

The Philosophers' Stone

March 2006

Where to for metal prices?

The rapid rise in the price of gold since November defies traditional explanation of the metals value. In recent years most analysts would have had a straight-forward explanation for any jump in the gold price, simply a collapse in the US dollar.

However, in the second half of 2005, as the US dollar continued to make gains against most other currencies, the gold price in dollars also rose. Therefore the gold price gains in other currencies were even larger than those in US dollars. In Australian dollar terms, gold gained 33% year on year.

Interestingly, silver has outperformed gold during this period increasing 47% in Australian dollar terms.

Projecting future price movements is the business of people more qualified than myself, however there is reasonable argument that silver is unlikely to return to its "traditional" levels.

- 1 Annually we consume more silver than is produced to the tune of 175 million ounces.
- 2 Silver is mined, consumed in micro amounts and then lost. Gold is mined and accumulated.
- 3 As of 2005, the US officially ran out of its stockpile of silver, which was at 10 billion ounces fifty years ago. The US is now a buyer.
- 4 In August 2003, China opened their silver market to all of its citizens.
- 5 Silver is perhaps the most versatile metal on the planet and it usually has no substitutes. Gold has few meaningful industrial uses.
- 6 Gold price has been near or above its cost of production for so long that there are many more gold projects on the books than silver.
- 7 Unlike gold, there are no known large inventories of silver that can be dumped onto the market.



What steps can you, the Jeweller take to best manage this situation?

- ❖ Manage stock levels. It may be opportunistic at current metal prices to convert stagnant stock into dollars or gold?
- ❖ Be aware of replacement stock value.
- ❖ Introduce flexible pricing systems that allow for easy price adjustments in a bullish market.
- ❖ RETURNS FOR REFINING LEMEL AND SWEEP ARE AT A **23-YEAR HIGH!!!** IT IS **NO TIME TO BE SELLING YOUR WASTE OVER THE COUNTER FOR CASH TO SOME 'JOHNNY COME LATELY'**.
- ❖ Maximise your returns by dealing with PMT. We are operating here in Queensland and have grown to our current level through word of mouth recommendations principally on the strength of our returns.