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- *US Federal Reserve's easing bias has pushed gold price upward since June*
- *Despite decline in bar and coin demand, there is strong demand from central banks and ETFs*
- *We are raising our forecast for gold prices but price growth to decelerate*

Strong 3Q for gold

3Q19's gold prices, strongest performance and highest prices since 2Q13. Gold prices have surged 14% and 25% m o m in July and Aug 2019 respectively. This surge would lead 3Q19 to be the strongest performing quarter by registering 11% q o q growth based on average price. In addition, it would post the highest quarter average price of US\$1,470/oz since 2Q13. This was mainly fuelled by Fed's rate cut in July and anticipation for further cut amid sideways movement of US dollar.

Substantial buying from Central banks and ETF inflow. In line with our expectation that demand from central banks would grow by a

strong 10% in 2019, central banks bought 224.4 ton of gold in 2Q19 and 374 ton in 1H19, recording the largest net buying in the past 19 years. While the fund inflow to gold-backed ETF grew 67.2 ton to a six-year high of 2,548 ton, ETF continued to increase by 25 ton to 2,599 ton in July. These two buying powers had offset negative growth in bar & coins (-12% y o y) and driven hefty gold price. The soft demand in coin and bar was mainly due to 29% decline from Chinese demand. Meanwhile, the jewellery demand has edged up 2% y o y, dampened by 4% drop in China despite 12% growth in India.

Increased influence from interest rate on gold price. The drivers of gold prices are: i) economic expansion, ii) risk and uncertainty, iii) opportunity cost (interest rate, US dollar) and iv) momentum (capital inflow). We expect the gold price to remain strong backed by all of the abovementioned drivers except economic expansion. Especially, the gold price is likely to have more impact from monetary policy going forward. Historical analysis shows that gold price had a strong performance when the Fed switched over from tightening policy to easing, according to Gold Council. Accordingly, we expect the Fed's rate would be a key determinant of gold price in near term which will also affect the price of currencies.

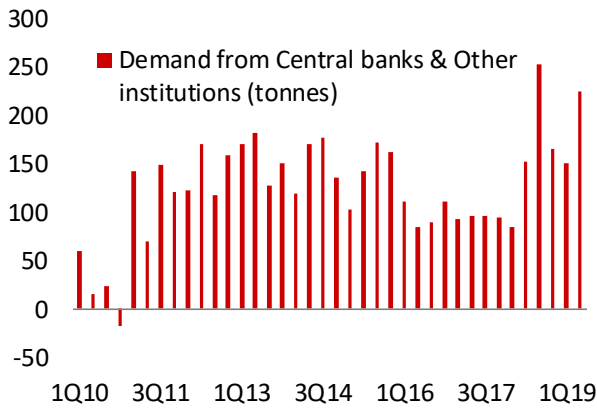
Raise our forecasts, price growth to decelerate

Factoring recent strong price hikes and persisting favourable environments surrounding, we raise our price forecasts to average USD1,500 per ounce in 4Q19, 3.1% higher than our 3Q19 estimate of USD1,470 per

ounce. The gold prices are likely to remain strong in 4Q19 and 2020 as the overall landscape of macroenvironment will not improve drastically. However, the growth of

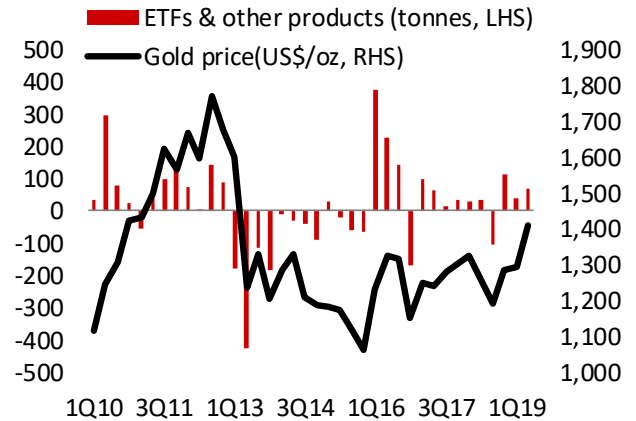
gold price may decelerate as the opinions on the Fed rate in the market are divergent and most countries have already reduced their interest rates.

Gold demand from central banks and other institutions



sources: World Gold Council, DBS

Gold demand via ETFs and other products vs gold price



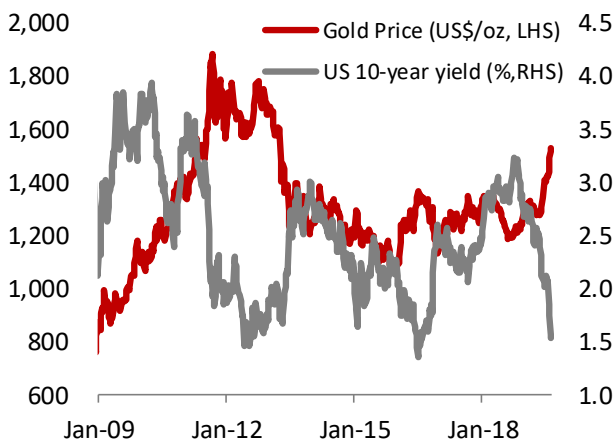
sources: World Gold Council, DBS

Gold price forecast

(USD per ounce)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19F	4Q19F	1Q20F
LBM A Gold Price (average)	1,329	1,306	1,213	1,226	1,304	1,309	1,470	1,500	1,560
y/y (%)	9.0%	3.9%	-5.1%	-3.9%	-1.9%	0.3%	21.2%	22.3%	19.7%
q/q (%)	4.2%	-1.8%	-7.1%	1.1%	6.3%	0.4%	12.3%	2.0%	4.0%

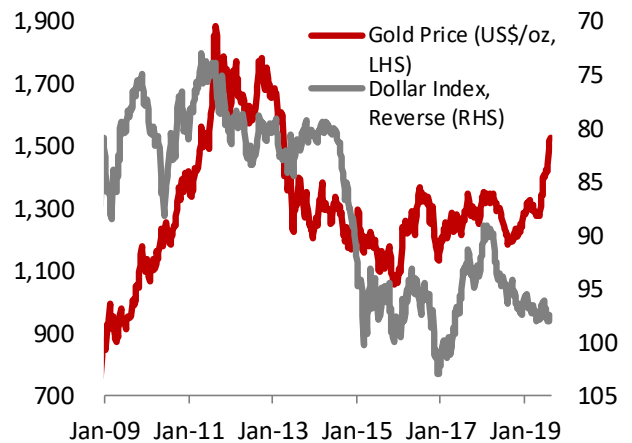
World Gold Council, DBS

Gold price vs. US 10-year yield



sources: Bloomberg, DBS

Gold price vs. USD



sources: Bloomberg, DBS

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Sources: Data for all charts and tables are from World Gold Council, Bloomberg and DBS Group Research (forecasts and transformations).

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