

Shifting Gold Investment Trends

Gold investment demand is undergoing major shifts.

From coins to ETFs, futures, and options

From longer term to shorter term positions

From fear-based to greed mixed with fear

The amount of gold investors are buying in 2017 on a net basis as a group globally could be roughly unchanged from last year. However, there are major changes underway concerning (a) **who** is buying this gold, (b) the **forms** in which they are buying gold, (c) their **reasons** for buying gold, and (d) the **duration** of their anticipated gold position being held, especially in North America and Europe but also in other countries and regions.

These shifts in gold investment demand patterns say a lot about how investors are thinking about gold now. Older, longer term investors who bought gold against a host of economic, financial, or political calamities are dying, with their heirs selling their gold. Others are shifting their investment profiles as they have come to realize that the apocalyptic forecasts on which they have hung their fears and investment decisions for decades have not come true.

The departure of such long-term core gold investors is devastating bullion dealers that fed on these investors' fears. Some dealers have reported 60% - 70% declines in gold sales to investors this year. Others have been seeking to re-focus their marketing efforts more on the positive effects that gold can have on an investment portfolio,

the multiple advantages of having some of one's wealth in gold, and the potential for capital appreciation as well as capital preservation with gold investments.

As these older investors are abandoning gold, newer investors are entering the market. These include the more opportunistic investors who bought gold 2007 - 2011 and then left when prices stopped rising. They now are re-appearing as gold buyers. There also are newer investors who have not bought gold before but who now are building gold positions.

These investors are focusing more on gold's potential for capital appreciation, although gold's role in capital preservation also plays into their reasoning. While these investors are not necessarily anticipating the gloom and doom scenarios that some of the fear-based buyers were basing their decision on over the past several decades, they do see reasons to own gold now as insurance, and for wealth and portfolio diversification purposes. They are building these positions as a way to diversify their portfolios in light of heightened political uncertainty and record high equity markets.

From coins to ETFs, futures and options

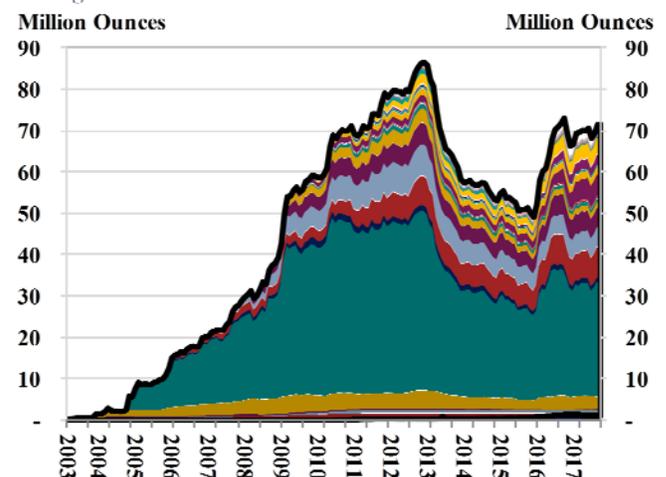
The volume of gold coin sales is falling. U.S. Mint gold coin sales dropped 66.4% in the first 10 months of this year. Other mints that do not report monthly sales privately state that their sales of newly minted coins are down this year. This reflects a coin market where demand for coins is well supplied by coins being resold by other investors.

Monthly U.S. Eagle and Buffalo Gold Coin Sales by the U.S. Mint

Month	2015	2016	2017
January	115,500	158,000	149,500
February	30,500	102,500	42,500
March	56,000	45,000	29,500
April	39,500	125,000	9,500
May	31,000	95,000	20,500
June	97,000	88,000	8,000
July	202,000	48,500	23,500
August	121,500	67,500	12,500
September	147,500	111,500	13,000
October	44,500	144,500	22,500
November	135,000	177,000	
December	2,000	41,500	
Total YTD	885,000	985,500	331,000
% Change YOY	45.8%	11.4%	-66.4%
Annual Total	1,022,000	1,204,000	
% Change Previous Year	45.6%	17.8%	

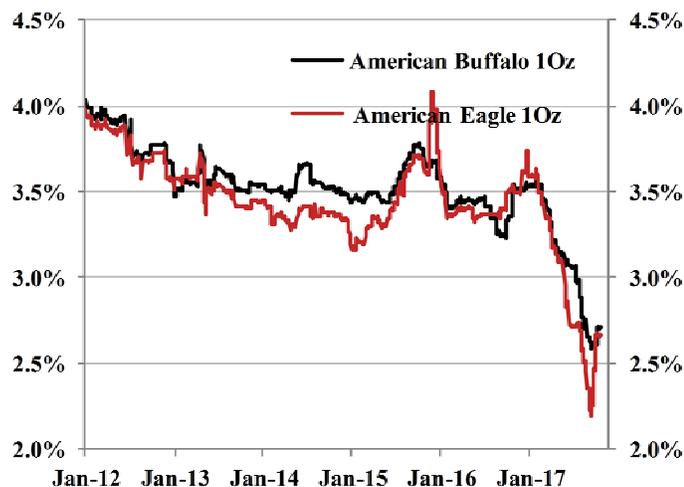
Exchange Traded Products' Physical Gold Holdings

Through Oct 2017



Dealer Premia on U.S. Mint Gold Coins

Daily Data through 31 Oct. 2017



Weak investor interest in coins also is visible in the premia that wholesale dealers are charging for new mintage coins. When investors are reselling coins these ‘secondary’ coins fill the market, reducing the need for dealers to purchase new mintage coins from national mints. In this environment the premia for coins decline. Coin premia have dropped sharply over 2017.

From longer term to shorter term positions

Demand has risen for gold held in ETFs and in futures and options, in contrast to declining coin purchases. This represents a flow of investors who are two-way participants in gold: They buy and sell, taking a shorter term view toward holding gold positions. ETFs offer them easier entry and exit from gold holdings. Futures and options offer them easier trading back and forth, as well as tremendous leverage to gold price changes.

From fear-based to greed mixed with fear

From fear-based investing to greed-based momentum and value investing, with some fear in there too. These new investors tend to invest in a broad range of assets. They are not ideologically driven or base their investment decisions on fears of imminent global financial collapse, but rather try to invest based on empirical evidence.

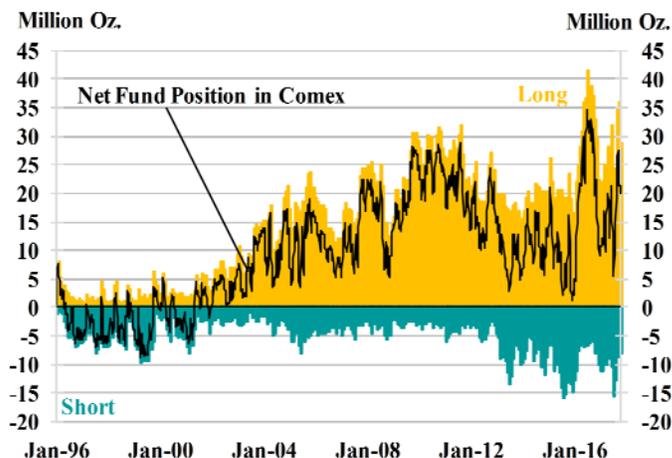
How Much Gold?

Investors may buy around 27.1 million ounces of physical gold on a net basis this year. That would be marginally lower than the 27.4 million ounces they are estimated to have acquired in 2016, and would represent still healthy total investment demand.

On a gross basis, investor gold purchases may be much higher this year than they were in 2016. This is because while some investors are buying gold, others have been liquidating long-held physical gold positions. If net de-

Gross Long and Short Positions of Non-Commercial Positions

Comex Gold Futures & Options. Weekly, through 24 Oct 2017



Gold Price and Total Open Interest

Daily, Through 30 October 2017



mand is roughly unchanged in a year in which gross sales are much higher, gross purchases probably are higher.

Such was the case in 2013. Net investment demand was cut in half, dropping from 37.5 million ounces in 2012 to 17.4 million ounces. Gold prices fell from around \$1,693 at the start of 2013 to \$1,193 by the third quarter. ETF holdings fell by 28.4 million ounces and another 40 million ounces of unreported investor gold was estimated to have been sold. Gross sales may have totaled 68.4 million ounces and gross purchases 85.8 million ounces.

This is a pre-printed excerpt from CPM Group’s monthly Precious Metals Advisory. For details on this report contact us at info@cpmgroup.com. CPM Group’s 2017 Gold Yearbook may be purchased for \$160. Send request to info@cpmgroup.com.