

## Friday's Market Report

November 4<sup>th</sup>, 2016



## Cubs Win! Cubs Win!

**Friday's Trivia:** When was the first paper bank note printed?

**Why Do You Only Care About India During Diwali/Mark O'Byrne:** It is considered auspicious to buy gold during the festivals of Diwali and Dussehra, and this additional demand for gold is added due to the final quarter of the year being wedding season, when between 35% and 40% of a wedding's expenses is thought to be spent on gold. But, and this may come as a shock to those running the Bloomberg survey, the country does still buy gold the rest of the year. India is often quoted as the world's largest gold importer, a crown that has been wrestled away by China, but both still rule the charts. This is a relatively new phenomenon for India. Until 1990 gold imports were pretty much banned, just eight years prior to that only 65 tonnes of gold had been brought in, by 2010 imports had reached over 1,000 tonnes.

**Metals:** We have the Fed, the Italian referendum vote and now a potential new vote on Brexit. Also I warned everyone that margins might go up for the American Elections and early indications are the increase will be a 10% increase on all margins. Our prime Tornado Hedging Accounts that trade at 1% margin will be at 11% with no exceptions. Look at it this way, all the people that use the Futures Market will be at 18% so we're still well ahead of the pack. Just out, Bank of England is talking about a new stimulus package next quarter.

**World Gold Council/Walter Pehowich:** The World Gold Council reported that gold demand in the 2nd quarter followed trends from the prior quarter: Huge ETF inflows counterbalanced by anemic jewelry demand amid rising prices. Investment was the largest component of gold demand for two consecutive quarters, the first time this has ever happened.

The World Gold Council goes on to say that this has been in no small part due to demand from Western investors across the spectrum, from retail to institutional and for bars, coins and ETFs.

**Gold Score Board:** According to Capital Economics, quoting data from the World Gold Council, central banks, were net gold buyers last month, purchases totaling 13 tonnes. Once again, a prevalent theme for the last three years, the Russian central bank was the biggest gold buyer, purchasing 16 tonnes last month. The People's Bank of China bought almost 5 tonnes of gold last month and Kazakhstan bought slightly more than 4 tonnes. Simona Gambarini, commodities economist at the UK based firm, noted that the buying from the three central banks outweighed 13 tonnes of gold, sold by Turkey.

Metals sales at the Zaner Precious Metals site have been brisk. All forms of product are moving with Bullion Bars leading the stampede. We have product on hand but the only thing we ran out of was the 1-ounce Credit Swiss bar.

**Swiss Gold Refinery Argor-Heraeus to be Acquired by Private Equity investors/ Ronan Manly:** News has just emerged in the gold market that the giant Swiss precious metals refiner, Argor-Heraeus, has held discussions to be acquired, and that the likely outcome is an acquisition by a private equity group. This private equity group is believed to be London-based WRM CapInvest, part of Zurich headquartered WRM Capital. Other interested buyers are also believed to have examined a bid for Argor-Heraeus, including Japanese refining group Asahi and Swiss refining group MKS-PAMP, however, neither of these are thought to be in the running at this stage. Since this news is developing, details of the discussions and potential acquisition are still thin on the ground.

**Bloomberg:** There's one certain winner of next week's presidential election, according to HSBC Holdings Plc: investors in gold. Although they deem a Donald Trump victory more supportive for the price of the metal than a win by Hillary Clinton, the bank's Chief Precious Metals Analyst James Steel says it'll enjoy at least an 8% jump whoever wins the race. Both candidates have espoused trade policies that could stimulate demand, with gold offering a potential "protection against protectionism," he says. Even the relatively more internationalist Democratic candidate has argued for the renegotiation of longstanding free-trade agreements. That's positive for gold — even if "not on the scale of Mr. Trump's agenda."

**Kitco:** The U.S. October employment report from the Labor Department showed the key non-farm payrolls figure up 161,000, which was just below the expected rise of 170,000. The marketplace read the non-farm jobs number as a “good one,” which falls into the camp of the U.S. monetary policy hawks, who want to see a U.S. interest rate rise in December. That’s a bit bearish for the precious metals markets.

**Copper/Bloomberg:** Copper is at last getting a moment in the sun. Prices posted the biggest weekly gain in two months as the metal that’s lagged behind its peers this year gets a boost from signs that demand may strengthen in China, the biggest consumer.

Copper analysts and traders remain bullish on the near-term outlook for prices after a slew of Chinese data fueled speculation demand will improve, according to a Bloomberg survey. Figures this week showed new credit surpassed estimates after readings for factory output, investment and retail sales also exceeded expectations. Last week, Bank of China International said the time is coming to bet on gains for copper while shorting zinc.

As Copper hits the top of its trade zone our hedgers should be getting ready to sell inventory. Call in this next week.

## Pete's Corner

**The Kilo:** We deal with them every day, so what is it? Currently, the kilogram is the last of the seven basic units in the International System of Units (SI), or metric system, that is still defined by a single physical object, known as the International Prototype Kilogram (IPK). It's an actual lump of metal, made of 90 percent platinum and 10 percent iridium, that's sitting in a vault in France. Replicas have been made, but without this lump of metal, we'd have no true point of comparison to make sure they're accurate.

Last time I looked flipping off the President of the United States was an insult to all our brothers and sisters in uniform and all the rest of our citizens in the U.S. Stopping the sale of 26,000 guns is a small gesture, compared with the \$9 million in aid that the State Department will give to counter narcotics and law enforcement programs in the Philippines in 2017 along with the \$32 million that Secretary of State John F. Kerry pledged this summer for Duterte's law enforcement programs. We have been given no choice but to cut off all aid. Sen. Benjamin L. Cardin (Md.), the top Democrat on the U.S. Senate Foreign Relations Committee needs to put his foot down and put it down quickly before weapons and payments are directed off shore. The Philippine people have been some of America's strongest friends and allies for a very long time. We will get through this little bump in the road, together.

**DollarCollapse.com/John Rubino:** A week ago it looked like the US government was destined to end up firmly – maybe even more firmly — in the hands of the banks, public sector unions and defense contractors. Trump was imploding and the markets were basking in the prospect of never-ending liquidity from a re-energized Fed. And safe-haven assets like gold were being dumped in favor of growth stocks and the like. Then Anthony Weiner reached out from the grave to throw the result back into doubt. Polls have tightened, especially in crucial swing states, and it's now at least conceivable that an outsider will gain control of bank regulation and nuclear codes, with all the uncertainty that that implies. Today's markets, addicted as they are to government coddling, Don't like this idea one bit, and capital is suddenly running scared.

**Trivia Answer:** In the 10th century a crumpled banknote issued by the first emperor has been discovered hidden within a cavity inside a 13th-century Chinese wooden sculpture. The carved head of a Luohan — someone who has achieved the enlightened state of Nirvana — gave up its 700-year-old secret after it was examined by Ray Tregaskis of Mossgreen, the Australian auction house.

Made of mulberry bark fibers, Chinese banknotes were first issued in the 10th century but the later Ming dynasty was the first regime to attempt the widespread replacement of coinage with paper. Its plan eventually failed, as over issuance led to hyperinflation in the 15th century. The note is dated at 1370, the third year of the reign of first Ming emperor, Zhu Yuanzhang, while the sculpture is thought to have been carved a century earlier.

The note shows 10 stacks of coins symbolizing its coinage equivalent, stamped with three official red seals and surrounded by a decorative border of dragons. At a time when paper money could be more easily counterfeited, writing on the note also warns that those caught doing so would be beheaded, and offers an incentive to whistleblowers of "250 Liang silvers plus all the properties of the criminal".

Vote Next Week! We're down to the wire so vote people!

Sincerely,

**Peter Thomas**

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