LBMA WEBINARS

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Gold in 2020 – Key Drivers and Outlook

Speakers:

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Summary:

As we head into the final quarter of what has turned out to be an unexpected year, Ross Norman played host to Bernard Dahdah (Senior Commodities Analyst, Global Markets Research, Natixis), Jim Steel (Chief Precious Metals Analyst, HSBC) and Nikos Kavalis (Director, Metals Focus). These experts discussed the key drivers likely to impact gold prices, what direction prices are heading, how the markets are coping and how they have adapted to this most difficult of years.

Speaker 1:

Well, welcome ladies and gentlemen to this LBMA Webinar, where we are going to look at the Key Drivers for Gold in 2020, and once we have identified what we think those factors are, we'll be looking to consider how it might play out for the balance of this year. Now, we're very privileged today to have three of the very finest minds in precious metals to join us. I've got Bernard Dahdah who is the Senior Commodities Analysts from Natixis; Jim Steel, 14 years, HSBC's Precious Metals Analyst; and Nikos Kavalis, Founding Director of Metals Focus. (Inaudible) experience, not evenly spread I might add but, you know, help me out if you will, if you're listening into this webinar by asking questions of this illustrious team I have in front of us here. If it's not apparent how to do so, on the right-hand side on the control panel, you'll see a “question and answer” session there, you can type that in, and we'll pick those up at the very end of the presentations. If you look on the next slide, Jamilah, be handy. I think we are getting there. Great

I am about to show you in a second the Gold Chart for 2020. Here we go, lovely, thank you very much. Now, it’s a chart all of us will know very well. Gold has – it’s hard to imagine that, back at the beginning of this year, Gold was back at $1,520, and currently, up over $400, that's 20% on the year. Quite a stonking gain but, you know, not so unfamiliar for those of us who know gold well. Back in the two thousand’s – pre-Global Financial Crisis – gold notched up several 20-something% gains. In 2005, gold saw a 29% gain. In 2006, gold saw a 23% gain. In 2007, a 31% gain and, even in 2010, post-Global Financial Crisis, which again saw a 30% gain. Now, we've had a few years in the doldrums arguably in gold, but last year we had 19%, and this year, a very strong year. So, I guess what I'm really wondering is, is this the beginning of a whole new bull run for gold? You know, can this be sustained like the last bull run for 5/8 years? Now, our first guest, Jim Steel. Jim what do you feel has been the key drivers for Gold during the course of this year?

Speaker 2:
Well, thank you, Ross, and thank you for the invite to speak. I just want to make the point that a lot of this rally is being ascribed quite rightly to the impact – the monetary and fiscal impact – of COVID-19 and the government, of course, response for that. But the market rallied 16-17% last year – mostly in the second half – and that was pre-COVID-19. So, certain things were intact and already there. We were already in a well-entrenched bull market, and that was due, I think, to geopolitical risks, trade risks and – I wouldn't say overly – but highly ultra-low interest rates and accommodative monetary policy. All of which has been intensified this year with the increase also in fiscal spending. You know, gold is receiving two of the ingredients that it needs for a rally, which is debt and liquidity. And the combination there is very, very powerful. And given comments from the FED, which we don't need to go into ad nauseam, but also fiscal packages around the world and higher debt to GDP ratios and monetary policies everywhere, this isn't going to stop on a dime, and so we're going to have quite a long time for that to go through.

Now, traditionally I used to look at the inverse relationship between the dollar and gold as the primary driver of gold prices and that's still important. And I don't mean to discount it, but gold is really following real yields and if you look at this chart here, which shows the 10-year real yield and the gold price, you see how well they are correlated with each other really very, very strong. So, if you are of the opinion that we're going to see continued monetary easing, and then that is going to work further up the yield curve and keep real yields down, or excessively low, then it's very likely. I'm not saying that we're going to shoot higher from here, but it is very likely that we're going to be at least well-supported, and I think this is a very compelling chart, to be honest with you.

Speaker 1:
Jim?

Speaker 2:
Yes?

Speaker 1:
U.S. Treasuries – 10-year Treasuries – have been on a downward trajectory since 1980. I think back then you would have gotten 16% for your investment. Today it's around 60 basis points. Can that be sustained? I mean, I know we've got negative yields now but, I mean, what is the outlook for those and by extension for gold? Do we think that the yields will remain as low as it is for so some years to come?

Speaker 2:
Well, at least for this year and next year going further out into the future – harder to say. Not to play party politics with it, but HSBC's Steven Major, who is our Fixed Income Analyst has been very accurate over the past couple of years, and he is looking for 50 basis points at the end of the year, similar levels for next year. So, although possibly not greatly lower in nominal terms from here, certainly staying low for a long time. This would, I think, be more supportive than perhaps pushing gold sharply higher.

Speaker 1:
I know that the real rates also depend upon the real rate of inflation as well, and you've talked about normal rates coming down to 50 basis points. I know Bernard is talking about inflation in just a minute. What's HSBC's view on inflation looking forward?

Speaker 2:
Around about these levels now?

Speaker 1:
Are you expecting a 70-style double digit or a single digit number?

Speaker 2:
It would also be the yield curve as well, but in real terms, it looks like they're going to stay. I wouldn't want to be pinned on an exact number but, in real terms, it looks like they're going to stay negative.

Did I get out with that answer there, Ross? I've lost your audio. Can you say something? Okay, good, very good, but just a little time, maybe a quick look at the next slide would allow me to… Now, what has propelled the market higher specifically? You know, in the old days we would look a lot at the COMEX, the CME, or COMEX – for us old veterans, we still call it – and also other things, but a lot of them were pretty opaque and it was difficult to gauge the volume and the temperament of the business sometimes. But since the ETFs have come, we've really had a great vehicle for all sorts of investors, and this year is a correlation between – and what we've seen is a remarkable increase in ETF demand. I mean, we've done from 81 million ounces to 109 million ounces this year alone, and we were up 10 million last year. So, we've got a roughly one-year's line supply in the ETFs right now. And, if you look at this correlation here, we have a line of a very good fit, almost 90 – almost point 9 – for ETF accumulation. So, if you think this is going to happen and, again, this gets back to the low yield argument, the search for safe havens, alternative investments, we have very low-interest rates. It certainly is attractive for someone, no opportunity costs to go into gold.

Speaker 1:
Jim, if I can? Go to the next slide. I've jumped in front of you with a slide of my own here, and its data produced by The World Gold Council. It does suggest that, although we've had a very robust first half of the year, and I think the first quarter was predominantly European Institutions. Second-quarter, U.S. Institutions buying gold, but lastly, looking at August's figure, I know one month doesn't make the trend, but we do have a particular core number with a mere 39 tonnes, and in September month to date – which is not showing on the chart there – I think we've done 21 tonnes month to date. So, that would equate to about 80 tonnes for the full month. So, there's a sense that the momentum behind ETFs by those two months might be slowing or is this just a summer thing?

Speaker 2:
Well, I think it's probably a lot to do with the summer, but the summer has been very active. This is a very active price movement anyway for August and, you know, nothing goes up forever. And we do have competition, of course, from equities and other forms of investment – other forms of gold investment too. I mean bar and coin demand may be making something of a recovery after weakness earlier in the year of particularly more coin. So, I wouldn't necessarily call the alarm bells because of reduced levels in August. I think it's more important to watch out that there's no liquidation, that ETFs don't go down net, which would be possible if we had a major say. And I'm just theorizing here. I haven't written anything about this, but if we had, we haven't written a lot about it. But if we had a major stock market recalibration, and I'm not saying we will, but that could trigger some margin related selling in the ETFs. I don't think it will, but it's possible.

Speaker 1:
Jim, do you have a sense over the summer months that gold got ahead of itself? I mean, there were talks about "Robin Hooders" getting in behind silver, in particular, and also gold. The market was looking frothy, the RSI got up to 92 – suggesting overbought – and the market spiked to an all-time high of $2,075. It did look at that time as if there was a large amount of froth in the market. Do you have a sense now that the market is rather more settled and sanguine now and in a stronger position, if you'd like, to move ahead from?

Speaker 2:
I think that's right. I mean, this wasn't much of a correction. If you could even term it as a correction, coming down from over $2,000. We didn't correct $2- or $300. We fell briefly below $1,900. We've seen good support around about $1,900. There is a bit of resistance up in $2,000 though, which we've written about. I mean, it does appear at least in the very short term. I know the purposes of this discussion is a much longer term, but right now we seem to be $1,900 to $2,000. But yes, I would say that we are certainly much steadier than we were earlier on and some of the hyperbole may have gone out of the market.

Speaker 1:
Jim, I guess looking ahead, a lot of what happens to gold now will depend upon the global macro environment, and this leads into your next slide – if we could have that – thank you. What's your thoughts here Jim? Can you explain his chart to us?

Speaker 2:
Well, you know, one of the most difficult things, I mean – gold has been written about for, what, 5,000 years now? It's mentioned a couple of dozen times in the bible and silver even more. So, one of the most difficult things is to have any level of originality at all when talking about the gold market, but I thought that if we compare gold to trade, that that might give us some clues. And the gold line is obviously gold, and the other lines are the flows of exports from the major economic groupings in the world. And the point – we did this going much further back – but the point that I want to make is that when trade is rising quickly, economists tell us a whole bunch of things happen.
One is that there's a lot of cross-border investment, and a lot of cross-border immigration. That is very good for paper assets, particularly equities. You need the dollar to trade, so the U.S. Dollar tends to be strong. You don't tend to go to war or have severe disagreements with countries that you trade a lot with, so, geopolitical risk tends to be a wee bit lower. In addition, economies are in sync because I have to prosper in order to buy what you're selling, and all of those things lead to good strong equity markets, lead to strong paper markets. They reduce unemployment and they tend to reduce inflation and they promote economic certainty. So, in a case like that, why would you want to turn to gold? Well, the answer is you wouldn't, or you wouldn't want much of it. And that was the case throughout the 1990's and into the earlier part of this century. We were going gangbusters in trade, and the gold market was weak, but look what happens when trade contracts. I agree there's a bit of a lag, it's not spontaneous, but the gold market takes off like a rocket. A contraction in global trade is never good, there's never a good reason for it, ever, and it tends to promote higher gold prices and you're seeing now trade is heading lower again. And I just think it's a different way of looking at what we all talk about all the time. And the outlook for trade may be better than it is now, but we're still contracting, and the gold market tends to rally when that happens.

Speaker 1:
Lovely. Thank you, Jim. So, in summary, the key drivers seems to be the ETF flows, it's down to U.S. Treasuries negative real yields on those long bonds, and world trade gives us a good indicator of the direction for gold as well.

Speaker 2:
And further into spending.

Speaker 1:
Bernard, your view on the drivers for gold in the year to date. What are your thoughts?

Speaker 3:
Yes, I think, yes. So, basically, I mean, it's pretty much what – to some extent – what Jim is saying about real rates and opportunity costs of holding gold. What I was wanting to focus on was peoples, or like, in the market concerns about liquidity and, you know, the FED increasing its balance sheet by 6 trillion. What does that mean? Does that mean much higher inflation? Is that going to be very positive for gold? And there's that concern that – with that excessive liquidity coming out from the Europeans, from the Japanese, from wherever because of COVID – that this is kind of a doomsday scenario and that gold should rally exponentially. My point is, first of all, when it comes to inflation and gold, it's quite a debatable issue between I think gold analysts is: to what extent is inflation a driver of gold? Or not? Some say it's not a big deal, others say it is. My point is that, basically, gold tends to move up when inflation in the U.S., let's say, is extremely high. My 2 examples are the 80's and the 70's when you had inflation of 14%, 8%, but the rest of the time – and you can see from the lower left-hand chart when inflation is relatively subdued at like 2% or 3% – gold isn't really moving.

So, the big question here is 'will this liquidity go into increase inflation to double-digit levels', which you're asking. My point – my view is, at least, that modern economies have moved to a point where this creation of liquidity doesn't translate into strong credit growth like it used to probably in the 70's and 80's. If that were the case, then yes, you could see much higher consumer price inflation. So, where is all that cheap money going? That cheap money is – it's going to the equity markets and the real estate. And, actually, we saw that I think 2010, 2008/9 is a great example of the same concern that we had about at the time the FED, the quantitative easing, increasing their balance sheets. Yes, gold benefits, but inflation remains subdued, and the reason being is that all that cheap money went to the real estate market and equity market, and I think this is where we're seeing a similar situation

happening right now. You know, even with this lockdown, you see a big disconnect between the economy and growth and productivity, etc, and where the equity market right now is.
So, my concern would be more of a real estate bubble and an equity market bubble. So, gold would be useful in that case as a hedge. But I would reiterate that my view, at least, is that you're not going to reach a point where inflation is going to be double-digit. Our view is that inflation will probably be at around 1.5% as good economists suggest so, for next year. What that also means when you look at gold and yields, is that we think that real rates into next year will remain somewhat negative, which will be much more attractive. You look at those two charts on the right hand, similar to Jim's charts, but on the left hand also, it's another way of reiterating that negative yielding that is correlating with gold. So, clearly, whenever real rates are low – and this is the expectations for next year – we think that even if once we're finished from coronavirus, the economy – when we find a permanent solution – the economy will still be in a weak position. And, so, we'd expect – we didn't expect rates to go up in it for the FED to increase the rates the minute they find a permanent solution for COVID because the economy will still be weak. So, slightly higher inflation with low-interest rates, which means that real rates will remain somewhat negative over the next month and a few quarters.

Speaker 1:
You see those - your first slide there, looking at inflation. I remember Credit Swiss did some research, and they found that up to 4% inflation – sorry, up to 3% of inflation – gold by and large ignored inflation numbers, 2 and a half to 3%. But at 3%, gold went through an inflection moment, and at 3%+ that was where you started to see the double-digit gains in the gold price, looking at data back to the 1970's, and I think your first chart showed that. Interesting, you should choose the same chart or a very similar chart to Jim on the negative real yields, and I think currently a 10-year Treasury will yield you about minus 1%. Again, perhaps no surprise in that. I can share with you that the LBMA asked all contributors to the gold forecast, what they felt the main drivers were for the year ahead and, top of the list, and they agree with both of you is negative real yields at 28%. But neither of you mentioned the second most popular one, which I'll come to a bit later. I won't spoil that one for you until for a little while now.

Can I come on to you Nikos? You've been quietly sitting there listening to this whole conversation. It's been a pretty epic year for gold, and I don't use the term lightly. We've had this wonderful shift from the (inaudible) market: China, India and even the Central Banks dominating the markets. And those markets are for all intents and purposes, shut down, not entirely. What are your views about this shift that we've seen? Are China and India entirely dead?

Speaker 4:
No. I think to say they're entirely dead is certainly a stretch. Things are definitely picking up, they're definitely improving. If you look at the discount levels compared to the international prices across both markets have declined considerably, and although demand or improving demand is not the full picture, it's not the only reason behind this, there are certain supply elements at play. There is certainly an improvement in the demand levels, as well as sentiment within the local physical market. Having said this, I think we need to brace ourselves for another pretty poor next few months of the year if we're comparing to traditional normal demand levels.

However, I mean, if we look back at the previous all-time rally to an all-time high, demand was pretty cramped back there and back then as well. And, yet again, I mean, we're proving that gold did not get to $1,920 back then or $2,070-odd, this time and potentially even higher in our view later on because of physical demand, but rather in spite of poor physical demand. Honestly speaking, I don't really – I can't really paint a particularly positive picture for physical demand because, once again, you have a double whammy, on the one hand, you have the impact of COVID on respective economies, concerns about a few further waves in the future – really wane on discretionary spending in both countries and you also have prices, they're extremely high. So, even in cases where, you know, people would be prepared to spend their – however many their dollar equivalent – Yuan or Rupee doesn't buy them as much gold as it did two years ago.

Speaker 1:
If I may interrupt you there Nikos. I wonder – it just comes to mind – China remains the world's biggest gold producer, and hitherto it has been the world's biggest consumer, and as we know it's

very difficult to ship gold out of China. It's a lobster pot, easy in, difficult out. Is there a potential crisis emerging here where (inaudible) gold that it cannot export?

Speaker 4:
The crisis is not emerging. The crisis has very well emerged and now matured. I mean, this is why we go through a little bit of a situation where you had a local price, a hundred bucks cheaper than international prices. And it was exactly because there was increased supply locally at the same time as demand being quite poor and lacklustre. There are certain institutions that are capable of exporting gold from China. There's a lot of hoops you have to jump through, and it only applies to unprocessed raw material that you bring into the country and export out. But you're right, I mean, if you have a kilobar delivered into SGE from a Swiss refinery, it's impossible to get out of the country legally through legal channels.

Speaker 1:
Nikos moving on from Asian and Chinese demand, one of the strengths of gold demand has been – if we go back a slide, sorry – has been Central Bank demands. If we can move back to one, there we go, thank you very much indeed there. Now, this is from the World Gold Council showing Central Bank gold demand. There's a sense there that, you know, it's been very robust. This is the month-on-month figures. And, again, one month doesn't destroy a trend of Central Bank demand in the last few months to some extent, according to the figures. I think you provide the World Gold Council with those statistics yourselves. I guess what comes to my mind – and Jim add into this if you will – are Central Bankers behaving like fund managers and going, 'Do you know what, I'm not going to chase the market higher, if it's cheap enough, I'll buy it'. or do they have programmes to buy it or those are coming to an end? Is it one or the other?

Speaker 4:
I don't think it's a case of 'The price went above a certain level; I'll wait for it. I'll wait to buy it at a cheaper level'. I think it's a combination of different factors. If you look at the last two years, a lot of the Central Bank buying has come from commodity-linked nations or commodity-producing nations. And, obviously, in the current environment the excess dollars that they have are a lot less than they were in previous years. I think there's an element of after many years of purchases, anyway, we were expecting a decline in overall official sector buying regardless of COVID. And, also, the price has basically made the current tonnage figure that they have – the rising price – has committed a far bigger percentage of their overall foreign exchange or exchange – let's call them foreign exchange reserves plus gold that they hold.

Speaker 2:
Sorry Nikos, I was just going to say I agree entirely with that. You know, if you look at 2 of the 3 biggest Central Bank buyers – recently Kazakhstan and Russia – you know, it's directly linked to the oil price, and the Russian Central Bank said on April 1st that they would not buy any more gold for this year, I believe was the statement. And, but to answer your question, Ross, no. And thank goodness they do not behave like fund managers. That's not their job and, fortunately – they have nothing against fund managers but – they do not, and I don't think they will. But I would agree with Nikos that the price at these levels and you look as a percentage of foreign exchange reserves is different, although we have seen a small amount of selling come up. And Central Banks is one of those things – it's like refined supply – and it's one of those things that is not talked about as much, but the Central Bank buying is down, and I think it's likely to stay lower. I mean but we had two gangbuster years in 2019 and 2018, so, one can't expect that to be kept up. And, also, with the declining trade, Central Banks may want to husband (inaudible).

Speaker 1:
Sorry, I interrupted you there Jim. The Bank of China's buying of gold has been unchanged now for 12 months. Is there any cynicism warranted on those numbers? Are they privately buying, quietly buying, accumulating, or do you think those numbers reflect reality?

Speaker 2:
There is no way of knowing, and I don't have any information on that. As a percentage of their foreign exchange reserves, the gold market has risen, and the percentage of gold has risen. It probably could over the very long term continue to increase, but they may want to husband – and I'm not

saying that I know – but any Central Bank in this instance, I think would want to husband their dollars until trade recovers, particularly for a great exporting nation like China. But I would say on the positive side for gold and Central Banks, it's a great way – purchasing gold is a great way of moving out of the dollar, specifically, without necessarily going into another currency. Though you may not want to go into Euros, you may not want to go into Sterling, Yen, Swiss – whatever – but if you did want to get out of the dollar a little – or diversify, is a better way of putting it – though I'm not saying everyone's going to diversify away a little bit from the dollar, gold is very handy.

Speaker 1:
Jim nicely said. Onto the next slide, please.

Speaker 2:
I'm sorry Ross, you've faded out there on my end.

Speaker 1:
Yes. I was going to share with you what the second item was, amongst the other – our colleagues who do the LBMA Gold Forecast – "The second most likely thing to affect Gold for the remainder of this year". We mentioned U.S. Treasuries, they agree with us. The second most popular item was the U.S. Dollar – expectation of U.S. Dollar weakness – and that chart there is rather complicated, but you'll see the yellow line, or the gold line represents the gold price. The red line, as you can see, we've actually used a five-year treasury there, and the black line is the U.S. Dollar Index – the Bloomberg U.S. Dollar Index – the two mirroring each other quite nicely. And, again, both of them exhibiting a nice inverse relationship. I think the inverse correlation efficiency of the U.S. Treasury to gold is about 93% (inaudible) and it also plays to the strength in gold, so I just want to share that with you. I haven't got any questions in from – we've got a good number of audience – so, just to remind you, if you've got any questions for our esteemed guests here, please do fire them across to us. Bernard let's take the conversation in a different direction, if we could, for a moment. The big move of the year, of course, has not been gold at all, it's been silver. And I think from low to high, it's actually had a more than 100% range. And on the year to date it's jumped 50% – not a bad thing. Silver was run slow to join the party. What do you make of silver? Is it leading gold? Is it the thing that we should be looking for, to measure gold?

Speaker 3:
Yeah, it's an interesting one because silver at the beginning of the pandemic, I mean, we saw that silver wasn't really moving. The silver/gold ratio hits a high 124, and then, I think, the big inflection point was when the Chinese market started opening up again – post-lockdown – and that's when the industrial demand started to pick up again. Because we shouldn't forget that, as opposed to gold, silver is a heavily industrial metal. I mean, 60% of demand for silver on average is industrial demand. So, actually, the correlation, funnily enough, if you look at it now, you see a good correlation between silver and base metals.

If you were just to chart them next to each other, and basically the ratio now, the gold/silver ratio is back to 72, which was, in my view, a long due correction. Silver over the past year, I think, was way too low and we're going back to the more historic averages in terms of the relationship between gold and silver. What's also, I think, worthwhile mentioning is also if you took gold and silver and you did a standard deviation and you looked at the data, we are – over the past, I think during the pandemic – that data was around 1. The historic average is 1.4 over the past 10 years, meaning that for a 1% move in gold, we get a 1. 4% move in silver, be it positive or negative, depending on where gold is heading. And now since it's at 1.7%. So, clearly silver is – that's reflecting that silver is much more, you know, aggressive but much more volatile in that sense. So, we can expect also to see that if gold prices are going to continue to rally, that possibly silver is going to still be widening at a slightly faster pace. But, at the same time, if we see a big correction in gold, then this data would indicate that silver prices would drop by 1.7% for every 1% drop in gold.

Speaker 1:
In the course of this year, we saw (inaudible) gold ETFs, but at the same time, we saw silver rallying. I have this theory that in the second quarter of this year, we saw a significant uptick in U.S. institutions and gold (inaudible). Silver, in a sense, is very much more a U.S. thing than a European thing. In Europe, we don't buy it because it attracts VAT physically. Would you agree with that? Do

you think that a lot of the institutions that tend to throw themselves behind silver tend to be highly leveraged U.S. players typically? Okay, I exaggerate slightly here, but is it more of a U.S. phenomenon?

Speaker 3:
I would agree to it, I think the way to look at it would be to look at the sale of silver coins. Just, I mean – you know, the problem of looking at physically backed ETFs, is that I can't really have visibility. I can give you the whole number, but I don't have visibility as to who exactly is buying. But what I can say is reflecting the affinity of the U.S. market, as opposed to the European market, we'd be looking at the state of the silver coins, which in Europe is not something that's of particular interest. Whereas, in the U.S., I think for some cultural reason, you see much stronger sales of silver coins. And we know that physically backed ETFs generally are more Western-type demand. So, I can infer from there that it's probably going to be U.S. Institutions buying silver. You're right, I mean, if you look at additions in physically backed silver ETFs, they're up by something like 45% this year, as opposed to gold which is up like, something like 30%. So, there's some appetite that I think is mainly U.S. appetite.

Speaker 1:
Lovely, okay. Jim, if I can come across to you and I have got a question addressed to you directly, perhaps you've seen it. You've curated gold to U.S. Presidents for many years in your analysis. How do you envisage gold's response to either a Trump or Biden victory in November, and to what extent is either outcome already priced in?

Speaker 2:
Well, I wouldn't necessarily frame it in terms of a Trump victory or a Biden victory, but I'd rather maybe look at the history of this a little bit going forward, and I would say two things broadly. One is that Gold tends to be inversely correlated with the popularity of elected leaders. The easiest or the most available Gallup data is on the U.S. President, but it should not be limited to them because the popularity of Western leaders tends to move directly together, although certainly not by degree. If unemployment is low, if the economies are doing well, if you think you have a future, if you think your children have a future, if you can buy a house, the popularity of the Prime Minister, the President, the Chancellor tends to be higher and the gold market tends to be weak, and the reverse is also true. Gold fell to its lowest under two of the most popular presidents that we've had, Ronald Reagan and Bill Clinton. And it fell to those low levels during the peaks of their respective popularities. Now, what we do see, also, is as we go into an election cycle – which we're now in, clearly – and you'd sort of take that from the end of the primaries, or the conventions through to November, you tend to have the greater demand for gold, and especially for silver. I would 100% agree with Bernard about the relative popularity of silver in the U.S. historically. You tend to get a rise in small bars and coin demand. And four years ago – and it tends to be stronger if it looks as if a democrat is going to win. Back in 2016, which I can talk about because it's history, it looked as if Hillary Clinton was going to win, and the demand was like a rocket. And you notice after Donald Trump was elected, it absolutely crashed. The "Trump Bump" in the equities killed the coin and bar demand for months and months afterwards. So, I would just more refer to that, I think, than say – because the dynamics of this election are so different. But what I think I can comfortably say is that the demand for gold will be there and silver especially, I think, for coins and bars will be very strong going right up into the election, I think.

Speaker 1:
It does appear that, you know, the polls suggest the two sides are narrowing and by extension it's less clear who's going to win and, therefore, it should keep the tensions high.

Speaker 2:
Yes, the uncertainty level will definitely be a factor.

Speaker 1:
A question for each of you really, which is looking forward to the final few months of the year. And Nikos, let's come to you. I'd put a number on it if you choose, but not if you don't. What do you expect? Has gold done most of the moves year-to-date, or is there a lot more to come?

Speaker 4:
It has done most of the move but, you know, given we've had a correction and I wouldn't be surprised if we had another mini correction in the not-too-distant future. I think it can also, once the (inaudible) is out, I think then we can very easily get back to – comfortably over – $2,000 later in the year. So, it's a yes, and yes, I suppose.

Speaker 1:
Bernard, your views on the outlook for gold?

Speaker 3:
Yeah, I think for the end of the year probably final quarter at around $2,000/$2,030. I don't think we're going to see it rise incredibly higher. But I would say is that if we do get yield curve control – which I know the FED back in August tried to throw a bucket of cold water on – but if we do get that, then I think prices could rise to $2,100, much more to $2,150 much more rapidly. Just again for an argument I was mentioning about – end up in a situation where inflation is rising at the same time as the FED is controlling the yield curve, so that means that real negative rates will dive even more deeply.

Speaker 1:
Jim?

Speaker 2:
I would agree with what's been said, broadly speaking, and with what Nikos said about another mini correction. I think that could very well be on the cards, but I think it's likely to be well bid. But just to underline the excellent work that Nikos does in this area about physical demand. You know, we are getting more recycling. We had almost no exports to China and India, May through to July, although it does look like the Indian imports were up in August. This is creating an awful lot of gold that has to be absorbed by the investment side, and this happened back towards the end of the financial crisis, 2012 or so, and, so far, the ETFs have absorbed it. So, I think this is the 400-pound elephant that's not talked about. This will weigh on rallies; it has to weigh on rallies. If you assume that the physical demand cannot get much, the underlying physical demand. I mean, two-thirds of physical gold demand is India and China, and they didn't import for months. So, this will be a bulwark against all the excellent things that the three of us – four of us, excuse me – have all said about why the market will go higher. And after the elections, also, we will see some level of certainty come back. I mean, we will know who has been elected after November 4th. So, I think they're firm prices, but that's exceptional.

Speaker 1:
Thank you, Jim. Well certainly we have an exciting end of year ahead of us. Some of the froth has been taken out of the market but I wouldn't be surprised for a retest of the highs again before the year is out. Can I conclude by thanking all of our guests here for their contributions? Nikos in Singapore, Jim in New York, Bernard in Paris. Thank you all for giving your valuable time. Thank you also to the LMBA for having hosted this event for us. Just to remind you – just can you go back one page; I've got the dates there – that there are webinars coming up that you can see on the LBMA's website. I can't give you a date, I can't see the slide, but they are there for you.

Speaker 5:
Thank you very much.

Speaker 3:
Thank you very much everyone.

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