

Mid-Week Market Report

November 16th, 2016



The Sky is Falling, the Sky is Falling!

Ryan Newman: Investors who loaded up on gold either in the lead-up to, or in response to, the victory of future president Donald Trump in last week's election will have no choice but to reassess their judgement today.

It was widely speculated that a Trump victory would send gold prices soaring higher. After all, demand for gold typically rises during times of heightened uncertainty and fear, which is exactly what we saw when it became apparent Trump would claim victory. Gold prices experienced a sudden spike, climbing as high as US\$1,334 an ounce.

Since then, however, the spot gold price has fallen, a lot. In fact, it fell another 2.5% during the last session alone and is now fetching US\$1,211 an ounce – down 8.3% from its recent peak highs.

Today's Trivia: What was the most valuable piece of currency ever produced in the U.S?

The link below is for an article I wrote that I hope will prevent investors from making common mistakes in their IRA's hold gold.

www.zaner.com/pdf/Retirement_and_PreciousMetals.pdf

Please read this carefully as it will affect the price of gold over the next 18 months-

Kim Iskyan/Truewealth Publishing: "Sharia Gold Standard" – which will clarify and streamline Islamic gold-investing rules – is on track to be implemented by the end of the year. This means that the approximately 100 million active Muslim investors will soon have gold as an investment option.

Once the Sharia Gold Standard is adopted, it's very likely asset managers in key Islamic finance countries like Bahrain, Qatar, Indonesia, Saudi Arabia and Malaysia will start aggressively offering gold investment products like ETFs – which are already wildly popular in the rest of the world. How large will this shift be, it looks like a small percentage of the US\$2 trillion in Islamic finance assets will move into gold at first. At current prices, if Islamic financial institutions allocate to gold just 2 percent of the assets they manage, it would equal roughly 1000 tonnes of extra demand. So, that would be equivalent to another China – for starters. This new demand could help push gold prices higher in 2017.

Under Sharia law, gold is generally considered a "Ribawi item," meaning Muslims can't trade it for future value, or for speculation. They can, however, use gold as a currency and own it as jewelry. Whether Muslims can trade gold as a commodity has been an ongoing source of debate among Islamic scholars. The new standard seeks to solidify agreement among scholar
None banking Assets are just too hard to guess at with any accuracy.

As you know I try to keep my finger on the Soro's pulse, here's the latest from my friend-
Bloomberg/ Luzi-Ann Javier: After selling most of his stock in Barrick Gold Corp. in the second quarter, billionaire investor George Soros more than doubled his remaining holding in the mining company.

Soros Fund Management LLC bought 1.78 million Barrick shares in the third quarter, taking total holdings to 2.85 million, per a regulatory filing. The fund rebuilt its stake in Barrick, one of the world's two largest gold producers, after selling 94 percent of its holdings in the second quarter to cash in on the stock's best first-half performance ever.

Refinery News/Stunt & Co: It owns a refinery in Sheffield where it has been producing gold bars and it offers gold vaulting and secure transport to its rich customers. Ashley Carson, Assay Master of the Sheffield Assay Office, the body which officially approves and hallmarks precious metals in the city, confirmed in a statement: 'The Assay Office has been visited by detectives investigating potential money laundering by Stunt & Co, and the Assay Office is helping with the police inquiry, including giving the police access to our control systems [accounts].'

As part of the investigation, inquiries were made at the luxurious Curzon Street headquarters of Stunt & Co, a building which formerly housed MI5. No one at Stunt & Co has been arrested and no one has been charged.

Mining News/Spencer Campbell General Manager at Kaloti Precious Metals: Gold's dwindling pipeline of new mines is poised to usher in a decade-long output slump, spurring prices and delivering a new impetus for deal making and industry consolidation, per Goldcorp Inc., the third-largest gold producer. Mine supply may fall about a third in the 10 years to 2025, per Bloomberg calculations based on forecasts from BMO Capital Markets and Randgold Resources Ltd. The number of newly discovered primary gold deposits fell to three in 2014, from a peak of 37 in 1987, per Melbourne-based industry adviser MinEx Consulting Pty.

Gold Sales in Australia: The Perth Mint sold 79,048 ounces of gold in October 2016 were up 18% year over year from 66,951 ounces sold in October 2015. I think Japan is consuming a lot of gold right now and it's coming out of Perth.

Platinum News (Very Important): Reports from a major PGM industry publication (Johnson Matthey) predicting a 2017 surplus effectively yanked the rug out from under the platinum market to start out the trading week but the market is probably somewhat heartened by suggests that 2016 will end with a bigger deficit than was previously expected. According to JM, the platinum market would probably post its first surplus reading in 6 years and that is probably largely the result of predictions of a reduction in South African labor problems in the wake of this year's wage deals.

Copper/Investing.com: Copper prices rallied on Monday, adding to gains after posting its strongest weekly rise since 1980 amid growing optimism surrounding the effects of a Donald Trump presidency on the U.S. economy. Copper for December delivery on the Comex division of the New York Mercantile Exchange jumped 3.8 cents, or 1.51%, to \$2.547 a pound by 8:55AM ET (13:55GMT). It soared to \$2.734 on Friday, a level not seen since June 2015, amid expectations that a Donald Trump presidency could unleash a flood of infrastructure spending.

Pete's Corner

FT news pegs the odds of a rate hike happening in December at 92%. They also project HRC in a landslide victory!

Obaid Shah: Lithium has recently emerged as one of the key high-tech materials on the back of growing demand for e-mobility and electrical grid storage. Demand for lithium has also been on an upward trajectory for traditional batteries market and non-batteries end use sectors. At the

cusps of growing demand with limited supply response, lithium prices reached its zenith in 2016. Commodity Inside assesses that the spot Chinese lithium price increased from \$6,400/tonne in 2011 to nearly \$21,500/tonne by mid-2016. Lithium, hey it's a metal too!

Two things caught my eye in Brad Yates blog this week:

Dec gold, silver and palladium EFPs in backwardation is supportive of the spec market getting a little too short with their December positions mid-roll, but the Feb gold for example is still sufficiently rich, so the effect is moderated.

The SGE arb trade rose to double digits last night for the first time in memory. Asian physical demand is improving

Trivia Answer: Printed in 1934, \$100,000 Gold Certificates bearing a portrait of Woodrow Wilson were used, but only for official transactions between Federal Reserve Banks.

Sincerely,

Peter Thomas

SVP - Precious Metals

Direct: 312-277-0140

Toll-Free: 800-621-1414

pthomas@zaner.com

Twitter: @metalZaner

Peter Thomas is a Senior Vice President at the Zaner Precious Metal Division, and he is considered one of the leading gold authorities in the world today. As a licensed floor broker, he was a filling broker in the silver pit when silver ran to \$55 an ounce. He currently manages a global cash desk which handles Refiners, Recyclers, Mining Operations and Coin & Bullion companies. He is constantly in demand for his insightful opinions drawn from his 35 years of metals trade to such news enterprises and magazines publishers as EconoTimes, Bloomberg News, WSJ, The Guardian, US News and World Review, Hard Assets, Kitco, and Modern Trader magazine. Contact him at @Goldbug111, @MetalZaner, (312) 277-0140 or pthomas@zaner.com.

Trading in the Futures and/or OTC market involves substantial risk of loss and is not suitable for all people