



Gold Futures

WE MAP YOUR FINANCIAL GOALS

Overview

The gold market is one of the most complicated markets in the world; its structure is not very transparent, as gold is traded in many markets all over the world, the majority of its volume being exchanged in the over-the-counter (OTC) markets. This is why an analysis of the structure and mechanics of the gold market is valuable.

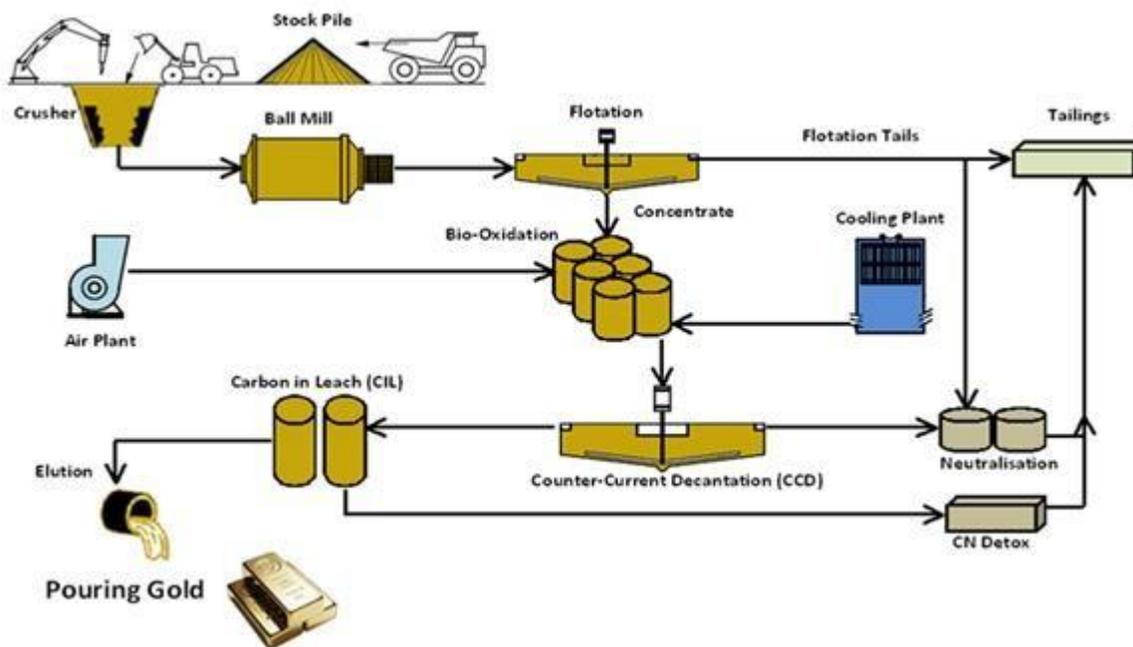
In this report, we will examine the process of gold production, the top Countries that produce gold, and the relationship between Gold and the U.S Dollar



Gold-From mining to processing

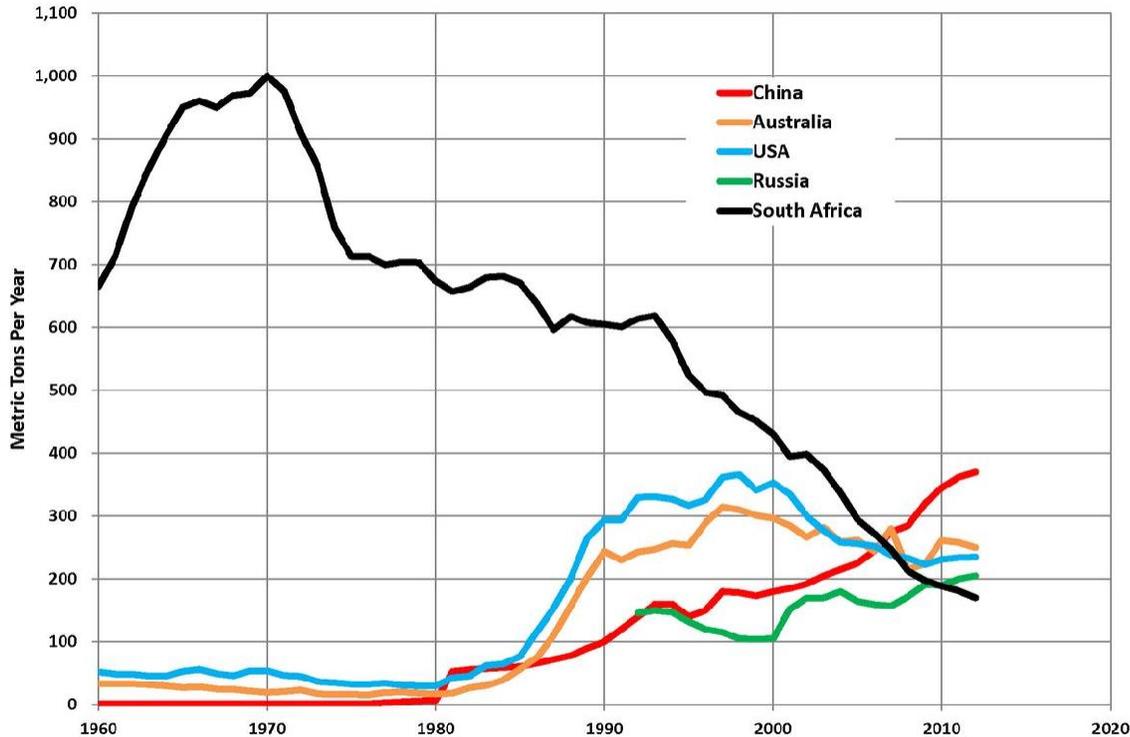
Gold mining is the process of mining gold or gold ores from the ground. There are several techniques and processes by which gold may be extracted from the earth.

There are seven methods to mining gold. The methods used are Placer Mining, Panning, Sluicing, Dredging, rocker Box, Hard Rock Mining, and By-Product gold mining.



Countries that Produces Gold

South Africa was the world’s dominant gold producer for many years up until 2006. Recently, other countries that had large surface areas have surpassed South Africa, Some of which include China, Russia, The United States Peru, and Australia. However, none have approached South Africa’s peak production that occurred in the 1970s.

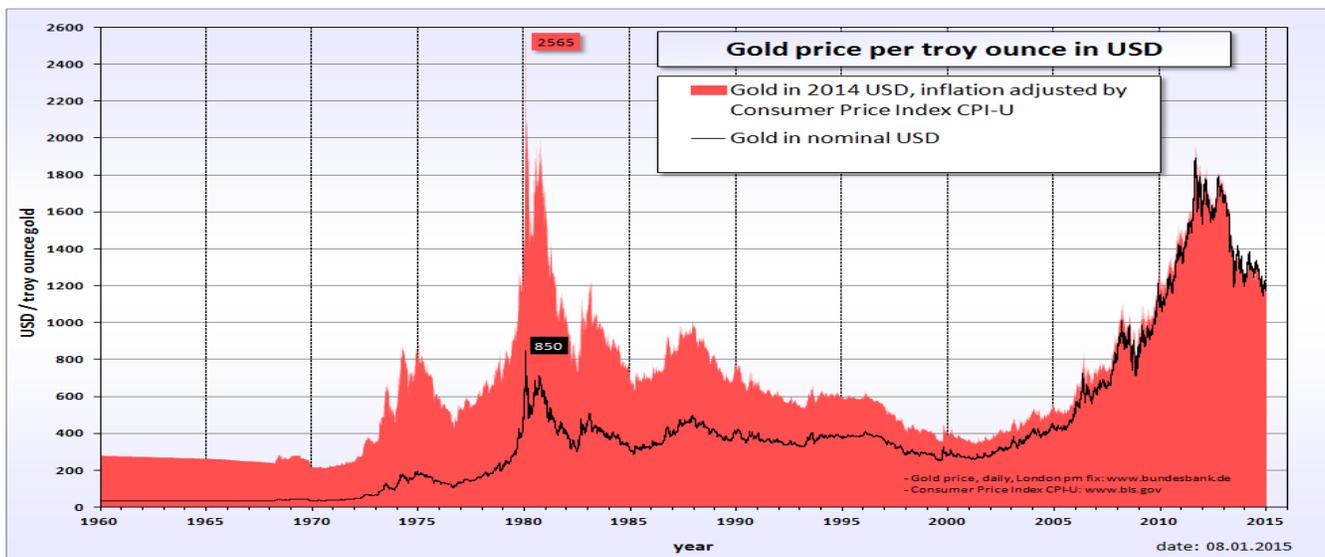


Historical prices

Of all the precious metals, gold is the most popular as an investment. Investors in gold usually store gold in forms of bars as a hedge against inflation or other economic disruptions, especially through the use of futures contract and derivatives.

The highest price recorded for gold was \$1920 in the year 2011. In the year 2011, the Debt issues in the United States and Europe were playing a huge role in pushing investors to buy gold. At the time, The United states couldn't be seen getting out of debt without debasing the dollar even more. Inflation at the time was adjusted high as well.

The lowest price that was recorded for gold was \$34.95 in the year 1932. Still in effect from the Economic cost of World War 1 and followed by the great Depression, gold was seen deteriorating.

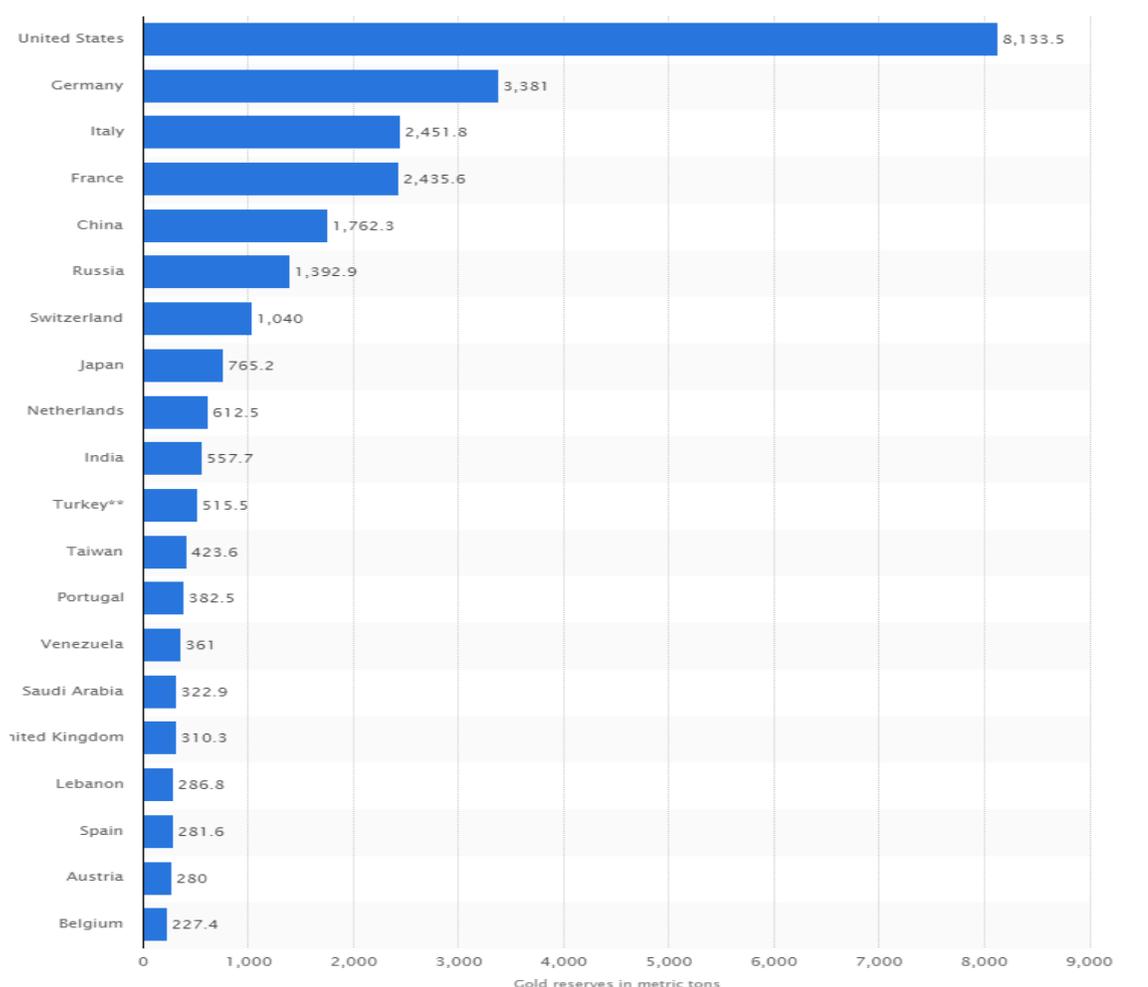


Gold world reserve

Gold reserve is the gold held by a national central bank, intended as a store of value.

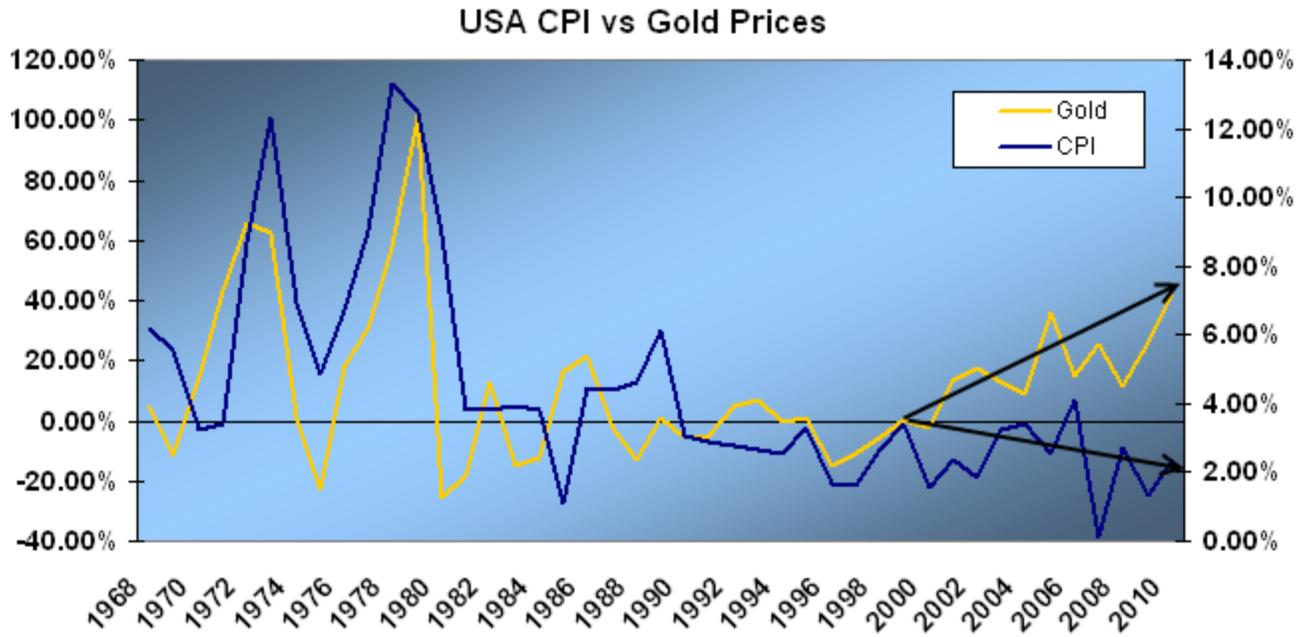
It has been estimated that all the gold mined by the end of 2011 totaled 171,300 tonnes. At a price of US\$1,500 per troy ounce, reached on 12 April 2013, one tonne of gold has a value of approximately US\$48.2 million. The total value of all gold ever mined would exceed US\$8.2 trillion at that valuation. However, there are varying estimates of the total amount of gold mined to date.

Gold reserves of largest gold holding countries worldwide as of February 2016 (in metric tons)



USA CPI vs Gold

Since the early 70's US inflation and gold prices have actually maintained a fairly high correlation. Figure 1, which shows the year over year rates of change, shows that gold prices have tended to track the CPI:



The Relationship between gold, dollar and inflation

The U.S dollar and gold were associated when gold standard was being used. The gold standard was used from the 1900 to 1971, during that time; the value of the currency was tied to the specific amount of gold. The separation was made in the year 1971, where they could be valued based on the supply and demand.

There is an inverse relationship between the trade-weight U.S dollar and the price of gold. This relationship existed due to the following reasons:

- When the dollar is falling, the value of other countries' currencies increase and with this increases the demand for commodities including gold.
- When the dollar starts to lose its value, investors always look for an alternative investments source which is usually gold.

However, it is possible for Gold and U.S dollar to increase at the same time, due to a crisis in a country or region.



10 Factors that Regularly Influence Gold Prices

Gold is used as a standard of value for currencies all over the world so when the price of gold gets stated as a currency value, which is often in U.S. dollars, the price of gold can fluctuate with market conditions.

Gold prices can be influenced by the following:

- Global Crisis
- Inflation
- Value of the U.S Dollar
- Central Bank Instability
- Interest Rates
- Quantitative Easing
- Government Reserves
- Jewelry and Industry
- Gold Production
- Supply and Demand

Sources:

www.marketrealist.com

www.macrotrends.net

www.en.wikipedia.org.



Australia Headquarter
Ingot Brokers, Level 25, Aurora Place, Tel: +612 80385040
88 Phillip Street, Sydney 2000 NSW Australia Fax: +612 80385049