

The Future of Precious Metals Markets

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I have been asked to speak today about a rather broad topic: The future of precious metals markets. Not only the future, but specifically how major trends in the world economy and financial markets will affect precious metals markets. The advent and growth of exchange traded funds, or ETFs, is one important such development. Globalization is another. For good measure, ‘and other major trends’ was tacked on to the end.

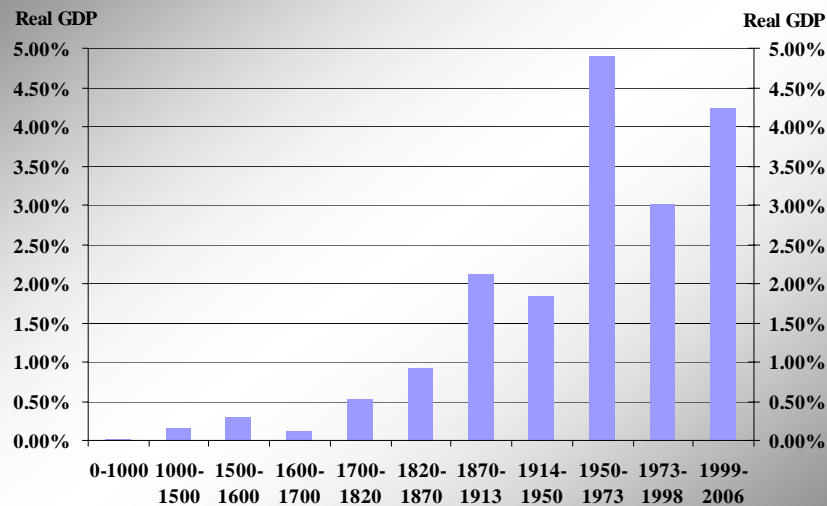
I will speak about global trends I see developing, first. Then I will say what I think these may mean for precious metals markets. I will discuss ETFs at the end of my presentation.

Global Trends

My topic today reminds me of a speech I wrote for Fraser Fell, then the Chairman of Placer Dome, in early 1990. At that time, the Berlin Wall had just been breached and the former Communist regimes of eastern Europe had fallen like dominoes. The **Economist** magazine had ended 1989 with a cover titled something like “Peace Breaks Out.” The speech I wrote stated that while the world in early 1990 was safer than it had been for decades, there were several major long-term trends that were foreboding for world political and economic stability and peace. The one I focused on was the internal divisions within the Muslim world. From Morocco to Indonesia, I said, a fifth of the world’s population lived in nations many of which were deeply divided between modernist, semi-secularized, wealthy autocrats and more fundamentalist, religious, impoverished, repressed populations. Given the presence of petroleum resources in the ground of many of these countries, their proximity to Europe, and the fact that the U.S. and some European governments strongly assisted in keeping the repressive regimes in power, I said these internal stresses, which needed to be addressed if not resolved, posed serious threats to world economic and political peace. Nine months later Iraq invaded Kuwait, and there was talk in Canada that Fraser Fell’s prescience would best serve his country if he ran for Parliament.

The other four points I focused on in that speech were the global implications of the economic rise of China, the future of what was then the Soviet Union but which already was showing signs of disintegration, the implications of globalization and deregulation, and the rise of computerization.

Historical World Real GDP



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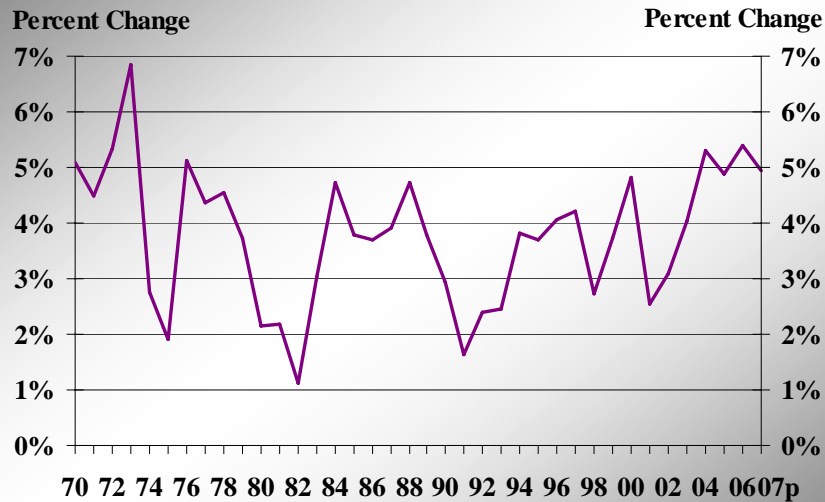
All of these factors remain key issues, 17 years further on. The implications of many of them have become more clear. The rise of China, along with countries from Brazil to India, is moving the world toward a much more vibrant, wealthier economic environment in which people around the world can participate in economic growth and development on a more balance basis. As I said in **Commodities Rising** last year, more than a quarter of the world's population has been let out of its economic cages, and now are free to be economic actors in their own lives. The effects these developments are having on world real economic growth are clear on the attached chart.

It is not just globalization, however, that is at work here, just as it is not just China. Other trends are combining with globalization, including deregulation, automation of a wide array of business and manufacturing processes, improved telecommunications, the internet, and more efficient management and planning. The United States has lost more manufacturing jobs over the past 16 years to computers than it has to exported jobs. It is not the low-wage worker in Malaysia or China that is the great risk to American manufacturing workers. It is the computer on the desk next to yours.

Monetary Policies

Financial innovations also are helping stimulate worldwide economic growth. I believe one of the more significant trends that has been undervalued or overlooked has been a major transformation in monetary policy management in most countries of the world. Financial market commentators still complain about the practices of the Federal Reserve Board and other monetary authorities, but the truth is that monetary policy management in the United States, Europe, Japan, and many Asian nations has been extremely successful at protecting world economic trends since the early 1980s. It seems that monetary authorities have learned a great deal about how to do their job, which is to preserve long-term price stability insofar as possible.

World Real GDP



As a result, the world, and the United States, have avoided major recessions since the 1980 – 1982 recession. That recession was the worst post-war recession on record. It came at the end of a financially turbulent era which saw double-digit inflation, two oil price spikes, and four severe recessions within 12 years. Since that time we have seen two short, shallow recessions. Major economic crises have been avoided, despite a series of financial and governmental problems such as the 1987 stock market crash, the 1997 Asian currency crisis, the 1998 Russian debt problem, and the 2001 attack on the U.S. financial center. In the past, any or all of these events could have been expected to precipitate a major recession. None of them did, in part because of facile monetary authorities who provided the necessary liquidity to avoid a recession, and then sucked the excess liquidity out of the world economy as soon as the crisis had passed. It is a practice first demonstrated under Paul Volcker in 1982 – 1983, and it has worked like a charm since then. This over-looked development – monetary authorities working more effectively than in the past – has been instrumental in ushering in and sustaining the strong overall economic expansion we have witnessed worldwide since 1982.

This suggests that both the hyper-inflation and the deep recessions of the 1970s may be avoided in the near future, barring major economic changes on a worldwide scale. It does not mean that inflation and recession have been banished from the economic system, nor that worldwide economic cycles are a thing of the past. It means that the cycles may be more muted and less destructive than they were prior to 1985.

In fact, this less destructive nature of economic cycles since 1985 has been a direct contributor to the better economic growth performance worldwide since that time, reducing uncertainty, increasing predictability, and allowing for more stable planning by businesses, governments, investors, and consumers.

It is interesting from this slide, which shows annual real gross domestic product worldwide since 1970, that while the effects on individual lives and overall economic activities have been quite dramatic, these dramatic improvements in life on earth are the result of what actually is a somewhat marginal improvement in global economic conditions.

Not All Trends Are Good

Many of the trends abroad in the world today bode well for worldwide economic, social, and political development. Not all of them do, however. One must avoid the rosy “New Paradigms” and ages of Aquarius that at times paint too sanguine a view of a future void of recessions, inflation, financial market volatility, wars, repression, and other social plagues. There are risks facing global economic prosperity today, and in the future.

I believe the U.S. political scientist Lucian Pye, a specialist on Chinese politics in the 1960s, said that “modernity is not assured.” Things can reverse, and they do. The positive developments that we see today can be derailed. They can be delayed. An unforeseen future may emerge. Some people actively work against globalization and modernization. Even in the absence of such active opposition, the sheer enormity of moving five billion people onward and upward sometimes provides economic, political, and social obstacles to progress. No one has ever tried to engineer and maintain such a broad economic development program before, and the potential for such a program to succeed with or without centralized guidance is untested.

Another way to look at the world is that the forces of integration in effect today will be countered, to some extent, by forces of dis-integration.

One of the trends and developments countering what we define as progress comes from Fundamentalist Islamists today. Fundamentalist Muslims clearly are seeking to derail the paths of globalization and increased interaction among the world’s people. Perhaps surprisingly to many, they have been relatively minor players in disrupting the trend toward global economic prosperity. The boys at Enron and other U.S. companies did more damage. By precipitating the ill-conceived Sarbanes-Oxley legislation the financial market scandals of 2001 – 2002 have done more to isolate and reduce the power of U.S. financial markets worldwide than Islamist Fundamentalists ever could have hoped to achieve.

Another set of risks to the globalization and worldwide economic liberalization arise from U.S. government policies and practices. The present U.S. Administration came to power on a platform that called for the dissolution of all multi-lateral post-war international treaties and agreements to which the United States was party. It has called for the dissolution and closure of the World Bank, the International Monetary Fund, and the United Nations. In a speech in 1998, before he became vice president, Dick Cheney called for the U.S. government to wrest control of Middle Eastern hydrocarbon assets from the governments of those countries – by any means – and to invest that ownership with private companies that would be more amenable to joint ventures with U.S. oil corporations. He called for doing the same thing with hydrocarbon assets in the former Soviet Union, in the same speech. Paul Wolfowitz, late of the U.S. Administration, meanwhile wrote in **The New Republic** in 1998 that the next U.S. government had to find a pretense to invade Iraq and overthrow Saddam Hussein.

These are not accusations. These are statements of policies about which the U.S. Administration is proud, which it has proclaimed as its policies and goals.

Now, the law of unintended consequences has played out well here. It would seem that the purpose of the current Administration’s anti-globalization policies was to derail a trend toward a multi-polar political and economic system, in order to preserve American economic advantages for a while longer. It may have delayed this trend, but what it ultimately has led to is an acceleration today toward such a multi-polar polity, with reduced U.S. influence than otherwise would have been the case. One extremely successful Oxford history graduate recently assured me that no empire has ever devolved as rapidly as has the U.S. government over the past seven years. It is true.

Thus, today we find ourselves hurtling toward a future that is globalized, increasingly automated, and multi-polar.

It is not just the ‘neo-cons’ in control of the present U.S. government and the Islamist Fundamentalists that pose threats to a globalized future. The “Pseudo-Socialist Totalitarians” now popping up in Latin America, and later elsewhere, also pose risks. Nationalists from Russia to France, the United States to Bolivia, also pose risks.

The future of Chinese economic trends also is not assured. The vast majority of Chinese citizens today are not yet benefiting from the economic expansion there, and there are tens of thousands of protests, demonstrations, and riots each year calling for the restoration of citizen’s rights to property, health care, and other social benefits that have been abrogated in the current economic rush to development. The Chinese miracle, while seemingly unstoppable, could be derailed. The Chinese government is well aware of this, which is one of the reasons why it is trying to move so fast. It knows the risks of reversal during the transition period, and knows that the best approach to minimizing this risk is to try to bring the economic benefits of a future China to as many citizens as possible as fast as possible, so that they see the benefits to themselves of accepting these changes.

Many people needlessly fret about the potential of a 'hard landing' economically in China. That is highly unlikely. The real risks to China's economic growth relate to the rising value of the yuan, and the massive build up of U.S. Treasuries and other foreign securities in the hands of the People's Bank of China. Both of these trends bring with them the risks of far greater inflationary pressures than currently are being felt within China. Western commentators sometimes voice the opinion that China's economy may be over-heating. To Chinese government officials, the current situation is far less worrisome than a future in which these two trends take hold.

There are many other potential risks and threats to a better future for the world. AIDS in Africa and elsewhere is one of them.

Another is entropy itself. Sometimes things go wrong, with no one actually trying to cause bad things to happen. The world economy today is a vastly more complex system than has ever before existed. No one has any experience running such a complex neural network of governments, corporations, and other interests. Even if everyone had the same goals and aspirations, and they do not, keeping everything in balance and on track would be a Herculean task.

What all this means for metals

The most obvious consequence of the growth in the world economy due to globalization and economic liberalization has been a sharp increase in the demand for most commodities, including precious metals, as increasing numbers of people become consumers financially capable of purchasing a wide range of manufactured goods, and services. This is a trend that already has had tremendous effects on commodities demand over the past decade. More importantly, if these trends are not reversed by any of the counter-vailing influences, the movement of more people into the consuming classes should continue for decades to come, with the effect of steadily increasing demand for precious metals and other commodities at a faster pace than has been the case over the past four decades.

Where does demand occur?

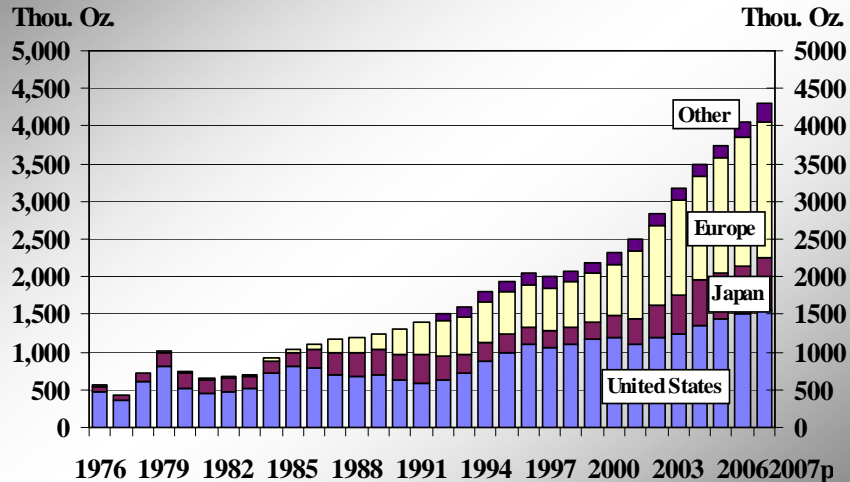
These globalizing trends, financial market deregulation, the internationalization of manufacturing and corporate structures, the rise of the shipping container, computerization of manufacturing and logistics, and more, also all mean that geographic divisions are far less meaningful in analyzing markets than ever before.

The geographic demarcations of demand for precious metals are far less meaningful today than they were two decades ago, and they will continue to be less informative about conditions in the precious metals markets.

Fabrication demand already is occurring in more places than in the past, and will continue to do so. There has been a decline in the centralization of global manufacturing in the United States, Europe, and Japan.

Automotive Platinum Demand by Region

Projected through 2007.



It is far less informative than it used to be to say that 100 ounces of platinum are being bought for use in auto catalysts for use in Japan, or 100 ounces of platinum are being bought in Japan for use in auto catalysts. Just staying with the auto catalyst sector as an example: Japanese auto manufacturers may buy platinum group metals in the United States, for manufacture into plating salts in Asia for use in manufacturing auto catalysts in Europe, or South Africa, for installation on automobile exhaust systems in China that go onto cars made in Canada for sale in Europe. So, where is this demand? Is it in the United States, or Europe, or any other point in between? The answer is that it actually does not matter to the market.

The same internationalization has occurred with other auto manufacturers. I do not mean to single out Japanese auto companies. The same also is true in electronic components and electronic chemicals, and, to a lesser extent, to other precious metals bearing chemicals, catalysts, and other products. If Saint Gobain in France is buying rhodium from a South African producer for use in fiberglass spindles to be used in southern India in a factory that makes fiberglass insulation for export to Europe, South Korea, North America, Chile, Argentina, and other destinations... where does one record that rhodium demand, and what, anyway, is the relevance to anything of where that rhodium demand occurs.

So, too, we have seen precious metals analysts at brokerage companies divide the geographic, regional statistics of auto demand for individual PGMs by statistics for auto production or sales in individual countries and regions, and then make sweeping conclusions about the differences in platinum versus palladium versus rhodium weightings in North America versus Europe versus Japan. The problem is, where the metal is bought, where it is converted into catalysts, where the catalysts are put onto cars, and where the cars are bought and driven, renders these numbers meaningless.

Green Trends and PGM Demand

There also is a growing body of writing about how the move toward cleaning up the environment will help boost demand for platinum group metals. Again, one finds some very interesting and compelling arguments in various brokerage house reports on how platinum, palladium, and other PGMs will be used in enormous volumes in the future to clean up vehicle exhaust, air pollution from stationary sources of emissions, and other applications. Not all of these analyses are based on fact, unfortunately, but they all are pretty bullish for PGM use. And of course, the people who have been telling us that fuel cell vehicles will require 500,000 to 1 million ounces of platinum per year within a decade – still are telling us the same projections, 30 years on.

As someone who has based a large part of his career based on projecting large increases in PGM demand, largely due to tightening emission standards worldwide, I should be and would be the last to belittle the fact that PGM demand will continue to expand from these sources. For the next decade, at least, the growing auto population worldwide, the spread of emission standards, and the tightening of emission standards will combine to push the demand for platinum, palladium, and rhodium sharply higher. The future of automotive use of PGMS is not necessarily a one-way street, however.

As long as automobiles are propelled by internal combustion engines burning gasoline, or diesel engines, they will require PGMs.

As a result, these metals will become even more dependent on autos as a source of demand. Auto use of platinum has risen from 30% of platinum demand in the early 1980s to around 60% today. Autos account for more than half of palladium use now, up from less than 10% in the early 1980s, and they take up 87% of world rhodium use.

One must be cognizant of the potential that in the longer term autos may not need PGMs.

First, a bit of honesty about fuel cells. They do not make economic nor technical sense, and may never do so. They have been the energy source of the future for a century now. They may continue to be so. They may never represent a major source of demand for platinum. Even if fuel cells do become competitive someday, the fuel cell design that ultimately achieves commercial viability may not use platinum as a catalyst, and may not need a platinum-bearing reformer to strip hydrogen off of hydrocarbon fuel sources.

If, however, motive power shifts to something else, PGMs might become far less necessary. If I wish to write off fuel cells as a future source of motive power, what else is on the horizon? A hydrogen engine, such as the one now used in conjunction with a gasoline engine on the BMW Hydrogen7 production passenger sedan or are under research at various other auto companies, would not need any PGMs in a catalyst. If the hydrogen were produced outside of the vehicle and supplied to the engine via a solid, safe metal hydride, such a vehicle would not need any PGMs in a fuel reformer, either. Neither would a future fuel cell vehicle, for that matter.

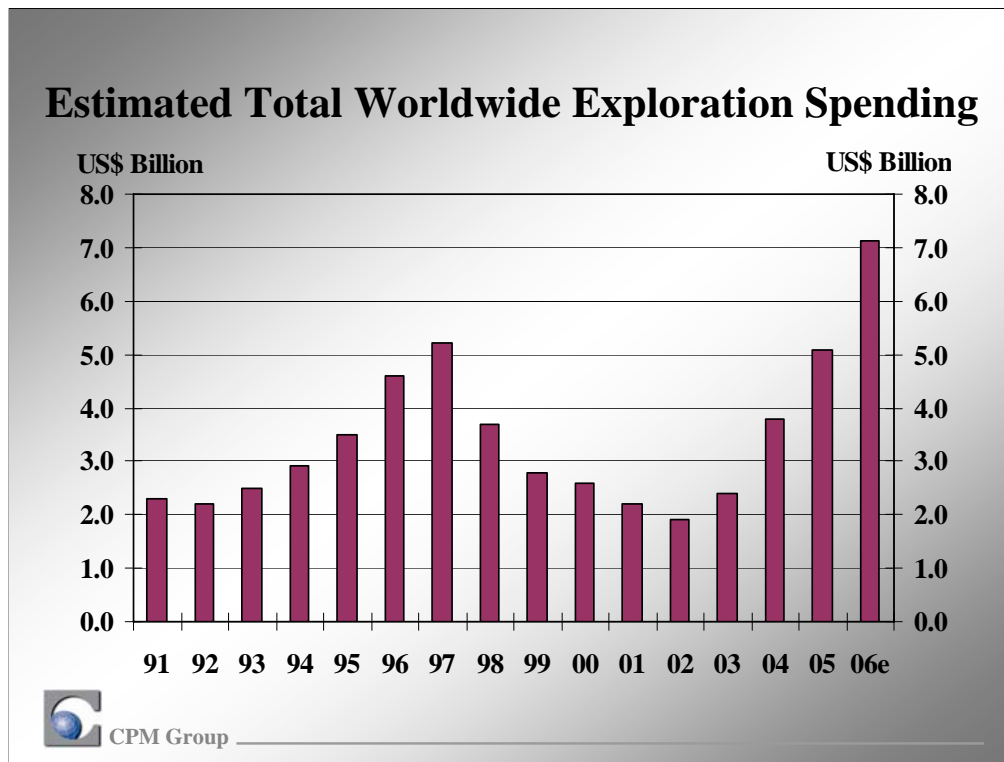
Fuel cell proponents now refer to hydrogen engines as a bridge technology, an interim technology that might be implemented over the next decade which would help build the hydrogen fuel distribution system required for fuel cells later. Hydrogen engine proponents suggest that the bridge technology may be so much cheaper, so much more efficient, and so much easier to introduce, maintain and use, that it may become the motive power of choice in the future, helping to obviate the need to move to a technically and economically nonsensical fuel cell future beyond that future. Both sides sometimes overlook the fact that hydrogen as a fuel at present has enormous disadvantages over hydrocarbons, including the costs of producing hydrogen, which will need to be solved before any move away from conventional engines burning petroleum products, and employing PGMs to clean up their exhaust, is feasible.

The Future of Mining

Mining continues to diversify, as countries open themselves up to development and foreign direct investment. As governments have adopted policies more conducive to investment in mining, both from domestic and international investment sources, mining and exploration have flourished.

In recent years the amount of gold and silver being mined in traditionally major countries has contracted. The amount of gold being mined in newly emerging mining centers has expanded. These trends may continue, although there are signs that some of the traditional mining nations will reverse their declines, at least in some metals.

Related to this, much attention is focused on China as a user of metals. China also is growing as a producer of metals, including precious metals, on both a mined basis and in terms of refined metal. China may surpass Mexico, Peru, and Australia to become the world's largest silver mining nation by 2010. It may surpass South Africa, the United States, and Australia to become the world's largest gold producer by 2015, or possibly sooner.



With the resurgence in metals prices over the past five years, we also are seeing that more money is being spent on exploring for and developing metals mines than ever before in history. This will lead to another major round of expansions in production, in all major precious metals as well as in base metals. It is happening now. The effects in terms of increases in supply will be seen over the next decade or longer.

Gold mine production has doubled since 1980, the result of the effects of the sharp increase in gold prices in 1979 – 1980, and the fact that prices stayed above \$320 for most of the period from 1980 through 1997. Almost all of that growth came from gold mining companies that did not exist, at least as gold mining companies, in 1979. A similar transformation should be expected in gold mining. A similar change also is occurring already in silver mining.

In platinum, the bulk of new production is coming from existing mining companies, although a number of new mining companies also are emerging. This trend, too, should be expected to continue in the years ahead.

Not all mining developments are sanguine

These trends may be reversed, of course. The rise in nationalism being seen in Venezuela, Bolivia, Ecuador, and to a lesser extent Peru carries the risk of reducing production in those countries in the long run. These conditions also could spread to other countries. We have seen this before – in copper in Zaire and Zambia in the 1960s, 1970s, and 1980s, and in Zimbabwe today. An interesting and important lesson is that it happened in Ghana in gold in the 1960s, and was more than entirely reversed in that country during the past two decades, as new, more enlightened policies were implemented which reversed the economic damage and impoverishment spawned by the thoughtless application of nationalist rhetoric.

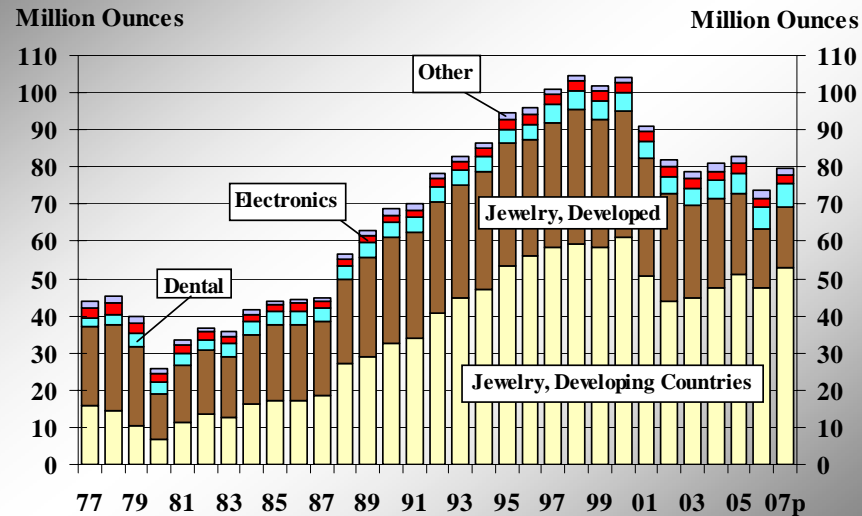
Some wags will point out that the propensity to expropriate or tax mining at prohibitive rates is proportionate to the price of commodities. When gold, copper, silver, oil, gas, and everything else were at pathetically low prices in 1999 – 2001, governments were begging international mining and energy companies to come explore and exploit their natural resources. With prices double, triple, or even higher today, those same governments are all too eager to muck up the financial relationships that they have.

Secondary recovery

Secondary recovery of precious metals from scrap will continue to be an important portion of this market. The business is changing, again, however. The value of much of the electronic scrap available is declining. Governments are requiring increased recycling, however, concerned over the explosion in electronic scrap volumes. As a result, the electronic scrap recycling business should be expected to continue to shift from being one driven by the economic values and profits to be recovered from precious metals to a business in which the primary source of revenue necessary to cover operating costs is derived from scrap processing charges. It will not be as profitable to be a precious metals scrap recycler from electronic materials in the future as it was in the past. Recyclers will need to rely more on recycling charges to cover their costs.

Total Fabrication Demand

Projected Through 2007



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Investor buying habits meanwhile are shifting as a consequence of economic development in the developing countries. In the past large volumes of gold and silver jewelry were bought as forms of savings and investments. They still are, but the volumes are falling, and will continue to decline, as investors from the Middle East and India to China and east Asia shift from buying precious metals jewelry to (a) buying bullion bars, coins, and medallions, and (b) investing in other financial assets.

Even as this shift is occurring, investment demand overall for precious metals is rising. In a perhaps ironic twist, even as investors in developing countries move away from viewing precious metals as their prime form of savings and investments, institutional and high net worth investors in the developed economies are increasing their interest in precious metals as investments.

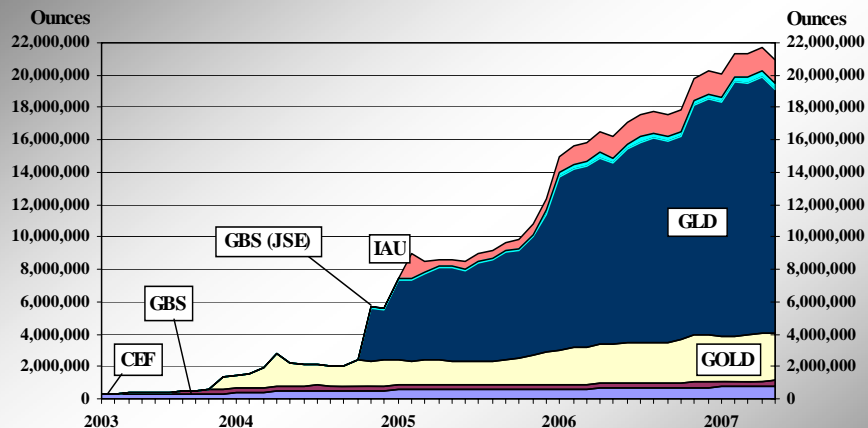
Overall, the volumes of metals being purchased by investors are increasing. The nature of the buyers is shifting toward those in industrialized economies, however, and the form of these purchases is shifting from jewelry and statuary to bullion and bullion-based accounts.

Exchange Traded Funds

This leads me to the final section of my presentation.

Financial markets continually evolve. One of the recent developments has been the emergence of the Exchange Traded Fund, or ETF. ETFs began as indices of equities which were bundled together and traded as a single share on a stock exchange. They were hugely popular. They have had a major impact on precious metals markets.

Exchange Traded Fund's Physical Gold Holdings



Note: CEF-Central Fund of Canada traded on the Toronto Stock Exchange. GBS-Gold Bullion Securities traded on the Australian Stock Exchange. GOLD-Gold Bullion Securities traded on the London Stock Exchange. GLD-Streettracks Gold Shares traded on the New York Stock Exchange. GLD (JSE)-Gold Bullion Debentures traded on the Johannesburg Securities Exchange. IAU-iShares Comex Gold Trust traded on the American Stock Exchange. IAU, GLD (JSE), GLD, GOLD, and GBS as of 31 May 2007. CEF as of 31 January 2007.



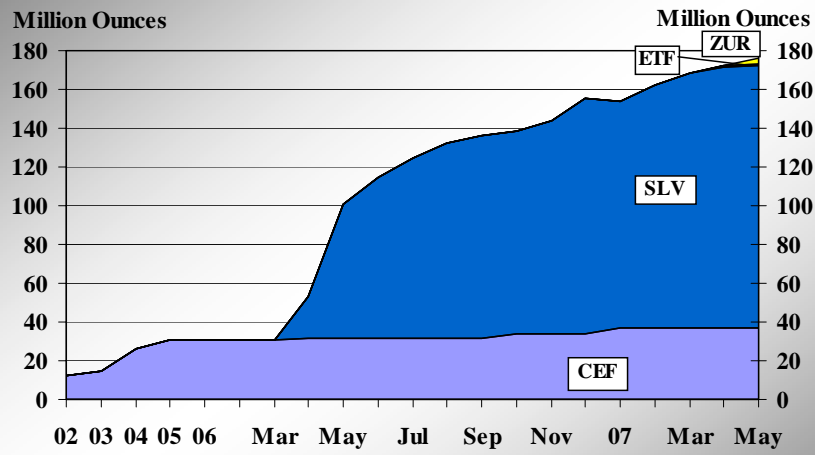
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In 2003 and 2004 the concept of an ETF migrated to gold. Gold was seen as a financial asset to which the ETF concept could be extended logically. Gold also was seen as having the most liquid forward market of any commodity by an enormous margin, thus making it the most suitable commodity for which an ETF might be attractive to investors.

A series of ETFs were created and launched in Australia, the United States, the United Kingdom, South Africa, and elsewhere beginning in 2003. By early 2007 nearly 22 million ounces of gold were held in ETFs' accounts. Most of this was held based on the GLD ETF on the New York Stock Exchange.

ETFs contributed to the bull market rush into physical gold by investors in the years 2003 – 2007. In 2006, roughly 18% of world investment demand for physical gold came through ETFs. While they were not dominating the physical gold market for investment products, they clearly were adding to the market size and investors' influence on prices.

Exchange Traded Fund's Physical Silver Holdings



Note: CEF-Central Fund of Canada traded on the Toronto Stock Exchange. SLV-iShares Silver Trust traded on the American Stock Exchange. SLV as of 31 May 2007. CEF as of 31 January 2007. ETF Securities' silver ETF and Zurich Cantonal's silver ETF included in April 2007 and May 2007 respectively.



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In April 2006 a silver ETF was created. By May 2007 more than 170 million ounces were held in this Silver Trust ETF and the Central Fund of Canada, an ETF-like silver investment fund that has been around for years. The ETF had absorbed a tremendous amount of silver into its allocated accounts, reducing liquidity in the physical silver market and contributing to the 56% increase in annual average silver prices in 2006.

Exchange Traded Fund's Physical PGM Holdings

	<u>Inception Date</u>	<u>Troy Ounces</u>
<u>ETF Securities</u>		
Platinum	24-Apr-07	16,858
Palladium	24-Apr-07	21,997
<u>Zürcher Kantonalbank</u>		
Platinum	10-May-07	25,000
Palladium	10-May-07	133,000

Note: ETF Securities funds traded on the London Stock exchange. Zürcher Kantonalbank funds traded on the SWX Swiss Exchange. Zürcher Kantonalbank holdings as of 25 May 2007. ETF Securities Holdings as of 1 June 2007.
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The ETF concept now has spread to platinum and palladium, with ETFs based on these precious metals being launched in London in April 2007 and Zurich in May.

Going forward, ETFs overall will increase the volume of investment in precious metals, because investors who otherwise would not invest in precious metals are and will buy shares of ETFs. From what we can tell, ETFs are attracting new investors into precious metals who have not previously invested in these metals. Thus, they represent an upward shift in the investment demand curve.

I was asked, in early 2006, if I felt the GLD gold ETF was a success. My response was that the gold ETFs have been initial successes, in that they succeeded in attracting greater investment interest in gold than even the most bullish observers had anticipated. They were helped by having been launched in the midst of the biggest bull market for gold investment demand in history, but that is not to belittle their successes.

However, I added, the gold ETFs cannot yet be ruled to be long-term successes, because they have not been tested in a bear market. It is impossible to say whether the investors involved in ETFs, many of whom appear to be new to the precious metals markets, will be long-term holders, or whether they will sell their shares and exit the metals markets permanently. We have had waves of novice investors, and financial service providers, enter the precious metals markets as 'long-term investors' before, only to leave them en masse. Take, for example, the early 1980s.

Also, another aspect of the ETFs, especially for gold and silver, is the fact that these assets now provide the markets greater transparency regarding investor attitudes toward these metals, for the first time ever. Gold and silver are secretive markets. That is one thing that attracts many investors to them. The ETFs provide a daily measure of the degree to which at least one sub-sector of the precious metals investing public views metals. These ETFs have only existed in a bull market so far, so the almost steady daily addition of metal to their holdings has been taken as a bullish indicator of investor sentiment. Earlier this year the gold ETFs saw a steady, protracted reduction in gold under management. This began to be viewed as a potential indicator that the bull market in investor buying of gold was ending. Of course, the ETFs only represent a relatively small and unrepresentative slice of the global investment market for gold, so the decline over a few weeks could not be taken as a definitive sign. However, some market observers began questioning whether the ETFs' holdings could be taken as a leading indicator or early warning signal of waning investor demand for gold. In the end, probably not, but it is too early to tell.

Overall, the gold ETFs are expected to have a minimal effect on gold. The gold market is much larger and broader, with a billion ounces in investor holdings. The market can absorb the gold ETFs' demand for allocated metal and not really experience much more than a ripple. Also, many gold investors will not want a gold ETF share, given their preference for holding the metal themselves or having availability to physical gold. They also are secretive, and they do not see holding shares in a Jersey Isle corporation that represent an indirect ownership of gold held by a bank in London as a substitute for physical gold holdings.

The silver ETFs may have a greater effect on the silver market, since the silver market is far less liquid. ETFs may have much greater effects on platinum and palladium. These two markets are too small and illiquid, with insufficient inventories available to be able to support having large amounts of metal commandeered into allocated investor accounts without this pushing prices up very sharply in an unsustainable way.

Even as this trend continues, ETFs are facing competition from the next innovation in their genealogical evolution: Exchange Traded Notes. These notes promise to allow even further flexibility for banks and brokerage companies to structure products for investors, which should be expected to lead to a new, even larger wave of ETNs being offered to investors. Other permutations on ETFs should be expected in the years ahead, because financial market innovations do not stand still.

CPM Events in 2007

Platinum Yearbook 2007, 26 June

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