



The Macro View Of Commodities



CPM Group

New York, NY
5 May 2016

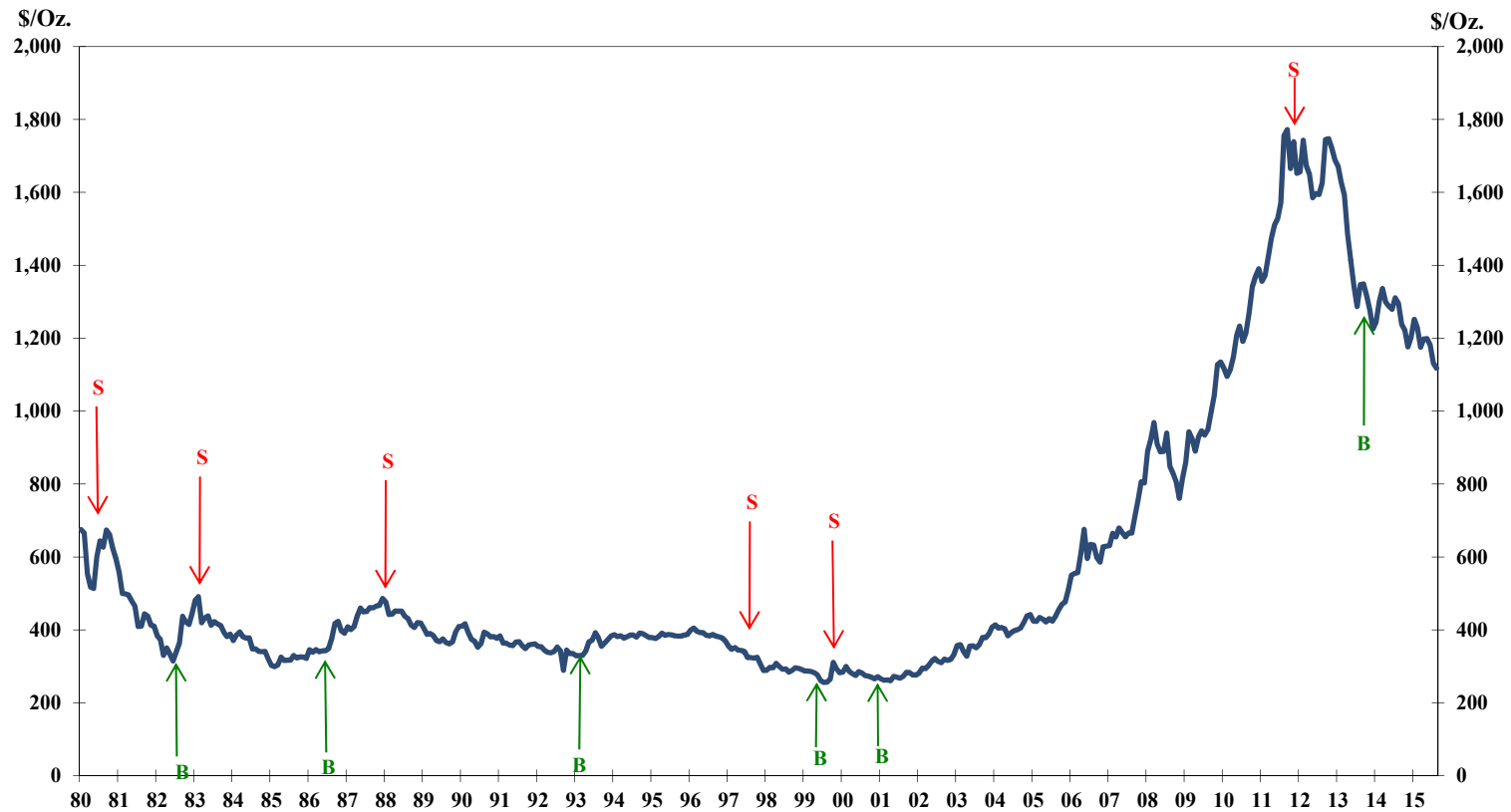
Who Is CPM Group

Research-Driven Research and Consulting



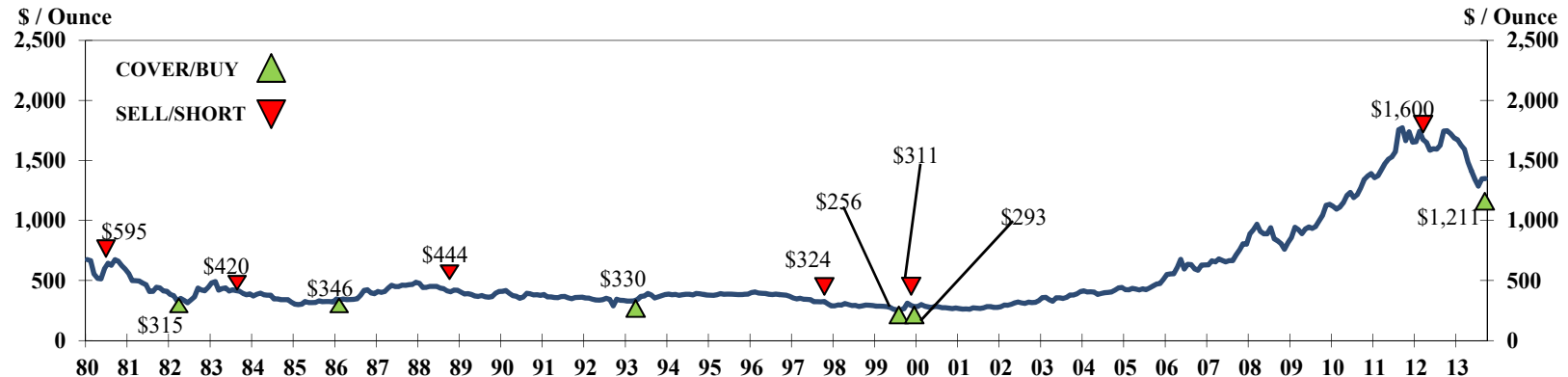
Why Listen To CPM Group

CPM Group's Intermediate Term Gold Recommendations



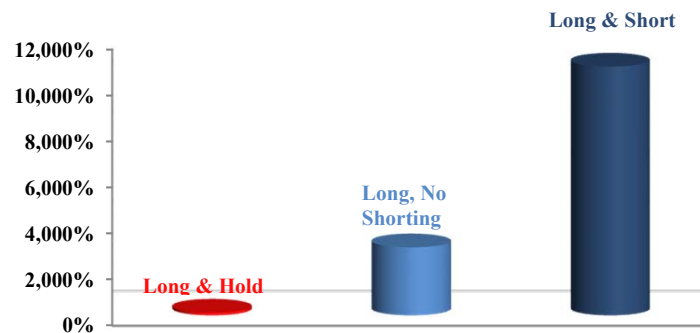
Facile Gold Trading Has Its Rewards

Published Research Recommendations for Gold



Gold Investment Portfolio Returns on Three Strategies

As of March 2014 from Initial Investment of \$1 Million in December 1980



Gold Investment Rate of Return Comparison

	Portfolio 1 Bought and Held Gold	Portfolio 2 Bought and Sold Gold	Portfolio 3 Bought, Sold, & Shorted Gold
Initiated Positions	\$1,000,000	\$1,000,000	\$1,000,000
Value as of Mar 2014	\$2,143,014	\$30,416,032	\$108,704,027
Return as of Mar 2014	114%	2,942%	10,770%
Annualized Rate of Return	2.8%	12.2%	17.1%

Commodities Markets Do Not Know Themselves: The Imaginary Exploration Boom and Bust

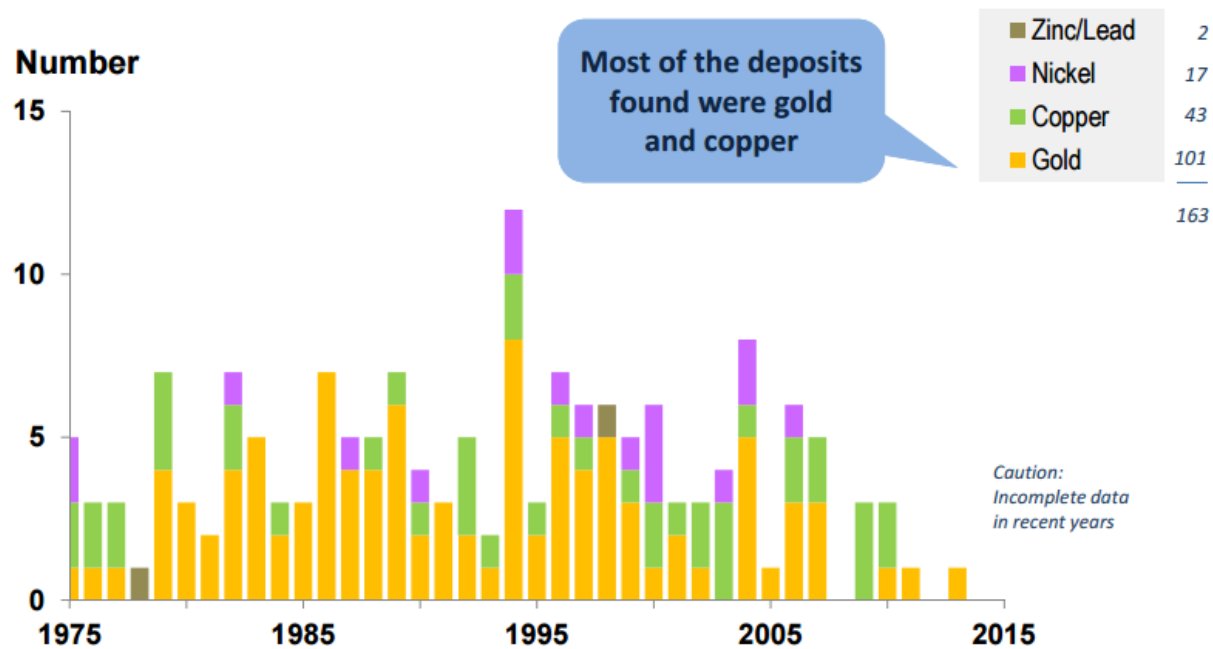


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New Deposit Discovery Is Down...

Number of discoveries by commodity

Mineral discoveries in Pacific/SE Asia: 1975-2014

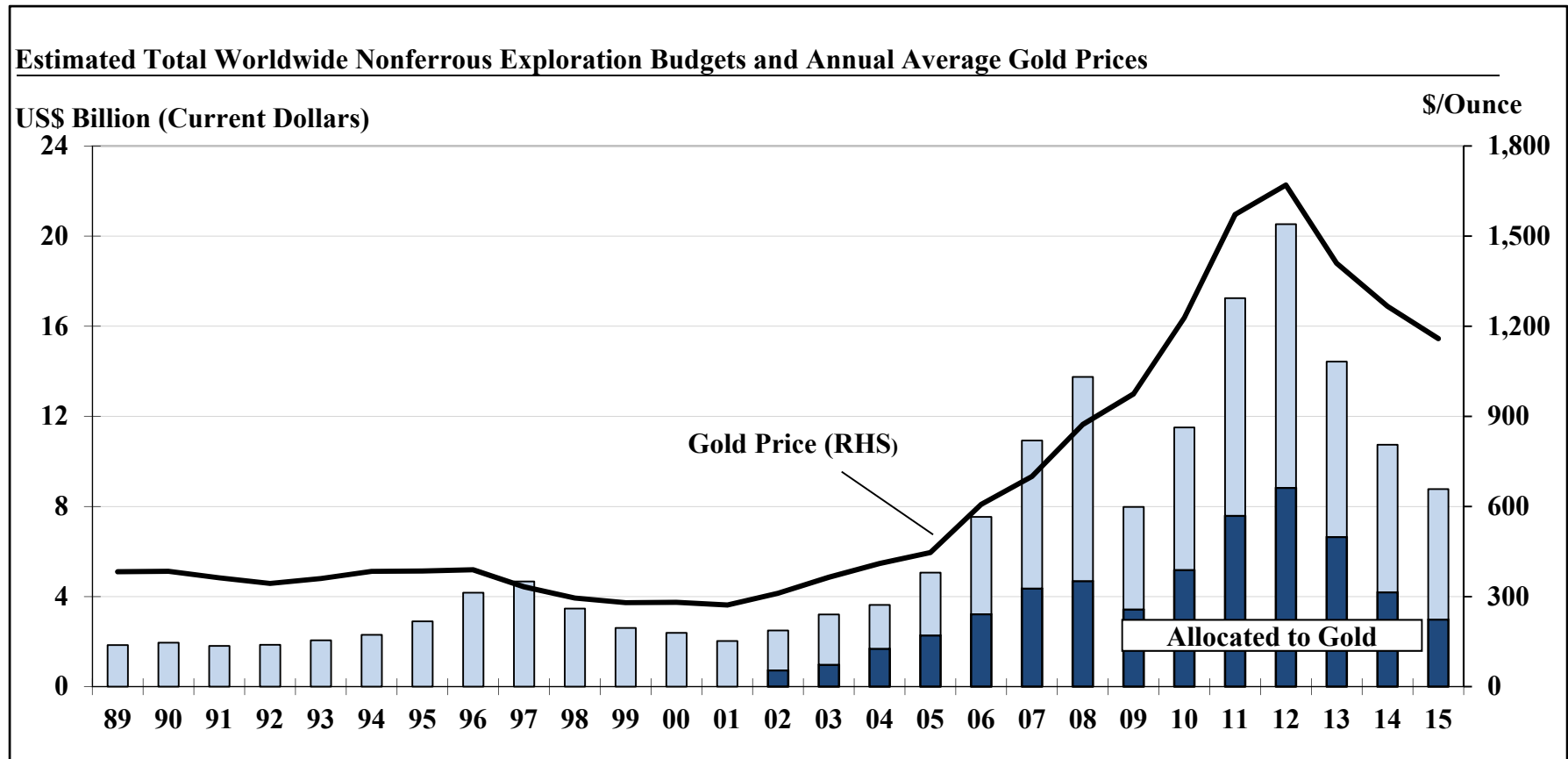


Note: Based on Moderate-, Major- and Giant-sized deposits
Excludes satellite deposits in existing camps

Source: MinEx Consulting © March 2015

Everyone Uses These Exploration Budget Data

The data on this chart is universally used throughout the mining industry. It shows the rise in exploration spending during the bull market and subsequent sharp decline.

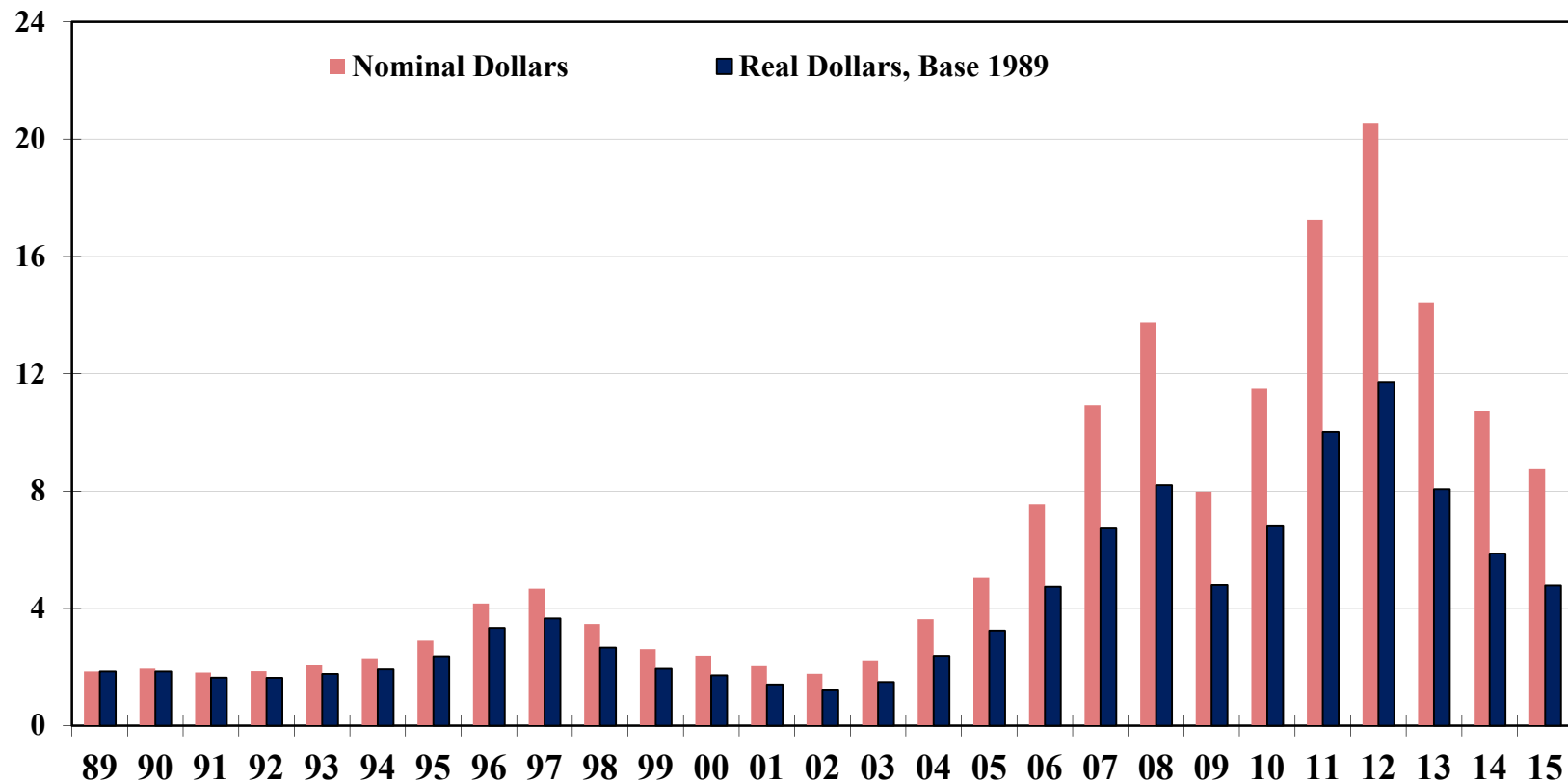


Inflation-Adjusted, The Boom Was Far Less Dynamic

SNL Survey of Worldwide Nonferrous Exploration Budgets, Nominal & Inflation Adjusted

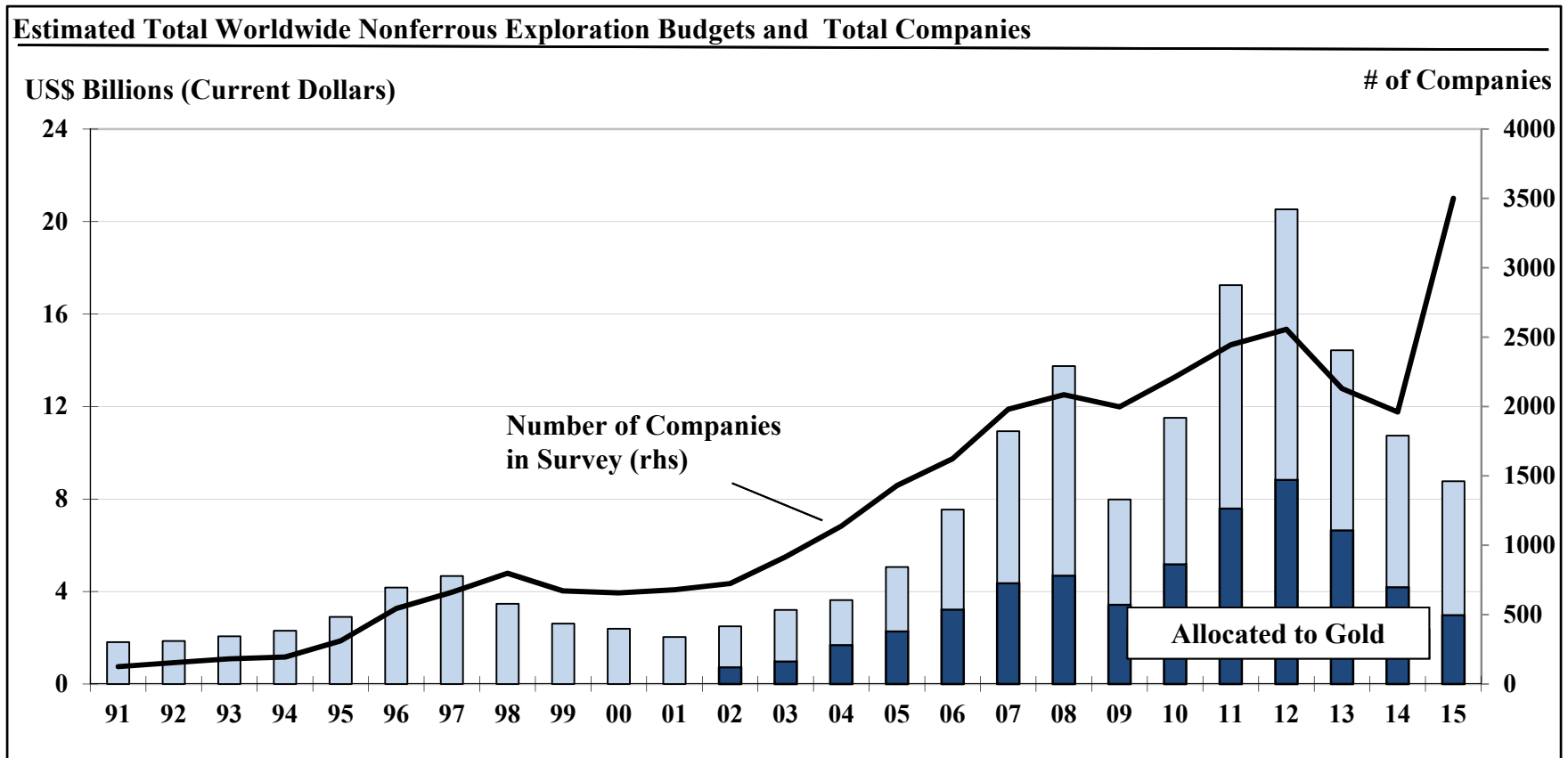
Raw Data, Not Adjusted for Company Coverage of Global Market

US\$ Billion



The Data Also Are Not Adjusted For Survey Improvements

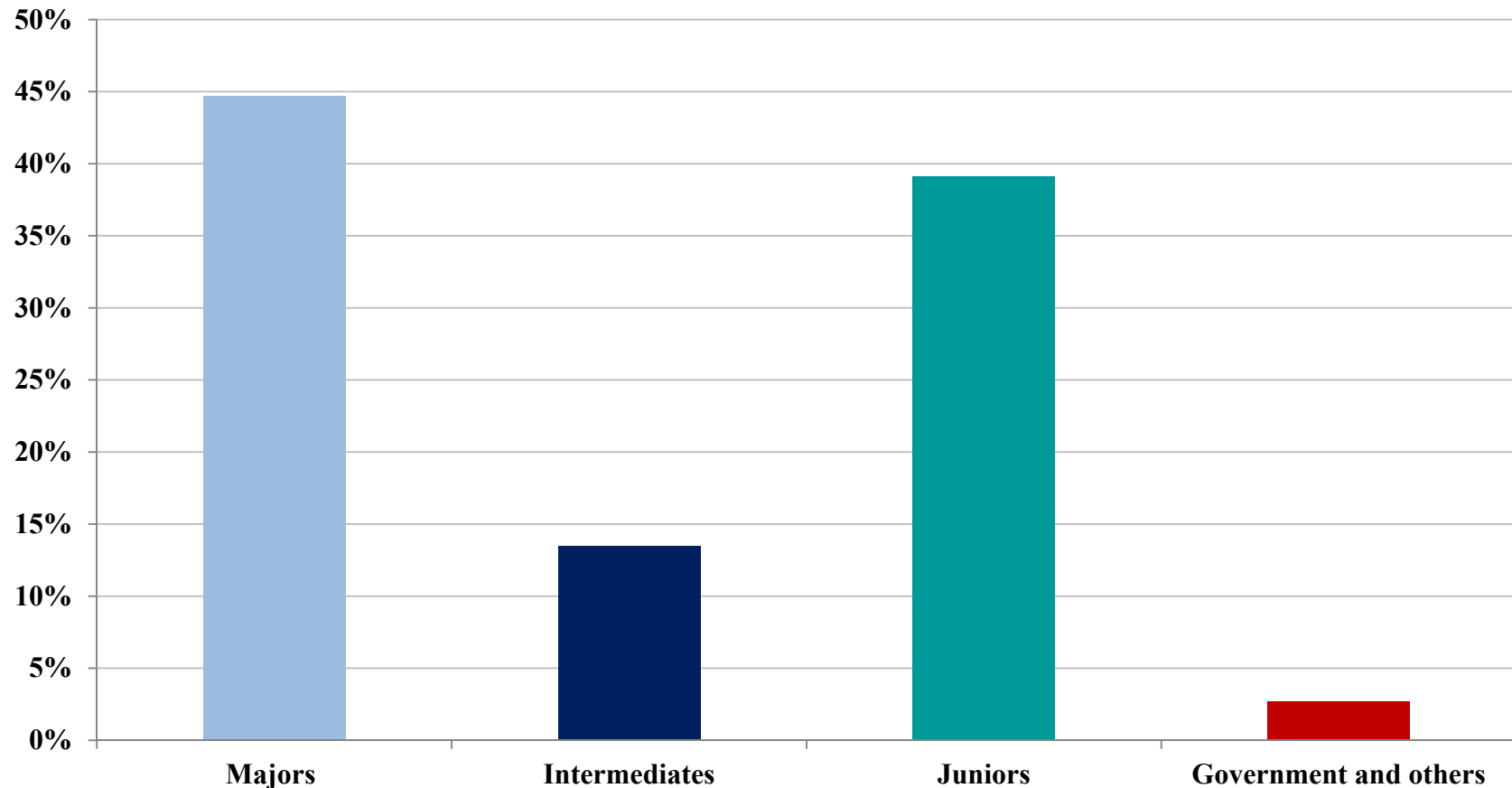
The exploration expenditures showed a sharp rise, but the number of companies on which data were gathered rose three times as much. The exploration data have not been adjusted to account for distortions in spending that reflected improved data gathering.



Nearly 40% of Exploration Spending Is At Juniors, Earlier Excluded

Worldwide Exploration Budgets by Company Type 1998 – 2014

Percentage of Global Exploration Budgets by Company Type



Source: SNL



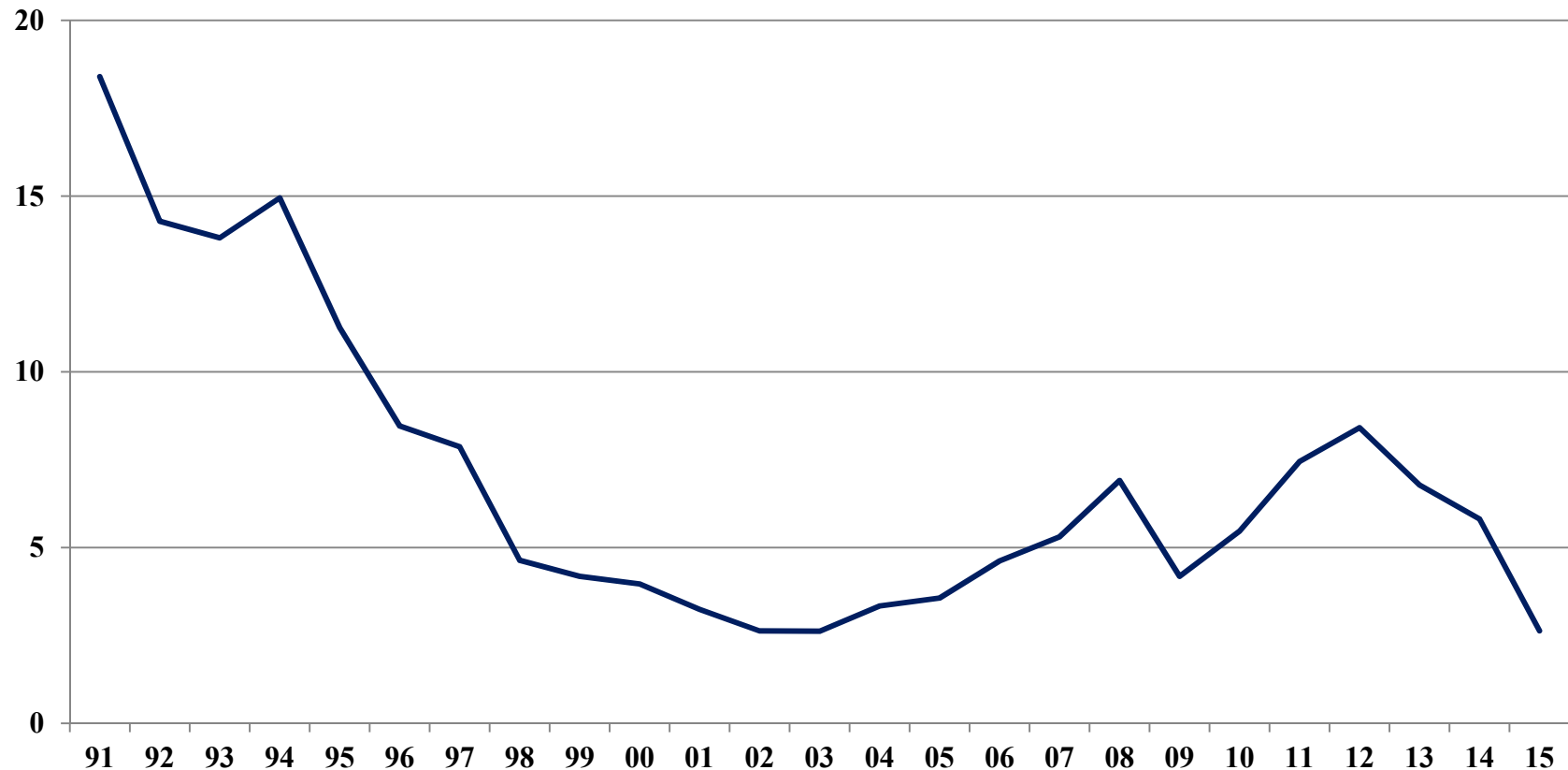
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Average Exploration Budget Per Company Adjusted for Inflation

Average Budget Per Company in SNL's Survey of Worldwide Nonferrous Exploration Budgets

Raw Data Adjusted for Inflation

Million \$



The Long Cycle In Commodities

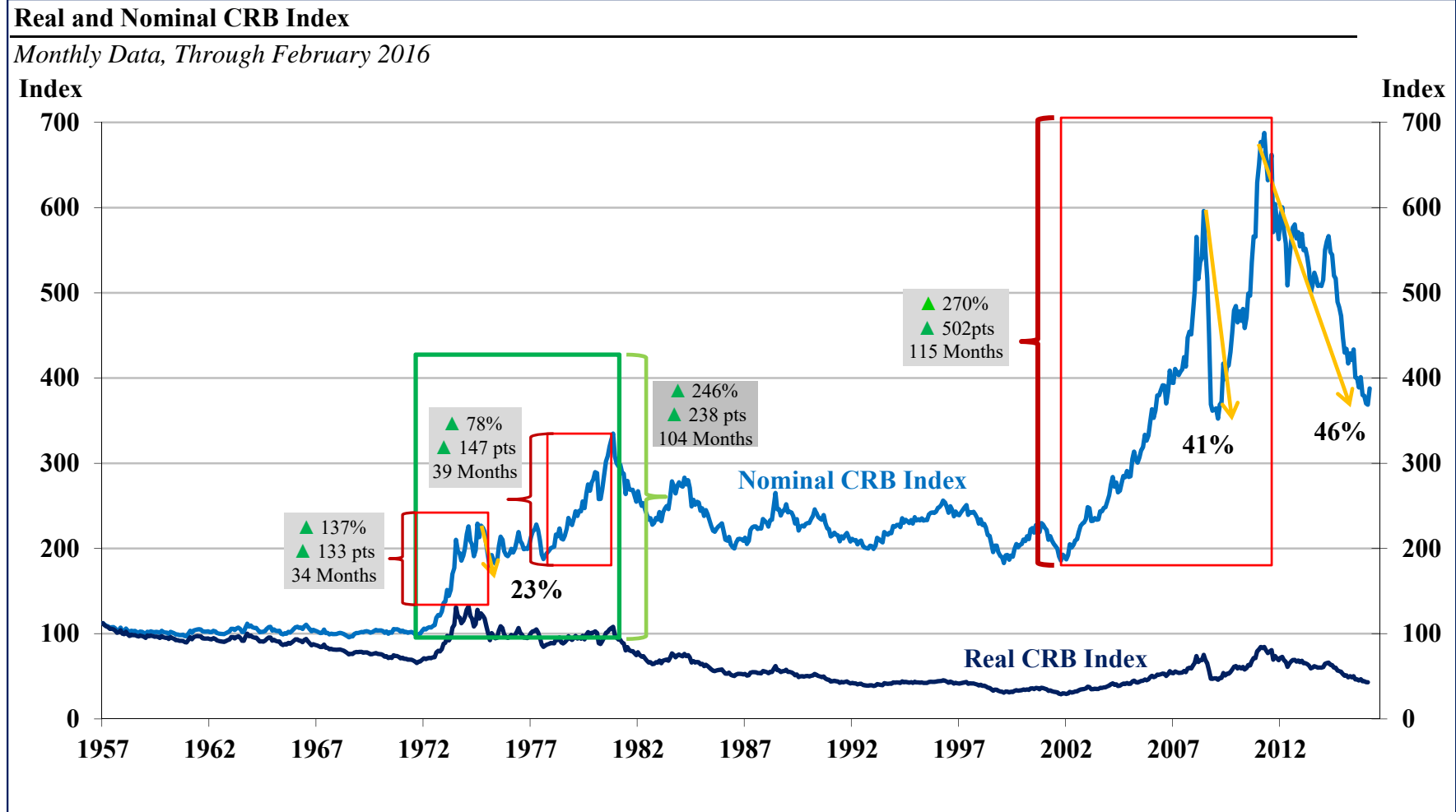
A Cyclical Decline In A Secular Bull Market

Where we have been and where we are now

How we have gotten here

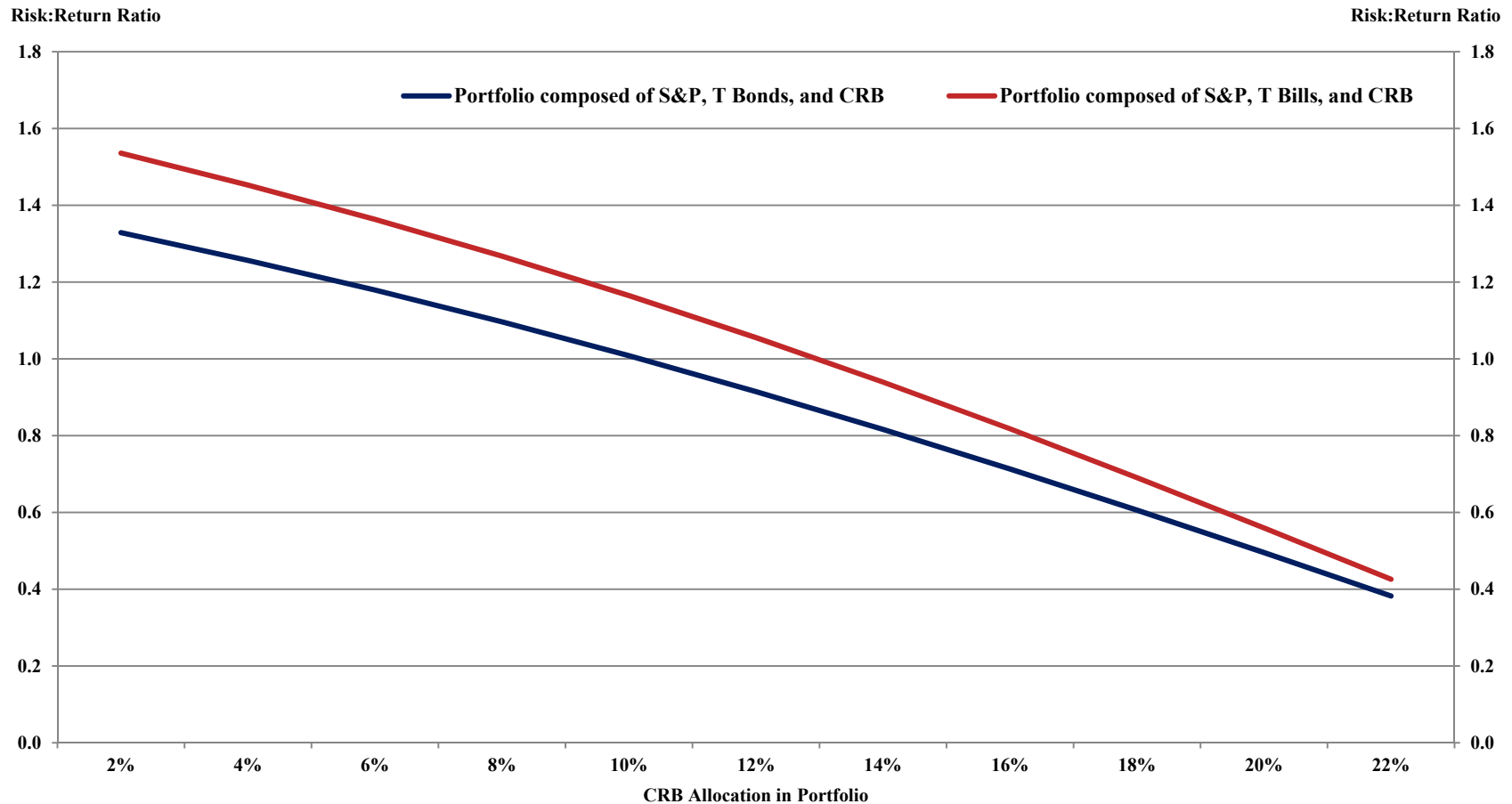
The role of economics and the role of fundamentals

A Cyclical Decline In A Secular Bull Market



Commodities Do Have A Key Role In Diversified Portfolios

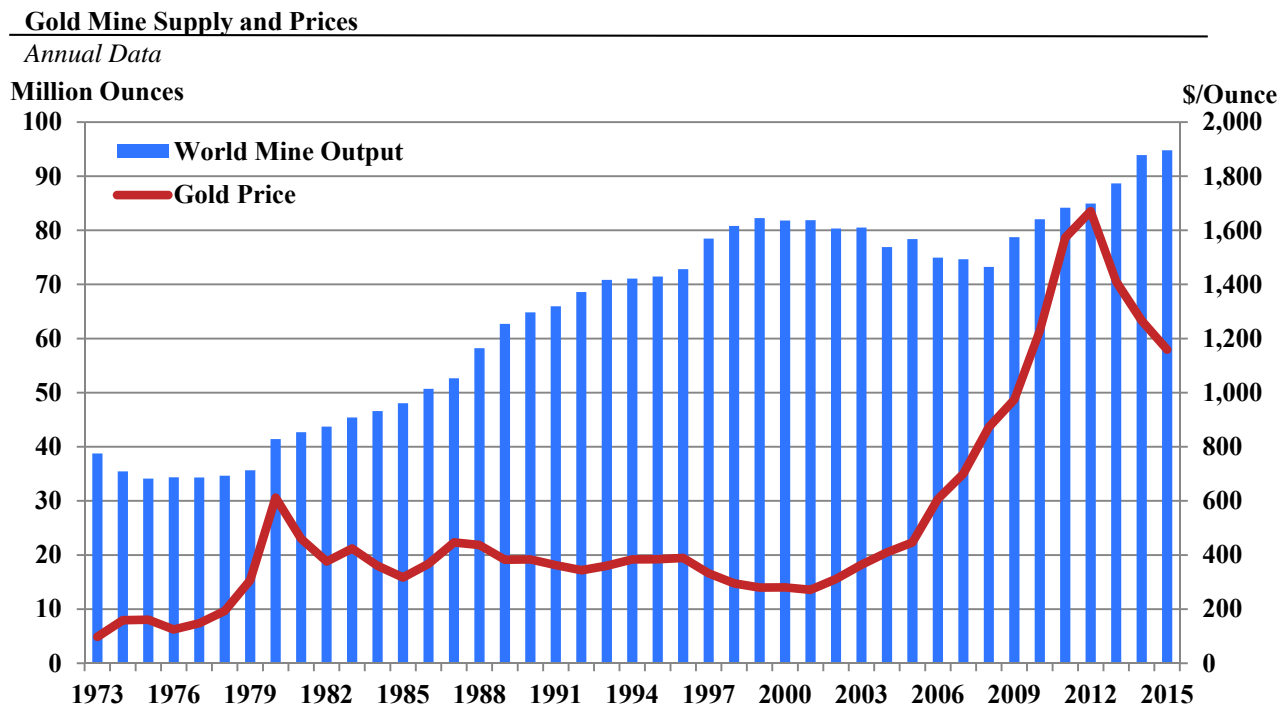
Reduction of Risk per Unit Reduction in Return for Given Incremental Increase in CRB Allocation



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Profiting In Gold, and Commodities

Investors in productive capacity made vastly more money over a longer period of time than did investors in physical commodities. Timing peaks and troughs in commodities is harder than reaping profits from mines, oil fields, and plantations.

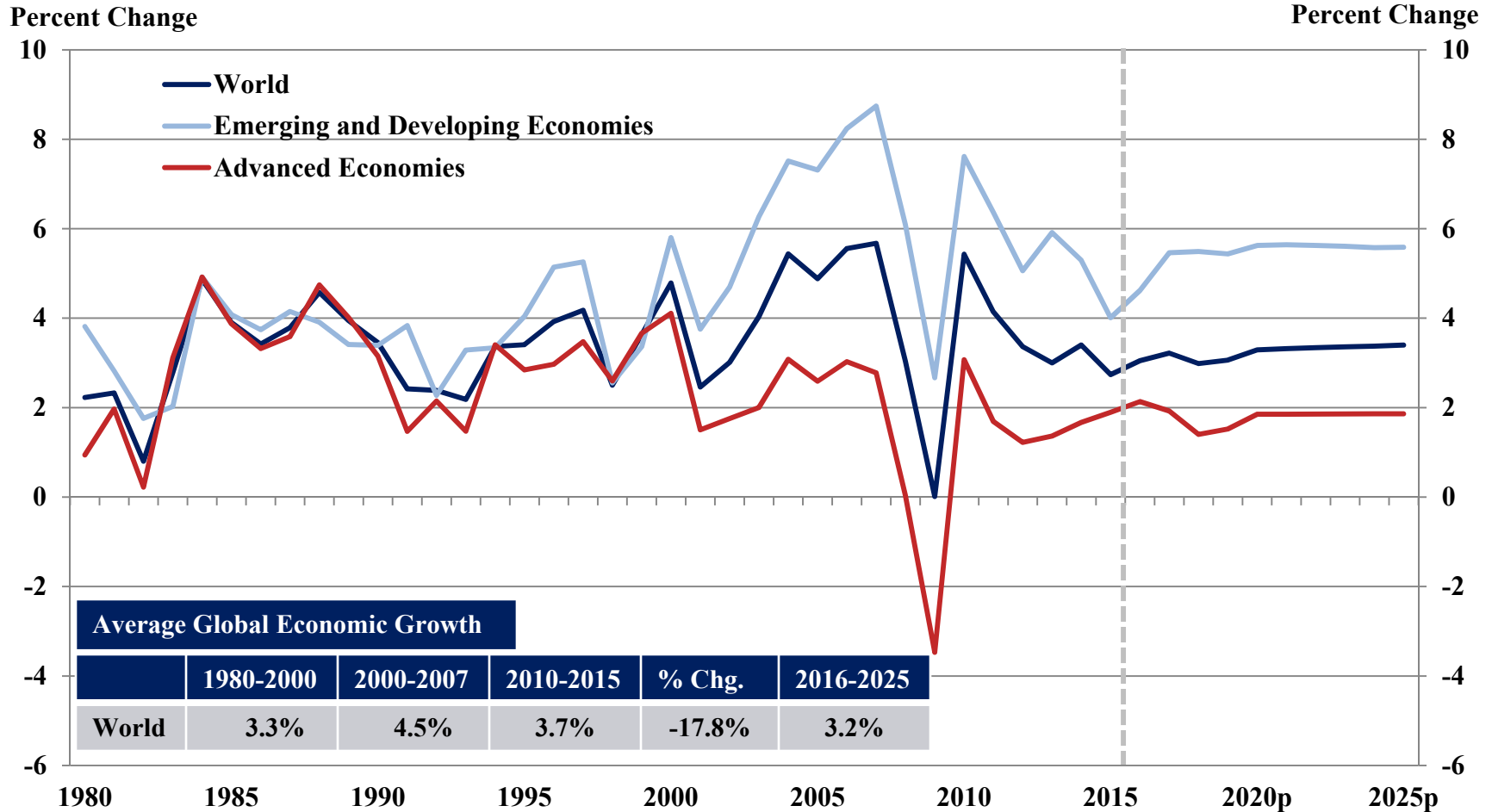


Where we are in the cycle

Global Growth Continues To Muddle Through

Real Gross Domestic Product

Annual, Projected Through 2025



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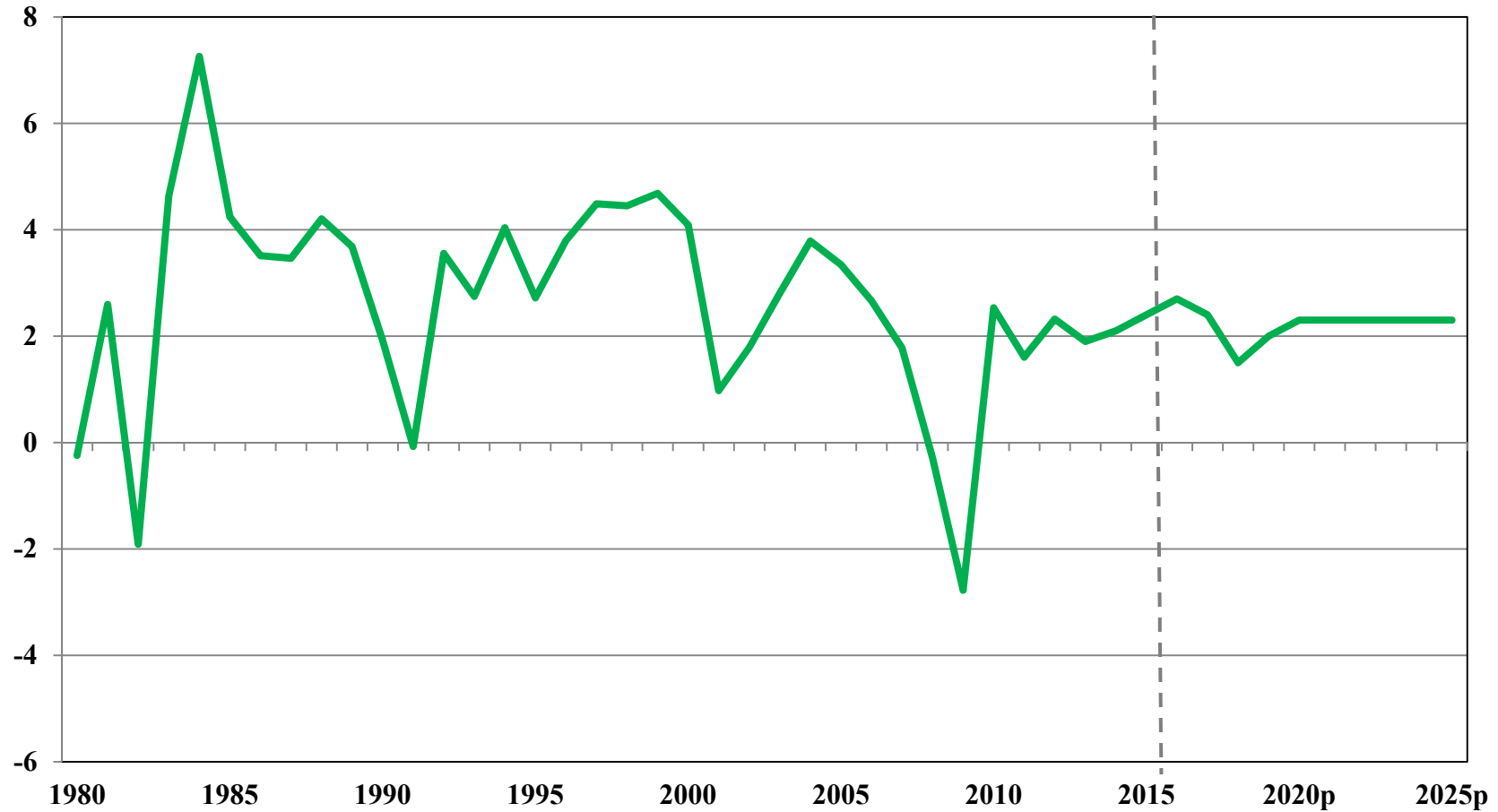
Source: CPM Gold Long-Term Outlook

U.S. Real GDP

Real Gross Domestic Product in Select Advanced Economies

Annual, Projected Through 2025

Percent Change

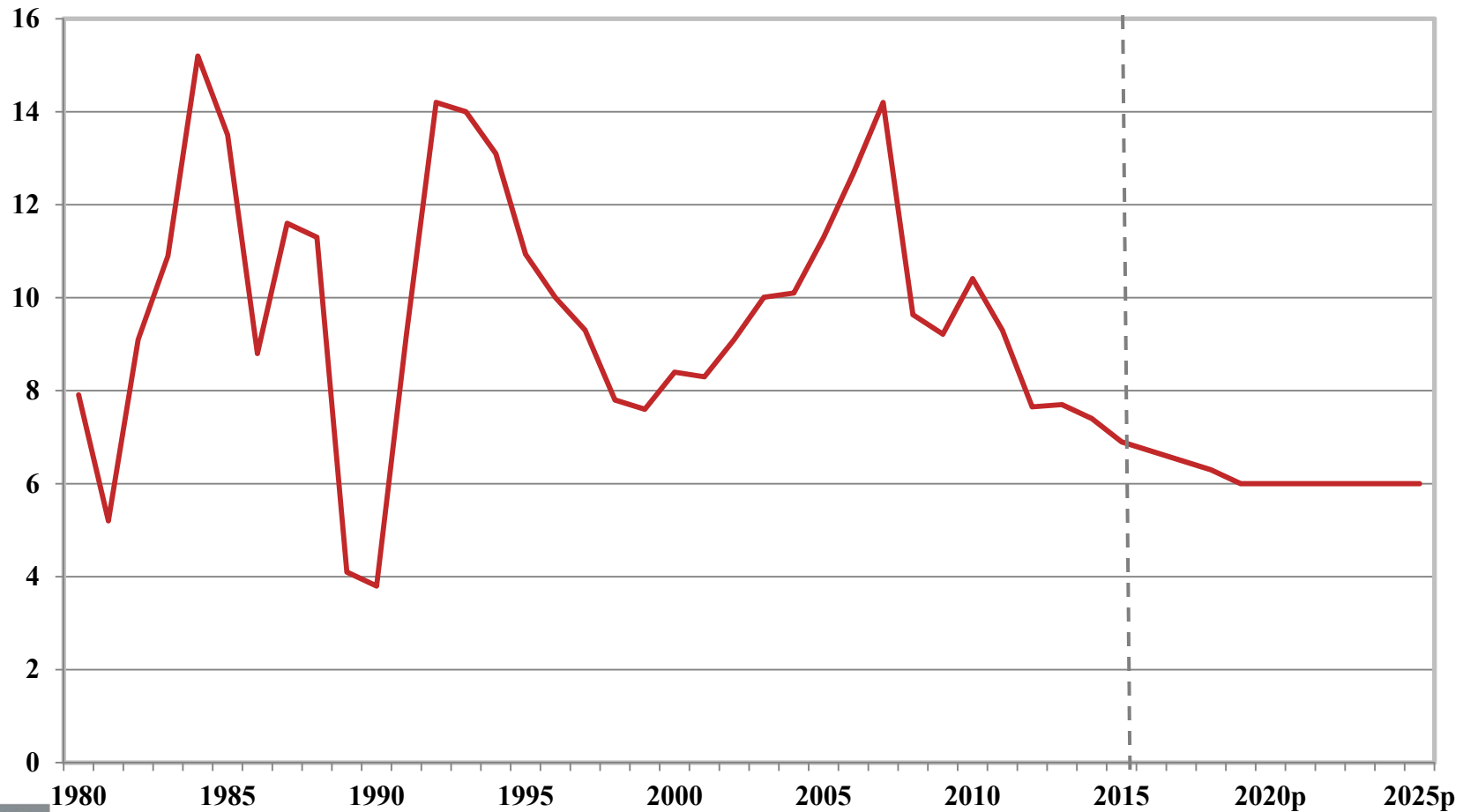


Chinese Real Gross Domestic Product

Real Gross Domestic Product in Select Advanced Economies

Annual, Projected Through 2025

Percent Change



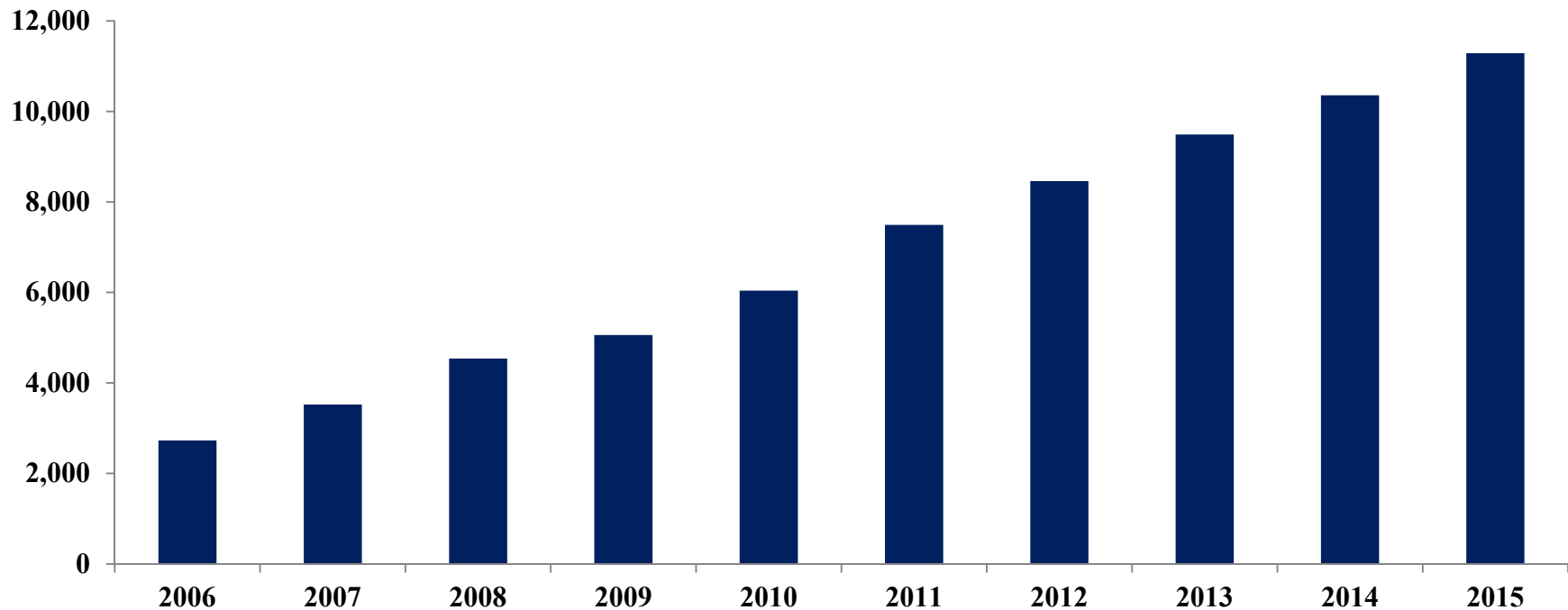
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China's Economy Is Not Collapsing

2015's 6.9% real Chinese GDP growth was greater in value than 2007's 14% growth.

Chinese Gross Domestic Product

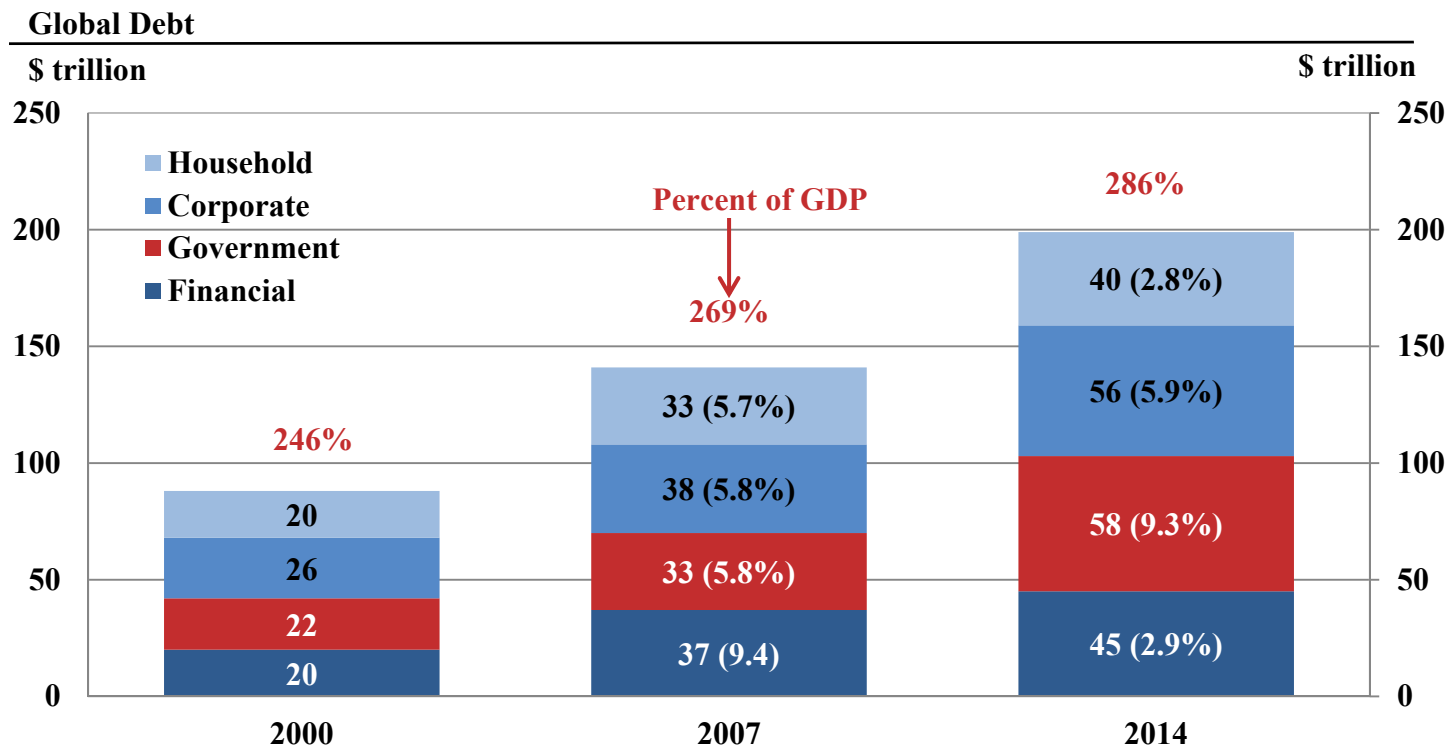
Billion Dollars



Source: World Bank

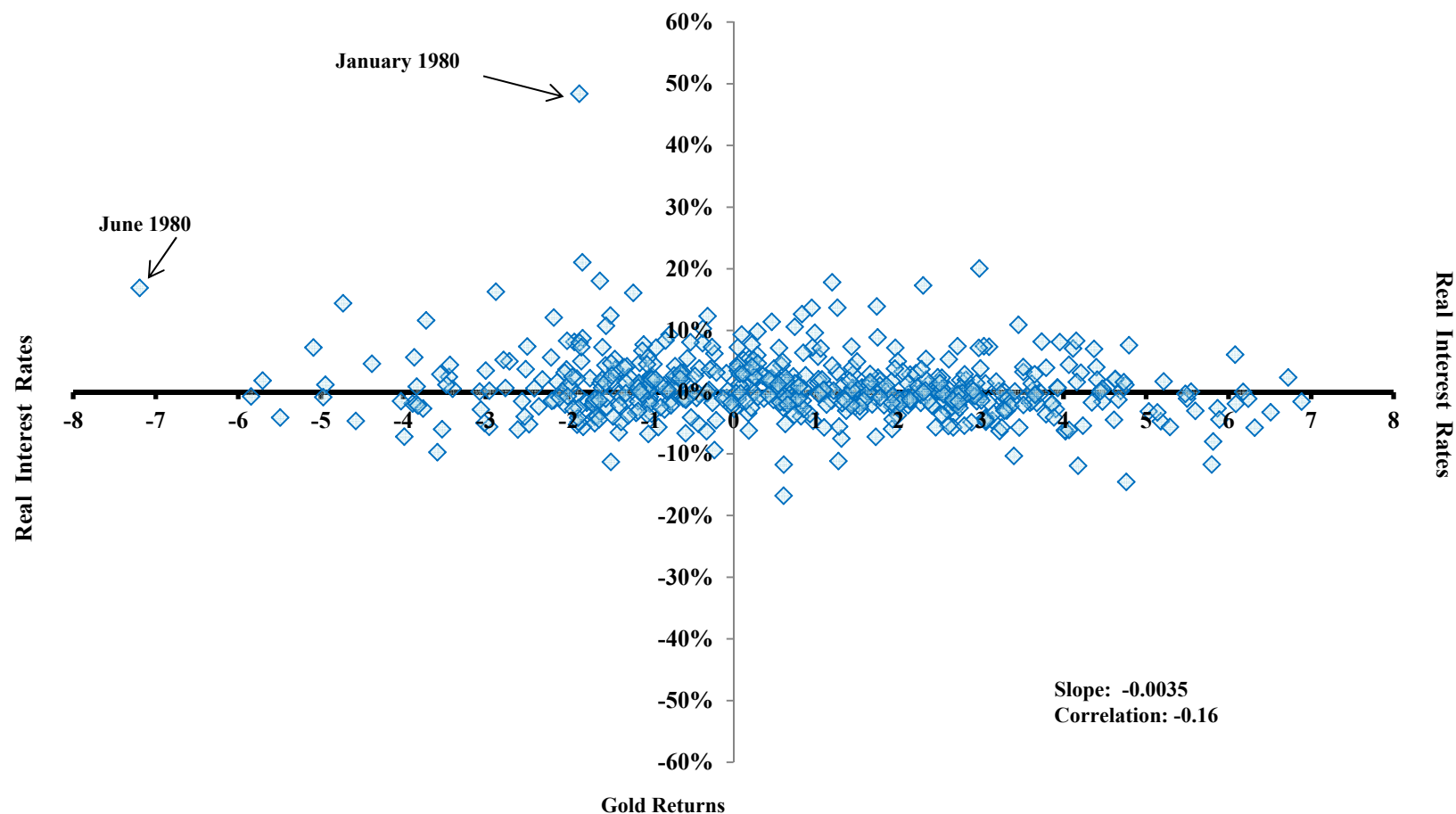
Reduced Wiggle Room To Manage Economic Problems

- One of the primary long-term issues within much of the global economy, but particularly the advanced economies, is the on-going build up of debt that will complicate central bank and government responses to the next recession.



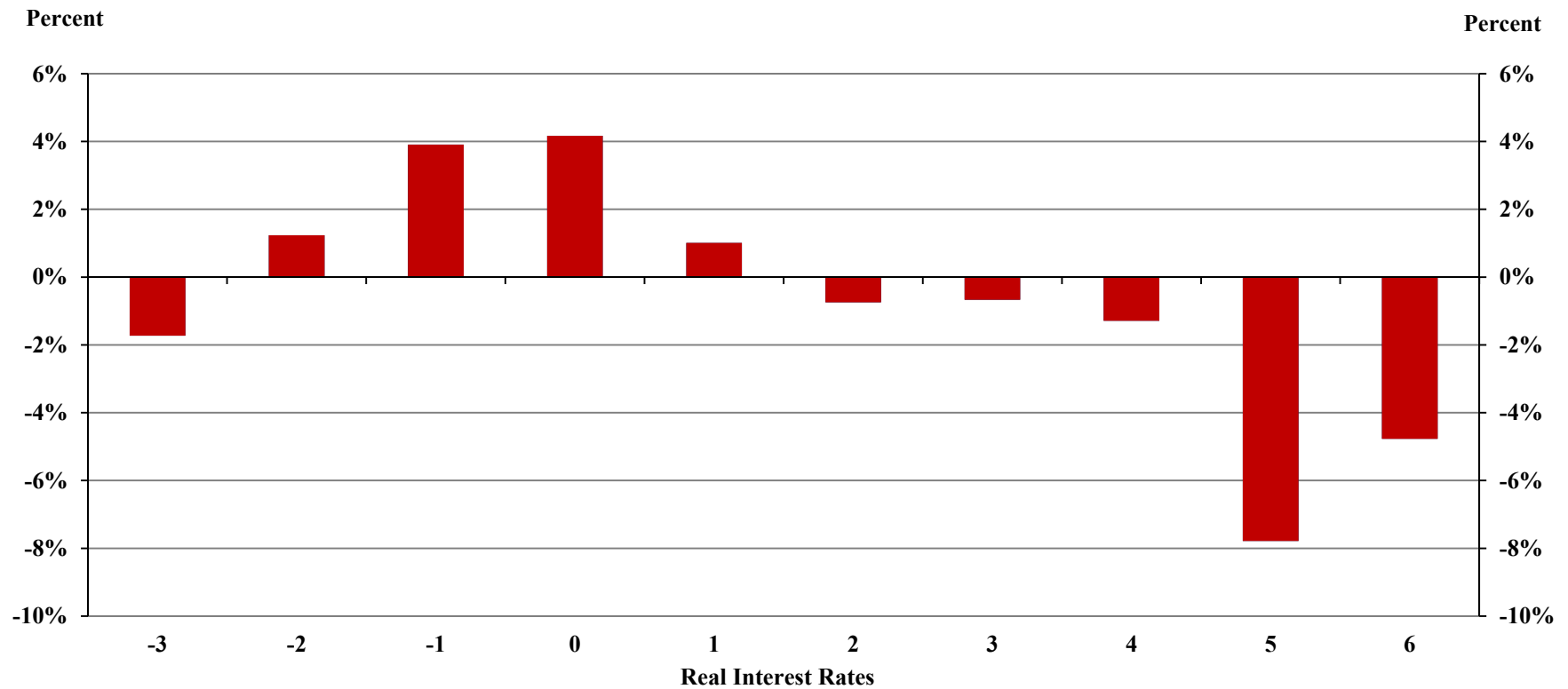
Higher U.S. Interest Rates Are Not Necessarily Bearish For Gold Prices

Returns on Gold in Different Real Interest Rate Environments

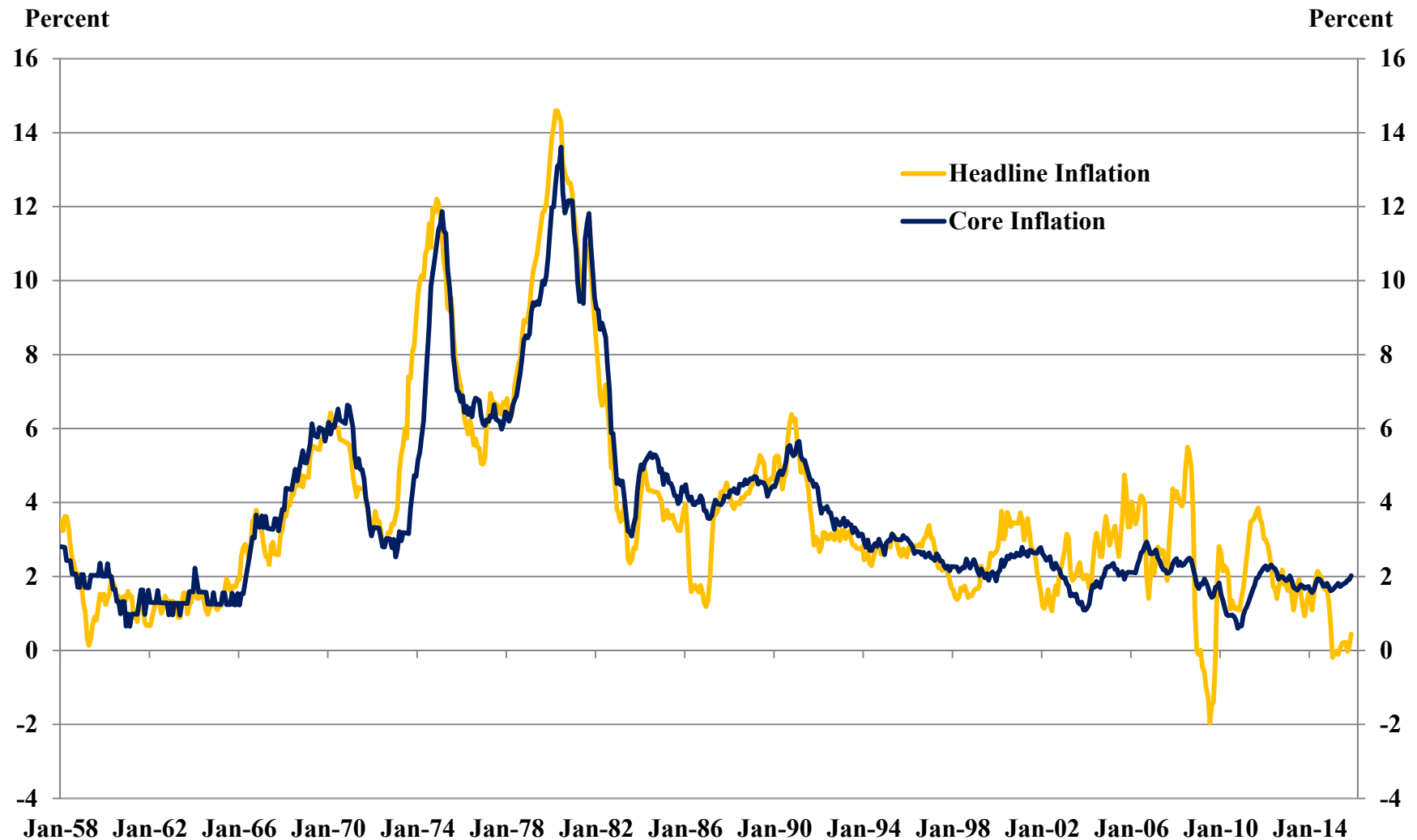


It Takes Much Higher Real Interest Rates To Hit Gold

Median Returns on Gold in Different Real Interest Rate Environments



Inflation Is Not The Problem; Deflation Is

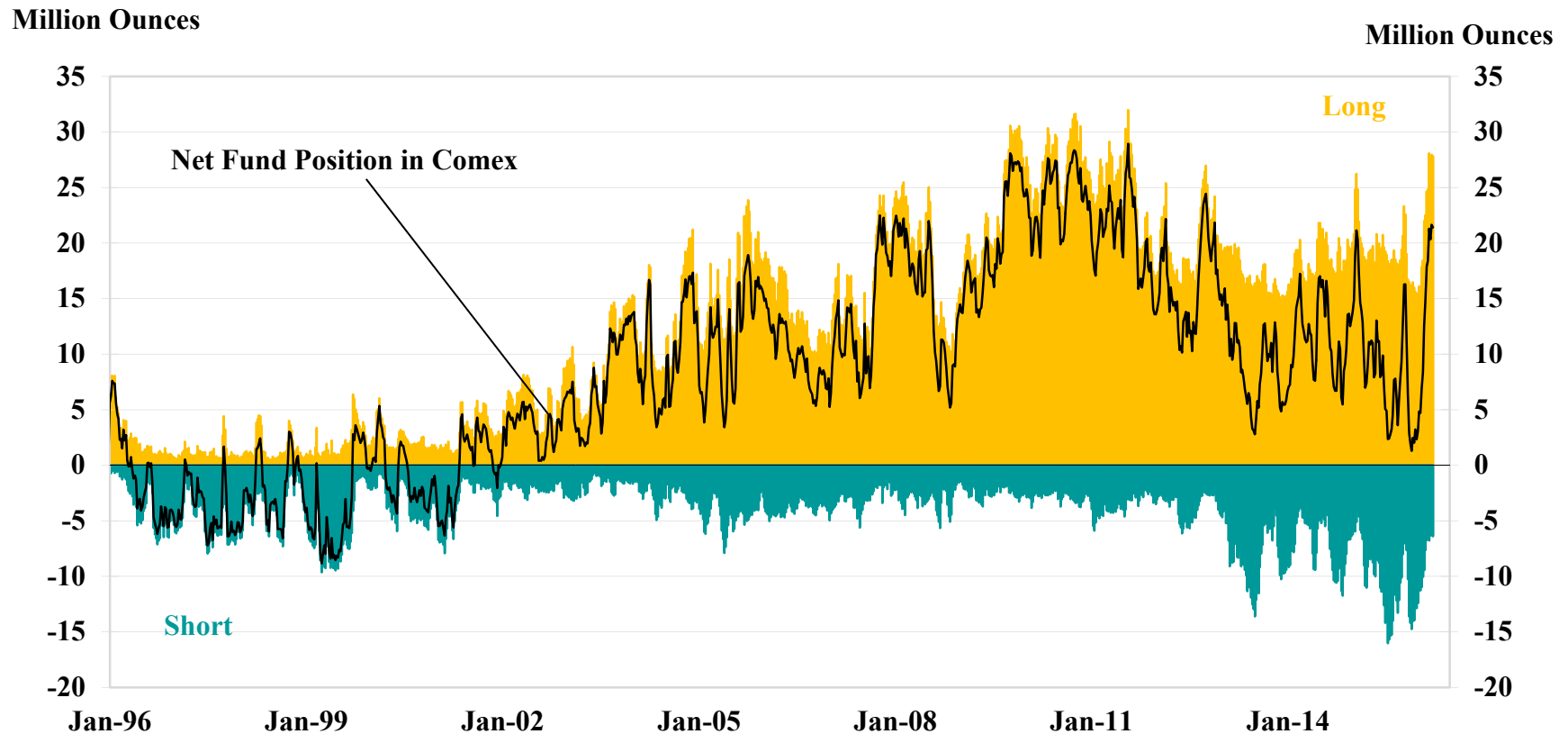


The Role Of Derivatives

Institutions Held On To Long Positions; Others Built Record Shorts

Gross Long and Short Positions of Non-Commercial Positions

Comex Gold Futures & Options. Weekly Data, through 29 March 2016

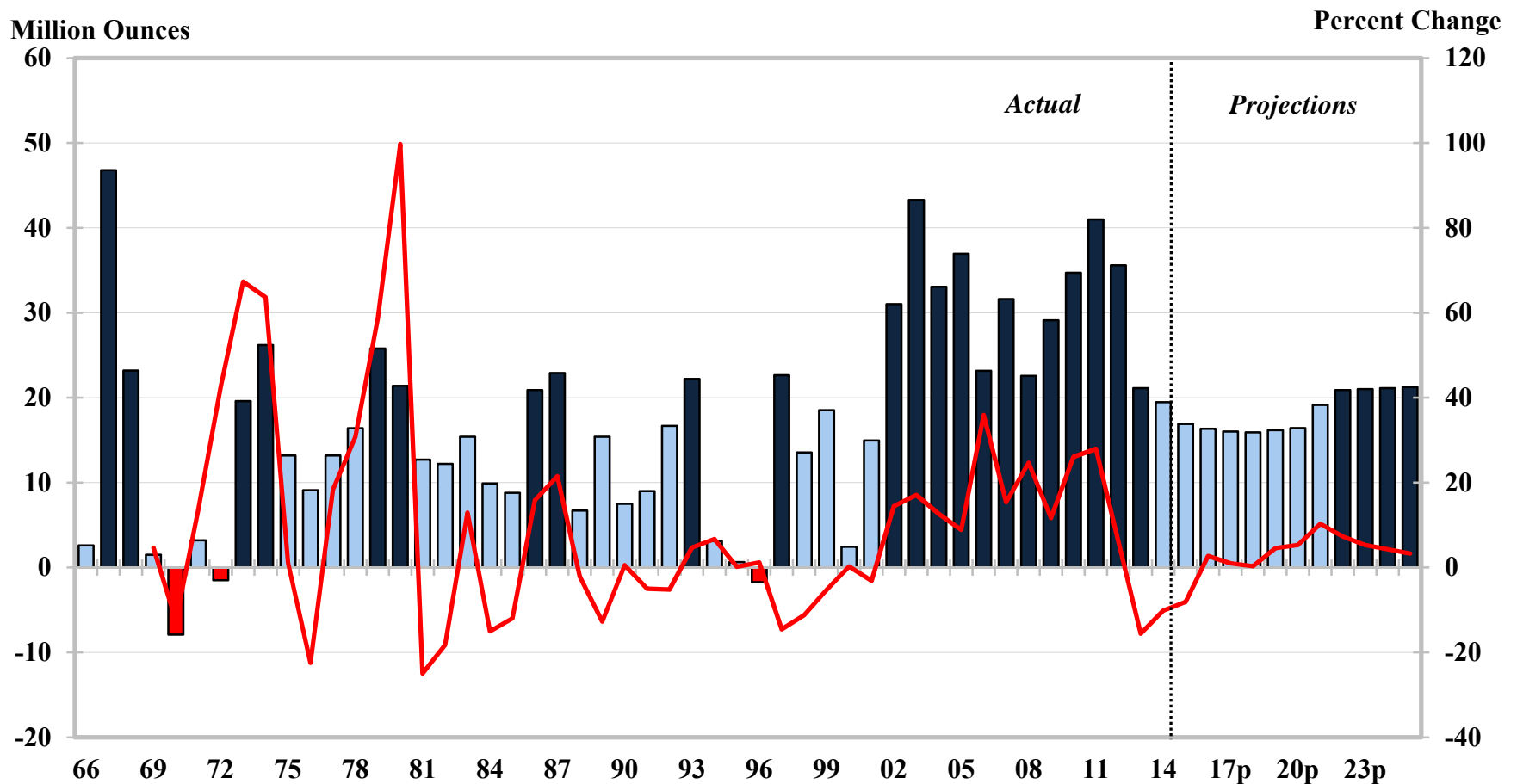


Specific Commodities

Gold

The Upward Shift In Investment Demand Remains In Place

Investment Demand's Effect on Gold Prices

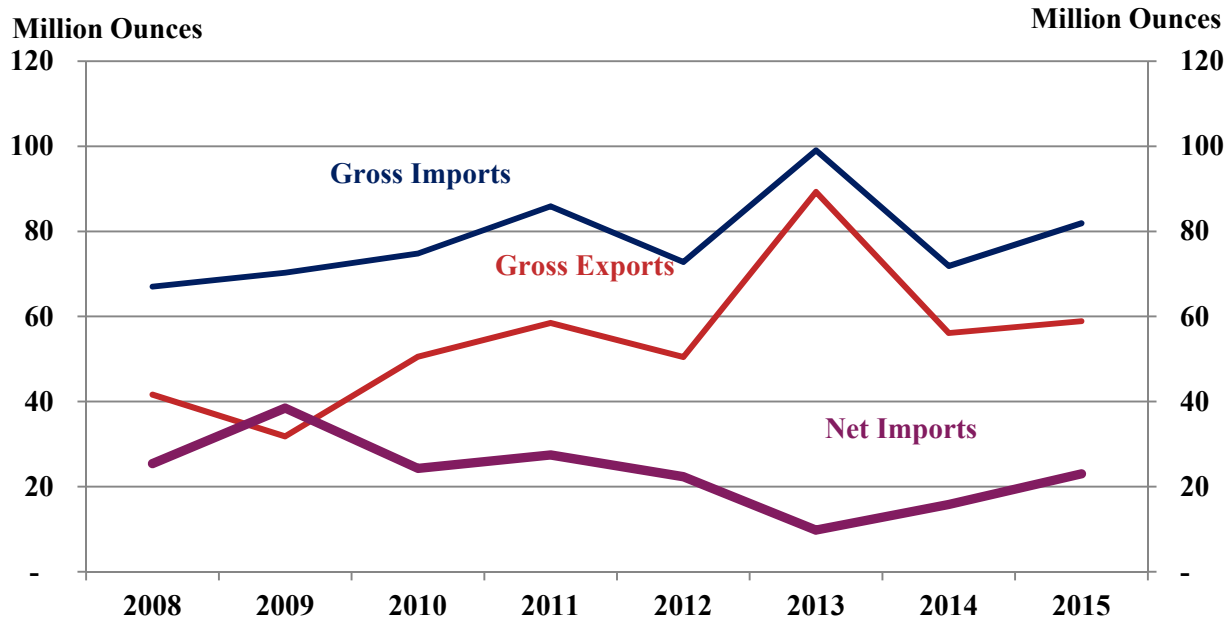


“Gold Moves From West To East:” Yes, but...

The Market Frets About ‘All The Gold In Switzerland Going To China,’ But Swiss Stocks Outpace China

Swiss Gold Imports and Exports

Annual Data



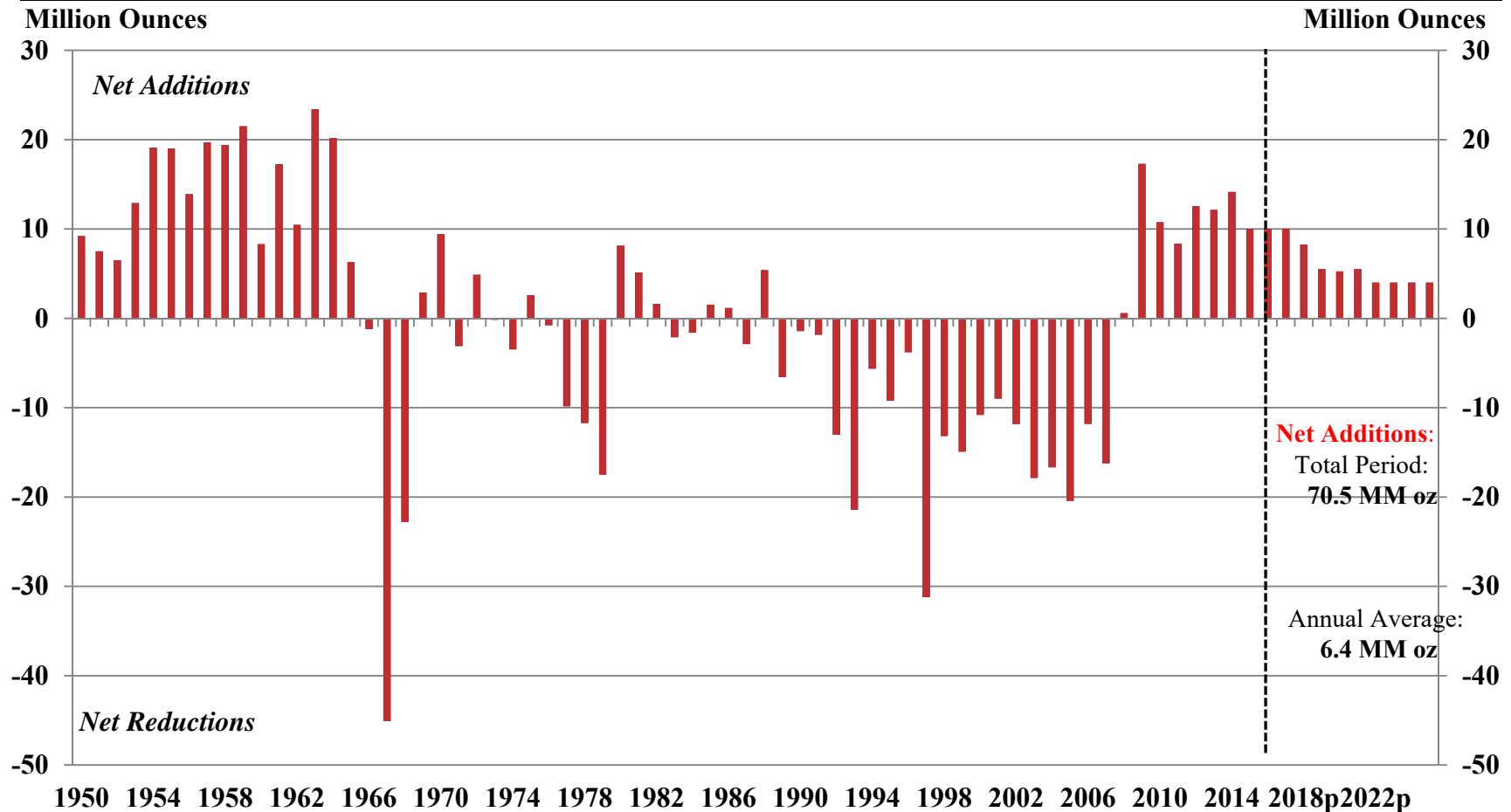
Swiss gold net imports totaled 186.5 million ounces from 2008 through 2015.

Adjusting for the 5.9 million ounces of Swiss fabrication demand during this time, refined gold bullion inventories in Switzerland rose 180.6 million ounces.

Chinese gold investment demand totaled 55.1 million ounces over the same time period.

Central Banks Will Remain Healthy Net Buyers Of Gold

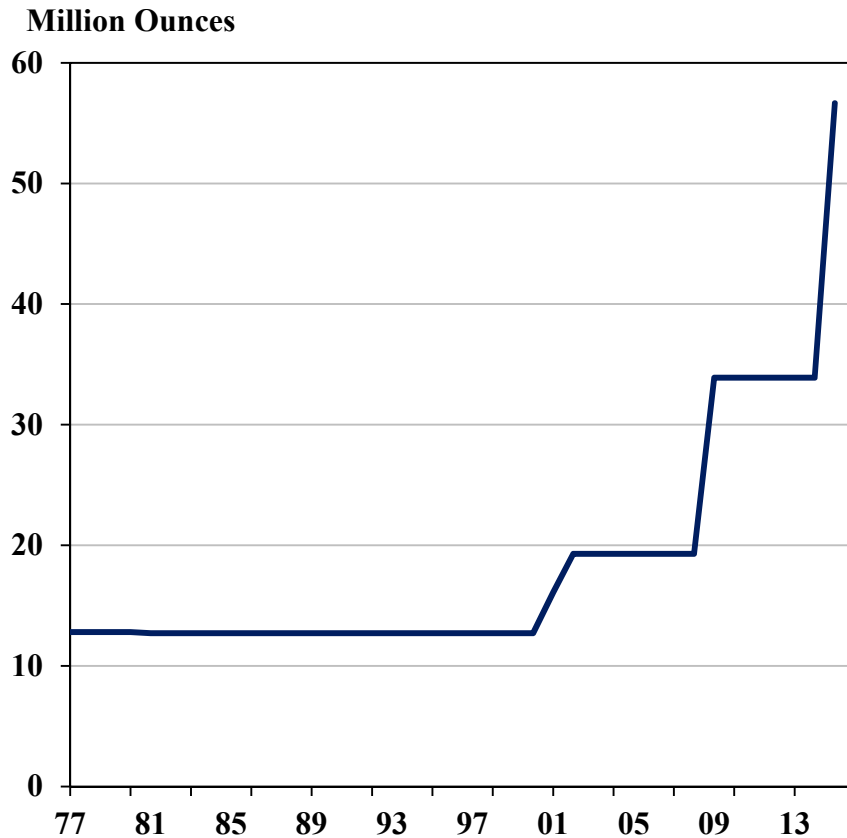
Official Transactions: Net Central Bank Gold Purchases and Sales



Reported and Estimated Chinese Central Bank Gold Reserves

Reported Chinese Central Bank Gold Reserves

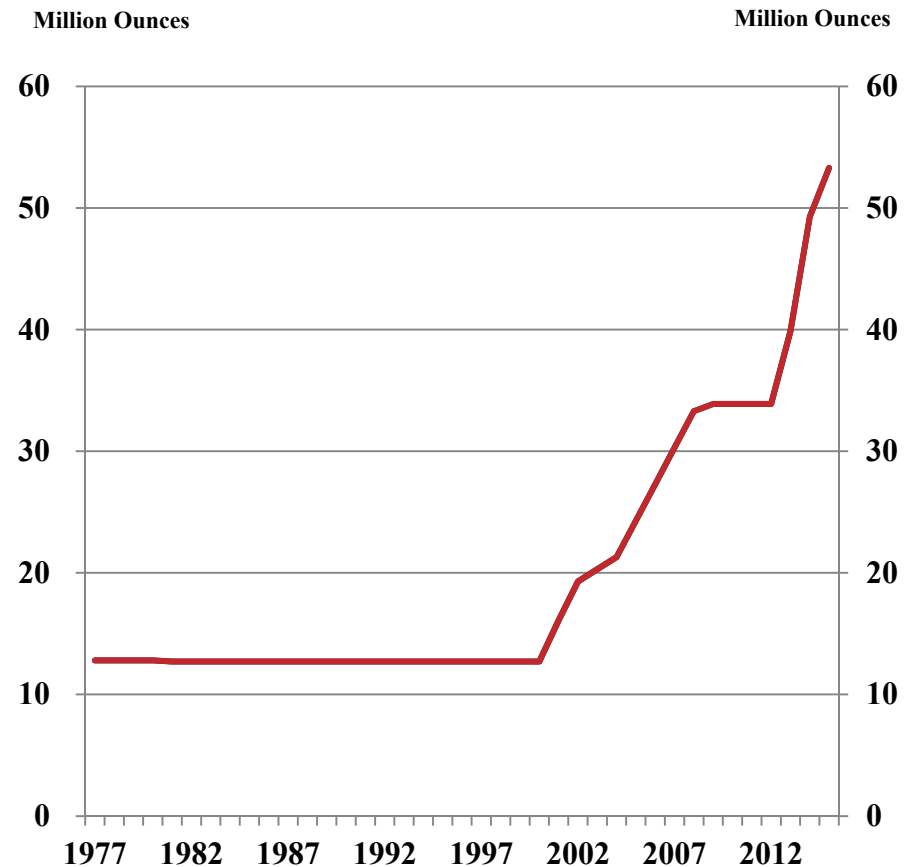
Annual, through 2015



Source: IMF, PBOC

CPM Group Estimates of Chinese Central Bank Gold Additions

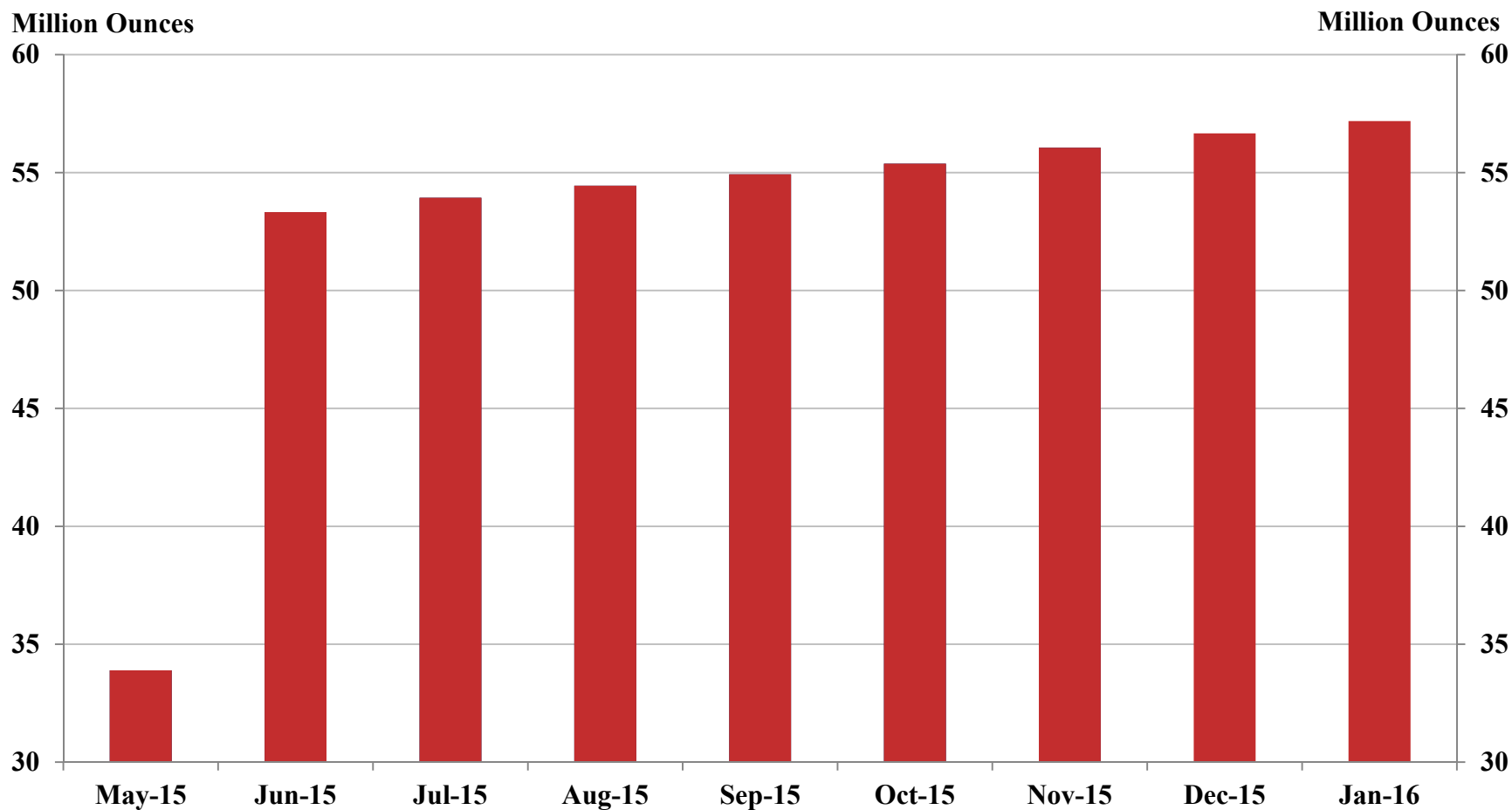
Annual, Through 2015



PBOC Gold Monetary Reserves

PBOC Monthly Gold Reserves

Monthly Data from June to January 2016

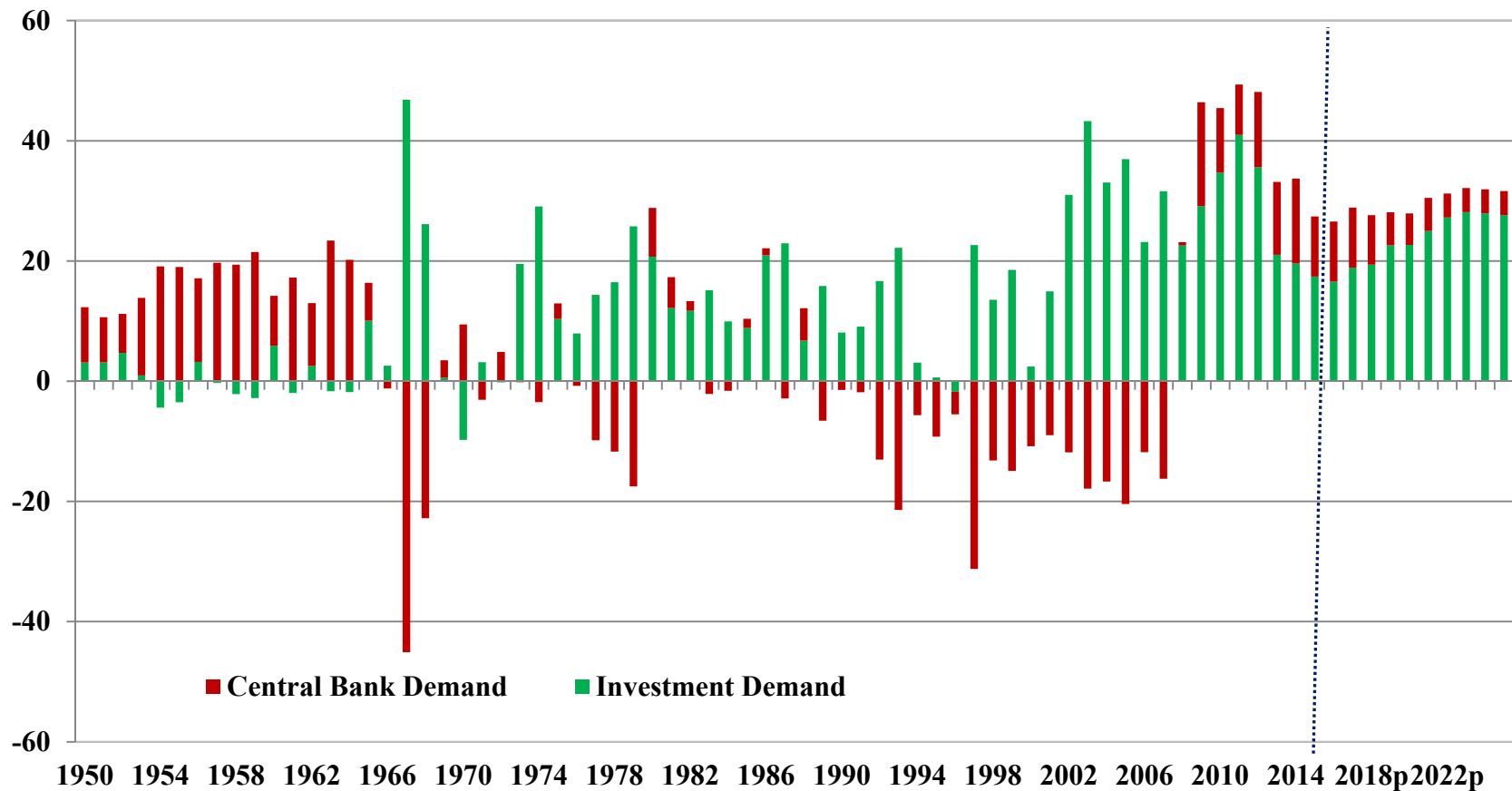


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Total Stock Demand For Gold: Private and Official

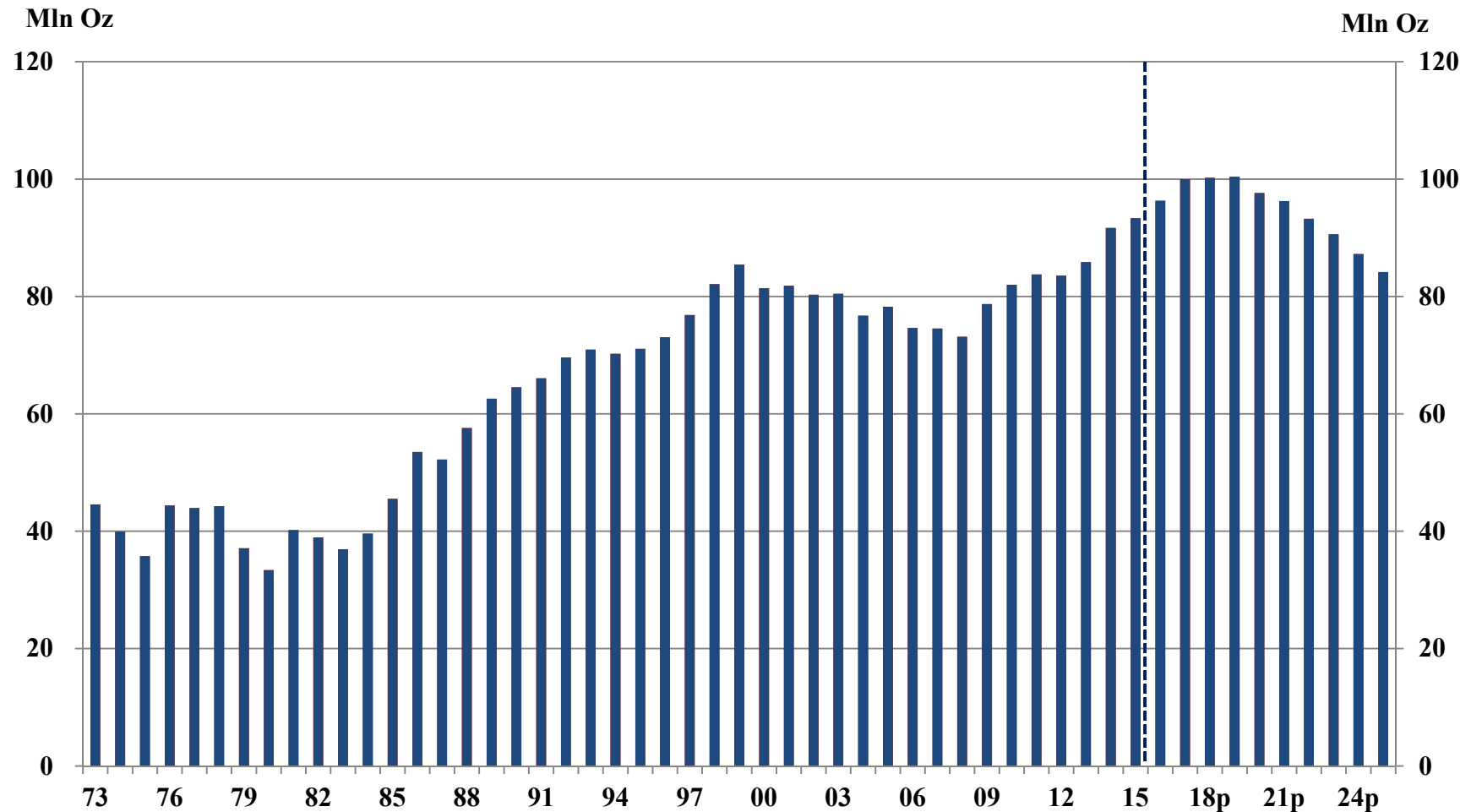
Gold Stock Demand

Million Oz



Mine Supply Expected To Decline Back To 2008 Levels

Global Gold Mine Supply

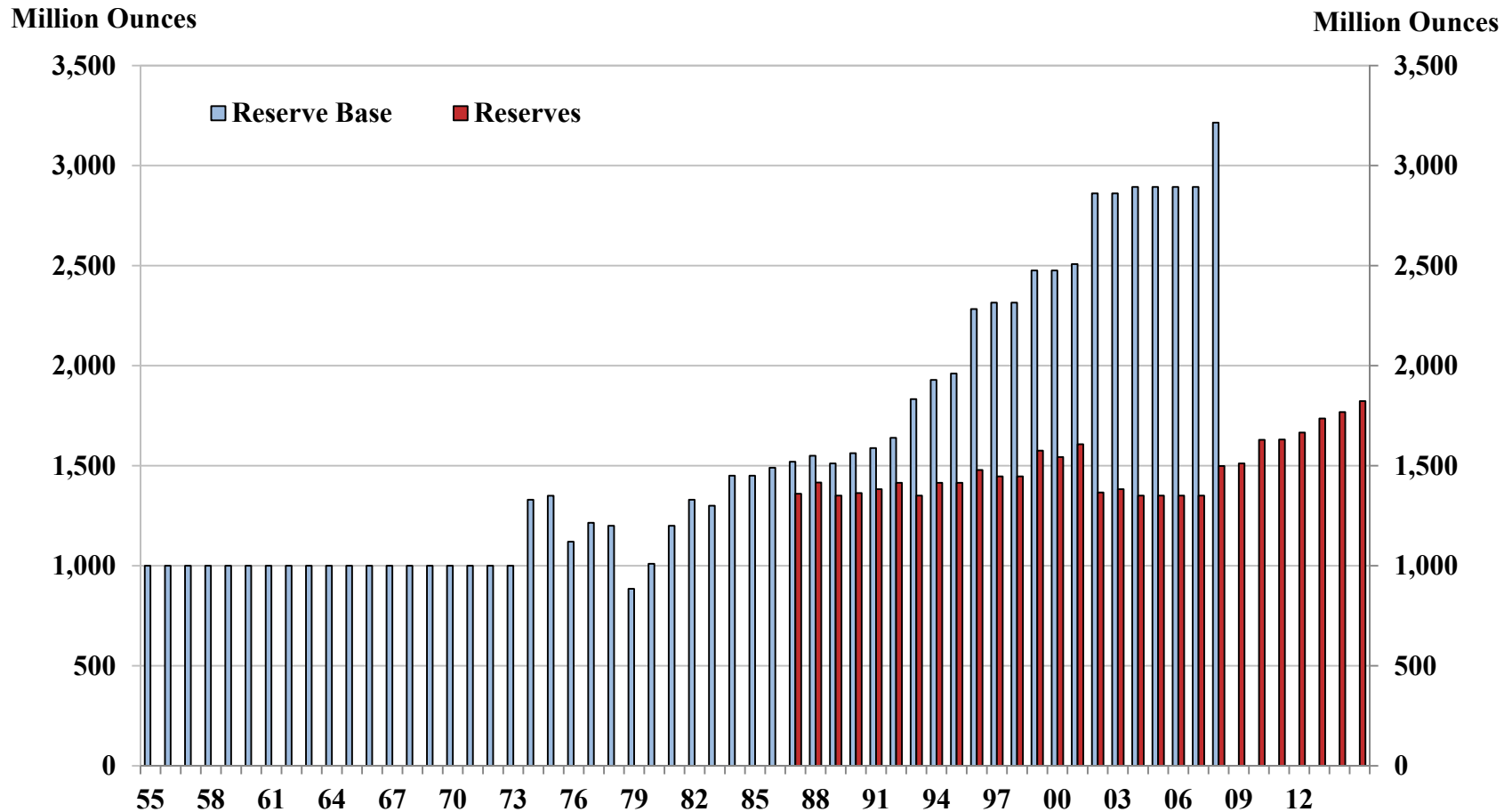


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Source: CPM Gold Long-Term Outlook, September 2015

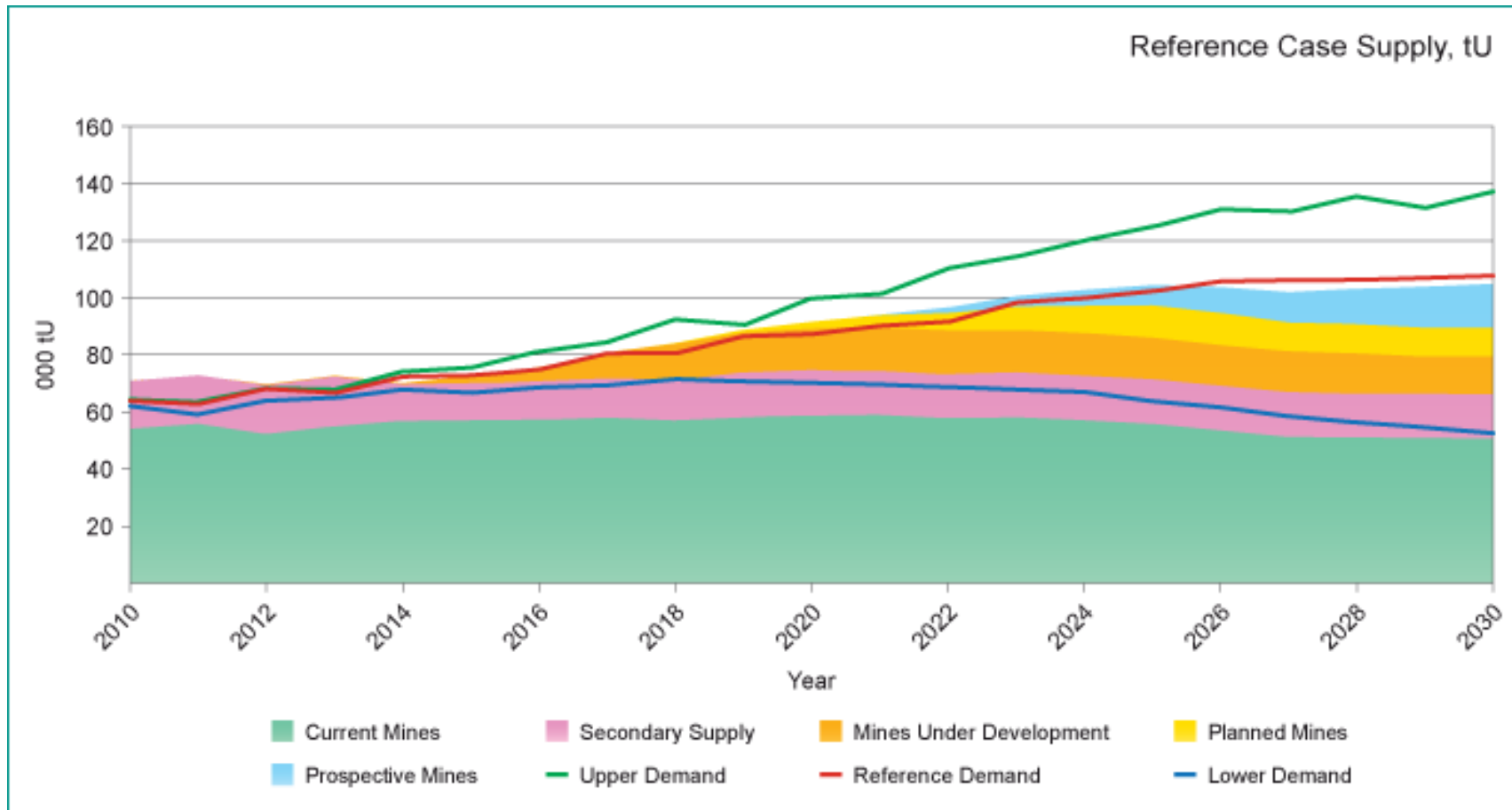
Reserves and Resources Continue To Expand

Gold Reserves and Reserve Base



Uranium

Uranium Supply and Demand Outlook



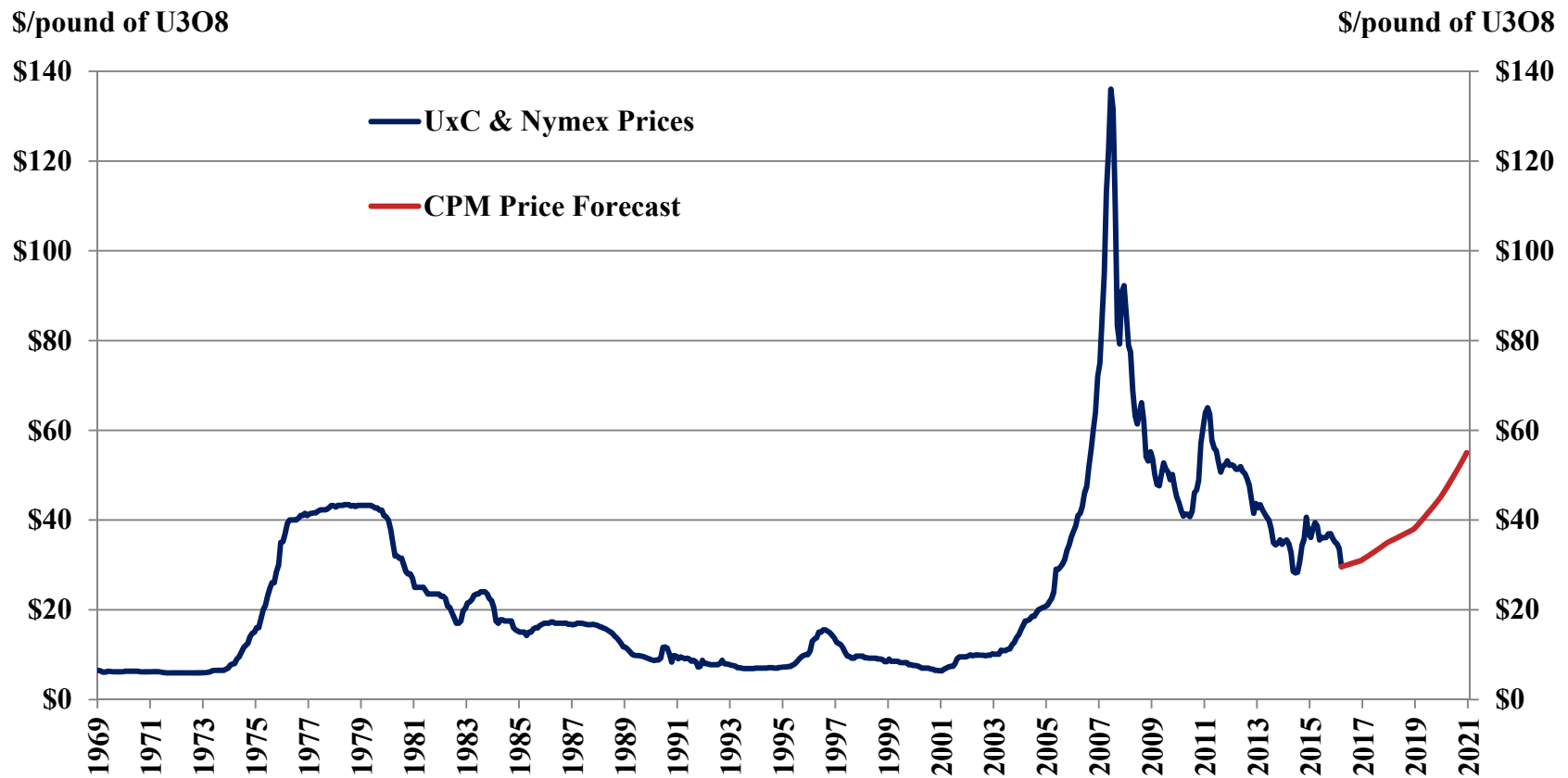
World Nuclear Association



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Uranium Price Forecast

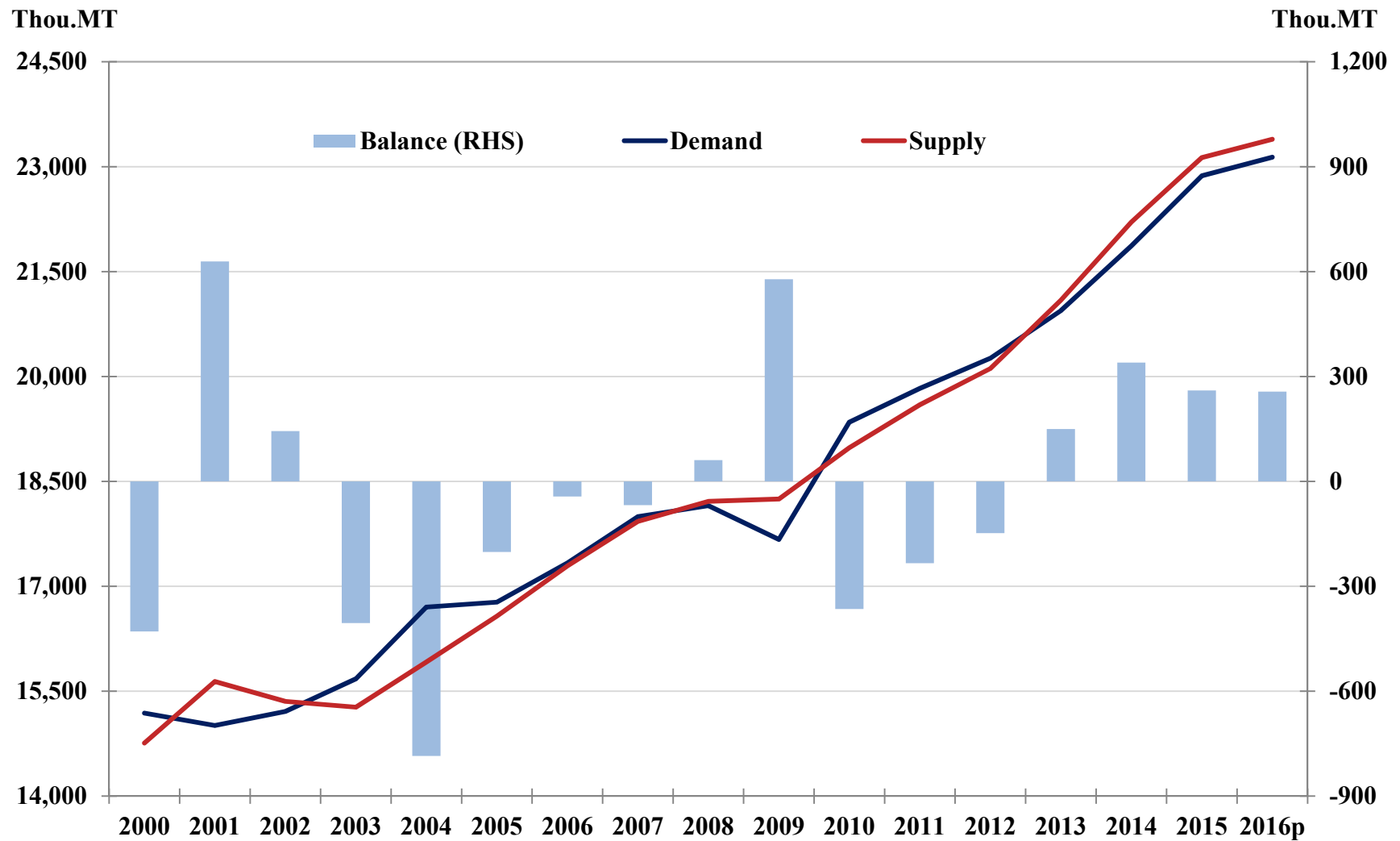
Average Monthly Uranium Oxide Spot Prices and CPM Group Price Forecast



Source: UxC, Nymex, CPM Group

Copper

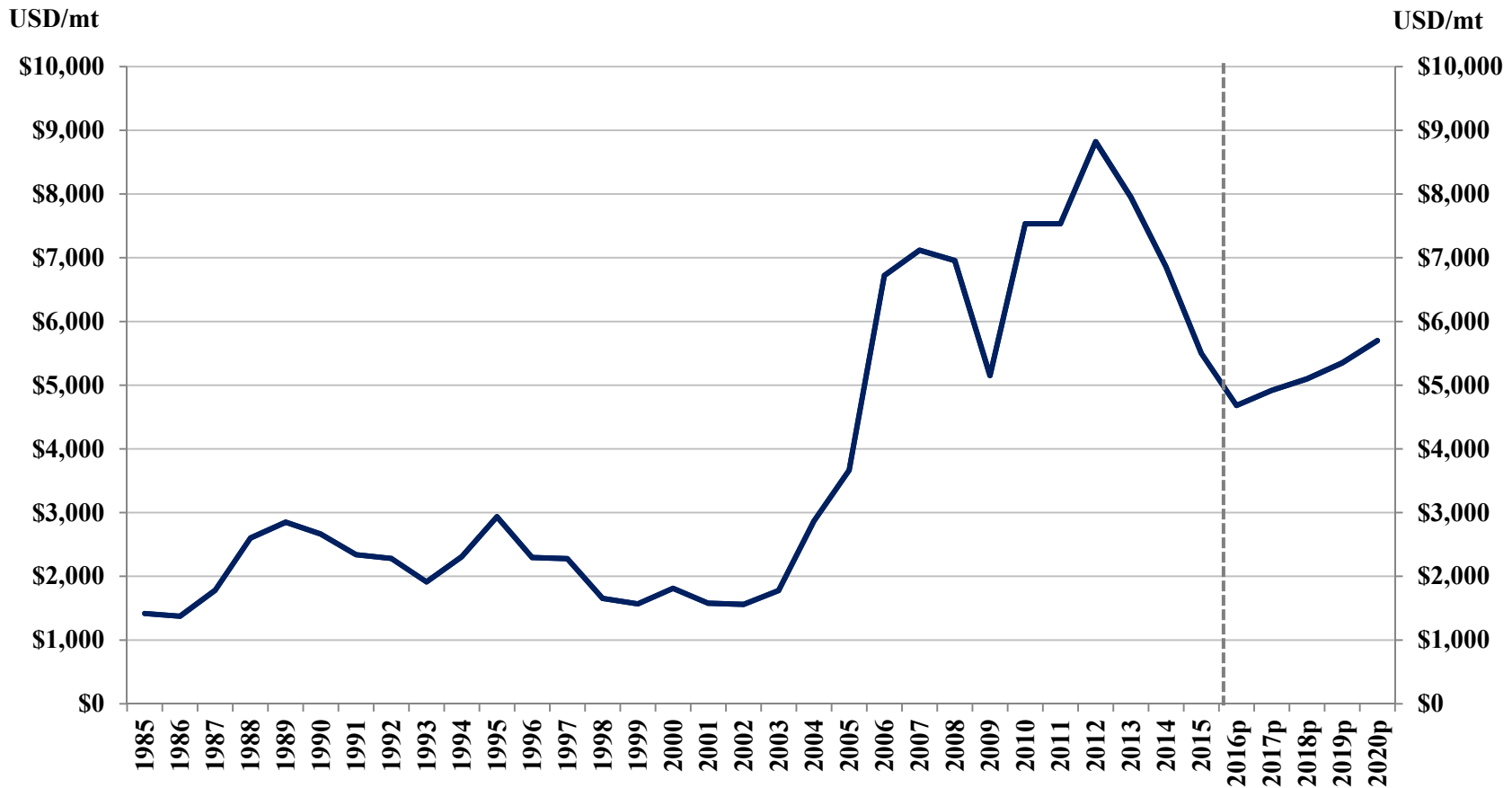
World Copper Supply and Demand Balance



Copper Prices: Stay Strong, Paced Recovery

LME Copper Prices and CPM Group 5-Year Projections

Annual Prices

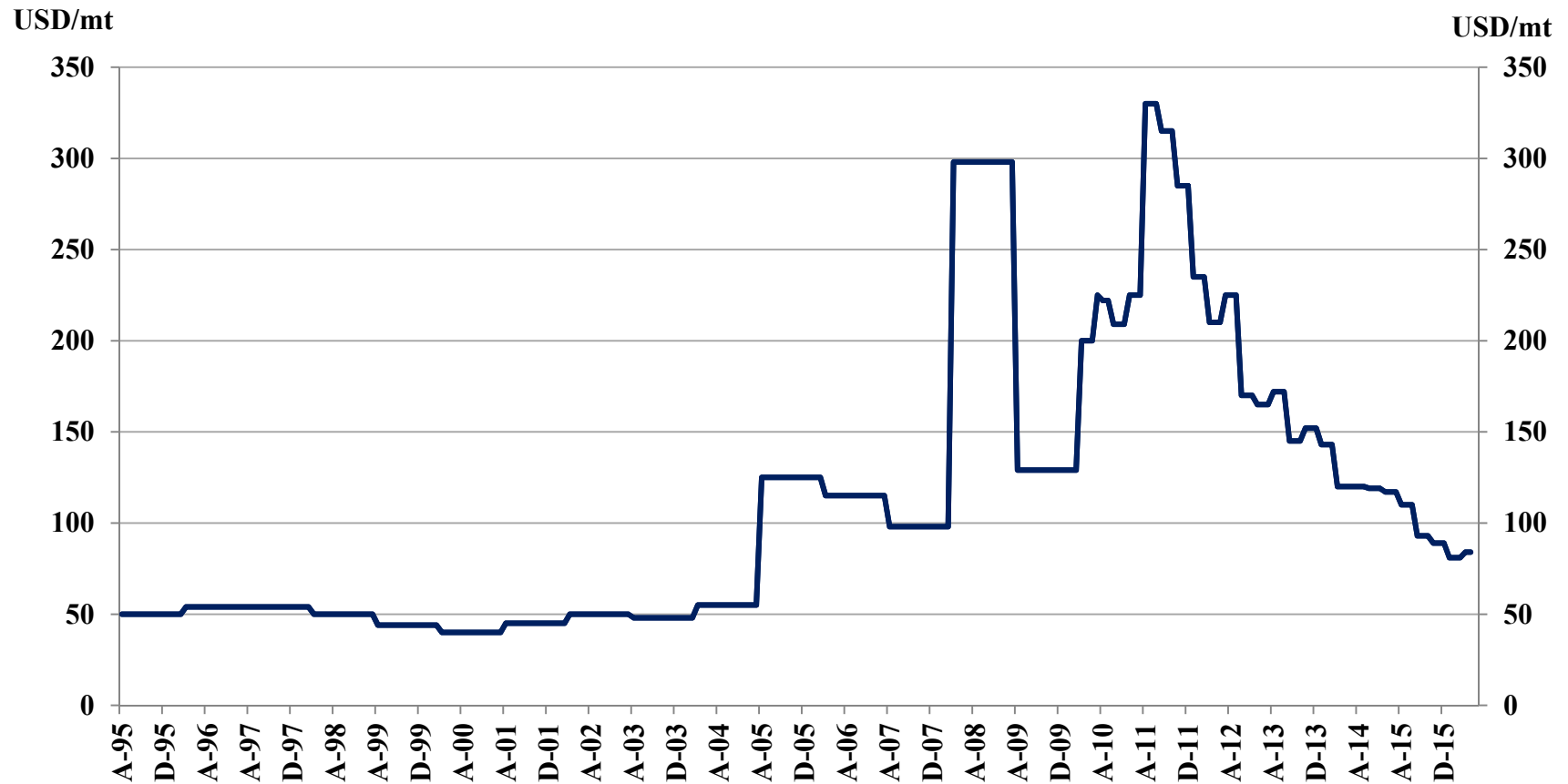


Metallurgical Coal

Seaborne Hard Coking Coal Contract Price

Seaborne Hard Coking Coal Contract Price

Monthly Data Through April 2016

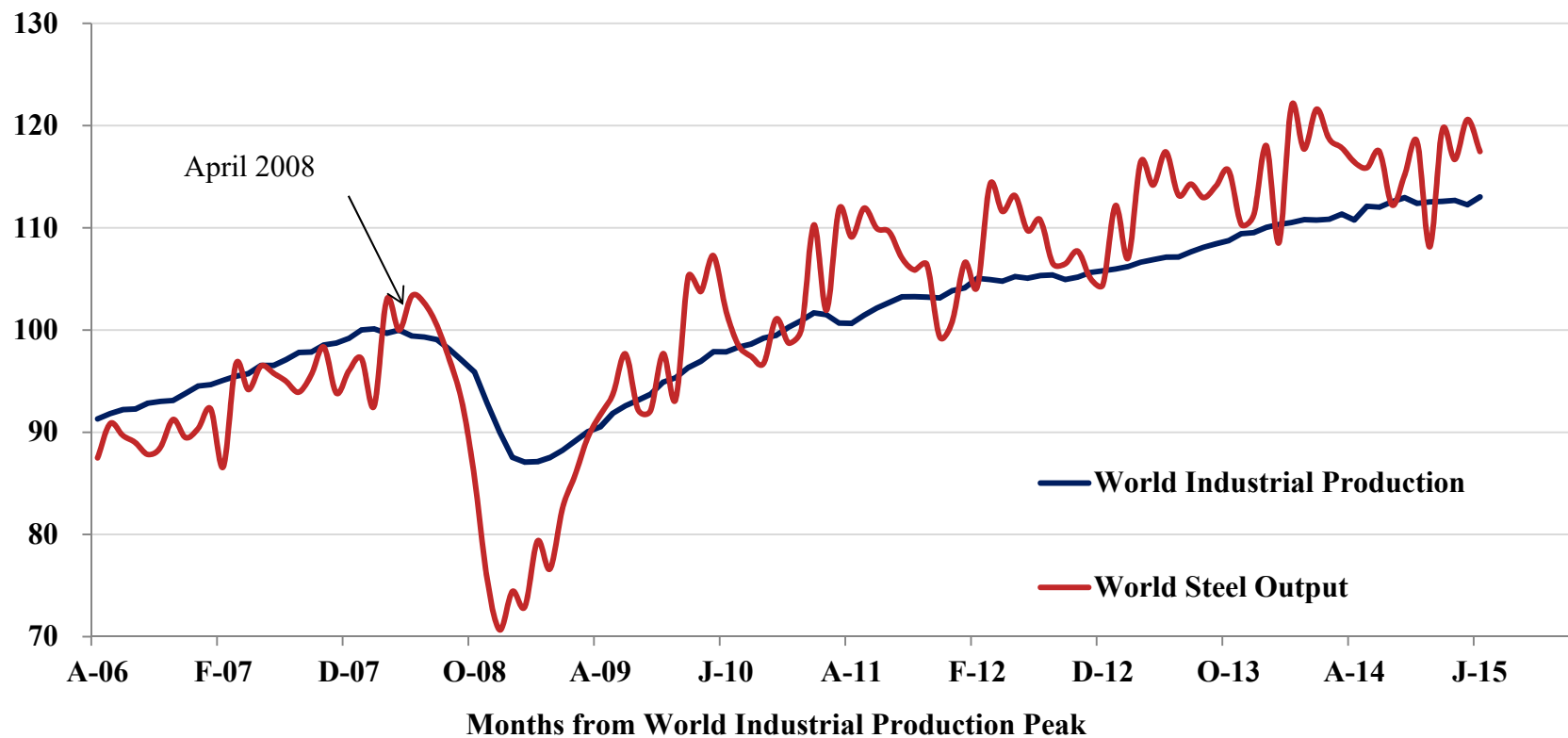


World Industrial Production and Steel Output

World Industrial Production and Steel Output

Monthly, April 2006 - November 2015

Index: April 2008=100



Source: CPM Group, CPB, World Steel



Thank You.



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