



July 29, 2015

| Gold | Today | Change | Week Ago | Month Ago | Year Ago |
|------|------------|---------|-----------|------------|-----------|
| | \$1,097.10 | +\$1.60 | \$1093.20 | \$1,181.40 | \$1305.00 |

Gold prices were a tad higher on Tuesday, in a subdued market, as traders remained on the sidelines ahead of Wednesday afternoon's FOMC statement. December gold closed down \$0.80 an ounce at \$1,096.10 an ounce and spot gold ended the day at \$1095.50 per ounce.

Market participants are awaiting the conclusion of the Federal Open Market Committee (FOMC) meeting that began Tuesday morning and which ends later today. They will be looking for clues on the precise timing of the Fed's looming interest rate rise. There will be no press conference from Fed Chair Janet Yellen.

A report from the GFMS metals group released on Tuesday showed that world demand for gold in the second quarter of this year was the lowest since 2009. Physical gold demand was down 14% from last year.

According to the report, retail investment from China fell by a quarter and jewellery demand by 23% in the April to June period as stock markets there soared. However, a subsequent plunge in Chinese share prices from mid-June has not helped bullion, it said, as some investors were locked in and others nervous about switching to different asset classes while financial markets are so volatile.

"Gold has certainly moved out of favour in China in recent quarters," GFMS analyst Andrew Leyland said.

"I think Chinese demand was a reaction to weak

price performance, rather than a cause. Both the equity market, and the U.S. dollar have promised stronger returns than gold, and this put investors off the yellow metal."

GFMS stated that global demand for gold bars and coins fell 12% year-on-year in April-June and was around 63% below the peak two years ago.

Central banks remained net buyers of gold, but their purchases fell 62% year on year.

While jewellery consumption in India increased 2.5% to 158 tons during the period, gross imports fell 10% to the lowest in five quarters, the report said.

In the full year, GFMS is expecting gold demand to come in at around 4,000 tons, Leyland told the Reuters Global Gold Forum on Tuesday.



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

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