



REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR JANUARY 2018

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,366.45	17.72	1,030.55	1,139.00
Date	25-01-2018	25-01-2018	25-01-2018	15-01-2018
Lowest price USD/oz	1,302.07	16.73	930.00	1,024.00
Date	01-01-2018	23-01-2018	01-01-2018	31-01-2018

1 February 2018, Prague – In January, **the movement** of the prices of precious metals observed was not **extreme**. The palladium experienced the biggest difference between the lowest and the highest price, namely more than 11%; it was followed by platinum with 10.8%, silver with 5.9%, and the least volatile metal was gold with less than 5%. It can be said that precious metals had been strengthening the whole month, and except for palladium, they reached their peaks at the end of the month.

However, **silver** had also reached its minimum at the end of the month. But it was only a short episode with the metal suddenly dropping to 16.73 USD per ounce in order to be by one USD per ounce more expensive in two days. The reason was the sale of a large volume of silver at one point, **net stock market speculation on an immediate price drop**.

The palladium was the **star of the month**. It **surpassed its historical record from 2001** while stopping on 1,139 USD per ounce in the middle of January 2018. Immediately after reaching its new peak, it started to fall and now it moves only a short distance from the value of 1,000 USD. It is interesting that the record had also been achieved in January 17 years ago. It is given by the fact that car manufactures finalize their contracts for deliveries of precious metals and their prediction drove this metal so high. In 2001, the growth was followed by a sudden fall, and therefore, we will anxiously observe if this situation is repeated also this year. Our recommendation not to sell persists.

The price increase of the commodities observed was mainly impacted by ongoing **uncertainty over temporary federal insolvency of USA** that paralysed the functioning of the state because many officials and federal employees stayed at home. Another reason is **continuing weakening of US dollar**. It is at its lowest level against euro in the last three and half year. The euro strengthened by more than 18% year-on-year, and by more than 5% in the last month. The dollar is weakening almost against all important currencies including our crown. Its value is only slightly above 20 crowns per one dollar. The general weakening of dollar is given mainly by the unpredictability of the behaviour of the current US president as well as by the continued rhetoric of China regarding the fact that it keeps on getting rid of US bonds while selling the very dollar out of its foreign exchange reserves. This also entails the **strengthening of the Chinese Yuan**. In addition to Russia, the Chinese currency is being bought by Japan, and it results from the data published **in January that in 2017, the European Central Bank bought Yuan** into its reserves **for more than 500 billion Euros**. However the Czech National Bank has bought nothing. Its ultraconservative approach both to foreign exchange and gold reserves seems to be close to doing nothing. The Czech National Bank thus becomes the target of criticism and there is a growing concern that the bank is not prepared for a possible crisis or change in economic perceptions when the leading role in the world is slowly but surely being taken by China.

Strengthening China's influence on world economy is good news for gold. There are two reasons.



As Chinese society grows richer, **there will be a growing demand for physical gold**, namely in the form of jewellery and in the form of investment ingots and coins. This has already happened in the past year when the **Chinese bought 233 tons of investment ingots and coins for the first three quarters** of the year, which is more by 40% compared to the same period of 2016. The second reason, which speaks for gold, is the fact that in addition to China's population, **the gold is perceived positively also by the Central Bank of China**, and it can be assumed that the bank replaces US dollars with gold. However, China does not publish these data, and there are concerns as for its gold reserves. Officially, China occupies the sixth place with almost 1,900 tons of gold. Though, almost nobody believes this information. Estimates of real reserves move between 5,000 to 20,000 tons. We may find out one day. **The most gold** – 223.5 tons of gold in total – was officially bought by **Russia**. Russia has been continuously buying since 2006 while purchasing 1,452 tons for this period. At this moment, its reserves amount to 1,839 tons which puts Russia on the seventh place. It is clear that Russia will keep on its purchases in 2018 as well.



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