

Gold Price Chronology 1971-2007

(all prices are in US\$/oz and are based on the London pm fix)

A two-tier gold market was established in 1968, whereby central banks transacted amongst themselves at the "official" price, while the private sector transacted at the market price.

1971 Average: \$40.81, Range: \$37.39 - \$43.98

- 5 May The central banks of West Germany, Switzerland, Belgium and the Netherlands state they will no longer purchase dollars at their morning intervention points. The gold price rises to \$40.30 from \$39.65 on 5 May on speculative buying.
- 15 August President Nixon, as part of a package to stimulate the economy and strengthen the dollar, suspends official convertibility of dollars into gold at \$35. This was colloquially known as "closing the gold window".
- 17, 18 December G10 Finance Ministers agree new parities for their currencies under the Smithsonian Agreement, while the US agrees to request Congress to approve an increase in the official price of gold from \$35 to \$38.

1972 Average \$58.22, Range: \$44.0 - \$69.30

- The gold price continues to rise throughout 1972.
- May The Soviet Union and South Africa temporarily stop selling gold, with the latter adding local production to official reserves. The abrupt curtailment of supply triggers a speculative boom. The price rises from \$50.35 on 1 May to \$57.75 by 17 May.
- 2 August The price peaks at \$ 69.30 on 1 August as rumours circulate that some European Community countries are planning to use a price higher than the official price of \$38 in any valuation of reserves.
- The gold price ends the year at \$64.90, slightly below the peak of \$69.30 reached in August, but 48% higher than the beginning of the year.

1973 Average \$97.80, Range: \$63.90-\$127.00

- The market becomes very volatile: gold trades in a range of \$63.90-\$127.00.
- February News of the US's vast trade deficit for 1972 sparks massive speculation against the US dollar, pushing the gold price up to \$69.20 on 9 February.
- 13 February The US announces a further dollar devaluation to \$ 42.22; gold reaches \$86.50 on 22 February (and \$92 on an intraday basis on 23 February).
- 2-18 March Most central banks suspend dealing in foreign exchange markets and adopt floating exchange rate regimes. A lack of confidence in fiat currencies continues to underpin gold demand.

WORLD GOLD COUNCIL

- 6 July The gold price reaches an all-time high of \$127 on 6 July 1973, aided by liberalisation of the gold market in Japan and continued falls in the value of the dollar.
- August The US and Germany hint at possible sales of monetary gold on the free market; prices drift from \$117.50 at the start of the month to \$94 on 15 August, before gradually recovering.
- September Congress repeals legislation prohibiting private gold ownership in the US – subject to the President deeming that conditions are right.
- 6 October Egypt and Syria launch a surprise attack against Israel on the Jewish holiday of Yom Kippur (the “Yom Kippur” war).
- 17 October The Organization of Arab Petroleum Exporting Countries announcement that it will no longer ship petroleum to nations supporting Israel in the war leads to a quadrupling in oil prices to \$12/barrel. The gold price, which had fallen back below \$100 in early October, rallies on safe-haven demand and fixes at \$103.50. But the war proves short lived (6 October – 26 October) and the gold price soon falls back below the \$100 mark.
- 13 November The two-tier gold market is formally abandoned.
- 1974** **Average \$158.93, Range \$116.50-\$195.25**

The gold price continues its upward trajectory supported by political turmoil in France (the government resigns in February and President Pompidou dies in April) and the global economic backdrop.

April Gold reaches \$180, prompting sizeable dishoarding out of Hong Kong.

Monetary policy is tightened internationally in the second quarter, prompting gold sales in order to help liquidity; the price drops to \$129 on 4 July. Soviet sales are curtailed and the Reserve Bank of South Africa retains a high proportion of domestic production.

The quadrupling in oil prices pushes up global inflation (US inflation almost doubles in a year, with the CPI rising to 11% pa in mid-1974), further eroding confidence in paper money and boosting demand for gold as an inflation hedge.

Gold's clearance of \$190 in December rekindles physical selling, along with distress selling from South Vietnam as the foreign exchange shortage intensifies.

The gold price ends the year 60% higher at \$186.50 after opening at \$116.50.

1975 **Average \$160.90, Range \$128.75-\$185.25**

- January The US abolishes restrictions on citizens buying, selling or owning gold and the government simultaneously holds its first gold auction. The auction is poorly received in the face of deteriorating economic conditions, with bids for less than half the two million ounces up for sale. The US becomes a net gold exporter in the first quarter of the year and the New York premium over London is snuffed out for the first time in memory.

31 August G10 agree that the total stock of gold held by the IMF and monetary authorities of the G10 will not be increased. The IMF's Interim Committee subsequently agrees to dispose of 50 million oz or 1,555 tonnes (one third of the Fund's gold). The gold price falls to \$128.75 within weeks of the announcement, the lowest since January 1974.

1976 Average \$124.76, Range \$103.50-\$140.35

June The IMF holds its first auction; metal auctioned over the year, at six-weekly intervals, amounts to 3.9 million ounces or 121 tonnes.

Anticipation of, and reaction to, the commencement of the auction along with reduced inflationary fears prompts heavy speculative and investment liquidation over much of the year before bargain hunting develops in the final quarter. The low pm fix is registered at the end of August. Demand from jewellery manufacturers is particularly strong in the Middle East.

1977 Average \$147.79, Range \$129.75-\$167.95

The gold price creeps up over the course of the year, to \$166 from \$135.70. IMF sales through eleven auctions amount to six million ounces or 188 tonnes (equivalent then to six weeks' private purchase demand). Net official sector sales of the year were 241 tonnes. Fabrication levels recover strongly in North America and Europe, while private investment demand strengthens on the back of economic and political uncertainty.

August The IMF commences a programme of gold restitution under the August 1975 Agreement reached by the Interim Committee of the IMF; this allowed for the distribution of 25 million ounces to Fund members over a four-year period; gold allocation is to be proportionate to members' quotas at 31 August 1975. Roughly half of this is distributed in 1977 and the vast majority is retained in central bank reserves, apart from some sales by those countries with severe balance of payments deficits.

1978 Average \$193.41, Range \$160.90-\$242.75

May The United States initiates a series of auctions, selling four million ounces (126 tonnes) equivalent to just over two weeks' private demand. IMF auctions were 5.9 million ounces (182 tonnes).

October Heightening concerns over inflation and the value of the dollar underpin demand for gold as a store of value and risk management tool. Rising investor interest is reported from the Middle East, while interest in certificates and derivatives continues to expand. The gold price reaches an all-time high on 30 October 1978 of \$242.75.

November Investment activity increases on fears over increased tension in Iran.

15 December The United States recognises Communist China; associated tension in Taiwan fuels further gold investment purchases.

1979 Average \$304.68, Range \$216.85-\$512.00

The price hits another record in 1979, as economic conditions remain supportive and war breaks out in the Middle East. US auctions amount to 11.7 million ounces (126 tonnes) and IMF actions are 5.5 million ounces (170 tonnes). The US ceases auctions in November.

January	The Iranian revolution; the Shah leaves the country on 16 January and Khomeini returns on 1 February.
1 April	Khomeini winds landslide in national referendum and declares an Islamic Republic.
7 April	The United States severs diplomatic relations with Iran.
4 November	66 diplomats and US citizens are taken hostage in the US embassy in Tehran.
25 December	The Soviet Union invades Afghanistan.
28 December	Gold ends the year at \$512.

1980 Average \$614.50, Range \$481.50 to \$850.00

The gold price hits a record for the third consecutive year. Prices are dictated more by political developments than changes in the official sector, which had dominated in the mid 1990s. Jewellery demand is very hard hit and does not recover to 1978 levels until 1984. The official sector is a net purchaser of gold over the course of the year, absorbing 230 tonnes net.

January	The Soviet invasion of Afghanistan dominates the world's financial markets. Gold hits an all-time high fix on 21 January of \$850.
18 March	Gold touches the low pm fix for the year at \$481.50, a drop of 43% in two months.
23 April	US makes an abortive attempt to rescue the Iranian hostages.
7 May	The IMF completes its four-year gold sales programme, with its fifth auction of the year, selling a cumulative total for the year of 444,000 ounces (13.8 tonnes). A total of 23.5 million ounces or 732 tonnes were sold over the four-year programme. When added to a further 1.5 million ounces (46 tonnes) awarded to 13 Less Developed Countries this amounts to a sale of 25 million ounces. A restitution of the 25 million ounces to the countries that had originally contributed to the IMF gold holdings, completed the distribution of 50 million ounces that had been agreed upon in August 1975.
22 September	Iraq invades Iran (the first Gulf War), leading to a further rise in oil prices and inflation. Jewellery demand over the year drops to 120 tonnes (from 1,007 tonnes in 1978 and 737 tonnes in 1979) and investment bar demand drops to 2.5 tonnes from 172.5 tonnes in 1979.

1981

Average \$459.26, Range \$391.25-\$599.25

The gold price falls almost continuously in 1981, from \$597.50 at the beginning of the year to \$397.50 by year end. Physical demand returns and net purchase of investment bars reaches record levels to date at 280 tonnes. This is driven almost entirely by Japan ahead of the government's decision to restrict tax-free savings accounts to one per person by January 1984 (known as the "Green Card" legislation).

Large-scale investors, however, are net sellers. The official sector is again a net purchaser, of 283 tonnes, with buyers concentrated among mine producing nations.

January

Paul A. Volcker, then Chairman of the US Federal Reserve Board, comments that he would like to see the gold price lower.

20 January

The American hostages taken captive at the US embassy in Tehran in November 1979 are released following the US Government's agreement to release assets frozen overseas.

February

Rumours of Middle Eastern and Russian sales spark a wave of panic disinvestments.

30 March

John Hinckley mounts a failed assassination attempt on President Reagan.

Successive interest rate hikes start to restore confidence in the dollar – the Fed Funds rate peaks at 19% in June 1981 – and by the end of the year the dollar is around 10% firmer on a trade weighted basis. Gold prices fell by 28% over the year as demand from "developed nations" remains weak.

1982

Average \$375.32, Range \$296.75-\$481.00

The economic backdrop of easing inflation (US CPI falls to 3.8% by the end of the year from 8.9% at the beginning of the year) and a stronger dollar sees a downward shift in demand for gold. The price continues to fall, reaching \$296.75 on 21 June 1982, the lowest since 30 October 1978. Gold recovers some of its poise in the second half of the year, to close at \$456.9, following extremely high physical demanding the first half of the year. Speculative interest in the fourth quarter then chokes off grass roots buying interest. Virtually all the buying in the Middle and Far East was constrained to the first seven months of the year, but private bar hoarding nonetheless reaches record levels again, at 294 tonnes.

February

UNCTAD proposes that the IMF sell gold to replenish its trust fund for the world's poorest nations. The IMF declares that it has no intention to, nor any plans for, gold disposals for this purpose. The Japanese government postpones its Green Card legislation

April

Gold sales to the Japanese public via banks and securities companies is commenced. The London Gold Futures Market opens, trading in sterling terms and gains only a cautious reception.

October

The London Gold Futures Market switches the contract to US dollar terms.

1983

Average \$423.66, Range \$374.50-\$509.25

February The gold price falls by over \$100 in February (including \$95 in one week), as physical demand for gold declines amid what appears to be a new phase of low inflation (US CPI is just 3.5% in January). Investors are ready sellers into any strength.

A strong start to the year, however, and relatively stable prices thereafter, mean that the annual gold price averages \$423.66, almost \$50 higher than the previous year.

The market is more or less featureless over the course of the year, reflecting independent strength of the US dollar as the asset of safe haven. Grass roots and professional investment demand is subdued across the year. Although a number of gold-related investment funds are started in the US and Canada over the year, the majority of interest is focused on gold equities rather than bullion.

The official sector is a net seller over the year for the first time since 1979 as outright purchases are substantially exceeded by distress sales in a number of developing nations in an effort to offset high interest rates, balance of payments deficits and foreign debt. Commercial banks start to adopt a conciliatory attitude to debtor nations, which helps to reduce interest margins.

October

The price drops below \$400 for the first time in eleven months, which prompts a long-awaited increase in fabrication demand.

1984

Average \$360.44, Range \$307.50-\$405.85

Investor sentiment remains subdued. The gold price declines for most of year, ending almost \$80 lower at \$308.30. Physical demand responded by strengthening tremendously (notably in the Far and Middle East), while the international price was adversely affected by a rise in the US dollar, underpinning prices in some local currencies, especially in South African rand. Falling oil and declining inflation, by contrast, militated against speculative and investor attitudes to gold. Volumes on the futures exchanges declined for the second year in succession. Central banks were net sellers of gold into the private sector, also for the second year running. Distress selling dwindled, as did purchases.

1985

Average \$317.30, Range \$284.25-\$340.90

Gold trades in a narrow range of \$284.25 - \$340.90. In the second half of the year, however, the trend turns firmly upward and the gold price ends the year at \$326.80. Physical "grass roots" demand remains steady after the strong recovery staged in 1984, although much of that demand was in the first quarter of the year, when dollar prices were weakest, and dwindled as dollar prices rose thereafter.

South Africa stops minting the Krugerrand in response to political pressure. The Maple Leaf becomes the pre-eminent gold coin in the market.

September

The G-5 countries conclude the Plaza Agreement on the need to adjust exchange rates, notably with respect to the notion that the dollar is substantially overvalued.

The official sector is a net purchaser over the year, with a number of gold-producing countries rebuilding their reserves after the debt-induced distress sales that commenced in 1983.

1986

Average \$367.86, Range \$326.30-\$438.10

Supply continues to rise, but fabrication demand is strong enough to absorb available metal, largely as a result of extremely strong demand from Japan, driven by the Hirohito coin that celebrates the Emperor's 60th Anniversary. The gold price rallies by 23% between the end of July and the beginning of October over fears that South Africa will retaliate against the west's economic sanctions by cutting gold exports. Investment demand in North America and Europe develops during the second half of the year.

- January The US freezes Libyan assets in the United States and halts economic and commercial relations with Libya. Renewed price volatility sparks speculative activity, raising the price and sharply reducing fabrication demand.
- April US planes bomb Tripoli in retaliation for the bombing of a nightclub used by US servicemen in West Germany.
- 4 August Six members of the Commonwealth impose economic sanctions against South Africa.
- 2 October The US Senate votes to override the Presidential veto on the Comprehensive Anti-Apartheid Act and bans major imports from South Africa.

1987

Average \$446.22, Range \$390.00-\$499.75

1987 marks a turnaround for gold, with the price rising above \$450 for the first time since 1983. The chief reasons are the resurgence of inflation (US CPI is back at 4.4%, having softened to 1.1% a year earlier) and renewed concerns over the dollar.

Physical supplies are substantially augmented by a proliferation of gold loans (as distinct from forward sales).

- 22 February The Louvre Agreement is signed by the G-7 nations with the intention of stabilising the currency markets; it succeeds in preventing a hard landing for the dollar.
- 19 October "Black Monday"; the pm gold fix takes an hour and 45 minutes and institutional investment is revitalised. Gold is sold initially in order to raise cash against margin calls in the equity markets.
- The French government buys 95 tonnes of gold ahead of the redemption of the Rente Giscard (scheduled for January 1988) although this is not needed as a result of a gradual redemption over the last few months of 1987.
- December The gold price briefly (morning fix) breaches \$500 for the first time in almost 5 years, fixing at \$502.75 on the 14th of the month.

1988

Average \$436.86, Range \$395.30-\$483.90

The gold price remains above \$450 for most of H1 on the back of sustained investment demand at grass roots level, notably in Asia,

and resurgent investment from institutional sources. But the price eases back somewhat in H2 to end the year at \$410.25 as interest rates rise and the dollar starts to strengthen. Market beliefs that inflation has been brought under control further contribute to a decline in investor interest.

The official sector is a net purchaser of 285 tonnes over the year as a whole, while producers are heavy sellers into bouts of price strength.

1989

Average \$380.82, Range \$355.75-\$415.80

The gold price continues to trend down in the first nine months of 1989, pressurised by forward sales from Australian producers and a continued environment of high and rising interest rates.

The culmination of the disturbances at Tiananmen Square triggers a bout of investor buying in June, aided by renewed dollar weakness, resulting in a \$27 rally in three weeks (from \$360 towards \$390).

The price rally proves short-lived, however, and the price reaches a three-year low of \$355.75 on 15 September, before rallying in the final quarter on fluctuations in the US financial markets. The strength that ensues is largely speculatively-driven and the price ends the year just short of \$400.

The official sector is a net seller over the course of the year of 217 tonnes.

1990

Average \$383.56, Range \$345.85-\$423.75

Prices come under pressure early in the year on suspicions of steady Soviet-led selling, along with Chinese selling from prior swap activity.

March The Indian Finance Minister announces the government's intention to abolish the Gold Control Act, which prohibits individuals from holding unwrought gold and limits goldsmiths to a maximum holding of 100 grammes of gold.

26 March Very heavy liquidation (the first of three tranches) from an influential commercial bank in the Middle East sends gold below \$370. Buying interest returns at the grass roots level in the Far East.

2 August Iraq's invasion of Kuwait generates a bout of safe-haven buying that generates a rally towards \$415.

The rally proves short lived and the gold price ends the year \$7 lower than the opening level, at \$391.

The official sector is a net purchaser of just 66 tonnes over the year.

1991

Average \$362.33, Range \$344.25-\$403.00

January The gold price spikes to \$403 at the start of the Allied campaign in Iraq in January (and meets heavy forward selling from the mining

fraternity), then retreats on the end of the hostilities to \$366 by the end of January.

The gold price remains low and trades in a narrow range for the rest of the year (\$344.25 - \$372.20), as demand is discouraged by the relative stability of the worldwide economy and lower inflation.

August Coup in the Soviet Union hastens the dissolution of the Union. Mr Yeltsin announces the suspension of the Russian Communist Party on 23rd of the month.

1 December

A referendum in the Ukraine overwhelmingly approves independence. The documents terminating the Soviet Union are signed one week later. The loosening of relationships between the Soviet Union and the west generates an easing in political tension that also works against gold investment activity. Speculative activity is muted with COMEX open interest declining to an eight-year low by mid-year and TOCOM turnover declining even further, although there was a recovery during the final quarter.

1992

Average \$343.95, Range \$330.35-\$359.60

The gold price sinks even further, to \$330.25 in November, the lowest since October 1985. Physical demand recovers strongly, especially in jewellery form, which jumps by 329 tonnes or 15%, despite a prevailing recessionary economic environment in the west, as a result of strong interest in the South East Asian nations. China becomes the world's largest jewellery consumer, while India's growth remains strong on the back of the market's liberalisation.

The official sector disposes of 599 tonnes, the highest level since 1968. The Netherlands sells 400 tonnes in the final quarter, but much of this is absorbed by Asian central banks. Sales from the CIS are sustained as prior Soviet swaps are unwound on the sell side.

Private investment recovers over the second half of the year and offsets the disinvestments in the earlier part thereof, driven by falling interest rates and the US presidential election. Speculative demand remains lacklustre, however.

September, October

The Exchange Rate Mechanism (ERM) crisis generates renewed investment buying activity in Europe.

1993

Average \$359.81, Range \$326.10-\$405.60

Investor demand reappears in North America and Europe in some volume and the five-year bear market draws to a close, with the pm fix registered on 10 March. The jewellery sector, by contrast, responds to increasing prices in mid-year with an overall 7% contraction in volume for the year as a whole, part of which resulted from a run-down in inventories. Bar hoarding drops to below 100 tonnes, less than half the average level over the previous three years.

July

The gold price climbs back above \$400 for the first time in 30 months, thanks to a combination of strong physical demand, a lack of central bank selling and producer hedging, as well as resurgence

in inflation fears. This generates dramatic fluctuations in most areas of the market and prompts a drop in bar hoarding.

August

The Chinese government imposes an austerity programme in order to cool the economy and south-east Asian gold demand drops as a result.

The official sector is a net seller for the fifth year in succession, including disposals from South Africa when international sanctions against the country end.

The gold price ends the year 17.4% higher than opening levels, at \$391.75, with strength underpinned by Chinese buying ahead of the unification of Chinese exchange rates in January 2004.

1994

Average \$384.15, Range \$369.65-\$396.25

Gold trades in a narrow range of \$369.65 - \$396.25, but the narrow range belies an active market. Official sector sales are dramatically reduced, while private investment activity swings into disinvestments.

Mine production falls very fractionally, the first reduction since the 1970s, although increased hedging raises the amount of accelerated supply reaching the market. Scrap supply reaches a record level, largely from distress selling in economically troubled parts of the Middle East.

Fabrication increases sharply in Asia and Latin America, while falling in the Middle East and is broadly steady in North America and Europe. Bar hoarding recovers from the impact of higher prices felt in the latter part of 1993, but professional investment holdings in Europe and North America are unwound; these sales generally cap any rally towards \$400.

January

Political problems in Korea generate Asian stock market weakness and prompt some speculative interest.

April

A state of emergency in Natal and the imminence of the South African elections prompt local gold investment.

26 September

The high fix for the year is registered on the back of increasing concerns over the US trade balance and associated dollar weakness.

November

The Fed raises rates for the sixth time in 1994, prompting a further downward drift in the gold price, which closes the year more than \$10 below the opening level, at \$383.25.

1995

Average \$384.05, Range \$372.40-\$395.55

Gold continues to trade sideways in 1995 but in this year too there was plenty of activity with the market. Producer hedging surges and generates a record increase to reach 461 tonnes (after 163 tonnes in 1994). The associated heavy buying results in a backwardation in November, which is virtually unheard of in the gold market.

This combines with an increase in official sales to mobilise over 700 tonnes of gold from the official sector, but the strength in the physical market is sufficiently robust to absorb the extra supply.

January The Kobe earthquake in January, followed by the subway gas attacks in Tokyo and concerns over the stability of some local financial institutions results in fresh investment buying in Japan.

December The price starts a sharp upward move, attributed to sizeable de-hedging and the return of investor activity, such that it closes the year at \$387, \$7 higher than its opening level.

1996 Average \$387.87, Range \$367.40-\$414.80

31 January The Federal Reserve cuts the federal funds target rate by 25 basis points to 5%.

5 February The gold price reaches a high for the year of \$414.80 following the US rate cut and Barrick's announcement that it has reduced its hedge book by one-third to two years of hedging.

27 March The Belgian central bank announces that it has completed the sales of 203 tonnes of gold "with another central bank". The majority of the gold is believed to have come into the open market, although some may well have been taken up by another financial institution.

April The stock market rally resumes, leading some gold investors and speculators to take profits.

July The price comes under renewed pressure on the back of news that the IMF is mulling the sale of 5 million ounces of gold to help pay for debt relief of the world's highly indebted nations.

September Iraqi forces' incursion into Kurdish territory prompts a reaction from the United States, but the gold price fails to react.

The IMF capitulates to opposition to sales and shelves the plan.

Q4 Increased hedging and fund-led short selling keeps prices under pressure and the market ends the year \$6 lower than opening levels, at \$387.82.

1997 Average \$331.29, Range \$283.00-\$366.55

A sizeable increase in supplies was only absorbed through the pricing mechanism, with spot prices dropping below \$300 before the physical market strengthened enough to absorb the excess. Mine supply and official sector sales grew by 238 tonnes while forward sales added 299 tonnes - more accelerated supply than in 1996. An associated sizeable increase in liquidity helps to contribute to the downward course of the price over the year. Bar hoarding more than doubles over the course of the year to reach 337 tonnes, the highest since the end of the 1980s.

July The price drops sharply in July, falling from \$332 to \$318 after the Australian Reserve Bank announces it has sold two-thirds of its gold reserves.

The development of the Asian economic crisis in the second half of the year has a dramatic impact on jewellery purchases and also prompts considerable local dishoarding on the back of currency depreciation, although this was partly offset by a reduction in scrap return from elsewhere.

October Gold sells off in October after a Swiss government advisory group recommends the National Bank sell 1,400 tonnes of gold, dropping from close to \$330 towards the \$310 level.

December The price falls to a decade low of \$283.0 on 12 December.

1998 Average \$294.09, Range \$273.48-\$313.15

The South Korean chaebols, and latterly the government in its own right, offer interest-bearing won-denominated bonds to the local population in return for local gold-holdings; over 200 tonnes is returned and the proceeds are used to prevent a debt default in the international markets.

August Russia experiences a serious currency crisis, and the Dow registers a 510-point fall on the 31st, although gold takes little heed and prices remain stable in the \$250-260 band.

September Collapse of LTCM amid associated rumours about the fund's position (or otherwise) in the gold market; gold is in an upward phase at this point, but this peters out in early October.

December The Swiss parliament votes to sever the link between the Swiss franc and gold. The year ends on a steady note at \$290.25 just less than \$13 above opening levels.

The average price slips to \$294.12 from \$330.98 the previous year and the lowest since 1978.

1999 Average \$278.49, Range \$252.80-\$325.50

The first quarter sees Germany, and then France and the United States theoretically dropping their opposition to the IMF gold sale proposal

7 May UK Chancellor Gordon Brown announces the Treasury's intention to sell up to 415 tonnes of gold from the UK foreign exchange reserves.

20 July Gold touches a 20-year low of \$252.80 on the back of fears over official sector intentions with short side speculators taking advantage of unsettled sentiment.

26 September The price rebounds on the back of the Central Bank Gold Agreement (CBGA) announcement, which limits central bank sales among the signatories (European banks including the European Central Bank) to 400 tonnes per annum over the subsequent five years, and restricts new lending. The price rises by almost \$62 or 24% in eight trading days, to \$325.80 in October, while lease rates soar on the back of dealer and speculative short covering and borrowing.

The market thus spends the first three quarters of the year concerned about official sector intentions. Sales over the year as a whole amount to 420 tonnes. Bar hoarding increases to 230 tonnes from 157 tonnes in 1998, while jewellery demand contracts very fractionally.

2000 Average \$279.10, Range \$263.80-312.70

A \$50 range and an average almost unchanged from the previous year once again masks subtle but important shifts in fundamental market patterns. Investors were net sellers of approximately 291 tonnes over the year while producers were net de-hedgers, albeit at a very low level, for the first time.

February The price rallies to \$312.70 in February, as producers Placer Dome, AngloGold and Normandy announce that they will make no further additions to their hedge books. The rally proves short-lived, however; by mid-April the gold price has given up all of January and February's gains, trading as low as \$275.05 as the grass roots physical buyers withdraw, the market realises that Ashanti will not be lifting hedges, and there is further selling from the Dutch central bank.

The sustained strengthening in the dollar combines with central bank sales and fears over economic slowdown to keep downward pressure on gold for the rest of the year: the gold price ends the year at \$274.45, just over \$7 below opening levels.

2001 Average \$271.04, Range \$255.95-\$293.25

Gold commences its bull run during 2001 after a prolonged period of sideways trading, and registers gains not just in dollars but also in euro and yen terms, despite an economic slowdown that impinges on jewellery fabrication demand. "Investment" improves substantially, a trend that developed before the atrocities of 11 September, although much of this was short covering rather than fresh purchases.

Despite the change in trend, early weakness means that the annual average of \$271.04 was fractionally below that of 2000.

2 April The low pm fix of the year is registered at \$255.95.

15 May The price rallies from just over \$265 to reach \$291.25 on the 21st of the month in the wake of the collapse of Australian-owned Centaur Mining and as rumours emerge that the company's large hedge book will be bought back. This does not transpire and the price gains fall away.

September Terrorist attacks on World Trade Center, NYC, and elsewhere in US. The price of gold – alongside that of other safe-haven assets - rallies after the 9/11 terrorist attacks, rising from just over \$270 towards \$290, but the gains are soon dispelled.

The mine producers reduce the global hedge book by 147 tonnes over the year, which has a dual effect of supporting the price and reducing the contango, both of which deter would-be short side traders.

2 December Enron files for bankruptcy.

The year ends with gold at \$276.50, with the average annual rate easing to \$271.04, the lowest since 1978.

2002 Average \$309.68, Range \$277.75-\$349.30

Strong investor buying, notably from European and North American investors concerned over corporate governance, as well

as Japanese investors responding to mounting concerns over the stability of the banking sector, push the annual gold price up to \$309.68, the highest since 1997 while the year-on-year rise is the greatest since 1987.

Fabrication drops accordingly, reaching an eight-year low, while producer hedge reductions exceed 420 tonnes.

- 5 March Final UK auction. Total tonnage sold through all the auctions combined: 375 tonnes.
 - 17 September Barrick announces that it expects to cut its hedge book by one-third (six million ounces or 186 tones) by the end of 2003.
 - 12 October Terror bombing attack in Bali kills 202.
 - December North Korea admits to a nuclear weapons programme; the US suspends shipments to the country and North Korea threatens to accelerate its nuclear programme.
- The year ends with spot at \$347.20, a gain of \$59 or 25% over the start of 2002.

2003 Average \$363.32, Range \$319.90-\$416.25

The gold price remains on a firm upward trajectory in 2003, supported by a strong increase in investment demand driven by growing concerns over US external imbalances and the related implications for the dollar, as well as rising geopolitical risks.

In addition the hedge book is reduced by a further 310 tonnes, while fabrication drops again in the face of higher prices, although the decline is relatively small at just over 5%.

- 8 March The CBGA signatories announce that the Agreement will be renewed (with modification, which turns out to be a raising of the annual sales limit to 500 tonnes) will be renewed in September. The UK withdraws on the basis that it has no current intention to sell any more gold.
 - 20 March US leads the invasion of Iraq.
 - 28 March Launch of the Australian gold Exchange Traded Fund.
 - 9 April Fall of Baghdad.
 - 1May President Bush declares the end of hostilities.
 - 31 July Newmont announces that it reduced its "committed ounces" in its hedge book by 3.5 million ounces (109 tonnes) during the second quarter.
 - 2 December Barrick confirms its intention to eliminate its hedge book, which stands at 16 million ounces, through a process of buy backs and delivery into maturity.
 - 8 December Launch of London listed gold ETF.
- The year ends with gold at \$416.25, a gain of \$72 or 21% over the pm fix on 2nd January.

2004 Average \$409.17, Range \$375.00-\$454.20

The price continues to climb, to an average of \$409.17 from \$363.24 the previous year, supported by favourable supply dynamics: supply from official sector sales, scrap and mine production all decline, while producer de-hedging reaches record levels. The increase is less dramatic than in 2002 and 2003, however, and it is arguable that the period could be described as one of consolidation.

The global hedge book falls by a hefty 442 tonnes, while fabrication also recovers, gaining just over 5% and almost reaching the levels recorded in 2002.

11 March Madrid train bombings.

September The Argentine central bank announces gold purchases of almost 55 tonnes in the first eight months of the year.

18 November The streetTRACKS® Exchange Traded Fund becomes the latest, and soon the dominant, member of the suite of gold ETFs. Others are to follow and investor appetites are whetted accordingly.

Meanwhile, growing concerns over US imbalances also keeps downward pressure on the dollar, supporting demand for gold as a hedging tool.

The market ends the year at \$435.60, up by \$20.35 or 4.9% from the opening fix.

2005 Average \$ 444.45, Range \$411.10-\$536.50

Prices are broadly stable for the first eight months of the year, capped by a surge in net official sales, which more than doubled to over 400 tonnes in the first six months. The market gathers steam for a sharp increase in the last part of the year that continues into the first few months of 2006. Producer de-hedging drops to 131 tonnes, while fabrication increases by 3.8%.

The majority of the investment interest is driven by the Exchange Traded Funds, with combined holdings increasing from 179.4 tonnes on 31 December 2004 to 387.5 tonnes on 30 December 2005, a gain of 208.1 tonnes. Bar hoarding, meanwhile, drops from 427 tonnes to 131 tonnes.

30 January Iraqi election.

22 July China stages a "mini-revaluation" of the Yuan and prompts speculation that more may be to come.

August Hurricane Katrina triggers a marked rise in oil prices, boosting inflation expectations and demand for gold as an inflation hedge.

December The desire to hedge against inflation and dollar devaluation continues to support gold demand, while the developing ETF market helps to broaden the investor base. The gold price reaches \$536.50 in December, the highest since March 1981.

2006 **Average \$590, Range \$524.75-\$725.00**

H1 The price rallies almost continuously in the first half of the year, reaching a 26-year high of \$725 on 12 May, supported by a weaker dollar and rising inflation, as well as political factors, notably continued tensions in the Middle East. The investor base continues to broaden thanks, in part, to the development of the ETF market, and with pension funds taking an increasing interest in gold as a portfolio diversification tool.

Expectations are renewed for a secular decline in the dollar as the US round of tightening draws to a close and the European and Japanese central bank embark on tightening policies. The prospect of reserve bank diversification away from the dollar becomes stronger, with a concomitant impact on dollar-related gold prices, although alternative fiat currencies appear to take precedence over gold as an official sector diversification tool.

Official sector sales are estimated by GFMS Ltd at 215 tonnes for the first half year against 412 tonnes in the first half of 2005. High prices attract increased scrap recycling while jewellery fabrication drops by 28%.

January The BT pension fund announces its attention to diversify 3% of its funds under management into commodities. A similar announcement from Sainsbury's follows soon after. The French Pensions Reserve fund states that it is to seek permission from its supervisory board to invest in commodities.

26 January Hamas wins the Palestinian elections.

4, 5 July North Korea tests nuclear missiles.

12 July Israel attacks Lebanon.

9 October North Korea conducts a nuclear weapon test.

2007 **Average \$695.39, Range \$608.40-\$841.10**

In the first half of the year the gold price fluctuated in a tight range of \$608.40-\$691.40. But the position changed in Q3, with the price rallying to a 27-year high of \$743.00/oz, as investors flocked to gold as a safe-haven asset amid the growing turmoil in credit markets. The weakness of the dollar, which slipped below 1.40 against the euro for the first time ever, also underpinned demand for gold as a dollar hedge. The price remained on a firm upward trajectory during Q4, to end the year at \$833.75/oz for largely the same reasons.

June The credit crisis starts to rumble, as news emerges of heavy losses made in the US sub-prime mortgage/collateralised debt market at two Bear Sterns managed hedge funds.

Q3 The credit crisis intensifies in July and August, before exploding in September. Interest rates in the interbank market spike aggressively upwards, as banks become increasingly wary about counterparty risk, sparking a classic textbook credit crisis. Northern Rock experiences the first run on a UK bank in over a century. The safe haven bid for gold begins.

The US Federal Reserve Bank cuts interest rates in an attempt to ease credit conditions. This pushes the dollar to a 26-year low against sterling and a record low against the euro. Investors flock to gold as a means of protecting against dollar weakness.

Q4 The price continues to be driven by the behaviour of investors who buy gold as a means of hedging against dollar weakness, rising inflationary pressures and heightened geopolitical and financial sector risks.