MINDEX

A Review of Precious Metals in 2018 and The Outlook for 2019

Indications only| Closing prices are bids| Data source Thomson Reuters Eikon | See disclaimer below

Precious Metals Prices in 2018	Gold	Silver	Platinum	Palladium
High	$1,366.00	$17.690	$1,027.00	$1,283.00
When	*25/01/18*	*25/01/18*	*25/01/18*	*19/12/18*
Low	$1,160.50	$13.870	$755.00	$836.00
When	*16/08/18*	*14/11/19*	*16/08/18*	*16/08/18*
Close 2018	$1,282.00	$15.480	$792.00	$1,261.00
Previous Year	$1,302.00	$16.950	$924.00	$1,061.00
Change USD	-$20.00	-$1.47	-$132.00	$200.00
Change %	-1.54%	-8.67%	-14.29%	18.85%
Average 2018	$1,268.41	$15.710	$879.70	$1,029.19
Previous Year Average	$1,257.15	$17.050	$948.49	$868.96
Change USD	$11.26	-$1.34	-$68.79	$160.23
Change %	0.90%	-7.86%	-7.25%	18.44%

Gold started 2018 where it had left off in 2017 with a relentless rally that saw the yellow metal reach what proved to be the high for the year of $1366 by 25th January, it's highest level since July 2016, on a wave of safe haven investment buying that saw ETF holdings grow to their most since 2013 amid a shut down of the US Government for the first time since 2011 and a sharp decline in the .DXY following comments by US Treasury Secretary Mnuchin seemingly favouring a weaker USD in order to benefit the chronic US balance of payments deficit. However, although generally bullish for gold's prospects, we warned at the time that the 10% rally in the gold price in just five weeks was 'too much, too soon' and the price subsequently retraced back towards $1300 by early February. Gold then embarked on an extended period of erratic range trading between within relatively tight technical parameters set by support at $1300 and resistance at $1365 that lasted until mid May when the price finally made a conclusive break to the downside. Gold had

Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius

been able to shrug off a series of strong reports that underlined the strength of the US economy and even the expected 25 basis point rate hike by the Fed and maintain a foothold above $1300 for more than three months but as a second move by the Fed became a virtual certainty at the US Central Bank's June meeting the yellow metal's defences were breached. With India entering the monsoon season, when physical demand from the world's number two physical consumer is at its seasonal low point of the year, gold's downward trajectory picked up pace with the price plunging to a low for the year of $1160.50 on 16th August as the 'fast money speculators' on the COMEX raised their shorts to the highest since records began in 2006 and the USD surged with .DXY rising to 13 month highs. As the summer doldrums faded and physical bargain hunters in Asia took advantage of a price below $1200, gold settled into a new technical trading range bounded by support at $1180 and resistance at $1220 over the next two months with the impact of the Fed's third 25 basis point increase in US interest rates being offset by the growing US/China Trade Wars rift and the on-going Brexit farce unfolding in Europe. Gold finally made a break to the upside in mid October registering a 3.50% rally for over two days reach $1226, up from $1186 and this set the scene for a strong final quarter which eventually saw gold recoup most of its' losses to end the year with a marginal $20 or 1.54% loss at $1282.00 bid despite a fourth move by Fed to raise interest rates by 0.25% to maintain their declared policy of interest rate normalisation.

Silver also started 2018 very much 'on the up' as the price extended a rally that had started in the mid $15.50's in December to reach $17.69 by 25th January, a gain of almost 15% in just one month, however this proved to be the high point of the year and yet another false dawn for the long suffering silver bulls. The industrial precious metal quickly gave up most of this advance with the silver price slipping back towards $16 in February and then spent the next five months trading erratically and largely within a technical trading range set by support at $16 and resistance at $17. At the start of July the last remaining 'friends of silver' finally threw in the towel with the price embarking on an extended period of weakness to reach $15.90 by mid September, a decline of 13%, before bouncing back towards $15 by the end of that month. However $15 had now become a stiff point of overhead resistance that capped any attempted rallies and silver fell back to post a low for the year of $13.87 on 14th November. The strong year end rally in gold dragged silver along in its wake and there was finally enough upside momentum to penetrate $15 with the price ending a very difficult year at $15.48 bid, representing a disappointing loss of $1.47 or 8.67%

Precious Metals Cross Rates	Close 2018	Previous Year	Annual Change	Annual Change %
Gold v Silver Ratio	82.82	76.81	6.00	7.81%
Gold v Platinum Spread	$490.00	$378.00	$112.00	29.63%
Gold v Palladium Spread	$21.00	$241.00	-$220.00	-91.29%
Platinum v Palladium Spread	-$469.00	-$137.00	-$332.00	242.34%

Over 2018 silver's value versus gold, as represented by the gold/silver ratio, fell by 7.81% to add to the previous year's decline of 6.31%, whereas Gold's new found premium over platinum rose by another 30% to $490 on top of the 50% gain in 2017 with the noble metal enduring yet another difficult twelve months to end 'bottom of the class' for the third year running. The big story in the sector was the surge in the palladium price that resulted in the so called junior precious metal ending the year just $21 below the gold price and seemingly poised to become the most precious of precious metals.

Platinum initially extended the short covering rally from $875 in December 2017 to reach $1027 on 25th January, a gain of 17% that had traders believing that the long running bear market could be finally over. However, and as with silver, this proved to be a false break to the upside with the 'not so noble' metal working its way was steadily lower over the next seven months to reach a bottom for the year of $755 on 16th August. This was followed by a sustained recovery to $880 by early November only to come under renewed selling pressure that culminated in a closing price for another very disappointing year of $792, a loss of $132 or 14.29%

Having had a spectacular 2017 with a 56% gain and the price surging to a 16 year high of $1072 on the penultimate trading day of the year, and having advanced by 138% from $450 in mid 2016, palladium was always vulnerable to a correction in 2018 and this proved to be the case in the first eight months of the year with the price working its way gradually lower to reach $836 on 16th August. However from this point palladium never looked back as a squeeze on supplies resulted in a series of all time highs that culminated with a peak of $1283 amid rumours of stockpiling in China with lease rates surging to more than 30% p.a. The price eased back to end a stellar year up $200 or 18.85% but as the chart above shows palladium has quickly resumed its record-breaking run in to reach $1434 on 14 January with a premium over gold of over $130.

Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius

MINDEX

Gold in Other Currencies (per oz)	Close 2018	Previous Year	Annual Change	Annual Change %
Gold/TRY	6,780	4,935	1,845	37.39%
Gold/RUB	89,342	75,096	14,246	18.97%
Gold/ZAR	18,396	16,095	2,301	14.30%
Gold/AUD	1,818	1,669	149	8.93%
Gold/INR	89,188	83,135	6,053	7.28%
Gold/IDR	18,431,194	17,667,700	763,494	4.32%
Gold/GBP	1,005	964	41	4.25%
Gold/CNY	8,816	8,474	342	4.04%
Gold/EUR	1,118	1,085	33	3.04%
Gold/EGP	22,900	23,092	-192	-0.83%

While many market participants tend to look narrowly at the gold price in dollar terms, we see the world's oldest and most trusted form of money as a wider alternative hard asset to all currencies. It is worth noting that gold in Turkish Lira rose 37.39% with the value of the TRY continuing to fall on rising political risk, while gold prices in major producing countries such as Russia (18.97%), South Africa (14.30%) and Australia (8.93%) rose to all time highs in local currency terms, more than offsetting the modest 1.54% decline in the USD price of gold, generating rising revenues from their gold sales. On the demand side, weakness in both the Indian Rupee and Chinese Yuan saw local prices rise by 7.28% and 4.24% respectively, weighing on demand from the world's top two physical gold consuming countries.

Gold v Other Asset Classes	Close 2018	Previous Year	Annual Change	Annual Change %
Gold v Brent Ratio	23.83	19.47	4.36	22.38%
Gold v DJIA Ratio	0.0550	0.0527	0.0023	4.34%

We also like to track gold's value against other major assets classes, particularly crude oil given our base in the United Arab Emirates, and the DJIA as a proxy for global equities. The yellow metal's purchasing power versus crude rose by 22.38 % in 2018, reflecting the 20% decline in oil prices last year, while US equities were outperformed by gold by 4.34% underlining the fact that Gold remains the best performing asset class of this century having risen in value by 360% since 2001.

ETF Holdings	Close 2018	Previous Year	Annual Change	Annual Change %
Gold	55,396,920	55,459,594	-62,674	-0.11%
Silver	617,222,991	628,700,320	-11,477,329	-1.83%
Platinum	2,029,592	2,221,902	-192,310	-8.66%
Palladium	745,495	1,290,752	-545,257	-42.24%

Although gold posted a modest loss in USD terms last year, investment interest as reflected by ETF holdings was virtually unchanged year on year despite the Federal Reserve's hawkish approach raising US interest rates on four occasions amid a strong US economic data and this bodes well for the year ahead. Silver's relatively poor performance compared to gold was reflected by more than 11 million ounces or 1.83% of outflows, while another bad year for platinum prompted a 9% decline in ETF holdings. A dramatic 42% reduction in palladium ETF balances was a direct result of the extreme squeeze on supplies that drove lease rates to over 30% p.a. as the physical metal used to back the ETF's was withdrawn from the system to take advantage of the price backwardation.

MINDEX

CME Total Open Interest	Close 2018	Previous Year	Annual Change	Annual Change %
Gold	451,832	471,653	-19,821	-4.20%
Silver	176,289	193,821	-17,532	-9.05%
Platinum	82,839	82,862	-23	-0.03%
Palladium	26,781	37,362	-10,581	-28.32%

We track total open interest in the world's largest gold futures contract, which is listed on the CME, as a guide to Commodity Trading Advisor (CTA) speculative activity in gold, which is a key short-term driver of the gold price, and it is interesting to note that open interest posted a year on year loss of 4.20% reflecting the lack of price volatility and fast money funds interest in 2018. Despite platinum's 14% loss in 2018 the level of open interest on the CME was virtually unchanged on the year suggesting that the main driver of the price decline was the lack of physical demand for the noble metal rather than speculative short selling, which is a worry for platinum's longer term prospects. Another key observation from this data was the fact that open interest in palladium plunged by 28% suggesting that the extreme nature of palladium's forward backwardation versus the spot price made it difficult to trade on futures markets that are based the liquidity available relative USD versus commodity swaps or interest rates.

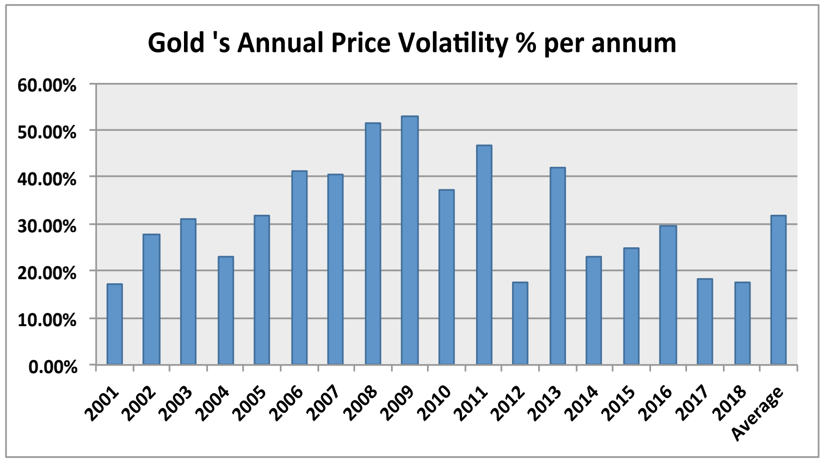
Other Markets	Close 2018	Previous Year	Annual Change	Annual Change %
USD LIBOR 1 m	2.50269%	1.56775%	0.93494%	59.64%
10 year US Treasury Yield	2.6910%	2.4110%	0.2800%	11.61%
USD/INR	69.5600	63.8300	5.7300	8.98%
SENSEX	36,068.33	34,056.83	2,011.50	5.91%
USD Index (.DXY)	96.173	92.124	4.049	4.40%
EUR/USD	€ 1.1469	€ 1.1996	-0.0527	-4.39%
GBP/USD	£1.2757	£1.3512	-0.0755	-5.59%
US Equities (.DJIA)	23,327.46	24,719.22	-1,391.76	-5.63%
TR CRB Index	175.9582	196.9497	-20.9915	-10.66%
Brent Crude	$53.80	$66.87	-$13.07	-19.55%
Comex HG Copper	$2.6280	$3.2795	-$0.65	-19.87%

Looking at other asset classes the stand out winner once again was the US interest rate market with the Federal Reserve Bank raising US benchmark offered rates by 25 basis points on four occasions from 1.50% to 2.50% last year with 10 year US Treasury yields rising by 11.61%. The hawkish approach by the Fed combined with the US/China trade wars spat to cast a shadow over the outlook for global economic growth resulting in a 20% decline in both crude oil and copper prices. Global equity markets were strong for much of the year but saw some extreme volatility heading into year end following the Fed's move in December, an apparent deterioration in US/China trade talks and concerns about the Eurozone as Brexit talks showed no signs of a resolution of differences between the two sides. The late sell off in December saw DJIA end 2018 down almost 5.63% while the SENSEX bucked the trend as the Indian benchmark gained 5.91%. The Euro fell by 4.39% while sterling lost 5.59% against the backdrop of the Brexit soap opera, and the Indian rupee lost 8.98% against the greenback. The dollar, as evidenced by the .DXY, had a good year rising by 4.4% boosted by rising interest rates and a strong US economy.

Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius

OUTLOOK FOR 2018

The key macro economic drivers of the gold price in 2018 were the Federal Reserve's monetary policy and its impact on the USD, trade wars between the US and China with its impact on global growth, the Brexit saga in Europe, geo-political tensions between the US and Russia, and of course the Trump Presidency, which meant that the gold market was only ever a 'Trump Tweet" away from a rally. Looking ahead to 2019 we see exactly the same factors coming into play, perhaps even more so. On the face of it gold had its second uninspiring year in a row with another narrow trading range of 17.71%, following $18.40% in 2017, and being the lowest since 2012 at 17.60% and well below the annual average for the period 2001 to 2018 of 31.88%. Certainly ATM option volatility was depressed throughout the year with the gold price seemingly stuck between $1200 and $1300 for much of 2018 as it was in 2017. However the gold bulls will be encouraged by ease with which the yellow metal recouped most of the earlier losses posted in 2018 with a late rally in December and the strong start to the year with the price breaking up through the key technical and psychological $1300 barrier to reach at high of $1326 at the time of writing this review. Having endured two successive years of unusually narrow trading ranges, we now expect to see gold's price volatility to increase in 2019 to something closer to its long-term average, which in our view has bullish implications for the price. With Federal Reserve Chairman Powell signalling a possible end to the fiscal tightening policy that the US Central Bank has followed since late 2015 with a series of 25 basis points interest rate hikes that has left the Fed's benchmark range at 2.25% to 2.50%, gold has been a major beneficiary of investment flows in January and a look the chart shows that the price is poised to make a conclusive break up through a long term downtrend that has been in place since 2011 when gold posted its' all time high of $1920. If this predicted move is confirmed in February, technical traders will have resistance set at $1380 in their sights while a move up through this level would target $1425. Chart watchers will also be aware that above this level there is technical blue sky until resistance pegged at $1600. On the downside strong technical support at $1175 now provides a solid foundation that should contain any weakness in 2019.



Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius

At the start of 2018 we felt that it could be the year that silver finally shook of the shackles that had trapped the price largely between $15 and $18 since 2015. However early strength and optimism quickly gave way to what has become very familiar disappointment with the price falling towards long term technical support pegged at $13.50 and the gold versus silver ratio reaching a record breaking 86:1, i.e. 1 ounce of gold would buy 86 ounces of silver. In 2011 this cross rate had fallen to 35:1 and the typical annual mean since 2001 is 65:1. Although we may have said this before, surely 'enough is enough' and we expect silver to rebound in 2019 to make aearly test of resistance located at $17 with a clear break targeting $18.50 and potential to move above $20 if gold moves conclusively into a bull phase. On the downside we would expect solid technical support between $14.25 and $13.50 to contain any unexpected weakness.

Platinum made it three years in a row as the worst performer in the precious metals sector with the price working its way progressively lower in 2018 to end just above long term technical support set at $780, having briefly penetrated this key chart point in mid summer. Early trading in 2019 has seen the price reclaim a foothold back above $800 and with palladium' surge to record breaking levels making it prohibitively expensive with growing uncertainty over physical supplies, we could see the auto sector trying to find ways to use platinum as a substitute to palladium in petrol engines that should lend some much needed support. Also lurking in the background is fuel cell technology using platinum that could boost demand for the noble metal, which leads us to believe that the worst could be finally be over for platinum with a return to four digits a possibility this year.

Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius

MINDEX

Palladium has been our top tip for each of the last three years and once again we were 'on the money' as we had predicted the record-breaking run based on the simple fundamentals of annual industrial demand outstripping annual secondary supply and mine. This chronic shortfall of nearby supply intensified in 2018, fuelled by on-going sanctions against Russia, the world's leading primary producer with a 45% market share, and amid reports of stockpiling by China's auto sector. With the globe's most populous nation set to embark on an easy monetary policy to stimulate the world's second largest economy in 2019, with its bullish implications for even stronger industrial demand, the outlook for palladium remains as positive as ever with the only major concern being the possibility of developing petrol engine auto-catalyst technology to use platinum instead of palladium given the fact that the former is now almost 50% cheaper and in plentiful supply. However any reversal in price should be contained by the band of chart support in place between $1100 and $900, while a break above the recently established all time high of $1434 could yield another 10% on the topside bringing $1600 on to technical radar screens.

RAKGOLD PREDICTIONS FOR 2019	Gold	Silver	Platinum	Palladium
High	$1,465.00	$20.25	$1,035.00	$1,600.00
Low	$1,175.00	$14.25	$700.00	$1,000.00
Average	$1,322.00	$17.10	$875.00	$1,350.00

LBMA Predictions 2019	Gold	Silver	Platinum	Palladium
Average High	$1,405.17	$17.99	$956.00	$1,454.00
Average Low	$1,220.23	$14.48	$745.00	$1,091.00
Highest Average Price	$1,365.00	$17.55	$913.00	$1,505.00
Lowest Average Price	$1,242.00	$15.15	$725.00	$1,075.00
Overall Average Price	$1,311.71	$16.28	$850.71	$1,267.68
Highest High	$1,475.00	$20.00	$1,050.00	$1,715.00
Lowest Low	$1,150.00	$12.75	$620.00	$900.00

Contact us: Suite 204, 2nd Floor, The Catalyst, Silicon Avenue, 40 Cybercity, 72201, Ebène, Republic of Mauritius