroad very discreetly. Next, please? Silver. The importance of silver as an investment in America. Silver is now becoming a companion to gold versus being seen as "poor-man's gold." As we've noticed recently in the price of silver, it's been quite low concerning gold's performance here. Okay? And there is a big gap, and people look at the ratio – the ratio got to 133 – something like that. And now we're closing that gap a little bit, but there's a very strong affinity for silver in the United States. And I think that's a cultural thing. We've been using silver for – as a currency, I think, since the latter part of the 1700's. An example, when I was very, very young, it was very common to have a silver dollar, go down to the grocery store, it would be one dollar and you would use it. It was a very, very common thing. It isn't now, but it was very, very common. So, we have a long affinity of that. And if you look at the silver boom that happened, let's say, in the 1870's/1880's that happened in the hills – in the western part of Nevada, like the Comstock Lode – a lot of people made a lot of money in that, and that influenced people a lot on silver. A good example of that would be George Hearst, whose son was William Randolph Hearst Senior, who took his father's wealth and made the largest media company in the world: the Hearst Publications.

Next? When an investor calls in for silver, this – nine out of ten – this is what they want. They want that green U.S. Mint Silver Eagle box commonly called 'The Monster Box', which holds five hundred coins. It's very common for someone to call in to buy one, two, three, four or five of those. That is 90% of the demand, I would say, for silver is the Silver Eagle coins and especially in the form of this box. They have an affinity of having this box. Now, the Royal Canadian Mint makes a box too that's quite nice also. Now, on the other hand, what is quite popular in the United States is the one-hundred-ounce bar that I spoke of before. This is a very common item for people, because some people call in and they just want the bullion – they don't want the coin, they want the bullion because they want to pay the lower price. Next, please? And there she is. The walking liberty. The eagle. This is what they're looking for. Next slide, please? These are the other common silver coins that are sold. Primarily I would say the Maple Leaf is the second largest selling coin. And then you have the Vienna Philharmonic, you have the recently released Krugerrand, and you have the Australian Kookaburra. Now, I recommend myself a lot to people, the Maple Leaf. The reason why is the premium is a little bit less than the American Eagle, and it's the only coin I believe – correct me, John, if I'm wrong – I believe it's the only government bullion coin out there that has a four-nine purity to it.

Speaker 3:
I think that's correct, Albert. Yes.

Speaker 2:
Yes. And, so, I do recommend that to people quite often because there is a premium difference, and you get what we call a better bang for your buck. You know, silver is silver. Next, please? Where do platinum and palladium fit into this picture? A diversifying story. Well, they're kind of the new kid on the block. What does the word 'platinum' mean to most Americans? Next, please? When you mention the word platinum, this is what they think of. Their platinum credit card, platinum ring, platinum blonde. This is very, very common and, you know, the reason I say this – next slide, please – okay. This is a 1 Carat D flawless colourless diamond. That's the highest colour and highest clarity you can get in a colourless diamond, commonly called a white diamond, but it's colourless because it's clear. And all of this is pure carbon. That is the absolute top in that. Now, next to us here we have a natural colour, intense fancy pink diamond, and then we have an intense fancy green diamond. These are extremely, extremely rare. These stones being the same size, more or less, are anywhere from fifteen to twenty-five times more expensive than this. The reason is, I'm trying to point out here is the rarity.

Next, please? Platinum is geologically rare – scarce compared to gold. This is why I think it's a very, very good investment and currently with the price of Platinum being 50% – or more – less than the price of gold, I think it's extremely, extremely cheap at that price. Because, historically, platinum trades a little bit of a premium of gold, but it's always been associated with things that are expensive. That's why I showed you the platinum credit card, and the ring, things that are expensive, or things that are luxury. For instance, the most important gemstones – Diamonds, Ruby, Sapphire, Emerald – you go to Lawrence Graff in London, you go to Moussaieff in London, you go to Tiffany's or Cartier or Harry Winston, all their very important stones are set in platinum. So, it's really associated with that wealth, or that expense. And when you go to the auctions, such as Sotheby's or Christie's, all the important stones – almost all of them – are set in platinum.

Next, please? Here I just want to point out that it says over here on the side that the bar coin demand is up quite a bit in the United States and Japan. So, that's a good sign that things are coming back. I feel that, at some point here, the Platinum price will rise back up aways. And I think that will be partially because when gold makes a move in the future – providing it does make a move in the future, okay – it's going to pull all the rest of the precious metal complex with it. Okay? On another hand, we have to look back here. We have what – 70%, John? Plus-minus of all the platinum, when production of platinum is coming out of South Africa from six major producers, primarily out of the Merensky Reef area. And then you have what five, maybe six, come from Zimplants next-door, at Zimbabwe, which is controlled by Impala. So, it's kind of all the same. So, basically, you have 75 or 76% plus-minus of all the platinum mined there. So, any disruption in mine supply, I think we could see a good rise in the platinum. And the best example, I would say, to that is in the very latter part of 2007 when Eskom there – the South African energy company – had the big breakdown failure for quite a few months, we saw platinum go somewhere around – I believe it was around late December somewhere – in the mid $1,400's U.S. Dollar wise. And it went up to as high as $2,276 approximately intraday in a matter of three or four months. So, this could happen again and that would be very, very good for the demand in platinum. Plus, the ETFs, which you'll talk on, I think, have given a lot of added value to the stocking of platinum and so they're all physically backed.

Next, please? Retirement Accounts. There are over 28.7 trillion Dollars, that's 22.6 trillion Pounds, held in U.S. retirement accounts. This little saying/statement below, I saw back in 2013 – I printed out and I've saved it ever since. "Pension money invested in bullion is peanuts, if 1% of assets shift to gold, it would explode," World Gold Council, 27th March 2013. I believe that is spot on. Looking at this right here – that amount of money, that would – this is really a very important key, I think, in the United States that I think if this was developed, there's a lot of marketing involved here. If this was developed, I think it could move the market up aways. You don't really have very many retirement accounts per se, that are putting precious metals into their portfolios. Now the individuals, you know, some of them are putting it in just for store wealth or leave it for the family later on, this and that. But, if this gets more to the corporations and institutions, I think that would really, really move the market. Just a few examples, obviously there's the University of Texas Investment Management Company, okay? I think it was in 2015, they put about a billion dollars' worth of physical gold in it, which is held in – somewhere in New York – in the vaults there. I don't know if they've moved it or not.

Speaker 3:
Yeah! It's actually – Albert, it's actually in Texas. I think. They've got a–

Speaker 2:
Oh, did it move back to Texas?

Speaker 3:
Yeah, they've got a bullion repository in Texas now.

Speaker 2:
And that's – that was very strongly influenced by the Dallas-based hedge fund manager, Kyle Bass. Then you have, in Ohio, there is – I believe, it's the Fire and Police Department Pension. Some years back they put about 5% of their portfolio into physical metals but, really, there's hardly any corporations or even the number of people that have put any of the precious metals in there. As of 1997, we can now put in all four precious metals. Prior to that, we could only put in silver and gold American Eagles. So, the investor has a little bit more diversity right now. Next, please? This is just showing some of the constrained supply of the strong Chinese demand that is in the market. On another note, about platinum, Trevor Raymond from The World Platinum Investment Council – I know he's been involved in recent years in trying to get in corporation with the South African Mint and the Rand Refinery –he's been trying to get them to make a Krugerrand Platinum coin. Now, I think this is an excellent, excellent idea and I think it would be very successful to the investors. And one reason why is that the Krugerrand worldwide is probably the most well-known gold coin out there. So, if they made one in platinum, I think it would go well. And, especially since most mines' supply is coming only from South Africa, I think this would be very good. Next? Where is the gold and the three white precious metals for retirement? This is a pie chart from recent years, supplied by the Investment Company Institute. Okay? It is showing you where the funds are generally divided within a retirement plan. Now, out of that 1.6% unknown, I know some tiny, tiny, tiny-minded fraction is the precious metals. So, you see here, there's a lot of room for the metals to get into the retirement part. Next, please? I'm already at the end – shorter than I thought.

I'd like to thank the following: the LBMA for the opportunity to present today; also, Andrea Aratoli from Argor-Heraeus in Mendrisio, Switzerland, for the precious metal bar photography she supplied; and John, special thanks for you and The World Gold Council. And I understood that you were the one who recommended me to speak with the LBMA on this. Is that correct?

Speaker 3:
That's correct. But I can't think of anybody better to talk about U.S. physical demand for precious metals. So, I'm very pleased we did.

Speaker 2:
Thank you very much and many thanks to Trevor Raymond for his support from The World Platinum Investment Council (WPIC). Now, on a more personal note, this presentation is dedicated in memory to the late Michael T. Maroney, who was my director at Monex for twenty-three plus years. And, unfortunately, he passed at an early age, a little less than two years ago. For you who may have known Mike, or had talked with Mike, he was an extremely bright individual – very high energy, vivacious, and he had charisma – and he was highly, highly motivated. And we lost a pillar in there. If he was here, I would have liked him to have done this presentation rather than me. Philip Klapwijk when he was with GFMS, he used to come up quite often to do speeches there with Mike – he knew Mike well – also Jim Steel, used to come out and talk with him and they kept in touch over the years. So, that was a pretty big loss here for us, but I want to dedicate this to him. He would have liked the fact that I spoke here. So, John, I'm going to hand it over to you.

Speaker 3:

Thank you very much, Albert. If we could have the next slide? I've put together a few slides here to talk about the extraordinary rise of gold ETF holdings in 2020. I'm not going to talk about silver or PGM's, because I no longer follow those markets particularly closely. I've taken slides principally from a report that was – or an article – that was published in the Alchemist Magazine recently which is available on the LBMA's website, but I will talk a little through these trends here. If we could have the next slide, please, Tayler?

So, we've seen very strong net inflows into exchange traded funds this year. They've increased every month this year, and are even up month to date, despite the ongoing consolidation and correction in the gold market. Since January 2016, we've seen net inflows for thirty-six out of the past forty-five months as well. So, the top right-hand chart there shows this trend. Although we've seen individual months historically that have exceeded the buying that we've seen recently, the consistency of the buying over the last couple of years really stands out. Year to date, that's about a thousand tonnes. I put these slides together a couple of days ago, and it's changed a little. We saw a small outflow yesterday, I saw this morning, but it's pretty close to that. I think another feature of the market is that, in terms of ownership, there's a much better balance now between holdings from North American listed funds, and European listed funds. When we look at previous all-time highs, which I'll show on the next slide in a moment, you'll see that it's very much dominated by the U.S. listed products. And I think that also highlights the potential. It's something that came out from what Albert was saying. A lot of potential investments would be unlocked out of the U.S., if we were to see the U.S. Dollar go through a protracted period of weakness. That hasn't really happened so far and, in fact, the bull market in gold over the last twelve or fifteen months has been accompanied by a stable, even strong U.S. Dollar which, you know, is good. It's good because it means that investors in most jurisdictions have seen gold trade to an all-time high, and it's also good for mining companies often whom have costs in local currencies. But it probably has, I think, kept – the fact that the dollar is still being stable/strong – probably kept some investments side-lined out of North America, which could be unlocked if the dollar were to start to decline much more.

Next slide, please? So, the graphic here shows the balance principally between North America and European listed products and ETFs. And you can see the point that I'm making. Even though both are at all-time highs in terms of tonnage, Europe commands a much larger share of the overall total than it did when gold ETF holdings were at a previous all-time highs back in 2012. So, let's put that nine hundred and ninety-nine tonnes increase in ETF holdings, so far in this year, into context. It's more than any one full year of ETF buying of gold that we've seen previously. That quantity is more than the record central bank demand that we saw in 2018 and 2019. And, in fact – as we revise data – 2019 now looks as if it was the all-time high six hundred and sixty-eight tonnes of gold purchased, and so that's the highest since the end of the gold standard back in '71. If you look at how much gold was produced in the first half of 2020 from new mines, or from mining output. The ETF inflows that we saw in the first half of the year were equivalent to about 40% of that total. Now, that doesn't mean, of course, that 40% of the gold went into ETFs. There's lots of liquidity in the gold market, so, some new mined gold probably did, some recycling gold as well. And, finally, ETFs now hold more gold at about three thousand nine hundred tonnes, then the second largest central bank holder, which is Windows Bank, which is at three thousand three hundred and sixty-two, but we still got some way to go before we can surpass the holdings of the United States, which holds eight thousand one hundred tonnes. I've put a small table on here just to illustrate the biggest holders of gold in the official sector.

Next slide, please? So, one of the things that looking at ETF holdings allows you to do, is not only to talk about the totals but to look at the balance of buying and selling that's coming from various markets. And I've just stripped out here North American and European listed funds to show the changes in holdings monthly back to the beginning of 2019. And you'll see that from March onwards, those blue bars get bigger. And the blue bars get bigger, because North American buyers of gold via ETFs increase sharply. Europeans still have bought most of the time – but they have a small outflow in August – but other than that have been pretty steady buyers through the time, but the U.S. listed products certainly stood out. Now, why is that? Well, I think, clearly after the market shock that we got in March when people realized just how bad Coronavirus, in fact, was going to be on the global and U.S. economy, people turned to gold more than they've have turned before. But, also, the dislocation that's taking place between the COMEX market – the COMEX Futures market in

New York – and the Over-The-Counter market in London – which Albert alluded to when we were talking about logistics before – appears to have triggered some switching of COMEX long positions into both the Over-The-Counter market, also into the ETF market. It's become more expensive to own gold via COMEX at the moment and that's one of the factors, I think, that's driven that. Also, we heard quite a lot of reports of shortages of coins, particularly in the North American market – less so bars, where they're not quite as important. But the shortage of coins in the North American market might have triggered some inflows into ETFs instead of physical gold. And then, finally, the so-called "Robin Hood" trade – all the furloughed workers sitting at home, nothing to do, no sports betting, buying things recommended by a man with a big green hammer most of the time, but we do have some evidence that the "Robin Hood" investors are also involved too in both gold mining equities, but also in gold ETFs.

Next slide, please? It's just as well, to be frank, that we had the ETF buying, and I said here that ETFs often attract criticism from other parts of the gold market. And I've certainly heard that, as a representative of the World Gold Council, over the last few years occasionally. But, I think, in 2020 they've really shown their reports. We've seen very strong buying from ETFs. The jewellery market, in contrast, has fallen sharply. And if you look at the global bar and coin demand, believe it or not that – in the first half of the year – that was down year on year, because the really positive strength that we were seeing and coin demand and bar demand from Western Europe and particularly North America was more than offset by weakness in bar demand in emerging markets. Central Banks, which have very much been a part of the buying of gold over the last decade continue to buy but bought at a slower rate. So, the ETFs really did what they were supposed to do. They provided access to investors looking for exposure to gold. The London vaulted ETFs – where most of the gold was vaulted in Europe, almost out of London – the London vaulted ETFs were able to source gold throughout the COVID-19 disruptions, creating and redeeming occasionally when they needed to, without major issue. They've allowed investors to access exposure to gold, when physical products were tight, or trading at big premiums. And, I think, the key thing here as well, when you're buying into an ETF, you know what your holding costs are in advance.

So, I'm not sure whether I had a conclusion slide. Let's just flip through and find out. Oh, I did. Yes. Quick advertorial. All of this data for these slides came from material on Goldhub. All our research stats, our investment tools are available on here. It's a free website. We require you to register who you are, that's all, and we're very proud of it and would encourage you to sign up and use it. Any suggestions for improvement, please drop me an email. I think the very final slide is – this is where I'm speaking from. This is the new Office of the Chief Market Strategist of the World Gold Council. I'm sitting at home now – have been for months. We're not traveling, so we're writing more research, and we're more active on social media. And stay in touch with us either by Goldhub or follow me or the World Gold Council on Twitter. I'm a bit more sarcastic than the World Gold Council but it's all there, and the obligatory disclaimer. So, thank you very much for listening to us. I've seen a few questions coming in. Ruth, are you okay for me to run the Q&A on that?

Speaker 4:
Absolutely. Albert asked me to jump in. I'm just delighted you both took the time to speak to the audience today, and I very much enjoyed all of those remarks. I think you guys are getting quite a lot of questions in the Q&A, and I took a controversial decision to allow people to upvote them if they are really keen. So, if you haven't seen that Q& A function in the middle, feel free, but John, please.

Speaker 3:
Excellent. Okay, so there's one question on here from Alexandra Gavrilova. I apologize for mangling your name. What will happen when gold ETPs are traded higher than physical gold supply? And some further questions from that as well. So, look, I think the way to think about the gold market – the way I think about the gold market – you have an annual supply of gold, but new mine production sits about 3,400 tonnes, if memory serves me correctly, at the moment. And, as we've seen year to date, ETFs inflows in the order of about a thousand tonnes. So, there's plenty of room for ETF inflows to continue when you compare it to mine supply, but there's also a stock of gold of about two hundred thousand tonnes out there. Now, some of it's not particularly available. I don't think central banks are necessarily going to be selling in any quantity. But there's a lot of investment products out there in gold which, at the right price, will probably come back to the market. Similarly, there's lots of jewellery scrap that comes back each year, in excess of a thousand tonnes. So, I think we'd have to

see considerable increases in buying of gold, whether it's in physical products via Albert or whether it's in the ETF market for it to get to the stage where you can't source the gold. Because, generally speaking, the more buying there is, the higher the price and high prices usually – in the commodity markets – sort out shortages of supply through, particularly in gold's case through, you know, other people selling. I guess, eventually, probably through higher mine supply.

Other questions within this: are there ever any deliveries with the exchange traded funds? Generally speaking, not. People who buy ETFs don't take delivery of gold. There are some funds that allow mechanisms for you to do so. They've been very rarely used. It's not paper trading, because the ETFs are backed by physical gold, but it generally isn't a mechanism to allow you to take physical delivery and certainly isn't used very much. On the next question and, again, from Alexandra, why are the bars represented only Argor-Heraeus Ingots in the presentation? Albert, why did you happen to use those?

Speaker 2:
Because I know Argor. Over the years and I'm pro-Swiss, okay? On all the bars, actually. But I just happen to use Argor because they know me over the years. Bernard Schnellmann, the director there who recently retired, I know him from back in the – when he was a director at UBS in 1997 or so. And, so, I've just decided then. I've been down to the refinery maybe four or five times over the years.

Speaker 3:
So, it's a personal relationship.

Speaker 2:
Yeah!

Speaker 3:
There are, of course, other gold bars available from other refineries which are similar in quality and reputation we should probably say. So, I've got a question for you, Albert.

Speaker 2:
Yes.

Speaker 3:
The farmers that you have as clients – first of all really interested in that. I'm used to paying attention to Indian monsoons and seeing what that will mean for the Indian gold demand. What I've realized now is I probably should be paying at least half an eye on what's happening to the profitability of the U.S. farming sector. So, I found that really interesting. What surprises me, though, is I'd have thought that farmers who are used to using futures markets to hedge themselves for their production, why they're not using futures markets to get exposure to precious metals? Any thoughts on that?

Speaker 2:
Some farmers are using futures contracts, okay? But there's just the down-home – I want it in my hand, the delivery. And that's what grandpa taught them, and this is what they want, they want to have it right in their hand.

Speaker 3:
Now – and, absolutely, I can completely agree that some investors, some buyers of precious metals absolutely want to have that gold in their hand, and there's nothing wrong with that. Although, as we know, that can come at a premium. And that's another question I wanted to ask you. What sort of premium is a monster box of silver? I've never heard that expression before, by the way, but I was fascinated by the concept of a monster box of silver coins. And what sort of premium percentage does that work out at, roughly?

Speaker 2:
The premium right now varies quite a bit because there's lack of goods in the market as you know. You know, the mints are running on skeleton crews with COVID and this type of thing. And, so, you

know, when there's a lack of demand, premiums go up. So, the premiums are very high at this moment, okay? But it depends – it's a pretty wide range, and you can see maybe from $6-$9 over spot plus/minus right now, which is way higher than normal conditions. So, that's – I mean, it depends who's, you know, selling it. And then there's a lot of people who just don't have inventory. If you go to the different websites and look around, it says, 'here's the price but out of stock; four-to-six-week delivery'.

Speaker 3:
But the hundred-ounce bars of silver that you showed there are available at much lower premiums, is that correct?

Speaker 2:
Yeah! The hundred-ounce bars are available at a lower premium, but even them, they have a very high premium than what they had before. They've gone up tremendously. It's just a lot of goods on the market. So, we have two things. We have the, you know, a break in supply chain, okay? And then we have the logistics problem as a problem too. That's the other one.

Speaker 3:
Interesting–

Speaker 2:
And I think the logistics–

Speaker 3:
Carry on, please.

Speaker 2:
The logistics problem was very well explained in the seminar that the LBMA had back in May, where you had Loomis and Brinks, and Malca-Amit explain the situation. I mean, it was very, very serious.

Speaker 3:
Yes, and certainly had some fairly big implications too, particularly the retail end of the gold and silver market, even if the wholesale market functioned pretty well throughout the whole time. I've got a question here from Isabelle Strauss-Kahn: 'any impacts of the U.S. elections for the gold market'? And I'll answer it from my perspective, because I got this question yesterday when I was on another conference call, but I would be very interested in what Albert has to say afterwards.
Certainly, from speaking to investors, institutional investors, and more wholesale investors in gold, I think it's very clear that people have positioned themselves for volatility in the gold market around the U.S. elections and the time period somewhat thereafter. People ask me, 'well, what happens if one party or one president or the other president were to win, or the other candidate were to win'. And I'm less actually concerned about – in terms of the impact on the gold market – about exactly who wins. I think that, personally, this is more an economic crisis than anything that can be affected by government policy particularly. But, certainly, there is a possibility – and this has been factored in by positioning that some investors have made through the options market, particularly – there's a possibility of a tremendous amount of volatility and uncertainty around the time of the U.S. election, and then waiting for the results. What have you seen Albert? Have you seen clients that you're speaking to specifically buying gold or silver in anticipation of what could be a tricky election period?

Speaker 2:
Yeah! I would say yes. Looking at the uncertainty there is out there – and that's one of the uncertainties because there's so much controversy about the election, you know – so, people are buying a little bit under uncertainty. They figure they'll have a hard tangible asset in their hand, they've got something, and they do not know exactly which way the election is going to go, so, it's a security thing.

Speaker 3:
Absolutely, and I think that that's, you know, quite understandable if you look at some of the scenarios that people are pointing out about what could happen. I've got a question for you Albert.

These waves of new buyers coming in and looking to invest in physical precious metals, would you say they typically have brokerage accounts already?

Speaker 2:
Yes. Okay. The typical portfolio of an American investor is real estate, stock and bond portfolio, annuities and things. And, so, yes. Most – all these people have a stock portfolio of some sort, and some of them have liquidated it. Absolutely, absolutely.

Speaker 3:
It's interesting because, you know, one of the advantages of ETFs is that they can be bought through a typical brokerage account, and I find it fascinating that even with sophisticated investors that do have brokerage accounts they're still prepared to – that they're still actually prepared to pay the premium on physical precious metals – just because, as you say, they want the metals in their hands themselves.

Speaker 2:
Yes, that's 100%.

Speaker 3:
Finally, there's a question on here, also from Alexandra, who has been particularly active in the Q&A box. 'The global physical market for gold was forecasted to be in surplus this year at an all-time high of fifteen hundred and ninety tonnes. Where are those fifteen hundred and ninety tonnes in physical?'

Well, I would say, first of all, I don't recognize those forecasts, they're not similar to the ones that we're putting together. And, you know, I'd like to see, perhaps, where those numbers came from. But I think the way I would describe what's happening in the precious metal – sorry, in the gold market – at the moment is we've seen a big increase in investment demand in the West, which we've talked about here – Albert on the physical side, myself on the ETF side – which has, so far, more than compensated from the weakness that we're seeing in consumer demand in jewellery, in technology, and the slightly weaker purchases from central banks. So, to me, the gold market adds up. I don't think there's anything going on there. Of course, there's some Over-The-Counter transactions which we can't monitor but, in general, investment buying has more than made up for the weakness in consumer demand. And what I've said, and what we've said as an organization, the outlook for gold in the second half of the year is going to very much depend upon this continuing. So, in other words, will investment demand stay strong? Because consumer demand although it's recovering a bit, in the third quarter, and hopefully in the fourth quarter too, isn't going to be strong this year. And we're going to need investment demand to remain at strong levels, which we expect will happen in order for the gold market to balance and for gold prices to be supported at the high levels that they've been at.

I'm conscious of time, and I would like to bring this to a conclusion. Before I do, I'd personally like to thank Albert for the insights into the physical precious metals market, bar and coin demand in the U.S. – or coin demand primarily (inaudible) is not something that I've spent an awful lot of time on over the years and I've always learned things when I'm talking to Albert and that includes today, so I'm very pleased for that. For those of you that are looking for more statistics on the gold market – sorry, no silver or PGMs – but if you would like more statistics on the gold market, I would encourage you to go to our website, gold.org and look at Goldhub. Follow us on social media, send me questions, insult me. Hey, lots of other people do, why not? And I look forward to engaging with you all. With that, I'll hand back to either Ruth or Tayler, I'm not sure who is taking–

Speaker 4:
I think Tayler is going to jump in and she's got some next stuff, but I just wanted to say thank you again to you both. I think my only regret is that we can't be in Lisbon together this time. I know you're both quite well-known speakers on the LBMA stage. I'm delighted you could brace us on the virtual one, but we will be in Lisbon next year come hell or high water. So, if you haven't marked that date in terms of September, for next year, please do. The weather should be even nicer than it was originally planned for this year in October. That's, you know, what I tell myself as I'm also in my home office,

despite the pretty virtual landscape. So, Tayler, is there anything else that the guys need to know for next time? Over to you.

Speaker 1:
Yeah, thank you very much. Thank you, Albert, and John for a really great webinar. We have – we were going to have our AGM Chief Executive speech next week but due to popular demand, we've just, kind of, changed that into our Responsible Sourcing Report, which was released this week. So, we'll be joined by Ruth Crowell and I believe a few more of our Responsible Sourcing team. So, we really hope that you can join us for that, next week, on the first. Following that, we do have our Digital Gold webinar – so, we can confirm that we have CoinShares and Sprott joining us for this webinar. So, we are expecting that to be very popular. And then, following that, we do have James Kynge on the 15th, from the Financial Times. So, we do have three big weeks coming up, in the lead up to what would have been our conference. So, we do really hope that you can join us. We'll try to make it a little bit special, knowing that, obviously, we cannot hold the conference this year. But that's it from me and, again, thank you Albert, thank you John, and thank you Ruth for your cameo. Always lovely to see you. That's it from us, and we hope you have a lovely afternoon and a lovely weekend ahead, and as always, if you want any more information, just email us at ask@lbma.org.uk and we'll be only happy to answer, so, thank you.

Speaker 2:
Thank you.

Speaker 4:
Thanks everyone.

Speaker 3:
Thank you very much.

Speaker 2:
Good-bye folks.

Speaker 4:
Bye.

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