



GOLD

Product Information

INTRODUCTION

Gold is the oldest precious metal known to humankind. Gold has a place in history regardless of the country of origin. The precious metal acquired its high value since prehistoric time and was most probably the first metal used for ornamentation and rituals.

The peculiar aspect of gold is that it is used as a commodity (production of jewellery and industrial applications), and a financial asset, as it can be used as a store of value. As a financial asset, the demand for gold would be a function of the current and expected price of gold, the opportunity cost of holding gold (which could be the rate of return on a risk-free asset, such as U.S. Treasury bills), income, expected future inflation, and overall financial market conditions.

History has clearly proved that gold prices are famous for being sensitive; in the seventies they rose sharply when the United States ended restrictions on private gold ownership. In the late nineties, it fell sharply after Bank of England announced that it was going to sell gold reserves. Rising uncertainty in the global economy has forced the investors to safeguard their wealth, which is clearly evident from the recent spike in the gold prices (Ref: Chart 2). Gold assets in Exchange Traded Products (ETPs) owned nearly 70 million ounces (or 2,150 tonnes) of bullion, worth US \$ 96 billion at the end of November 2010. Investors also prefer to hold onto gold because of the yellow metal's potential to be a store of value and less volatile corresponding to other asset classes like equities and bonds.

Chart-1 Gold prices (US\$ per ounce) and % change (YoY*)

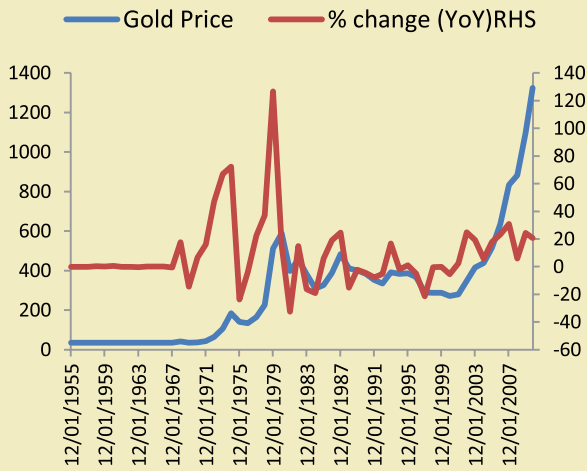
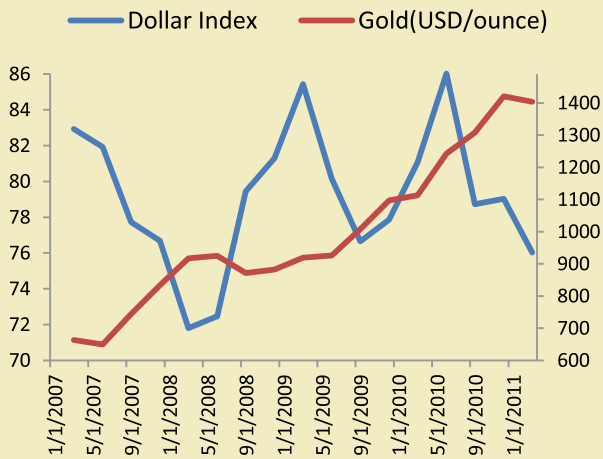


Chart-2 Dollar Index against Gold prices



Source: Bloomberg, GBOT Research

DEMAND & SUPPLY

According to World Gold Council (WGC), the jewellery sector witnessed a strong recovery in 2010 as the annual demand rose by 17% compared to 2009. China and India were the major players that drove the market. The investment demand remained strong due to uncertainties about the recovery of the global economic and the currency pressure. In the technological sector the demand was 419.6 tonnes, 12.4% higher than in 2009 as the electronics segment fuelled recovery in the sector. Demand for ETFs and similar products added to 388 tonnes in 2010 accounting for an increase of 9% compared from 2009. Total supply in 2010 increased marginally by 2% higher than in 2009, with a number of new projects across a range of countries and regions contributing to higher levels of supply. Within total supply, recycled gold, which accounts for 40%, fell 1% compared with the previous year to 1,653 tonnes.

World Gold Demand

	2009	2010	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q4'10 vs Q4'09 (% chg)	Q4 (% chg)
Jewellery	1,760.30	2,059.60	329.1	430.5	489.7	510.9	520.9	422.5	541	575.2	13	17
Technology	373.2	419.6	79.1	93.6	97.2	103.3	102	105.8	107.8	103.9	1	12
Electronics	246.4	287	49.9	60	66.3	70.3	68.3	72.9	75.4	70.4	0	16
Other Industrial	74.2	82.8	16.2	20.4	17.7	19.8	20.9	20.6	20	21.3	7	12
Dentistry	52.7	49.8	13	13.2	13.2	13.2	12.9	12.3	12.4	12.2	-8	-5
Investment	1,359.90	1,333.10	616.3	258.7	241.2	243.8	220.4	542.7	293.7	276.3	13	-2
Total bar and coin demand	742.8	995	151.2	190.7	198.9	202	215.6	251.7	255	272.7	35	34
Physical Bar demand	457.1	713.2	78.4	121.2	131.6	125.9	150.6	170.6	187.2	204.7	63	56
Official Coin	228.8	204.6	68.9	55.6	49.5	54.9	43.6	68.2	50.4	42.5	-23	-11
Medals / Imitation Coin	56.9	77.2	3.9	13.9	17.8	21.3	21.4	13	17.3	25.5	20	36
ETFs & similar products	617.1	338	465.1	68.1	42.2	41.7	4.7	291	38.7	3.6	-91	-45
Gold Demand	3,493.40	3,812.20	1024.4	782.9	828	858	843.3	1,071.00	942.5	955.5	11	9
London pm fix, \$/oz	972.3	1,224.50	908.4	922.2	960	1,099.60	1,109.10	1,196.70	1,226.80	1,366.80	24	26

SELECTED FACTORS AFFECTING THE VALUE OF THE GOLD:

- A. Macroeconomic factors such as changes in dollar value and interest rates.
- B. Demand for the precious metal.
- C. Returns from the stock market.

Chart-3 Top Ten Countries: Mine Production 2010 (Tonnes)

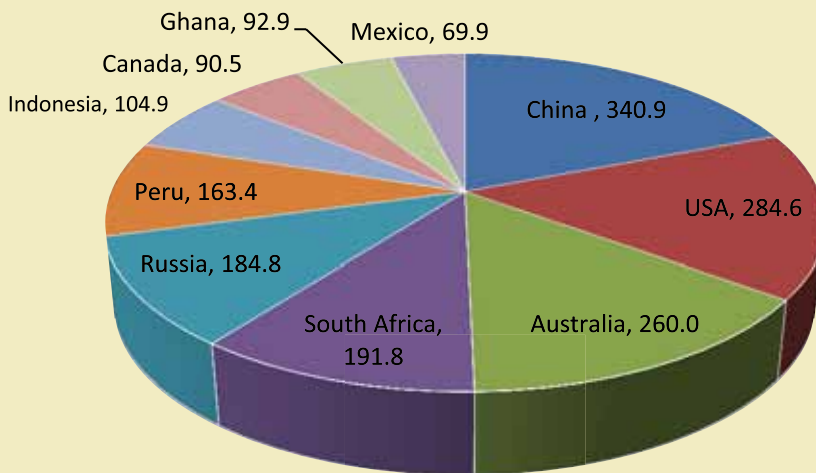
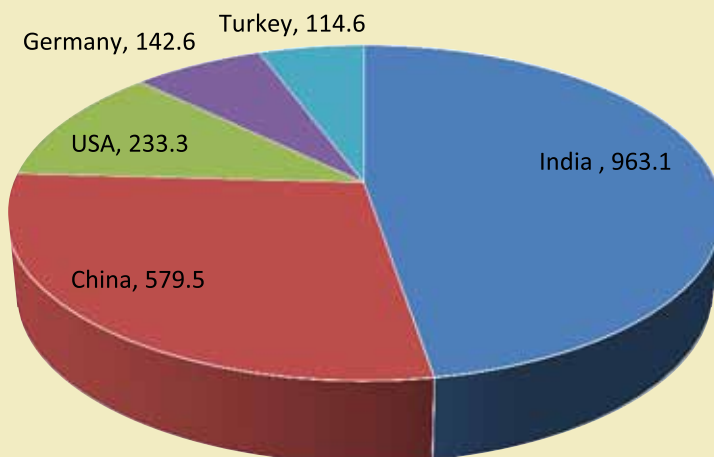


Chart-4 Top Five Countries consumption



WORLD GOLD MARKETS

Gold was predominantly traded through the over the counter market. However, in the recent past the trend has moved towards trading on futures exchanges like CME, DGCX, MCX, TOCOM, Shanghai Futures Exchange, SAFEX etc. The gold exchange markets have witnessed tremendous growth in the Asian region; in 2009 Multi Commodity Exchange of India become the second largest exchange in gold trading (number of futures contract traded). In October, 2010 GBOT joined the list of exchanges that provide futures trading in the precious metal.

GOLD TRADING: EXCHANGE-WISE

Chart-5 CME

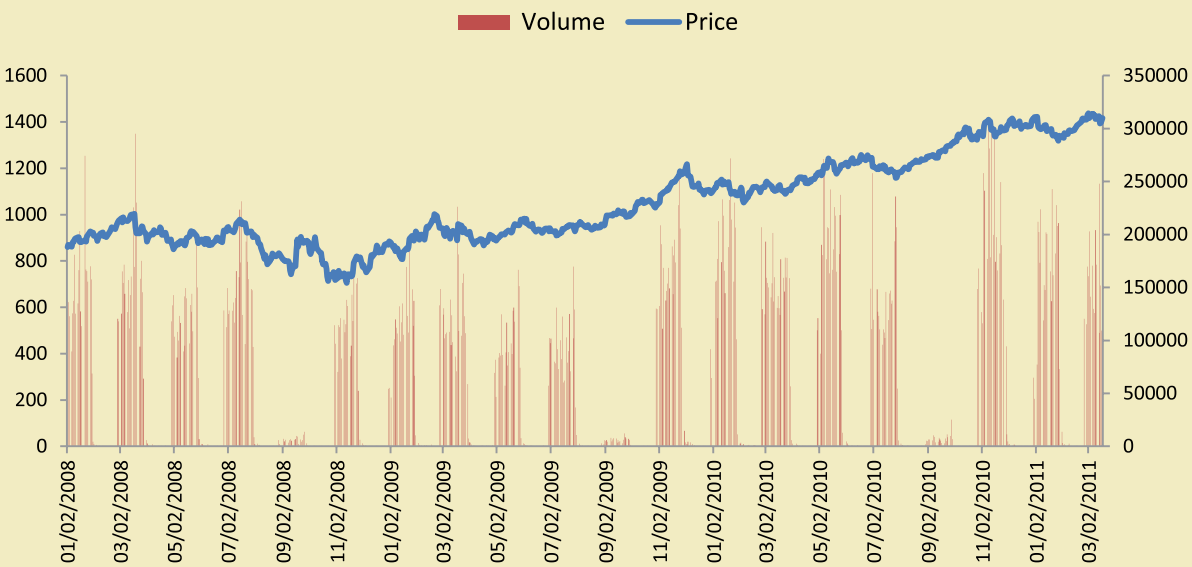


Chart-6 MCX

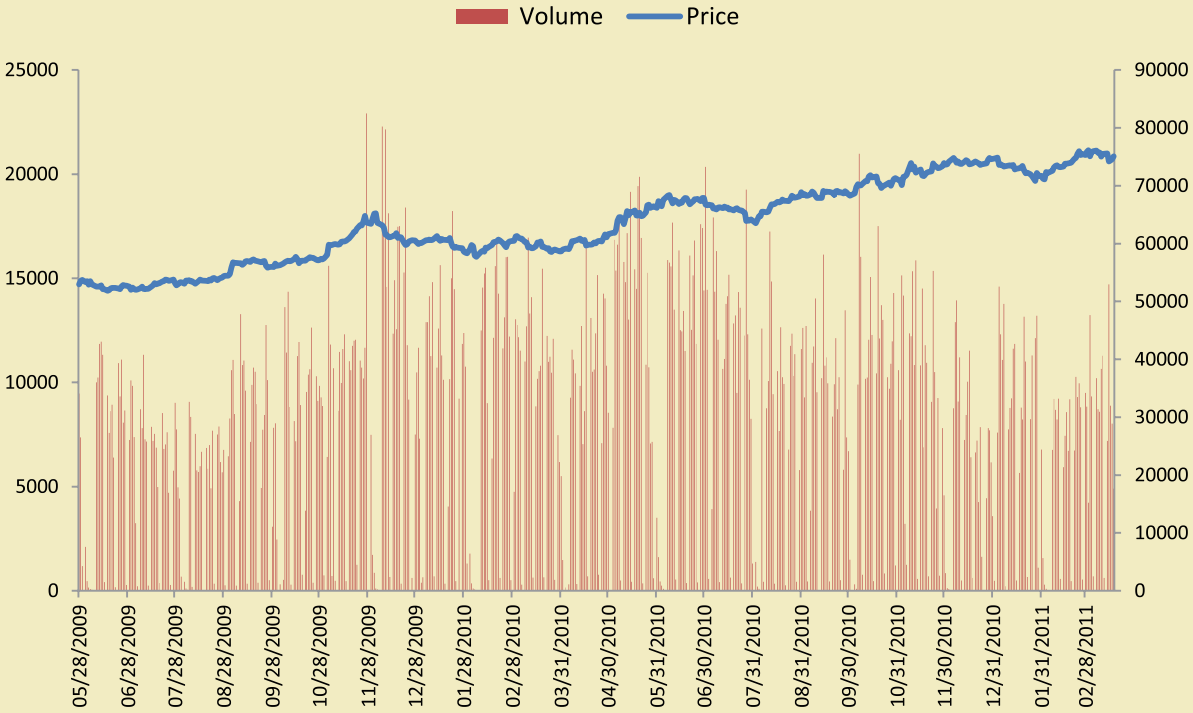


Chart-7 TOCOM

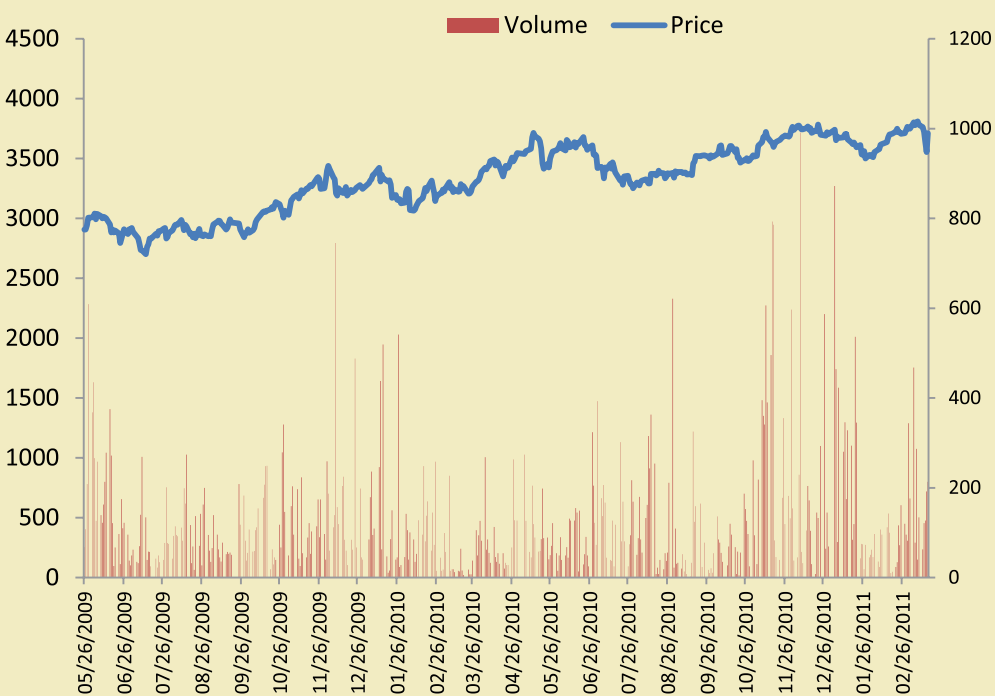
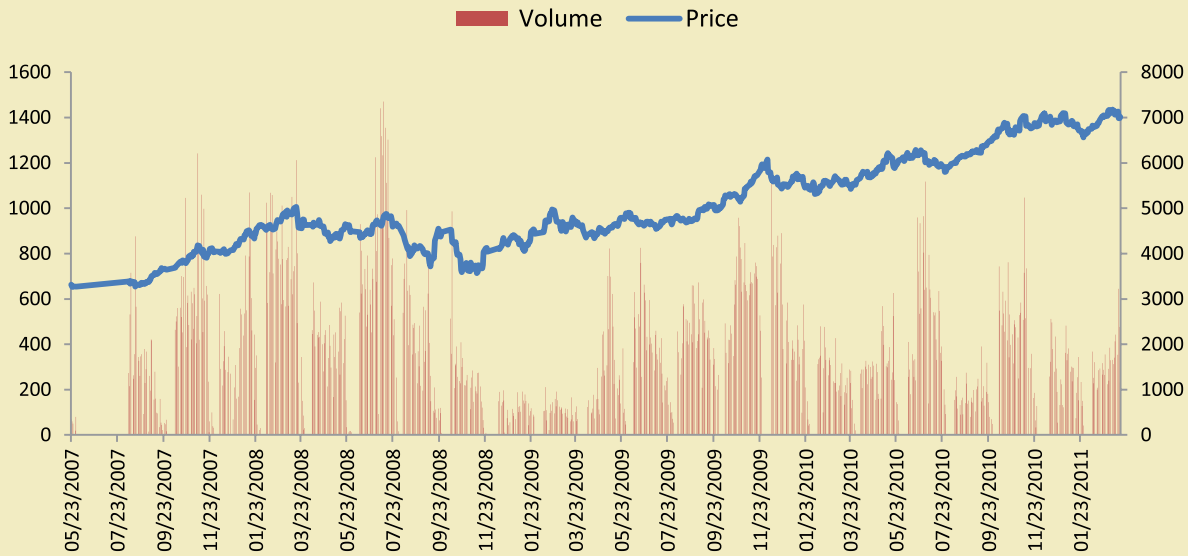


Chart-8: DGCX



Measurement Weight Conversion Table

To Convert from	to	Multiply by
Troy Ounce	Grams	31.1035
Grams	Troy Ounce	0.0321507
Kilograms	Troy Ounce	32.1507
Kilograms	Tolas	85.755

Purity

- Gold purity is measured in terms of karats and fineness
- Carat: Pure gold is defined as 24 Carat,
- Fineness: Parts per thousand,

Thus :

$$18 \text{ Carat} = (18/24)\text{th of } 1000 \text{ parts} = 750 \text{ fineness}$$

Important Websites

www.gfms.co.uk

www.lbma.org.uk

www.gold.org

www.kitco.com

www.usagold.com