Goldreport 2015 – In GOLD we TRUST

Little has changed with regard to the factors affecting the gold price. Yields on government bonds are low and the opportunity costs of holding gold accordingly remain negligible. Several central banks are currently engaged in QE-programs and are trying to weaken their currencies. **Technical analysis shows that the bottoming phase of the past several years hasn't concluded yet. For the next twelve months we are forecasting a price range of approx. USD 1,200 – 1,250.**

Author:
Ronald-Peter Stoeferle, CMT
rps@incrementum.li

External adviser to Erste Group Research

All prices are closing prices as of June 23rd 2015

In the course of the last years, much speculation in the gold sector has evaporated. This can e.g. be seen in the large decline in ETF holdings – it now appears as though practically all market participants have lost faith in gold. After strong outflows in 2013 and 2014, the exodus appears to have ended. For the first time since Q4 2012 net inflows into gold ETFs were recorded in Q1 2015.

What is quite remarkable is the current divergence between actual gold price performance and the largely negative perception of many market participants. While gold moved sideways in dollar terms last year, the bull market resumed in nearly every other currency. One can also see that in euro terms a gain of 12.10% and in yen terms a gain of 12.30% was achieved. **Since the beginning of the year 2015, gold did very well, too. In EUR terms gold is up 8% ytd.**

Rising interest rates = declining gold price. This is a widely held opinion. Although there is statistically a negative correlation between the Federal Funds rate and the gold price, we nevertheless advise caution. **Three of the largest upwards gold moves of the post 1971 era occurred in rising nominal rate environments.**

US stocks are trading at generous valuations in comparison to historical levels. When a mean reversion occurs, gold's characteristics as a portfolio hedge will come to the fore. **As is always the case with insurance, it is better to have it and not need, than to suddenly find out that one needs it and doesn't have it.**

The steadily growing importance of Asian emerging markets with respect to gold demand is in our opinion widely underestimated. We regard a doubling of Asia's gold demand over the coming decade as realistic, even likely.

Further important arguments that argue in favor of investing in gold:

- Global debt levels are by now 40% higher than in 2007
- Gold benefits from periods of deflation, rising rates of price inflation and systemic instability
- Gold is a financial asset that has no counterparty risk
- Low opportunity costs due to negative real interest rates

Table of contents

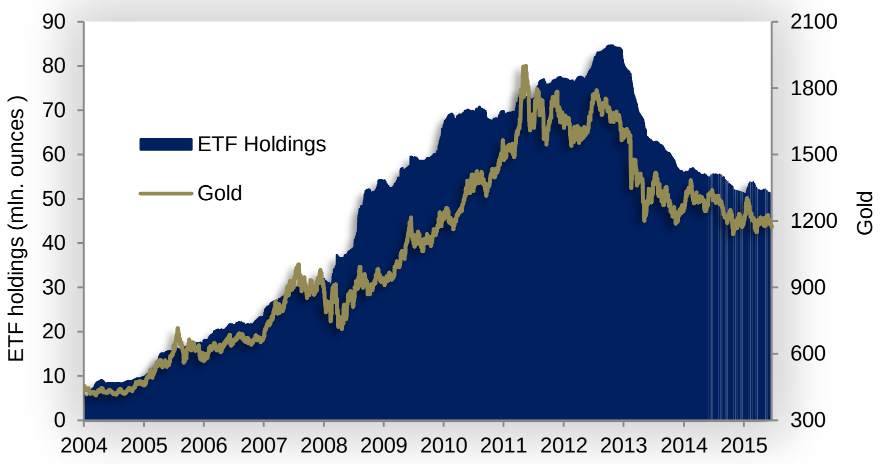
This publication is the short version of the Goldreport 2015. The “Extended Version” can be downloaded at [www.incrementum.li.](http://www.incrementum.li)

1. Introduction

In our last report, we wrote: ***"Should the inflation trend reverse, excellent opportunities in inflation-sensitive investments such as gold and gold stocks will emerge."*** Since then, the gold price has been able to hold up quite well despite the strong disinflationary pressure; other inflation-sensitive assets – as was to be expected in such an environment – were sold off heavily.

Since then, much speculation in the gold sector has evaporated – which can e.g. be seen in the large decline in ETF holdings – it now appears as though practically all market participants have lost faith in gold. After strong outflows of nearly 900 tons in 2013 the exodus appears to have ended. For the first time since Q4 2012 net inflows into gold ETFs were recorded in Q1 2015.

Total ETF volume (in millions of ounces) vs. gold price



Source: Bloomberg

The declining interest in gold is also reflected in the strong reduction of gold price volatility. The current market phase reminds us of a German saying that could be loosely translated as "tranquility breeds strength" which is also applicable to financial markets. Times of tranquility are times in which strength is gathered prior to the emergence of a strong trend. **Even though we did not expect such a long-lasting corrective phase, we definitely do not share the opinion of many analysts that a new *secular* gold bear market began in 2011.**

What is the reason for our unbroken confidence in gold? Our analysis is reinforced by a comparison of the current situation with that of the last great bull market of the 1970s and how it ended. There is a fundamental difference: **back then, the Fed tried *to end* the trend of rising price inflation with restrictive monetary policy, today central bankers around the world are trying their best *to create* accelerating price inflation.**

2. Status Quo

What is in our opinion quite remarkable is the current divergence between actual gold price performance and the largely negative perception of many market participants. The reason for this is probably that attention is primarily paid to the gold price in USD terms. While gold moved sideways in dollar terms last year, the bull market resumed or continued in nearly every other currency. One can also see that in euro terms a gain of 12.10% and in yen terms a gain of 12.30%

was achieved. On average, the performance in the currencies under consideration here amounted to a solid 6.16%. **Since the beginning of the year 2015, gold did very well, too. In EUR terms gold is up 8% ytd.**

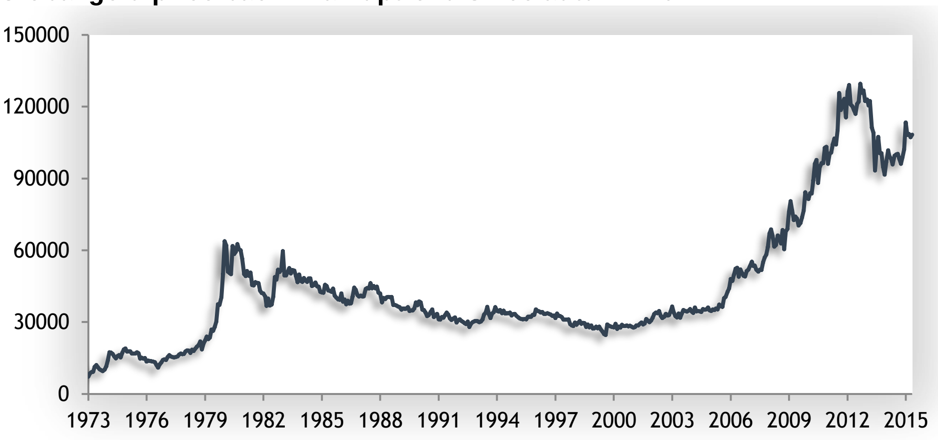
Gold price performance in various currencies since 2001

	EUR	USD	GBP	AUD	CAD	Yuan	JPY	CHF	INR	Mean
2001	8.10%	2.50%	5.40%	11.30%	8.80%	2.50%	17.40%	5.00%	5.80%	7.42%
2002	5.90%	24.70%	12.70%	13.50%	23.70%	24.80%	13.00%	3.90%	24.00%	16.24%
2003	-0.50%	19.60%	7.90%	-10.50%	-2.20%	19.50%	7.90%	7.00%	13.50%	6.91%
2004	-2.10%	5.20%	-2.00%	1.40%	-2.00%	5.20%	0.90%	-3.00%	0.90%	0.50%
2005	35.10%	18.20%	31.80%	25.60%	14.50%	15.20%	35.70%	36.20%	22.80%	26.12%
2006	10.20%	22.80%	7.80%	14.40%	22.80%	18.80%	24.00%	13.90%	20.50%	17.24%
2007	18.80%	31.40%	29.70%	18.10%	11.50%	22.90%	23.40%	22.10%	17.40%	21.70%
2008	11.00%	5.80%	43.70%	33.00%	31.10%	-1.00%	-14.00%	-0.30%	30.50%	15.53%
2009	20.50%	23.90%	12.10%	-3.60%	5.90%	24.00%	27.10%	20.30%	18.40%	16.51%
2010	39.20%	29.80%	36.30%	15.10%	24.30%	25.30%	13.90%	17.40%	25.30%	25.18%
2011	12.70%	10.20%	9.20%	8.80%	11.90%	3.30%	3.90%	10.20%	30.40%	11.18%
2012	6.80%	7.00%	2.20%	5.40%	4.30%	6.20%	20.70%	4.20%	10.30%	7.46%
2013	-31.20%	-23.20%	-28.80%	-18.50%	-23.30%	-30.30%	-12.80%	-30.20%	-19.00%	-24.14%
2014	12.10%	-1.50%	5.00%	7.70%	7.90%	1.20%	12.30%	9.90%	0.80%	6.16%
2015ytd	8.00%	1.50%	-0.50%	6.70%	7.40%	1.50%	3.80%	-6.20%	2.00%	2.69%
Mean	10.47%	12.60%	12.36%	8.69%	9.94%	9.83%	12.39%	8.33%	14.40%	11.00%
Median	10.60%	14.20%	8.55%	10.05%	10.15%	10.70%	13.45%	8.45%	17.90%	11.56%

Source: Goldprice.org

The following chart shows the global gold price. This chart expresses the gold price not in US dollars, but in the trade-weighted external exchange value of the dollar. It appears as though the correction has ended and the gold price has entered a new uptrend in the autumn of 2014.

Global gold price back in an uptrend since autumn 2014



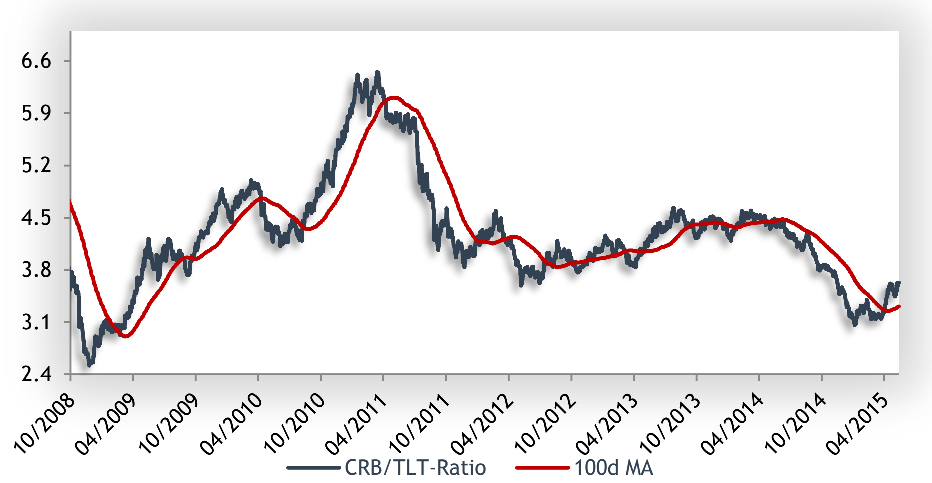
Source: Federal Reserve St. Louis

As we discussed in great detail last year[1], the *trend* of the rate of change in price inflation is a decisive factor for the gold price. Since the end of 2011, disinflationary forces have had the upper hand. In the wake of a strong disinflationary pressure that we have experienced over the past 12 months, inflation-sensitive asset classes have been sold heavily. In the meantime, the situation appears to be slowly changing again. The following chart shows the ratio between the CRB Index (representative of commodities) and TLT (an ETF representative of long term US treasury bonds).

[1] See: "In Gold we Trust" 2014 Extended Version, p. 16-32

Is a change in trend in the works? Currently it can be seen that commodities are for the first time in a long time exhibiting relative strength versus bonds again, and the ratio has risen above its 100-day moving average. This is also confirmed by the most recent rise in inflation expectations.

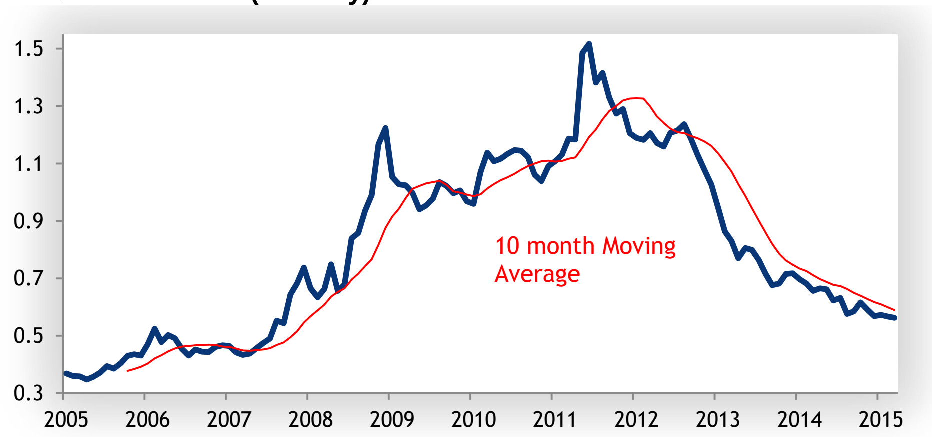
CRB/TLT ratio and 100-day moving average: Increasing relative strength signalling rising inflation rates



Source: Bloomberg

If one compares gold to stocks, it can be seen that gold exhibited relative weakness versus US stocks since the autumn of 2011. However, it appears now that the intensity of the trend is decreasing and the ratio is forming a bottom. This suggests, that an outperformance of gold vs. stocks is becoming more likely now.

Gold/S&P500-Ratio (monthly)

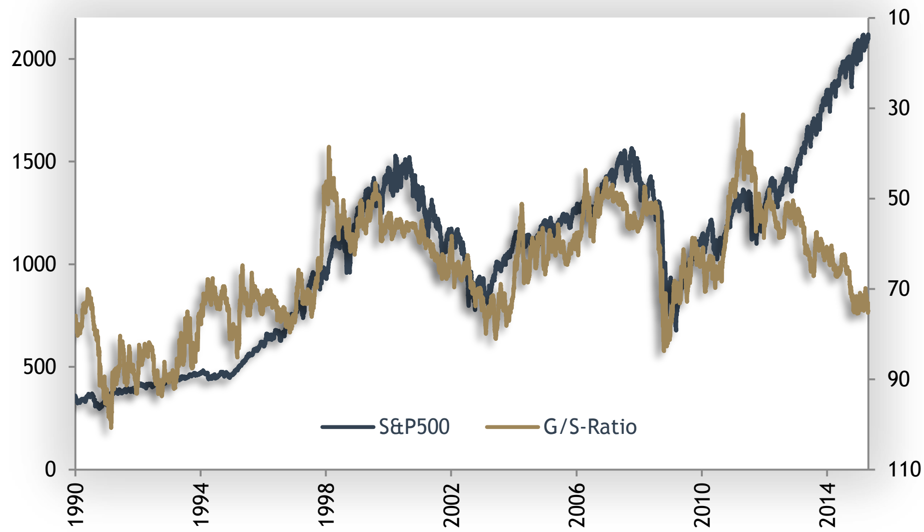


Source: Federal Reserve St. Louis

Disinflationary forces have provided an enormous tailwind to financial assets since 2011, which is especially obvious in relation to the gold-silver ratio. Thus, there has been an astonishing synchronization since the beginning of the 1990s: A rising stock market most of the time coincides with a declining gold-silver ratio, i.e., with silver outperforming vs. gold.

However, since 2011 we can observe a massive divergence. One possibility to explain this phenomenon is that in previous economic cycles, re-inflation was accomplished with conventional monetary policy and thus credit expansion by commercial banks. This affects the real economy more quickly and fosters consumer price inflation. This time, re-inflation was attempted by means of central bank securities purchases, which led specifically to price increases in investment assets, but wasn't able to spur consumer price inflation.

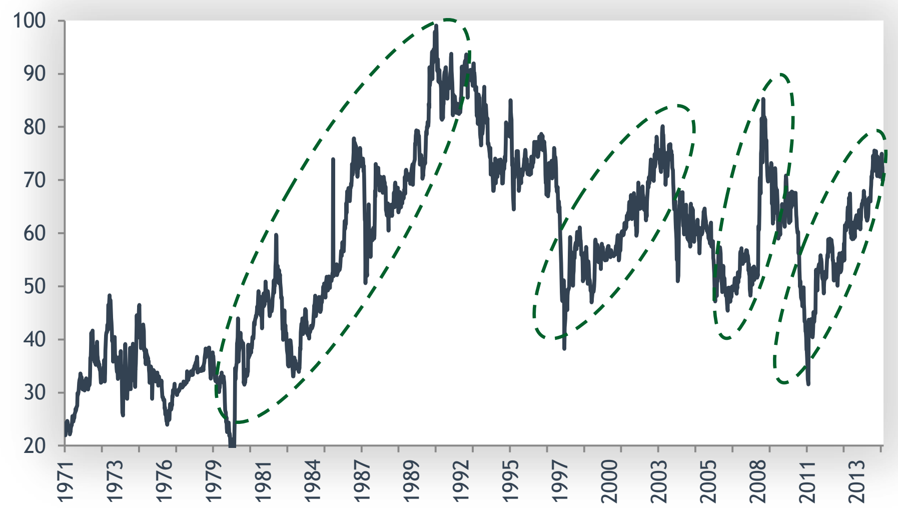
S&P 500 (left hand scale) vs. gold-silver ratio (right hand scale, inverted)



Source: Bloomberg

As we extensively discussed in our last reports, we regard the gold-silver ratio (G/S ratio) as an **excellent indicator of the interaction between inflation and deflation.** Our thesis: the relative price movements between gold and silver are especially helpful in identifying periods of disinflation. **A rising G/S ratio is thus a warning signal for gold investors. According to our statistical analysis, a sustainable gold price rally is unlikely to develop while the gold-silver ratio is in decline.** We are therefore watching the trend of the ratio very closely at the moment, because the levels it has reached in recent weeks could possibly represent a turning point. **A new downward trend in the ratio would on the one hand indicate a positive outlook for gold, but also warn of an increase in the momentum of price inflation.**

Gold-silver ratio after the end of Bretton Woods



Source: Bloomberg

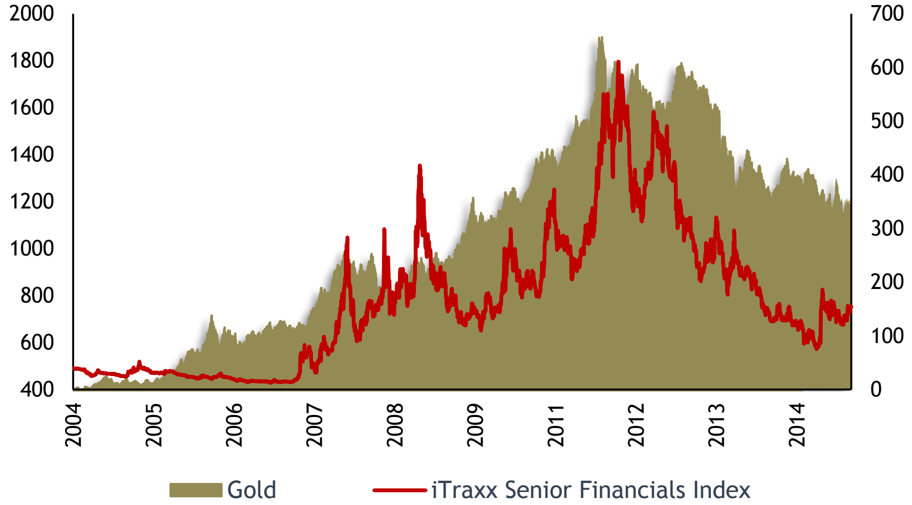
3. Reasons for the current correction in the gold price

Since the publication of our last report on June 24, 2014, the gold price performance has been mediocre, in USD terms at least. We analyze below the reasons that led to the gold price trend being weaker than we had expected.

- **Strong disinflationary trends and the associated increase in real interest rates**
- **Partly declining money supply growth rates,** resp. slowing momentum in the increase of the money supply (due to tapering by the Federal Reserve)
- **Rising opportunity costs** as a result of the rally in stock markets
- **Tightening credit spreads**
- Analyst estimates were revised lower (inter alia by Goldman Sachs, Credit Suisse, Société Générale,...)
- **Flattening of the US yield curve** due to rising expectations of a Fed rate hike

Moreover, as the next chart reveals, the gold price remains under pressure from increasing confidence in financial markets. The next chart illustrates the strong correlation between the gold price and CDS spreads of financial institutions (insurance premiums for default risk). The confidence of market participants in the stability of financial institutions is almost back at pre-crisis levels. Recently, CDS spreads have however jumped to higher levels again, and could therefore signal that a renewed period of declining confidence and associated liquidity squeezes could be in store.

Gold (left hand scale) vs. iTraxx Senior Financials Index (right hand scale)



Source: Erste Group Research, Bloomberg

4. Gold in the context of portfolio diversification[2]

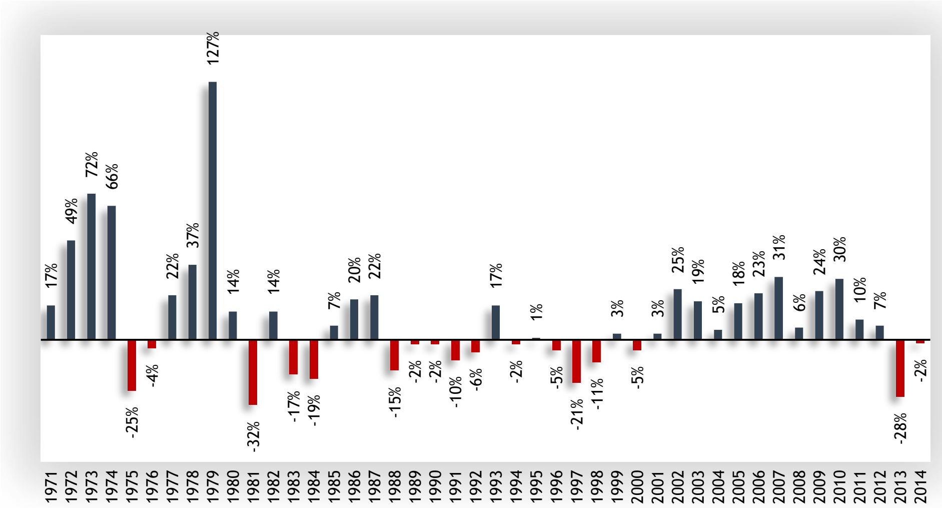
As we have done in our previous studies, we want to analyze the advantages of gold in the context of portfolio diversification. Due to its unique characteristics, we are firmly convinced that gold – especially in the current environment – is an important portfolio component. Below we once more summarize the major advantages:

- **increased portfolio diversification**: gold's correlation with other assets is on average 0.1
- **effective hedge against tail risk events**
- **highly liquid asset:** gold's liquidity is significantly higher than that of German Bunds, UK Gilts, US agencies and the most liquid stocks
- **portfolio hedge in times of rising price inflation rates** as well as during strongly deflationary periods (but not in times of disinflation!)
- **currency hedge**: gold correlates negatively with FIAT-currencies

Below we take a brief look at the annual performance of the gold price since the beginning of the new monetary era, i.e., since the end of the Bretton Woods agreement. **The annualized growth rate since 1971 amounts to 8.1%.**

[2] We have already discussed the portfolio characteristics of gold in great detail in our previous gold reports, see "The extraordinary portfolio characteristics of gold" - Gold Report 2013, "Gold as a stabilizing portfolio component" - Gold Report 2012, as well as "Gold as a Portfolio Hedge" - Gold Report 2011

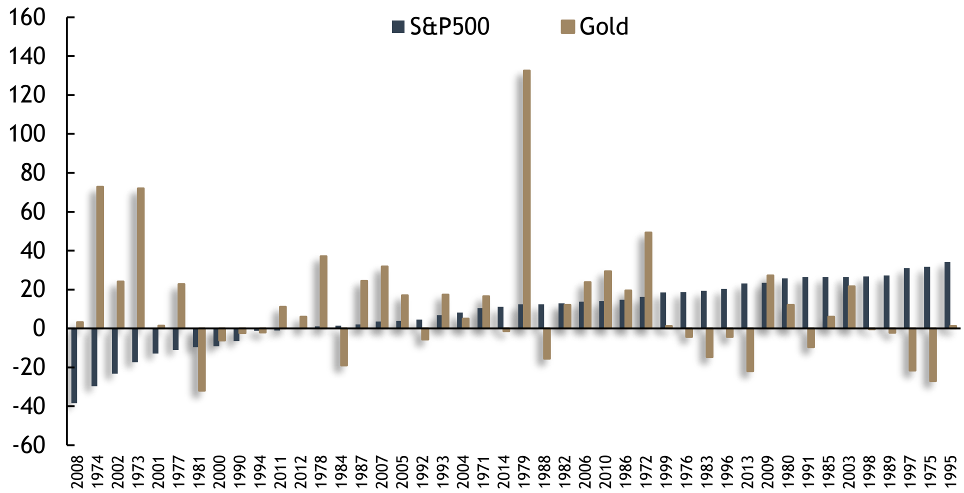
Annual performance of gold since 1971



Source: Federal Reserve St. Louis

Numerous studies prove that adding gold lowers the volatility of a portfolio and hence improves statistical portfolio characteristics. This is also shown in the following chart. The annual performances of the S&P 500 are sorted from left (weakest year) to right (strongest year) and contrasted with the respective performance of gold. One can see that during the S&P's six worst performance years, gold clearly outperformed not only on a relative, but also on an absolute basis. This confirms its usefulness as a portfolio hedge. On the other hand, it can also be seen that rally phases in the US stock market are usually not a positive environment for the gold price. **From this perspective, it is plausible that the continuation of gold's bull market should coincide with the end of, resp. a pause in the stock market rally.**

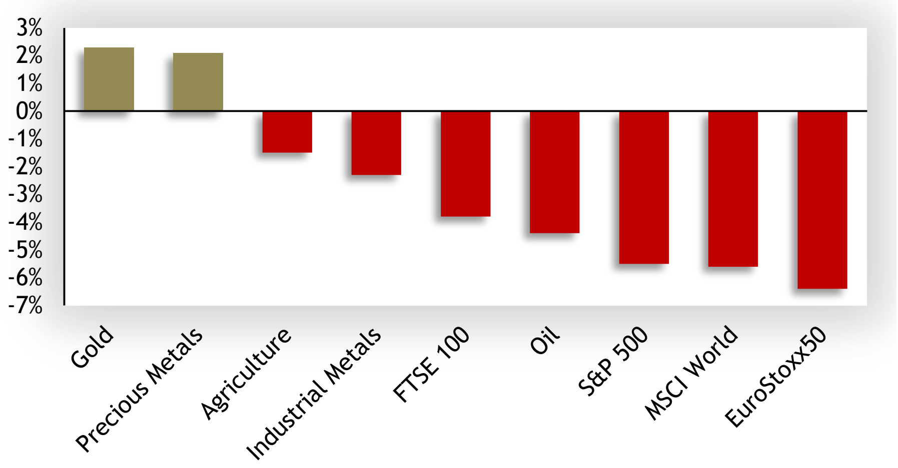
Comparison annual performance Gold vs. S&P



Source: Federal Reserve St. Louis

The fact that gold is an excellent “event hedge” can be discerned in the following chart. It compares the performance of different asset classes during the weakest 20% of trading days in the S&P 500. Only gold and other precious metals exhibit a positive performance during these crash periods.

Comparison annual performance Gold vs. S&P



Sources: ETF Securities, Bloomberg

However, correlations are never immutable, which can be seen in the following table. It shows how strongly the correlations between gold and other important asset classes have fluctuated in previous years. Thus, the correlation between EUR/USD and gold stood between 0.10 (nigh insignificant) and 0.5. Against stocks, gold partly exhibited negative and partly positive correlation. Only its correlation with silver appears stable, having fluctuated between 0.74 and 0.90.

	2009	2010	2011	2012	2013	2014
EUR/USD	0.32	0.16	0.10	0.50	0.34	0.33
Silver	0.82	0.81	0.74	0.84	0.90	0.80
Oil (WTI)	0.17	0.34	0.27	0.36	0.28	0.24
S&P500	0.03	0.21	-0.03	0.26	0.17	-0.16

Sources: GFMS, Thomson Reuters

A major reason for our gold affinity is gold's high liquidity. As we have already discussed in our previous reports, gold is among the most liquid investment assets in the world, only three currency pairs (USD/EUR, USD/JPY and USD/GBP) exhibit higher daily trading volume.

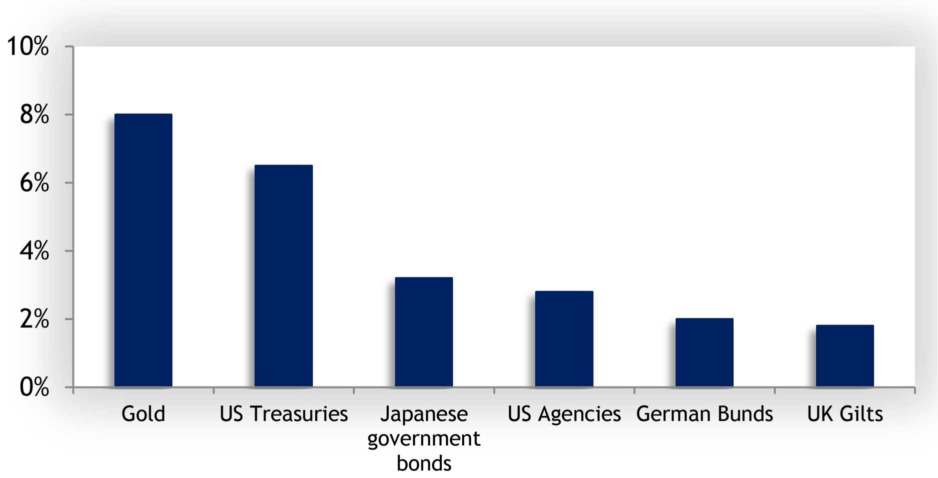
Often liquidity is defined as *saleability* or *marketability*. Investopedia provides a better definition: "*The degree to which an asset or security can be bought or sold in the market without affecting the asset's price."* The decisive question is therefore not "*can I sell*", but rather, "*can I sell at a price that is close to the last traded price*". True liquidity thus means that one can sell big positions without a significant price discount. **This feature is often also referred to as "*ultimate liquidity*". In mainstream analysis, the liquidity of an asset is however often measured relative to normal situations, whereas we believe that liquidity during stress situations is more important.** In such periods, it is never the offers, but always the bids that suddenly disappear. Due to its high liquidity and tight bid/ask spreads, gold is therefore often quickly sold in stress situations in order to obtain liquidity.

According to a highly interesting study by Thomson Reuters GFMS[3], global trading volume amounted to 550,000 tons of gold last year. This is roughly equivalent to three times the total stock of gold, resp. 188 times annual mine production. In terms of value, this turnover amounts to USD 22tn, higher than the

[3] See GFMS Gold Survey 2015

annual trading volume in Dow Jones Industrial Average stocks, S&P 500 stocks or the entire German stock market. It is rather interesting that trading is steadily shifting East: **While London a few years ago still accounted for nearly 90% of all trading volume, this has declined to approx. 70% today.**

Daily turnover as a percentage of the total stock



Sources: German finance agency, Japanese MOF, SIFMA, Thomson Reuters GFMS, UK DMO, WGC

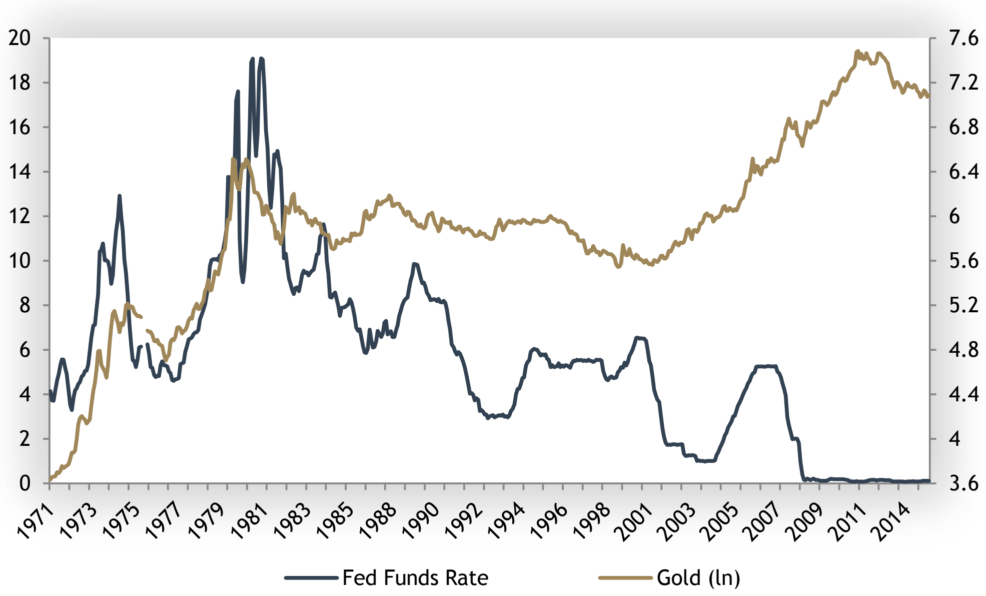
Apart from these highly relevant portfolio characteristics, gold also has a qualitative characteristic as an investment asset that differentiates it from most other assets. Gold is a debt-free asset and therefore in contrast to bonds free from any inherent counterparty risk. **Gold is pure property. The paper market by contrast is based on countless promises by a variety of counterparties**. The attractiveness of a liquid asset without counterparty risk is valued less highly in periods of (perceived) security. Once concerns over potential default risks increase (deflationary environment), this characteristic of gold will once again be valued more highly.

5. The relationship between gold and interest rates

Rising interest rates = declining gold price. This is a widely held opinion. In the following, we want to analyze this topic and will point out factors that support this thesis, but also factors that contradict it.

To come back to the initial statement, at first glance the assumption seems to make sense intuitively. Once the level of interest rates in an economy increases, investments producing a yield will gain in attractiveness for many investors. By contrast, investment assets such as gold or commodities which aren't producing a steady return, become less attractive, so the argument goes. In order to illustrate this relationship, we have created an overlay between the effective Federal Funds rate and a logarithmic chart of the gold price.

Federal Funds target rate[4] and gold (right scale, log)



Source: Federal Reserve St. Louis

In order to examine the history of gold price performance in times of rising interest rates, we have analyzed all eight tightening phases that have taken place since 1971.

Gold price in monetary tightening cycles:

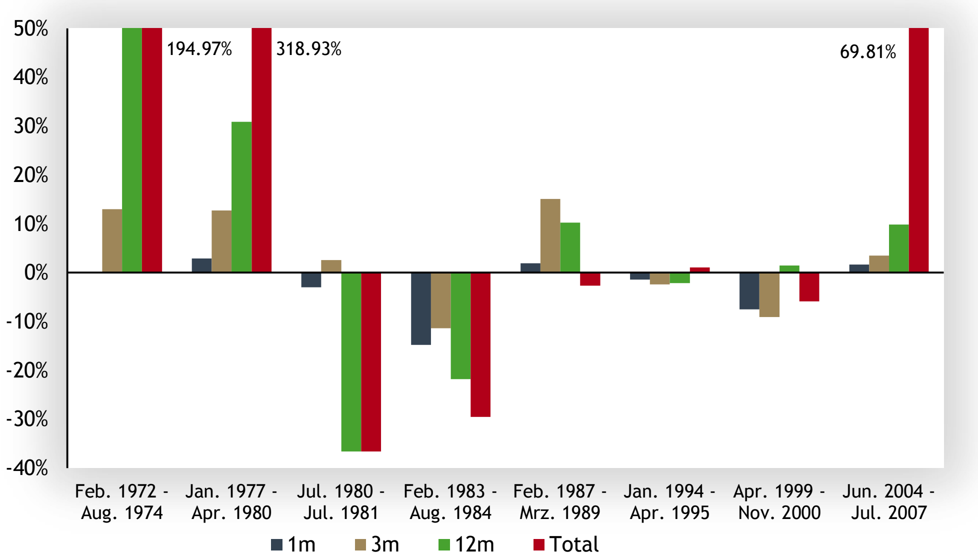
	Change Fed Funds Effective Rate			Gold
	Start	End	Change	Return
Jan. 1977 - Apr. 1980	4.61	17.61	13.00	318.93%
Feb. 1972 - Aug. 1974	3.30	12.92	9.62	194.97%
Jun. 2004 - Jul. 2007	1.03	5.26	4.23	69.81%
Jan. 1994 - Apr. 1995	3.05	6.05	3.00	1.09%
Feb. 1987 - Mar. 1989	6.10	9.85	3.75	-2.69%
Apr. 1999 - Nov. 2000	4.74	6.51	1.77	-5.88%
Feb. 1983 - Aug. 1984	8.51	11.64	3.13	-29.55%
Jul. 1980 - Jul. 1981	9.03	19.10	10.07	-36.62%

Source: Federal Reserve St. Louis

Although the Federal Funds rate and gold prices are exhibiting a negative correlation, some periods can be observed during which the relationship collapses. For instance, in the tightening phase between February 1972 and August 1974, January 1977 to April 1980 and most recently between June 2004 and August 2007, when the US base rate was raised from 1% to 5.25%, while gold rallied from USD 395 to USD 715.

[4] Since the introduction of the target corridor, we have used the upper limit (0.25%) in our calculations used in the charts and tables of this chapter.

Gold price in monetary tightening cycles: 1m/3m/12m change after the first rate hike respectively



Source: Federal Reserve St. Louis

<u>Conclusion</u>:
Although there is statistically a negative correlation between the Federal Funds rate and the gold price, we nevertheless advise caution. From a historical perspective, the correlation could be observed in several interest rate cycles. Nevertheless, the initially mentioned assumption that a rising level of interest rates is necessarily reflected by a falling gold price, appears dubious. **Three of the largest upwards gold moves of the post 1971 era occurred in rising nominal rate environments.**

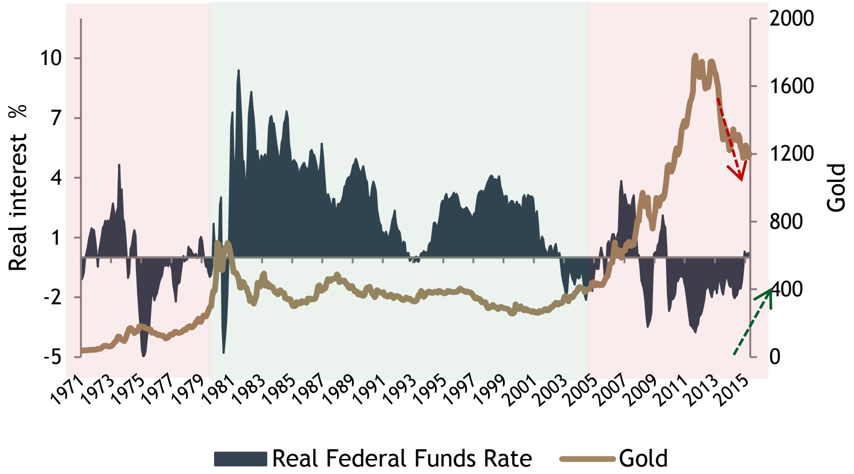
6. Opportunity costs of holding gold

Opportunity costs are essential for gold's price trend. What are the competing economic risks and opportunities one faces, resp. one foregoes, when holding gold? Real interest rates, growth rates of monetary aggregates, volume and quality of outstanding debt, political risks, and the attractiveness of alternative asset classes (esp. stocks) are the most important determining factors. **Therefore, we want to discuss the opportunity costs of gold in the following.**

Real interest rates:

The chart below shows real interest rates and the gold price. It can clearly be seen that negative real interest rates have prevailed in the 1970s, as well as since 2002, creating a positive environment for gold.

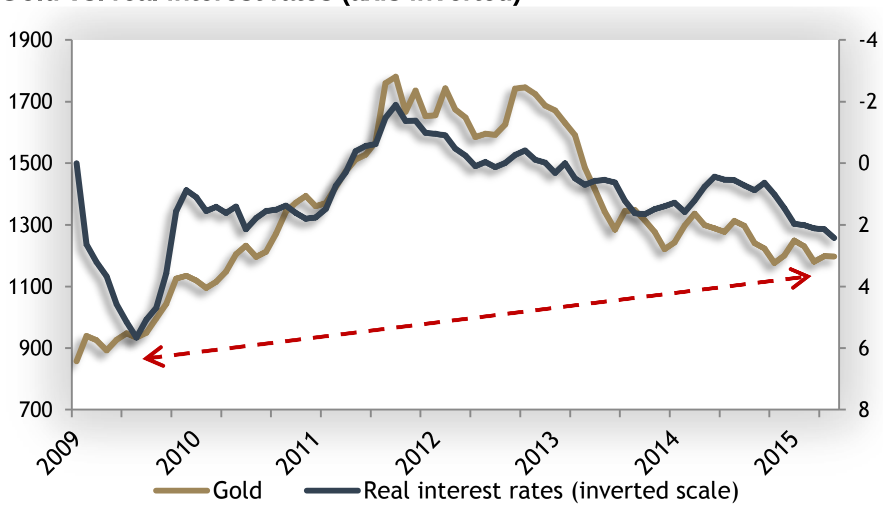
Real interest rates vs. the gold price since 1971



Source: Federal Reserve St. Louis

In a shorter-term depiction of real interest rates, the assumption formulated above can be discerned more clearly. The period since 2011 is characterized by rising real interest rates, which in turn resulted in a declining gold price. **In 2009, however, it can be seen that gold correctly anticipated the change in the trend of real interest rates, and it appears as though the current situation may be similar.**

Gold vs. real interest rates (axis inverted)



Source: Federal Reserve St. Louis

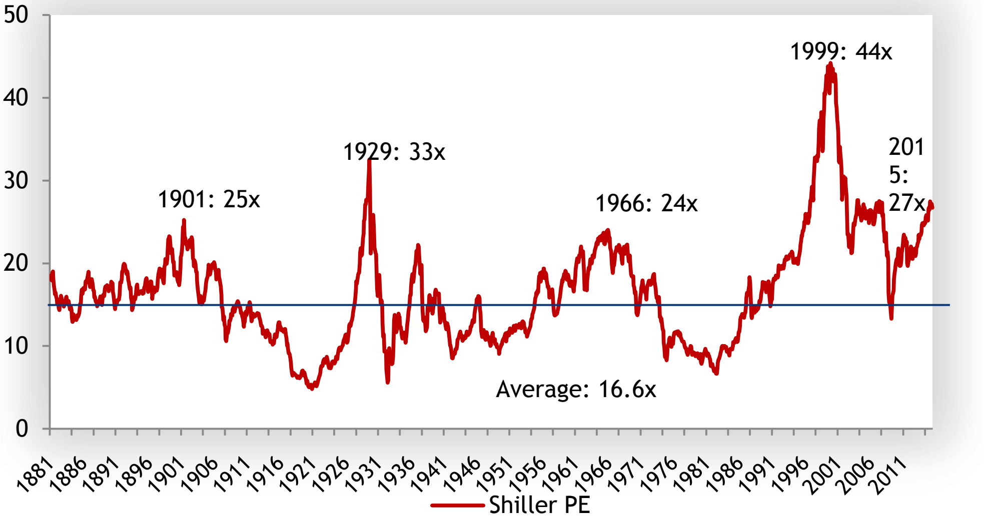
A long term negative gold price trend would have to go hand in hand with rising, resp. consistently positive real interest rates. Due to the base effect in energy prices, inflation rates might pick up and lead to falling real interest rates. This should support gold prices going forward.

Stocks

In the course of the above-mentioned asset price inflation and the disinflationary environment, stocks have evidently been among the greatest beneficiaries of the zero interest rate policy. As the disinflationary environment continued to persist, stocks were among the best performing asset classes over the past 12 months.

A look at long term valuation levels thus appears to be indicated. The so-called Shiller-PE or CAPE (cyclically adjusted P/E ratio) is a suitable means of defining the market's long term position. In order to smooth out the effects of the business cycle, it calculates the inflation-adjusted average price-earnings ratio of the past 10 years. According to this metric, the outlook for US stocks doesn't appear very enticing, as valuations are far from cheap. The current level stands at 27x, which has been exceeded only two times in history. The long term average stands at 16.6x, which is significantly below current levels.

Shiller P/E ratio since 1881



Source: Prof. Robert Shiller

US stocks are trading at generous valuations in comparison to historical levels. A reversion to the mean appears to be only a question of time. In our assessment the performance of stocks currently represents one of the largest opportunity costs for holders of gold. When a mean reversion occurs, gold's characteristics as a portfolio hedge will come to the fore. As is always the case with insurance, it is better to have it and not need, than to suddenly find out that one needs it and doesn't have it.

7. Asia: The golden „Love Trade“

Gold has always moved out of regions in which prosperity is stagnating and fled to those regions in which the economy is prospering and the volume of savings is rising. In 1980, Europe and the US were still responsible for 70% of gold demand; in the meantime they account for a mere 20%.

The following table shows the change in consumer demand from 2000 to 2014. Measured in tons, the largest increase is attributable to China (+574 tons) followed by Europe (+124 tons) and India (+119 tons). In percentage terms, Germany was in the top spot with a gain of +550%, followed by China (+196%) and Europe ex CIS (+87%). **These figures are an impressive testament to how unimportant Western demand has become relative to that of Asia and the Near East.**

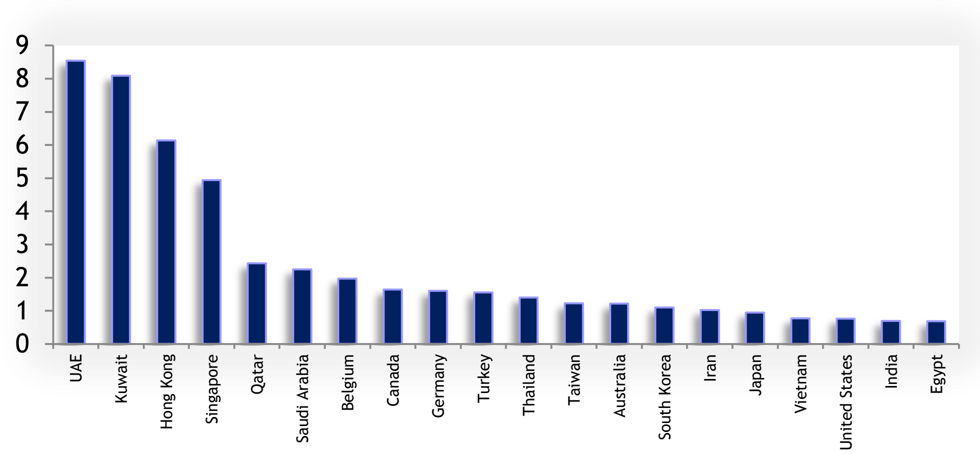
Consumer demand for gold 2000 vs. 2014

Consumer Demand 2000 vs. 2014	2014		2000		Change b/w 2000-2014	
	Tonnes	% of Total	Tonnes	% of Total	Tonnes	%
India	843	26.2%	723	21.6%	119.7	17%
Greater China	868	27.0%	292.6	8.8%	574.9	196%
Japan	17.9	0.6%	105.1	3.1%	-87.2	-83%
Middle East	216	6.7%	457.9	13.7%	-242.2	-53%
Turkey	123	3.8%	177.4	5.3%	-54.4	-31%
USA	266	8.3%	368.5	11.0%	-102.1	-28%
Europe ex CIS	266	8.3%	142.4	4.3%	124.0	87%
Germany	101	3.2%	15.6	0.5%	85.8	550%
UK	28	0.9%	75	2.2%	-47.4	-63%
Italy	18.8	0.6%	92.1	2.8%	-73.3	-80%
France	2.2	0.1%	19	0.6%	-16.8	-88%
Others	412.6	12.8%	1076.2	32.2%	-663.6	-62%
Total	**3,217**	**100.0%**	**3343.1**	**100.0%**	**-126.5**	**-4%**

Source: World Gold Council

Looking at global per capita demand last year, one can see that numerous emerging market economies are already amongst the 20 largest gold buyers.[5] This is especially surprising considering their significantly lower purchasing power. Furthermore, it is remarkable that 14 of the 20 countries with the highest per capita demand are located in Asia.

Global per capita demand 2014 (grams/capita)



Source: GFMS, Thomson Reuters

We regard a doubling of Asia's gold demand over the coming decade as realistic, even likely. Decisive for this optimistic assessment are primarily sharply rising incomes, high savings rates, increasing urbanization and transformations from agrarian to industrial nations, as well as a lack of investment alternatives and rising fear of inflation. **The steadily growing importance of Asian emerging markets with respect to gold demand is in our opinion widely underestimated.** Large parts of Asia have a far greater predilection for gold than Western developed nations. This traditionally high gold affinity and rising prosperity will support demand in the long term.

[5] The leading role of city states like eg. Hong Kong and Singapore is due to the fact that they often serve as bridge heads for an entire region.

8. Conclusion

Below we have listed the most important arguments that argue in favor of investing in gold:

- Global debt levels are by now 40% higher than in 2007
- Gold benefits from periods of deflation, rising rates of price inflation and systemic instability (but suffers during disinflation!)
- Gold is a financial asset that has no counterparty risk
- Low opportunity costs due to negative real interest rates

In recent months little has changed with regard to the factors affecting the gold price. Yields on government bonds are low and the opportunity costs of holding gold accordingly remain negligible. In this respect, little change is to be expected. The debt situation of most industrialized countries is unlikely to sustainably improve in coming years. Several central banks are currently engaged in quantitative easing programs and are trying to weaken their currencies. **From this perspective, gold represents an important instrument for preserving the purchasing power of savings, while it is at the same time a hedge against unforeseeable events due to its often negative correlation with other asset classes.**

Technical analysis of the gold price shows that the bottoming phase of the past several years hasn't concluded yet and that a sideways trend remains de facto in place. As a result we don't expect any large changes in the gold price. For the next twelve months we are forecasting a price range of approx. USD 1,200 – 1,250.

Group Research

Head of Group Research
Friedrich Mostböck, CEFA +43 (0)5 0100 11902

Major Markets & Credit Research
Head: Gudrun Egger, CEFA +43 (0)5 0100 11909
Ralf Burchert (Agency Analyst) +43 (0)5 0100 16314
Hans Engel (Senior Analyst International Equities) +43 (0)5 0100 19835
Christian Enger, CFA (Covered Bonds) +43 (0)5 0100 84052
Margarita Grushanina (Economist AT, CHF) +43 (0)5 0100 11957
Alihan Karadagoglu (Senior Analyst Corporate Bonds) +43 (0)5 0100 19633
Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183
Stephan Lingnau (International Equities) +43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Covered Bonds) +43 (0)5 0100 19632
Rainer Singer (Senior Economist Euro, US) +43 (0)5 0100 17331
Bernadett Povazsai-Römhild (Corporate Bonds) +43 (0)5 0100 17203
Gerald Walek, CFA (Economist Euro) +43 (0)5 0100 16360
Katharina Böhm-Klamt (Quantitative Analyst Euro) +43 (0)5 0100 19632

Macro/Fixed Income Research CEE
Head CEE: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357
Zoltan Arokszallasi (Fixed income) +43 (0)5 0100 18781
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356

CEE Equity Research
Head: Henning Eßkuchen +43 (0)5 0100 19634
Franz Hörl, CFA (Basic Resources, Real Estate) +43 (0)5 0100 18506
Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420
Christoph Schultes, MBA, CIIA (Industrials) +43 (0)5 0100 11523
Vera Sutedja, CFA (Telecom) +43 (0)5 0100 11905
Thomas Unger; CFA (Banks, Insurance) +43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343
Martina Valenta, MBA (Real Estate) +43 (0)5 0100 11913

Editor Research CEE
Brett Aarons +420 956 711 014
Deniz Gurgen +90 212 371 2538

Research Croatia/Serbia
Head: Mladen Dodig (Equity) +381 11 22 09 178
Head: Alen Kovac (Fixed income) +385 72 37 1383
Anto Augustinovic (Equity) +385 72 37 2833
Ivana Rogic (Fixed income) +385 72 37 2419
Milan Deskar-Skrbic (Fixed income) +385 72 37 1349
Davor Spoljar, CFA (Equity) +385 72 37 2825

Research Czech Republic
Head: David Navratil (Fixed income) +420 224 995 439
Head: Petr Bartek (Equity) +420 224 995 227
Vaclav Kminek (Media) +420 224 995 289
Jiri Polansky (Fixed income) +420 224 995 192
Dana Hajkova (Fixed income) +420 224 995 172
Martin Krajhanzl (Equity) +420 224 995 434
Lubos Mokras (Fixed income) +420 224 995 456
Jan Sedina (Fixed income) +420 224 995 391

Research Hungary
Head: József Miró (Equity) +361 235 5131
Gergely Ürmössy (Fixed income) +361 373 2830
András Nagy (Equity) +361 235 5132
Vivien Barczel (Fixed income) +361 373 2026
Tamás Pletser, CFA (Oil&Gas) +361 235 5135

Research Poland
Head: Magdalena Komaracka, CFA (Equity) +48 22 330 6256
Marek Czachor (Equity) +48 22 330 6254
Tomasz Duda (Equity) +48 22 330 6253
Adam Rzepecki (Equity) +48 22 330 6252
Ludomir Zalewski (Equity) +48 22 330 6251

Research Romania
Chief Economist, Director: Radu Craciun +40 3735 10424
Head: Mihai Caruntu (Equity) +40 3735 10427
Head: Dumitru Dulgheru (Fixed income) +40 3735 10433
Chief Analyst: Eugen Sinca (Fixed income) +40 3735 10435
Dorina Cobiscan (Fixed Income) +40 3735 10436
Raluca Florea, CFA (Equity) +40 3735 10428
Marina Alexandra Spataru (Equity) +40 3735 10429

Research Turkey
Head: Can Yurtcan +90 212 371 2540
Evrim Dairecioglu (Equity) +90 212 371 2535
M. Görkem Göker (Equity) +90 212 371 2534
Sezai Saklaroglu (Equity) +90 212 371 2533
Nilufer Sezgin (Fixed income) +90 212 371 2536
Ilknur Kocaer (Equity) +90 212 371 2531

Research Slovakia
Head: Maria Valachyova, (Fixed income) +421 2 4862 4185
Katarina Muchova (Fixed income) +421 2 4862 4762

Treasury - Erste Bank Vienna

Saving Banks & Sales Retail
Head: Thomas Schaufler +43 (0)5 0100 84225

Equity Retail Sales
Head: Kurt Gerhold +43 (0)5 0100 84232

Fixed Income & Certificate Sales
Head: Uwe Kolar +43 (0)5 0100 83214

Treasury Domestic Sales
Head: Markus Kaller +43 (0)5 0100 84239

Corporate Sales AT
Head: Christian Skopek +43 (0)5 0100 84146

Fixed Income & Credit Institutional Sales

Institutional Sales
Head: Manfred Neuwirth +43 (0)5 0100 84250

Bank and Institutional Sales
Head: Jürgen Niemeier +49 (0)30 8105800 5503

Institutional Sales AT, GER, LUX, CH
Head: Thomas Almen +43 (0)5 0100 84323
Bernd Bollhof +49 (0)30 8105800 5525
Rene Klasen +49 (0)30 8105800 5521
Marc Pichler +43 (0)5 0100 84118
Dirk Seefeld +49 (0)30 8105800 5523
Charles-Henry de Fontenilles +43 (0)50100 84115

Bank and Savingsbanks Sales
Head: Marc Friebertshäuser +49 (0)711 810400 5540
Fabian Bütger +49 (0) 151 53810580
Mathias Gindele +49 (0)711 810400 5562
Andreas Goll +49 (0)711 810400 5561
Ulrich Inhofner +43 (0)50100 85544
Sven Kienzle +49 (0)711 810400 5541
Jörg Moritzen +49 (0)30 8105800 5581
Michael Schmotz +43 (0)5 0100 85542
Bernd Thaler +43 (0)5 0100 85583
Klaus Vosseler +49 (0)711 810400 5560

Institutional Sales CEE and International
Head: Jaromir Malak +43 (0)50100 84254

Central Bank and International Sales
Head: Margit Hraschek +43 (0)5 0100 84117
Christian Kössler +43 (0)5 0100 84116

Institutional Sales PL and CIS
Pawel Kielek +48 22 544 5610
Marcin Chmielewski (Fixed Income) +43 50100 85611

Institutional Sales Slovakia
Head: Peter Kniz +421 2 4862 5624
Sarlota Sipulova +421 2 4862 5629

Institutional Sales Czech Republic
Head: Ondrej Cech +420 2 2499 5577
Milan Bartos +420 2 2499 5562
Radek Chupik +420 2 2499 5565
Pavel Zdichynec +420 2 2499 5590

Institutional Sales Croatia
Head: Antun Buric +385 (0)7237 2439
Natalija Zujic +385 (0)7237 1638
Željko Pavičić +385 (0)72 37 14 94

Institutional Sales Hungary
Norbert Siklosi +36 1 2355 842
Attila Hollo +36 1 2355 846

Institutional Sales Romania
Head: Ciprian Mitu +40 373 516 532

Institutional Solutions and PM
Head: Zachary Carvell +43 (0)50100 83308
Brigitte Mayr +43 (0)50100 84781
Mikhail Roshal +43 (0)50100 84787
Christopher Lampe-Traupe +49 (0)30 8105800 5507