

Rand Refinery Daily Gold Update

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Gold	Today	Change	Week Ago	Month Ago	Year Ago
	\$1,204.00	+\$13.90	\$1,240.50	\$1,248.00	\$920.75

Gold traded in a thin range for most of the day yesterday hitting a low of US\$1185/oz. However, there was evidence of strong physical buying in Asia. Indian gold jewelers snapped up gold bullion to replenish stocks ahead of some of their festivals and tight supplies pushed up premiums for gold bars in Singapore and Hong Kong. Dealers also saw some fresh buying from consumers in China, Thailand and Indonesia.

The Chinese State Administration of Foreign Exchange affirmed that US treasuries are relatively safe, and that gold would not become a main investment channel of its foreign exchange reserves. The gold market hardly reacted to this statement and by mid morning New York time, the price had already picked up by a few dollars per ounce.

According to reports that appeared in Wall Street Journal and Financial Express some of the central banks that had recently increased their gold reserves have entered into gold swaps (exchanging their gold in return for cash, agreeing to repurchase the gold at a later date) with the Bank for International Settlements (BIS) in order to take advantage of the recent high prices we have seen in the yellow metal. The report that was released last week by the BIS shows the international agency has taken 349 tons of gold since December — allowing central banks to raise a record \$14 billion.

The BIS annual report covers the 12-month period through March. April data show that an additional 32 tons of gold were put up as collateral that month, suggesting further loans were taken out with the BIS.

At this rate, the BIS holdings represent the biggest gold swap in history.

While there is some uncertainty regarding the news which has not been confirmed or clarified by the BIS or the IMF, central banks that have had to swap their gold in order to raise funds is a further sign of the distressed state of the global financial and monetary system. The fact that the central banks swapped the gold rather than sold it is also an indication of their favourable view of gold and a sign that central banks are increasingly unlikely to liquidate gold holdings.

Gold continued to edge upwards in Asia today and the price of spot gold advanced 0.3 percent to \$1,205.75 an ounce at 8:26 a.m. in Singapore, rising for a second day.



About the author: David Levenstein is an independent precious metals market commentator with more than 30 years experience.

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