



### Central Banks Buying Gold

The World Gold Council reports today in Gold Demand Trends 2018 ([www.gold.org](http://www.gold.org)) that central bank buying in 2018 reached its highest levels since the United States decided to leave the gold standard in 1971. Money supply today is a multiple of what it was in 1971 but nevertheless the year over year increase in central bank buying was 74% (see below).

Demand (Metric Tonnes)	2018	2017	Change
Central Banks	652	374	74%
Bars and Coins	1,090	1,045	4%
Technology	335	333	1%
Jewellery	2,200	2,201	-0%
ETF's and Similar	69	206	-67%
<b>Total</b>	<b>4,345</b>	<b>4,160</b>	<b>4%</b>

Source: World Gold Council

Increased purchases were led by Russia and Turkey and presumably should be seen in the context of reducing exposure to USD assets, vulnerable to sanctions. Reuters reported on January 24<sup>th</sup> that "China added gold to its FX reserves in December for the first time in two years, part of a broader trend toward reducing dependence on the USD amid fraying ties with Washington". The Q3 2018 IMF report on central bank FX reserves showed that the USD's share has fallen to 61%, down 3% since President Trump came to office.

ETF gold purchases were net negative in the first three quarters of 2018 but surged in Q4 as USD yields fell. Gold has not been an attractive investment in recent years as prices languished while equities surged and the Federal Reserve raised short term interest rates, a consequence of which is to increase the cost of holding Gold. The FOMC's shift from 'gradual increases' to 'patience' means this headwind has peaked for now. With geopolitical tensions not going away anytime soon while the interest rate and firm USD headwinds ease, we expect both central bank buying and ETF purchases to be strong in 2019. We anticipate Gold will have a strong year.

### Gold



Source: Bloomberg

**Conor O'Mara, CIO**  
**Jan 31<sup>st</sup>, 2019**

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS** The information contained within this document is for information purposes only and is subject to change without notice. It is not an invitation to buy or sell a particular financial product or service and it should not be regarded as such. Three Rock Capital Management Limited (TRCM) does not represent that the information contained here-in is complete, fair or accurate. The opinions and views expressed are those of the creator and may not reflect those of TRCM. Futures are risky and leveraged financial instruments and should only be considered by investors who fully understand the risks and potential losses involved. Past performance figures contained in this document are not necessarily indicative of future results. This document should not be supplied, presented or distributed to retail investors. It should not be redistributed, supplied or presented in jurisdictions where the investments described may be restricted or prohibited by law and TRCM cannot accept any responsibility for such actions.

Three Rock Capital Management is regulated by the Central Bank of Ireland. The firm is registered with the CFTC as a CTA and a CPO and is a member of the NFA.