Forecast 2011

FORECAST 2011: AN OVERVIEW

Forecast contributors remain bullish for both gold and palladium in 2011. Silver and platinum expectations are positive but more modest.

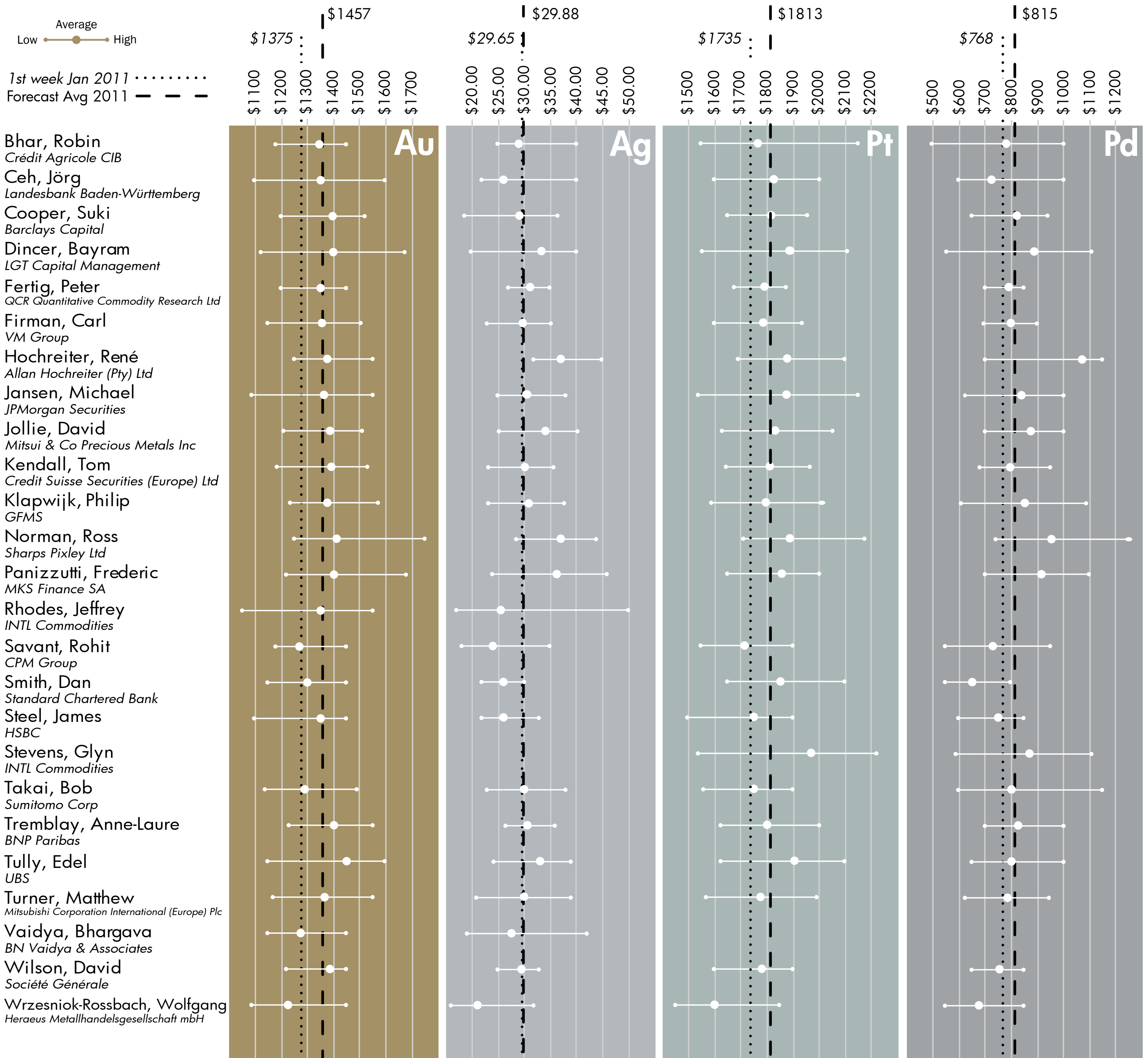
All forecasters expect gold to hit record highs again this year, with a predicted average high of $1,633. Continued macro-economic problems were the main drivers cited for a continued climb in 2011. Political tensions in North Korea and the middle east combined with eurozone debt issues were also indicated as major factors in the continuation of the gold bull market.

The average forecast silver price was £29.88, only 1% above the price in the week the forecast was made. While macro-economic fear and industrial demand will play a role as drivers of the silver price, most contributors forecast that investment will be the most influential. The average predicted range is the broadest since the start of the survey, so expect a thrilling ride with silver in 2011.

In platinum, contributors predicted a continued rise in price, with a forecast average of $1,813, 4% above the price at the time of the forecast. However, there were more risks cited for platinum than any other metal. Industrial price drivers threaten to outweigh continued investor interest. Major factors are supply problems in South Africa including power and labour shortages as well as mine supply generally. Palladium has been tipped by contributors to be the best-performing precious metal in 2011. The depletion of Russian stockpiles combined with growing industrial and jewellery demand were the major factors provided to justify the average predicted high of $993.35, some $225.35 above the first week of January price.

What will be the main drive for precious metals this year – global fragility, ETF investment, Russian and South African mine supply, or electric car demand? To get the views of the experts, read on.

Metal	1st Week January 2011	Average 2011 Forecast	2010 Year Average
Gold	$1,375	$1,457	$1,225
Silver	$29.65	$29.88	$20.19
Platinum	$1,735	$1,813	$1,610
Palladium	$768.00	$814.65	$526.38



ROBIN BHAR

Crédit Agricole CIB, London

Au Range: $1,280 - $1,550
Average: $1,445

Gold should remain supported by a number of persistent uncertainties in 2011. These uncertainties are interrelated and include global growth fragility, sovereign indebtedness and government policies to 'inflate away' such debts through currency debasement. Moreover, the fact that gold is not a liability of any government or corporation makes it increasingly attractive to investors, especially given that precious metal does not run any risk of becoming worthless through the default of the issuer. Equally, gold cannot be easily debased like currencies by governments. Behaving less like a metal subject to the laws of supply and demand, and more like a currency, gold is increasingly attractive to investors as a portfolio diversifier. Importantly, this investor demand is no longer restricted to professional investors, with a number of products, in particular physical ETFs, making gold's inclusion in retail portfolios less cumbersome. Thus, gold's role as a portfolio diversifier will expand considerably in 2011.

Ag Range: $25.00 - $40.00
Average: $29.00

Recovering industrial demand due to stronger global economic growth anticipated for 2011 should be the key driving factor that will see silver outperforming gold. Investor appetite though should still be the key driver of price strength, as investors view silver to be in a win-win situation under most scenarios, tracking gold higher on safe-haven flows and also rallying in line with the rest of the industrial metals complex. Portfolio diversification is likely to continue to be a theme, with investors adding exposure to silver through the ETFs. Capping the upside will be greater supply associated with restarts at idled base metals operations and due to higher scrap recovery rates.

Pt Range: $1,550 - $2,150
Average: $1,765

Platinum is expected to steadily strengthen during the course of 2011 underpinned by robust investment demand – reflected in high net long positioning on NYMEX futures and inflows into the ETFs – an improving economic outlook and a rebound in auto sales, stimulating autocatalyst offtake, while usage in other industrial applications should recover sharply. However, there is very limited mine supply growth on the horizon. Platinum supply is dominated by South Africa, where increasing power costs will require relatively high marginal cost production to be developed to meet demand. Another bullish factor is the high frequency of labour unrest in the country and the potential for production to be interrupted regularly.

Pd Range: $500 - $1,000
Average: $780

Increased usage in industrial applications and greater leverage to rebounding autocatalyst demand, with the emphasis on gasoline-fuelled engines – which dominate the US and Chinese markets – will put the spotlight on palladium's increasingly more favourable supply/demand fundamentals. The launch of a successful physically backed palladium ETF in the US is likely to be a significant factor tightening availability in a small and often illiquid market. Sales from Russian state stockpiles have kept the palladium market well supplied, but the exact level of these remains a key uncertainty. Finally, an attractive price differential to more expensive platinum should see palladium as the best performer in 2011 of the four precious metals under consideration.

JÖRG CEH

Landesbank Baden-Württemberg (LBBW), Stuttgart

Au Range: $1,200 - $1,700
Average: $1,450

My forecast for the average gold price in 2011 is $1,450 per troy ounce. Assuming that the eurozone debt crisis could evaporate, if politicians find a sustainable solution for their financial needs, gold will lose a part of its safe-haven appeal. In this case, the price can lose about $200 fast. I guess the fixings will not fall below $1,200, as many investors would like to add gold to their stocks at a low price like this. If economic or political turmoil will go on, I currently cannot imagine a price above $1,700, because scrap gold supply would increase and jewellery demand decrease, with limiting effects on quotes.

Ag Range: $22.00 - $40.00
Average: $26.00

My silver average price forecast for 2011 is $26, while it must be said that forecasts are very doubtful, as the CFTC has admitted price manipulations in the past. With a price correction, the low could be around $22. Industrial consumers would be happy to buy the metal at this price and prevent it from falling deeper. The high could be as far as $40. We have seen how easily investors can spurn the price in this relatively small market.

Pt Range: $1,600 - $2,000
Average: $1,825

Platinum should trade around $1,825 on average, with a high of 2,000 and a low of 1,600. The white metal has potential within the next months as the demand for diesel-powered cars should increase somewhat in Western Europe.

Pd Range: $600 - $1,000
Average: $725

In my opinion, Palladium is far too expensive. I expect a price drawdown within the next months that could decrease the price to $600. If there should be news that Russian stockpiles could run out earlier than expected, the quotes can climb as high as $1,000. I expect an average price of $725.

SUKI COOPER

Barclays Capital, New York

Au Range: $1,300 - $1,620
Average: $1,495

A clouded macro environment against a backdrop of low interest rates, growing uncertainty surrounding currency debasement and medium-term inflation fears, as well as geopolitical tensions, continue to stoke investors' appetite for a portfolio diversifier and a safe haven. We expect investment demand to propel gold prices to fresh record highs this year, while its fundamentals are unlikely to drag prices lower. Physical demand for gold has softened but remains healthy for the time of year. There is very little selling by central banks; instead buying remains notable and interest in physically backed exchange traded products (ETPs) continues to grow. We expect mine supply to rise modestly, jewellery demand to weaken, but scrap supply to respond to higher prices, resulting in a notional gold surplus, which we expect to be absorbed by investment demand. When the pace of investment demand slows, we do not expect a massive outflow, given the longer-term allocation in the metal; rather, we expect less committed longs to be flushed out. In that instance, it will be jewellery demand that provides the floor and, in light of last year's activity and jewellery demand emerging at higher price dips, we would expect it at least initially to provide a cushion for prices. In our view, it will be an improved macro environment and increased interest rates that will allay investors' fears and prompt the slowdown in demand.

Ag Range: $18.50 - $36.50
Average: $29.10

In isolation, silver's fundamentals remain weak, but accompanied by investment demand, piggy-backing off gold, the picture turns positive. Silver was the surprise outperformer of 2010 despite its poor underlying dynamics. But we believe the risks to silver's supply and demand outlook outweigh its potential upside drivers. Mine supply hit a record high in 2004 and has hit successive highs every year since. Photography demand remains in structural decline and jewellery consumption is sensitive to high prices. These key dynamics led to a bloated surplus in the market. The upside potential for silver, in our view, rests in the hands of investors. But could the fundamentals catch up with the positive investor drive? The strength of demand in China has been impressive but high silver prices would also affect the feasibility of new technologies that employ the metal. We expect industrial demand to grow at its fastest pace since the start of our database, but even with our optimistic demand outlook for next year, mine supply growth would need to be derailed to provide a really supportive base for silver prices; until then investor demand will lead the upside and if that appetite sours, silver will be the precious metal likely to suffer the sharpest correction.

Pt Range: $1,650 - $1,955
Average: $1,815

The key upside driver for platinum prices stems from the supply side. With more than three-quarters of the world's platinum supply mined in one country, risks to further growth in output remain concentrated. Producers had indicated prices would need to trade north of $1,500/oz in order to support an increase in output; however, other factors have remained in the limelight and could adversely affect growth. Structural issues such as lower head grades, delays in starting the coal-fired power stations and cost pressures arising as a result of the strength of the rand have added to mining difficulties. But serial challenges such as safety-related stoppages, industrial unrest and Eskom increasing its power tariffs still persist, making for a murky supply outlook. Should the coal supply situation deteriorate further and escalate to the levels suffered three years ago, platinum prices could jump higher. On the demand side, although palladium can now be substituted in part for platinum in diesel catalysts, the bulk of the catalyst remains a platinum loading, and the recovery of diesel's share in the key European market, coupled with the return of fleet buying and the implementation of tighter emissions legislation, continues to bode well for platinum auto demand. Auto demand coupled with continued investor interest is likely to offset the effect of higher prices on jewellery demand and the potential increase in scrap supply.

Pd Range: $650 - $
Average: $820

The demand outlook remains promising for palladium in light of its jewellery consumption still being in the early stages of its life cycle, in-roads in the diesel catalyst market and the growth of vehicle sales stemming from gasoline-biased markets such as China and the US. The key wild card remains state stock releases from Russia, which have kept the market on tenterhooks and in a sizeable surplus over the past decade. In fact, without the shipments, the market swings into deficit. Last year, fresh ETP inflows almost matched estimated Russian shipments. In our view, if Russian shipments are a negative unknown, ETP flows are a positive unknown and have the potential to make stocks visible. Our market balance implies a deficit for the palladium market next year, assuming a slowdown in releases from Russian state stocks, but also a slowdown in ETP demand. We expect prices to close in on their highs last tested in 2001, as even though the scales could once again be balanced between Russian shipments and ETP flows, the palladium market undoubtedly looks tighter.

BAYRAM DINCER

LGT Capital Management, Pfäffikon

Au Range: $1,222 - $1,777
Average: $1,499

This year we will certainly witness the continuation of the gold bull cycle. Investors have a wide range of reasons to hold on to and invest more in gold due to various recently experienced problems. This means the strong investment case for gold still applies. Thus, in considering these influential factors, as well as an intact and positive fundamental physical gold market framework – both of which will be sustainable price drivers – we forecast that the gold price will average $1,499. Because of the volatile trading environment due to macro push/pull forces and higher future uncertainty, we anticipate that investment demand will elevate gold prices to nominal record highs. In an upside wave scenario triggered by an exogenous induced macro shock, gold prices are likely to overshoot the target of $1,777. In a risk scenario, an excessive sell-off could bring prices down to $1,222. However, continuous investment and fundamental demand will cushion and support prices throughout the year. In our expected scenario of a second golden decade beginning in 2010, we expect no challenges to our belief in the secure currency status of physical gold.

Ag Range: $19.99 - $39.99
Average: $33.33

In 2011, we expect the performance of silver to outshine that of gold. Industrial demand and demand from all other categories, except photography, will be an additional price-driving source, and a limited implied market balance remains to be absorbed by the investment community. All things being equal, and with the same various reasons and concerns of global gold investors, we expect a further surge in silver investment demand. This year's expected silver outperformance comes mainly on the back of the positive price development and positive investment sentiment for gold. This positive spill-over effect, including beta-factor returns compared to gold returns, will result in an average silver price of $33.33. Our base case scenario in all precious metals is bullish and we could temporarily see a high of $39.99. However, a vicious dynamic could evolve if a sell-off in silver should materialise and the support level of $19.99 could be tested.

Pt Range: $1,555 – 2,111
Average: $1,888

In 2011, the forecast is for a well-balanced market with a marginal surplus. From the demand side, higher demand from autocatalysts and all other industrial sectors, including the jewellery sector, will be price-supportive. An increase in investment demand due to its having the lowest simple margin of all precious metals, and future implied market balance deficiency, could drive prices. There is currently increased emphasis on, and risk of, a supply constraint scenario, which is not reflected in prices. In evaluating all factors, we forecast an average price of $1,888. We assign a higher likelihood of an upside breakout to a high of $2,111, compared to a downside test of the cash-cost supported level and a non-sustainable low of $1,555.

Pd Range: $555 - $1,111
Average: $888

The star performer in the precious metals space in the past year will continue to perform well this year. A strong global fundamental demand, especially from the automotive sector, aligned with higher investment demand will help prices to average $888. Supply constraint issues from major producing countries combined with ongoing speculation about the low Russian state stock levels could induce an overreaction, causing prices as high as $1,111. Further state-controlled restrictions in order to limit car registration beyond the Beijing area could cause palladium prices to fall to a low of $555. At this low level, we expect that investment demand will be attracted to indirectly gain exposure to the growth of the diverse industrial sectors, including emerging markets automotive sector. Fundamentally speaking, palladium's implied market balance deficiencies for this and upcoming years are very constructive to long positioning in this semi-precious and semi-industrial metal.

PETER FERTIG

QCR Quantitative Commodity Research Ltd., Hainburg

Au Range: $1,300 - $1.550
Average: $1,450

At the current price level, jewellery demand is probably again not the major driver of gold. However, bargain hunting by this industry could provide support during corrections. As in previous years, investors' demand will play the crucial role for new record highs of gold. Inflation is expected to remain well behaved in Western economies. However, rising food and energy prices are likely to lead to higher inflation rates in emerging markets and could lead to rising demand for gold as a hedge, especially in Asia. Last year, a stronger dollar did not lead to falling gold prices. Nevertheless, the US dollar remains the major factor moving gold prices. The rotation of voting rights will probably lead to more dissenting votes, but the FOMC is expected to continue with QE2, which remains negative for the US dollar and positive for gold. The debt crisis of eurozone countries could weigh on the euro, allowing gold to profit from its safe-haven status. But as major investors have already increased their gold exposure significantly, the upside potential appears to be limited.

Ag Range: $27.00 - $35.00
Average: $31.10

Silver started its rally and outperformed gold as talk of a new round of quantitative easing by the Fed emerged. The US economy is likely to expand, but not at a pace sufficient to reduce unemployment considerably. Thus, the Fed is expected to implement QE2 to the full extent. The S&P 500 index plays an important role for silver in our valuation models. With the US economy growing and the Fed keeping interest rates low, the US stock market should be positive for silver. A weaker US dollar is another positive factor. A tighter monetary policy in China might be negative for jewellery demand, but should be more than offset by demand for hedging against inflation in Asia. Therefore, we expect that silver is going to outperform gold again in 2011.

Pt Range: $1,675 - $1,875
Average: $1,790

Austerity measures in many European economies are likely to have a negative impact on the automotive industry. However, as the US economy is likely to expand, albeit at a modest pace, car sales are likely to increase. Car registrations in emerging Asian economies were strong last year and the rise might be slower this year. The price of platinum shows a closer correlation with share prices of automobile companies. After the rally last year, these companies might not repeat the performance of 2010, which would dampen the price development of platinum. However, the US dollar is expected to be a supportive factor. Thus, on balance, platinum should post a modest gain in 2011.

Pd Range: $700 - $850
Average: $790

The trend towards stronger use of palladium in catalytic convertors is expected to continue in 2011. However, the measures introduced by Chinese authorities to reduce car registrations in Beijing by 50% this year might also be adopted by other metropolitan areas. This would be negative for palladium. Also the demand from the jewellery industry is likely to be negatively affected by the rally of palladium last year. However, the supply situation might remain a supportive factor. Thus, palladium is expected to increase also in 2011, but the percentage gain might be lower.

CARL FIRMAN
VM Group, London

Au Range: $1,250 – 1,605
Average: $1,457

Just as gold has benefited from wider macro-economic problems in 2010, so too will those wider issues determine gold's trajectory in 2011. Overall, the US will return to slow growth – around a 1.5% rise in GDP – and this will help ensure that interest rates barely move, and if at all, only towards the end of the year. But markets overshoot in both directions and it will take only a little to encourage investors to start to feel more positive about the US economy. Nevertheless, the near-zero interest rate environment will persist in the US and so too in Europe for much of the year. The rise in the Chinese and Indian middle class will continue to support demand, while political uncertainty in the Middle East and North Korea and potential currency conflicts might lead to price spikes. There will – unsurprisingly – also be periods where eurozone debts issues resurface, momentarily increasing gold's allure as a hedge against sovereign risk. Offsetting these supportive factors will primarily be the stronger US dollar, as signs of US economic recovery become evident. The end to major dehedging by gold miners in Q4 2010 has removed a key support, while government austerity measures that have been implemented in many developed economies will see gold jewellery demand suppressed. All in all, it will be a bumpy ride; continued investment demand will be the critical price support, but as the global (and not just the Asian) economy returns to growth, the necessity to buy gold as an anti-risk device will diminish.

Ag Range: $23.00 - $35.25
Average: $29.63

The rise in the silver price since August 2010 has been astonishing, but 2011 is unlikely to see a repetition, yet a spike above $35/oz is possible. Although the range from peak to trough could be quite wide, the average price is unlikely to advance to the same degree as in the past 12 months. However, where gold goes silver will surely follow, so the trajectory will remain up. A key area of support will come from industrial demand. China's imports of silver during 2010 have been very strong and there is no reason for this to change in 2011. Moreover, as the US economy gathers pace, industrial demand for silver will rise strongly, while new end uses for silver will gain more traction and begin to eat into the large market surplus by year-end. The key issue, as with gold, will be how investors feel about the prospects for the US economy – investment demand in silver remains crucial.

Pt Range: $1,600 - $1,935
Average: $1,785

The platinum price is due a rise in 2011, having increased by just 21% in 2010 – a stark contrast to the 97% climb in the palladium price, and 30% and 83% increase in gold and silver prices, respectively. Platinum jewellery demand over the past year has been dented by lack of consumer confidence in western markets and the price has reflected that, along with a slowdown in sales of diesel-engine vehicles – diesel prices in the EU have marched ahead of gasoline, while the new car market in the US remains in the doldrums. As for investment demand, that grew strong last year – platinum ETF holdings grew by 79% in 2010, to 1.2 Moz. Another healthy increase in 2011 will be necessary to propel prices towards 2008 levels; that or a failure in South African supply – always a possibility given the structural problems facing the country's mines.

Pd Range: $695 - $900
Average: $798

In 2010, the palladium price rose astronomically, largely thanks to very strong growth in sales of new vehicles in China, India and other parts of the emerging world. There appears little reason for this growth to slow in 2011, and thus the prospects for the palladium price in 2011 are just as compelling. With autocatalyst demand likely to grow just as strongly in 2011, a small market deficit will develop as supply fails to keep pace. This will be compounded by dwindling sales from Russian state stockpiles. This continued industrial demand growth and the uncertainty over Russian stockpile levels will encourage further investment in palladium ETFs, to the benefit of the price. With the absence of any new technological breakthrough in autocatalysis to threaten palladium, the tight market conditions and the hunt for returns from hard assets are likely to see the average price outperform platinum for the third successive year.

RENÉ HOCHREITER
Allan Hochreiter, Johannesburg

Au Range: $1,350 - $1,650
Average: $1,475

Ag Range: $1,550 - $2,150
Average: $1,765

Shaky mature economies and concern about the weak US dollar will see strong gold prices in 2011. Silver will shadow gold prices.

Pt Range: $1,690 - $2,100
Average: $1,877

Pd Range: $700 - $1,150
Average: $1,070

The gathering recovery in world economies and the strong emerging market economies will see increased demand for platinum, especially in autocats and industrial applications in 2011. Persistent failure to reach production forecasts from SA producers will further support prices. Depleted (finally!) Russian and Swiss surface stockpiles will likely see the palladium price reach $1,000/oz at some stage during 2011.

MICHAEL JANSEN
JPMorgan, London

Au Range: $1,190 - $1,650
Average: $1,463

Gold remains a key beneficiary of global monetary policy settings and associated uncertainty over global asset market performance. With economic activity firming through 2011, global monetary policy stances, especially in emerging markets, where inflation has already taken hold, will encourage individuals to hold physical metals, and bullion in particular, as stores of value. In addition, the prospect is of significant uncertainty in FX markets, where monetary policy leads to considerable downside pressure on the US dollar and/or rising European sovereign stress leads to similar downside pressure on the euro. Bullion – the anti-currency – stands to gain accordingly. The main threat to the positive outlook is voluntary austerity amongst G3 countries.

Ag Range: $24.90 - $38.00
Average: $30.50

Silver's outperformance vis-à-vis gold can expect to continue into 2011 and a parabolic move higher is possible. This reflects the significant lack of liquidity in the silver market versus gold, especially with respect to scrap and official sector supply. While no single player is dominant in silver (other than ETFs as a group), the broad-based appetite for silver in China, India and amongst Western investors could cause a scramble for metal that leads to a sharp move higher. Any realignment to gold and/or industrial metals is a story for 2012 and beyond.

Pt Range: $1,540 - $2,150
Average: $1,875

A strengthening South African rand and rising input costs lead platinum prices higher in 2011, supported by robust investment demand and moderate demand growth in traditional fabrication applications. Supply side risks, particularly related to SA power supply and pricing, remain the major upside price risk to platinum, while any significant liquidation from the investment community could engineer a deeper price retracement. That said, we still see the investment climate for platinum robust in 2011. From an S&D perspective, platinum is more reliant on investment flows than palladium, given the tendency towards a market surplus.

Pd Range: $625 - $1,000
Average: $838

Palladium remains our favoured pick in the precious metals space, benefiting from a balance sheet that tends towards a large deficit before the involvement of the financial community. As such, the financial sector will readily absorb any lingering Russian state stock sales, given the broader positive investment climate. Prices are expected to average around $840/oz through 2011, with major risks of a blow off top towards the $1,000/oz level. While the investment community is at record levels of ownership – approaching 4 Moz across ETFs and futures – the underlying investment case remains sound, and we expect such flows to be sticky and continue to remain price supportive.

DAVID JOLLIE
Mitsui & Co, London

Au Range: $1,310 - $1,610
Average: $1,485

We believe that the macro-economic picture will remain positive for gold in 2011. Real interest rates will remain negative in most major markets, lending strength to the gold price. Fears of deflation should diminish and inflation will become the focus, supporting investment demand for gold. However, we expect concerns over the health of the eurozone economy and of the euro to allow the US dollar to show some relative strength, suggesting that the strong price performance of the second half of 2010 is unlikely to be repeated. Increased central bank buying should be offset by the end of producer dehedging. A gradual improvement of the global economy and a better performance from the equity market may, though, reduce investor interest in gold. Overall, we believe that the gold price still has further to run to the upside.

Ag Range: $25.30 – 40.25
Average: $34.05

The rapid rise in the silver price to 30-year highs seems to have been driven by investors. We expect physical demand to grow in 2011, putting in place the foundations for further price appreciation. However, to achieve this, investor funds must continue to flow. Coin demand looks set to remain strong, with risk aversion and low interest rates key drivers. ETF investment is likely to be weaker than in 2010, given that each investor dollar now purchases fewer ounces than a year ago, but should support silver too. We see the competition between gold and silver for investor dollars as key to silver's price performance for the next 12 months. We currently expect that a gradual economic recovery will help silver outperform gold, with the price ratio moving towards levels last seen in the 1980s.

Pt Range: $1,630 - $2,050
Average: $1,830

A strong rand continues to place a cost floor below the platinum price, limiting the downside risk over the medium term. However, the outlook for demand is mixed: sales of platinum jewellery exhibit some price elasticity and are unlikely to drive higher prices. Automotive sector uptake of platinum should climb but will be constrained by higher purchase taxes and ongoing austerity measures in Europe. Industrial demand will increase, while price appreciation in the rest of the precious metal sector should also be supportive. Investors with a multi-year outlook are generally bullish. However, palladium remains the platinum group metal of choice for investors in the shorter term and, in the absence of any supply shocks, platinum is likely to underperform palladium in 2011.

Pd Range: $700 - $1,000
Average: $875

The palladium price has found widespread support from the consensus that it has moved into deficit after many years of excess supply. With mine supply likely to rise by a limited amount in 2011 and sales of material from Russian state stocks widely expected to fall, a tighter market can be expected. In our view, the recent sharp increase in the palladium price will not yet have generated significant price elasticity in most demand sectors (indeed, palladium has benefited from a high gold price in the electronics sector). As a result, we expect rising global car production to boost palladium demand, pushing the market further into deficit, even if ETF buying slows. Investors continue to look for price appreciation and we expect their patience to be rewarded.

TOM KENDALL
Credit Suisse, London

Au Range: $1,285 - $1,630
Average: $1,490

Last year, fears of currency debasement, political upheaval and inflation resulted in substantial flows of money moving into gold from institutional and private investors in countries as diverse as the US, Germany, Switzerland, Thailand and Vietnam. We expect most of those concerns to persist through 2011. In addition, new investment avenues, increased marketing, and ongoing liberalisation of the gold market in China are likely to be notable features of 2011.

The creeping rise in US interest rates forecast for the long end of the curve would pose a challenge to higher US dollar gold prices were we in a more 'normal' global environment. However, although we expect the recovery in global industrial production and fixed asset investment to continue, financial markets are likely to remain 'sub-normal' for some considerable time to come. In addition, nearby real rates are expected to remain exceptionally low or negative. Both factors should continue to feed bullish sentiment in the gold market.

Inflation will also continue to feature high on the list of gold investors' concerns in 2011. When considering how gold might react to inflation, it is important to keep in mind that it is expectations of future inflation and how quickly they change that is of prime importance rather than backward-looking headline rates of CPI.

The direction of the US dollar against major currencies, notably the euro, will of course be relevant to the US dollar price of gold. Should euro area stresses subside post April (once major bond refinancings are out of the way), we would expect the traditional negative correlation to reassert itself and renewed US dollar weakness would be expected to contribute to the ongoing bull market in gold.

On the physical side, banks and sovereign wealth funds are expected to be net buyers of a significant volume of gold in 2011 for the first time in many years. Gold has re-established strong credibility as a reserve asset. That, we believe, is more of a generational shift in thinking than a temporary change.

Strong demand for investment products – both exchange traded funds backed by gold and bullion bars and coins – is expected to persist in the western hemisphere and grow robustly in the large Asian markets of India and China.

Ag Range: $23.15 - $35.80
Average: $30.10

Silver is likely to continue to outperform gold in 2011, we believe. Silver benefits from the same investment drivers as gold but also traditionally offers increased leverage to global financial uncertainty, coupled with higher volatility – both are in part related to the relatively small size of the silver market in US dollar terms. As well as a financial or near-monetary asset, silver of course is also an industrial metal, with substantial demand from the petrochemical, electronics and photographic industries. This dual role makes it an attractive proposition for investors during times of recovering industrial output and lingering financial instability.

Nevertheless, from a fundamental supply and demand perspective, we do not foresee any tightness developing in the silver market – we expect rising silver supply from both mine production and recycling to be ample to cover growth in industrial demand. Continued support from investors is a necessity if our forecast of a substantially higher average price in 2011 is to be realised.

Pt Range: $1,645 - $1,945
Average: $1,810

Pd Range: $680 - %950
Average: $795

Although categorised as precious metals, platinum and palladium remain largely driven by fundamentals of demand (primarily from the global auto industry) and supply. The key sector of consumption for both metals is their use in catalytic converters to control vehicle emissions, in which the two metals can, to an extent, be substituted for one another. Hence, the key drivers of demand are vehicle production, emissions legislation and the economics of switching from platinum to palladium or vice versa. All three factors look to be aligned to drive very strong growth in demand for palladium in 2011 and a respectable rate of growth for platinum.

The prospects for the global vehicle industry in 2011 are encouraging, we believe. The two largest light vehicle markets are the US and China. Recovery of the US market after the collapse of 2008 has proceeded very smoothly – better than many auto analysts had predicted. The Chinese vehicle market is likely to continue to grow at a robust rate, despite the fact that most of the incentive measures introduced post the global financial crisis have now been withdrawn. Light vehicle sales in both these markets are dominated by gasoline-powered models, to which palladium has the greater leverage. Platinum demand will benefit more from tighter emissions regulations being phased in for heavy-duty diesel vehicles (trucks, buses, etc.) and for vehicles used in industry and agriculture.

Platinum and palladium also tick the box for investors in being supply constrained. South Africa accounts for around 75% of platinum mine production; Russia provides in excess of 45% of the world's mine supply of palladium. Raising output in both locations is extremely difficult in the short-to-medium term and, in the case of South Africa, increasingly costly. Producers' margins are also being pressured by the strength of the rand. Meanwhile, the palladium market also has to contend with the prospect that Russian sales of metal from state inventories are at or very close to an end. Those sales have added a substantial volume of palladium to supply over the last few years and their absence would contribute to a sizeable supply/demand deficit in 2011.

PHILIP KLAPWIJK

GFMS, London

Au Range: $1,335 - $1,673
Average: $1,477

Gold will be a beneficiary this year from investors', and perhaps also some official buyers', growing concerns regarding the value of the three major internationally traded currencies. Underlying this is the strong probability that the sovereign debt crisis will continue to rage in Europe and, eventually, spread to Japan and the United States. Although increasing debt monetisation, in at least the latter two, may buy time and limit the increase in government bond yields, this will be at the expense of higher long-run inflation expectations. Moreover, an only sluggish economic recovery this year in the industrialised world suggests that any increases in short-term interest rates will be very limited, particularly in the United States and Japan where, instead, further rounds of quantitative easing are likely. Besides the powerful stimulus the above factors will give to 'Western' investment, gold should also be supported on price dips by buoyant jewellery and bar hoarding demand from several key Asian developing countries and the tendency for scrap supply to moderate considerably during periods of weaker local bullion prices.

Ag Range: $23.25 - $37.80
Average: $30.90

Silver's rally since September seems 'excessive' and it has become expensive relative to gold, with the metals' ratio dropping recently towards the 45:1 mark. Thus, although there ought to be considerable investor-driven upside this year, there is also scope for a major sell-off and fall in the silver price, even if this should prove to be temporary. Furthermore, the substantial gains in industrial demand recorded in 2010 are very unlikely to be reproduced this year, given a much higher base level. This fact, coupled with little change in other fabrication demand overall and a decent rise in mine production, implies that a considerable market 'surplus' will have to be absorbed by investors at much higher prices than those ruling last year. However, due to the favourable economic backdrop expected for investment in precious metals and a fair wind from gold, we believe that overall net investment demand on this scale is perfectly feasible. As such, silver prices are expected to show substantial year-on-year gains in 2011, even if the intra-year result will fall well short of 2010's spectacular increase.

Pt Range: $1,590 - $2,012
Average: $1,797

GFMS currently is projecting a gross market surplus of close to 800,000 ounces for platinum in 2011. This is the product of increases in supply from mine production and scrap matching gains in fabrication demand, much of which is expected to come from a fair but far from spectacular recovery in autocatalyst and jewellery offtake. Looked at in isolation, the surplus might be expected to put downward pressure on prices or, at the least, limit any upside gains. But this would be to underestimate the ability of investors to drive prices higher in spite of what we believe are rather lacklustre fundamentals. Indeed, less than $1.5 billion of net inflows into the metal would be required this year for investment demand to absorb the aforementioned gross surplus, a task that seems quite feasible given the favourable economic and financial backdrop, and expected gains in gold. In addition, investors will be encouraged by the fact that high mining costs and potential disruption to South African production means that the price floor will continue to be well supported.

Pd Range: $608 - $1,090
Average: $852

Of the four major precious metals markets, palladium is the only one that is in a fundamental deficit. Indeed, in 2011, the gross deficit between supply from mine production plus scrap and fabrication demand should comfortably exceed 500,000 ounces. Moreover, we expect investors to remain substantial net buyers of the metal via ETFs and other instruments. As such, there ought to be considerable upside pressure on the price. The main limiting factor is expected to be further Russian state sales, although there are indications that these are in their 'sunset years'. Headwinds may also come from the growing risk that gains in autocatalyst demand this year could be less than expected if expansion in the Chinese car market is restrained by a combination of policy initiatives and slower GDP growth. And, finally, given the scale and rapidity of its rise in recent months, palladium is vulnerable in the near term to a major correction if speculative longs cut their positions. Nevertheless, focusing on the 12-month outlook, it would not surprise us if a fundamentally tight market coupled with robust investment demand results in the previous all-time high being matched during the course of this year.

ROSS NORMAN

Sharps Pixley Ltd, London

Au Range: $1,350 - $1,850
Average: $1,513

After 10 successive years of price strength during which gold has risen fivefold, it is tempting to ask if prices are now peaking – we think not and fresh all-time highs of $1,850 are in prospect. The list of those on the buy side remains as long as your arm, while on the sell side there are relatively few: the scales continue to tip in favour of the bulls.

With the economic crisis morphing into a social one as unemployment rises and workers take wage cuts, coupled with rising real rates of inflation (particularly in Asia), this could prompt significant increases in retail gold purchases from the general public in both Asia as well as the West.

With such an entrenched trend line to draw on, the adage "the trend is your friend" seems as likely to hold true; to that end a 20-something percent increase looks likely for the year, and the gold chart should maintain a steady 45-degree climb after a period of consolidation during Q1. For followers of cycles, 2011 looks like the year that the Kondratieff Winter begins to bite – a period normally associated with debt repudiation, trade wars and firm commodity prices. It may put Europe into hibernation, but the smart money will have a protective coat.

Ag Range: $28.50 - $44.00
Average: $37.00

After an 80% rally in 2010, it might seem churlish to expect much more in 2011 for silver. Early 2011 profit-taking has seen silver decline more than most, underlining the strong speculative element in the recent price run, and this also confers some weakness to its case. However, the investment community has taken silver to it heart and contrary to its modestly attractive fundamentals, the market prices are likely to overperform again.

Unlike in 2010, we expect silver's price action to conform more closely to that of gold – that is to say firmer but a little more rational.

Pt Range: $1,710 - $2,175
Average: $1,887

It would be tempting to downplay the outlook for platinum based upon the weak demand for a range of consumer and industrial products in the West. This would be a mistake. Asian industrial production continues to grow very rapidly, with significant plant openings covering a wide range of applications such as auto, refining, chemical, electronics and glass (all of which use PGMs), while factory capacity is closing in the West; on balance, we should see a net gain in platinum demand. Car sales in the West in particular are posting a reasonable recovery and this may well give more confidence to major Western auto-makers to further stock-build in 2011, thereby keeping a firm edge to platinum prices. The icing on the cake is likely to be increased investor demand for platinum as investor awareness of the metal continues to grow and the smart money seeks an alternative to gold.

Pd Range: $740 - $1,250
Average: $952

Having risen 120% and 96% in successive years, it begs the question whether palladium must surely now have peaked. We think not. With over 150 car makers in China alone (predominantly petrol-engined), the region is drawing in ever larger amounts of the metal at a time when strategic reserves from Russia are nearing exhaustion.

To some extent, palladium has played catch-up with its better-looking and rather more popular sister metal, platinum. However, like Cinderella, palladium now has an invitation to the ball and investors are increasingly taking a shine to it, much as they have to the rare earth or strategic metals. We predict that increasing industrial and investment demand will continue to outpace metal supply from mines plus reserve stocks and that 2011 promises to be a strong one for palladium once again.

FREDERIC PANIZZUTTI

MKS Finance SA, Geneva

Au Range: $1,320 - $1,780
Average: $1,502

By the end of 2010, gold closed around 26.70% higher than the previous year. As gold gained around 29% in 2009, its performance over the last two years exceeded 50%! We are confident that 2011 shall be another glorious year for gold and for precious metals in general. Most of the factors that led the gold price higher over the last two years, such as the global crisis, a weak US dollar, less scrap supply, official sector buying and geopolitical tensions in specific regions, just to name a few, shall continue to prevail in 2011. Another significant development is the recent deterioration of debt quality in several EU states and other parts of the world, resulting in downgrades by the main rating agencies. All these factors leave global markets investors, aiming to keep credit risk as low as possible, with few alternatives to allocate their assets. Physical gold is poised to remain the answer for the coming year. While we expect the demand for physical gold to strengthen over the coming months on the back of investors and official sector buying, the supply of scrap should remain in a more reasonable range. The rush for physical gold and the expectation for its price to rise further is discouraging gold holders to sell their physical assets. We expect another bull run and a new all-time high to be reached in 2011. It will be another volatile year, and double-digit rallies seem to remain ahead of us.

Ag Range: $24.00 - $46.00
Average: $36.25

Silver surprised many and finished the year 78% higher. We expect silver to remain in focus, as it shall increasingly gain consideration as an alternative to gold in investors' portfolios. Increased physical buying interest and a wider community of buyers across the globe shall lead silver to reach new highs. We would not be surprised if silver peaked somewhere between $45-$50/ounce in 2011. This shall not happen without high levels of volatility and several sharp downside corrections.

Pt Range: $1,650 - $2,000
Average: $1,855

With an overall annual performance of +15.70%, platinum ranks fourth amongst the precious metals. While we remain confident about the platinum bull trend, we expect the upside performance in 2011 to remain in the same range as the previous year. We forecast the year high at around $2,000/ounce in 2011. The industrial demand might recover in the course of the year and provide some support, but a more significant factor will remain the ETF-driven buying as a result of precious metals portfolio diversification by investors.

Pd Range: $700 - $1,100
Average: $915

For a second year in a row, palladium outperformed the other metals by rising another 88.30%. Possible supply disruptions from Russia, and more marginally from South Africa, and lower than expected available stockpiles are likely to drive palladium higher in 2011. Speculative buying on the back of fundamental factors throughout the year shall lead to a sustained upside trend. Palladium ETFs are set to further disrupt the fragile supply/demand equilibrium. We would not be surprised if palladium gained another 35-40% in 2011. Any changes in supply figures would have an immediate impact on the price.

JEFFREY RHODES

INTL Commodities, COUNTRY

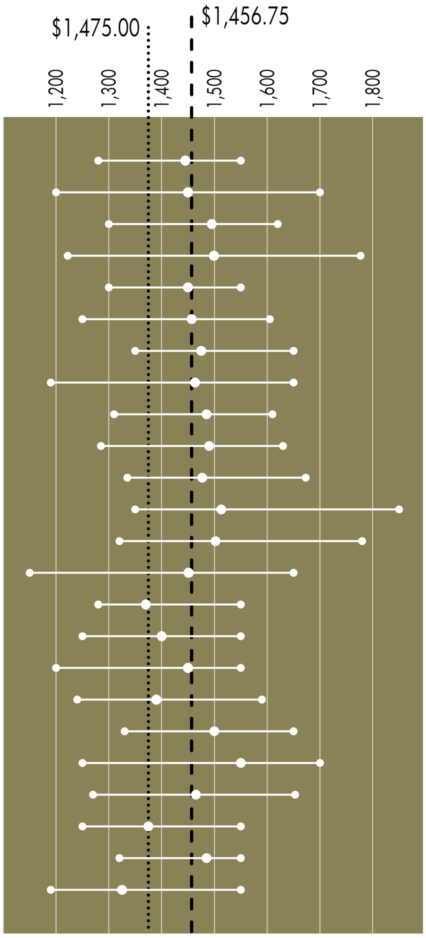
Au Range: $1,150 - $1,650
Average: $1,451

Ag Range: $17.00- $50.00
Average: $25.50

All of the factors that have driven gold to an all-time high in 2010, and silver to its best price since 1980 and the days of the Hunt Silver corner, remain in place as we head into 2011. Certainly, despite the fact that there have been signs of better economic data coming out of the US, the prevailing view is that the US economy remains vulnerable on the downside, which is evidenced by the Fed's easy money approach, with Bernanke signalling that if QE2 doesn't succeed in producing a sustainable recovery in the US economy, the Fed would not shrink from further stimulus packages in an effort to protect the US from the potential ravages of deflation. This does not promote a sense of confidence with investors, and until and unless the US economy makes a clear turn for the better, both gold and silver will remain the beneficiaries of safe-haven flows. Making the outlook for 2011 even more uncertain are the woes in Europe, with the very existence of the euro as a major currency brought into question by the sovereign debt issues faced from the fringe eurozone countries, and this will continue to be very supportive for gold and silver prices next year. Although the economic outlook in the developed world remains a serious concern, the opposite is true in the emerging economies of

1st week Jan 2011 ·········
Forecast Avg 2011 — — —

Average
Low ——●—— High

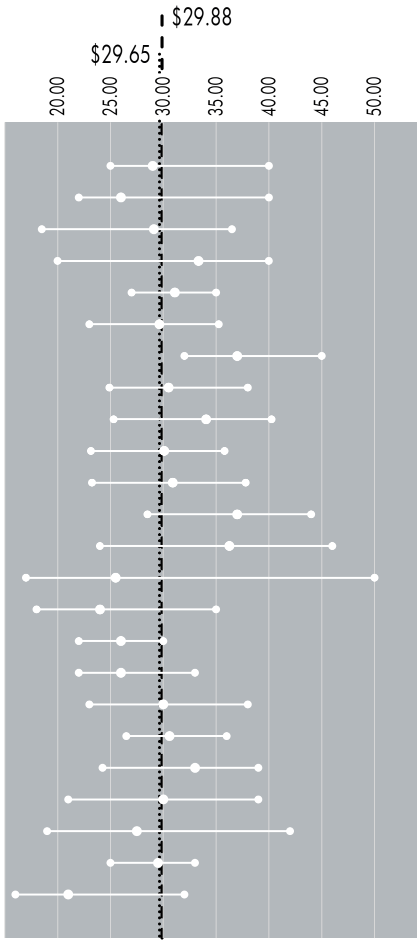


Au

Name	High	Low	Average
Bhar, Robin	1,550	1,280	1,445
Ceh, Jörg	1,700	1,200	1,450
Cooper, Suki	1,620	1,300	1,495
Dincer, Bayram	1,777	1,222	1,499
Fertig, Peter	1,550	1,300	1,450
Firman, Carl	1,605	1,250	1,457
Hochreiter, René	1,650	1,350	1,475
Jansen, Michael	1,650	1,190	1,463
Jollie, David	1,610	1,310	1,485
Kendall, Tom	1,630	1,285	1,490
Klapwijk, Philip	1,673	1,335	1,477
Norman, Ross	1,850	1,350	1,513
Panizzutti, Frederic	1,780	1,320	1,502
Rhodes, Jeffrey	1,650	1,150	1,451
Savant, Rohit	1,550	1,280	1,370
Smith, Dan	1,550	1,250	1,400
Steel, James	1,550	1,200	1,450
Takai, Bob	1,590	1,240	1,390
Tremblay, Anne-Laure	1,650	1,330	1,500
Tully, Edel	1,700	1,250	1,550
Turner, Matthew	1,653	1,270	1,465
Vaidya, Bhargava	1,550	1,250	1,375
Wilson, David	1,550	1,320	1,485
Wrzesniok-Rossbach, Wolfgang	1,550	1,190	1,325
AVERAGES:	1,632.83	1,267.58	1,456.75

1st week Jan 2011 ·········
Forecast Avg 2011 — — —

Average
Low ——●—— High



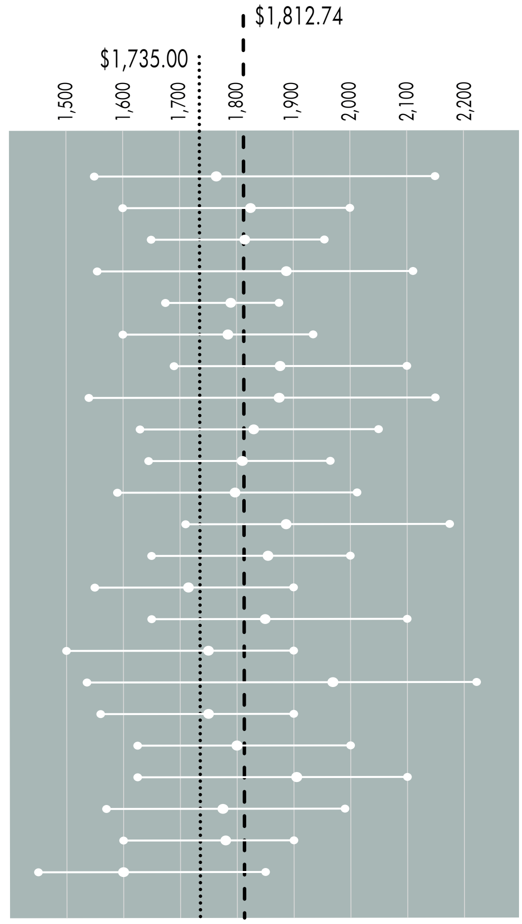
Ag

Name	High	Low	Average
Bhar, Robin	40.00	25.00	29.00
Ceh, Jörg	40.00	22.00	26.00
Cooper, Suki	36.50	18.50	29.10
Dincer, Bayram	39.99	19.99	33.33
Fertig, Peter	35.00	27.00	31.10
Firman, Carl	35.25	23.00	29.63
Hochreiter, René	45.00	32.00	37.00
Jansen, Michael	38.00	24.90	30.50
Jollie, David	40.25	25.30	34.05
Kendall, Tom	35.80	23.15	30.10
Klapwijk, Philip	37.80	23.25	30.90
Norman, Ross	44.00	28.50	37.00
Panizzutti, Frederic	46.00	24.00	36.25
Rhodes, Jeffrey	50.00	17.00	25.50
Savant, Rohit	35.00	18.00	24.00
Smith, Dan	30.00	22.00	26.00
Steel, James	33.00	22.00	26.00
Takai, Bob	38.00	23.00	30.00
Tremblay, Anne-Laure	36.00	26.50	30.60
Tully, Edel	39.00	24.25	33.00
Turner, Matthew	39.00	21.00	30.00
Vaidya, Bhargava	42.00	19.00	27.50
Wilson, David	33.00	25.00	29.50
Wrzesniok-Rossbach, Wolfgang	32.00	16.00	21.00
AVERAGES:	38.36	22.93	29.88

Pt

1st week Jan 2011 ·········
Forecast Avg 2011 — — —

Low — Average — High

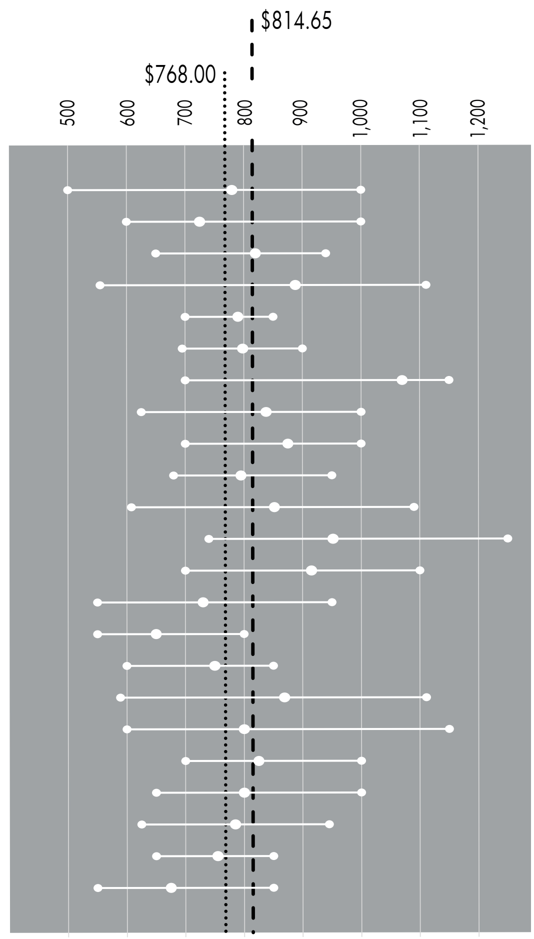


Name	High	Low	Average
Bhar, Robin	2,150	1,550	1,765
Ceh, Jörg	2,000	1,600	1,825
Cooper, Suki	1,955	1,650	1,815
Dincer, Bayram	2,111	1,555	1,888
Fertig, Peter	1,875	1,675	1,790
Firman, Carl	1,935	1,600	1,785
Hochreiter, René	2,100	1,690	1,877
Jansen, Michael	2,150	1,540	1,875
Jollie, David	2,050	1,630	1,830
Kendall, Tom	1,965	1,645	1,810
Klapwijk, Philip	2,012	1,590	1,797
Norman, Ross	2,175	1,710	1,887
Panizzutti, Frederic	2,000	1,650	1,855
Savant, Rohit	1,900	1,550	1,715
Smith, Dan	2,100	1,650	1,850
Steel, James	1,900	1,500	1,750
Stevens, Glyn	2,222	1,536	1,969
Takai, Bob	1,900	1,560	1,750
Tremblay, Anne-Laure	2,000	1,625	1,800
Tully, Edel	2,100	1,625	1,905
Turner, Matthew	1,990	1,570	1,775
Wilson, David	1,900	1,600	1,780
Wrzesniok-Rossbach, Wolfgang	1,850	1,450	1,600
AVERAGES:	2,014.78	1,597.87	1,812.74

Pd

1st week Jan 2011 ·········
Forecast Avg 2011 — — —

Low — Average — High



Name	High	Low	Average
Bhar, Robin	1,000.00	500.00	780.00
Ceh, Jörg	1,000.00	600.00	725.00
Cooper, Suki	940.00	650.00	820.00
Dincer, Bayram	1,111.00	555.00	888.00
Fertig, Peter	850.00	700.00	790.00
Firman, Carl	900.00	695.00	798.00
Hochreiter, René	1,150.00	700.00	1,070.00
Jansen, Michael	1,000.00	625.00	838.00
Jollie, David	1,000.00	700.00	875.00
Kendall, Tom	950.00	680.00	795.00
Klapwijk, Philip	1,090.00	608.00	852.00
Norman, Ross	1,250.00	740.00	952.00
Panizzutti, Frederic	1,100.00	700.00	915.00
Savant, Rohit	950.00	550.00	730.00
Smith, Dan	800.00	550.00	650.00
Steel, James	850.00	600.00	750.00
Stevens, Glyn	1,111.00	589.00	869.00
Takai, Bob	1,150.00	600.00	800.00
Tremblay, Anne-Laure	1,000.00	700.00	825.00
Tully, Edel	1,000.00	650.00	800.00
Turner, Matthew	945.00	625.00	785.00
Wilson, David	850.00	650.00	755.00
Wrzesniok-Rossbach, Wolfgang	850.00	550.00	675.00
AVERAGES:	993.35	631.17	814.65

China and India, with the world's two most populous nations posting strong economic growth and indeed raising the spectre of inflation as opposed to the fears of inflation in the developed world. Given the fact that India and China are the two top gold-consuming nations in the world, with the people having an unshakeable and traditional belief in gold as a store of value, growing disposable incomes point to the likelihood of strong physical and investment demand for gold and silver in 2011. These factors combine to suggest that the bull market in gold that started in the summer of 2001 shows no sign of ending in 2011, and the only real question is just how high can the gold and silver prices go? In the absence of any real help from the charts with gold at levels never seen before in history, a reasonable approach is to forecast gold to maintain its average annual growth pattern seen over the last nine years of 18.52% per annum, which would suggest therefore an average gold price in 2011 of $1,451. With the yellow metal in uncharted territory, it is likely to meet some clear air turbulence with prices in 2011 likely to be volatile and so we see a potential trading range of $1,150 to $1,650. We always say that if you like gold, then you should invest in silver with its high inherent volatility; so if gold does push ever higher, silver has the potential to test its all-time high price of $50 in 2011, although as in 1980, the look at this price could be brief. On the downside, silver could test $17 if the uptrend line at $27 and key support at $20 are penetrated, and so we see a possible range of $17 to $50 in 2011, with an average price of $25.50.

ROHIT SAVANT

CPM Group, London

Au Range: $1,280 - $1,550
Average: $1,370

Gold prices are forecast to continue setting records during the first half of 2011. Investors are expected to remain concerned regarding the global economic and political outlook, which should keep them interested in gold. Currency market volatility, driven partly by the various monetary and fiscal measures adopted by central banks and governments to boost economic growth, is expected to drive market participants towards gold as an alternative asset to currencies and a store of value. Additionally, demand for gold from India and China is expected to remain strong in 2011, as consumers become accustomed to the high price of the metal. Prices could soften during the second half of 2011, based on some improvement in investor sentiment towards the global economic picture and in anticipation of an increase in interest rates in the United States and Europe sometime in 2012. That said, prices are expected to remain at historically high levels during the second half of 2011. Gold prices will remain at high levels as the world continues to struggle to correct the large economic problems resulting from decades of lax fiscal and monetary policies in developed countries, prior to and post the Great Recession.

Ag Range: $18.00- $35.00
Average: $24.00

Strong fabrication demand and investor interest in silver are expected to continue pushing the metal's price higher in 2011. Like gold, silver also is viewed as a safe-haven asset. For this reason, the same political and economic concerns that are expected to drive gold prices higher are expected to be supportive of silver prices. Silver also has strong fabrication demand fundamentals, with the metal being used extensively in electronics and in solar panels. The electronics industry has been growing at a healthy rate, due in large part to the increase in demand from large developing economies. Part of this reflects the shift in manufacturing locale for electronics components to these countries from the rest of the world. Silver prices are likely to soften during the second half of the year, as sustained high prices would begin to adversely affect fabrication demand and increase primary and secondary supply of the metal. That said, healthy investment demand in the metal is expected to keep the price of silver at historically high levels.

Pt Range: $1,550 - $1,900
Average: $1,715

Platinum prices may trend higher during the first few months of 2011. Platinum fabrication demand is expected to rise for the full year. Europe's auto market, which is the largest user of platinum, is set to grow slightly. Many auto incentive programmes in European countries have expired, which has been positive for platinum fabrication demand. These incentive programmes favoured mostly gasoline vehicles. A shift back towards diesel cars in Europe should boost platinum demand in 2011. Although platinum mine supply is forecast to rise this year, the potential for supply disruptions should support prices. Safety problems and rising mining costs in South Africa likely will not subside. Investors are expected to continue to view platinum as an attractive investment, both for its industrial qualities as well as its role as an alternative investment. The growing number and rising scope of platinum-backed exchange traded funds may attract new investors. Investment demand is expected to be a primary driver of higher prices.

Pd Range: $550 - $950
Average: $730

Palladium is forecast to trade higher in 2011, most notably during the first half of the year. Positive expectations for economic growth worldwide will support higher prices. Palladium is primarily an industrial metal; therefore, healthy economic growth in 2011 would be positive for palladium fabrication demand. Strong fabrication demand from developing economies in particular will help push prices higher. Demand for palladium from both the auto and electronics sectors set to rise sharply in 2011. A rise in annual new mine supply in 2011 could weigh on prices, but growth in supply is not expected to outpace demand. Additionally, ongoing supply problems should prevent prices from dropping below $550. Palladium's robust fundamentals will continue to attract investors, which will help to push prices higher. Investment demand is expected to play a larger role in palladium price movements going forward.

DAN SMITH

Standard Chartered Bank, London

Au Range: $1,250 - $1,550
Average: $1,400

Gold prices have rallied strongly through most of 2010, but the upward momentum started to slow heading into year-end. This is not surprising, as the fundamentals have become mixed. Investor inflows into ETFs were strong through May and June, but have flatlined more recently, with the major ETFs now holding 67 Moz of gold. Gold coin sales have also fallen back. Finally, producer de-hedging (previously a significant source of demand) is now close to exhaustion, with most major producers having bought back forward sales.

More bullish has been continued strong demand from India. Local traders report that demand has been robust through the Indian wedding season, and the Bombay Bullion Association estimates imports at 43 tonnes (t) in October – up 19% year-on-year. The official sector is also a net buyer at present. There have been significant sales by the IMF, which reached 32t in September. However, central banks were net buyers of 23t per month from May to August, which helped to offset this. 2011 outlook: we still expect gold to trend higher in the year ahead, despite the high starting base for prices. We expect US interest rates to remain low, worries about the uncertain impact of quantitative easing to remain high and investor appetite for gold should stay strong. However, the market will face significant headwinds and we see the upside for gold as limited. We believe the US dollar will strengthen through most of next year and the expected recovery in the global economy will moderate safe-haven buying.

Ag Range: $22.00 - $30.00
Average: $26.00

Silver has been a strong performer in the metals complex in recent months, benefiting both from its precious metals status, as well as its importance in industrial use. Sales of coins by the US Mint have accelerated in recent years and remain at very high levels in contrast with gold. In late August, silver was cheap on a ratio basis, although it now looks as if it has overshot fair value. The average gold-silver ratio over the past 30 years was 64; it is now 53 (a low ratio shows that silver is expensive), suggesting that the best of the rally is over. Also, investor inflows into ETFs have been stronger than for gold in recent months. An additional bullish factor has been strong industrial demand from China, which has meant that the country has boosted imports. 2011 outlook: silver has outperformed gold recently, but we feel that there is now too much speculative froth in the market and it is overdue a correction. As a result, we think silver prices will pull back in the months ahead, especially if the US dollar strengthens, as we expect. However, the underlying fundamentals are still good and we expect silver prices to benefit from rising gold prices in the year ahead; and industrial demand in China should remain supportive for most of 2011.

Pt Range: $1,650 - $2,100
Average: $1,850

Pd Range: $550 - $800
Average: $650

In the past few months, there has been clear differentiation in the platinum group metals (PGMs), with palladium prices breaking decisively higher and hitting record highs above $700/oz. Platinum has also rallied, but the increase in prices since the end of August has been roughly half that of palladium. Palladium's fundamentals still look stronger than platinum's. Recent months have seen China's auto sector and economy regaining strength, which tends to favour palladium, due to large numbers of gasoline cars in the country. Latest figures for China's car sales showed growth accelerating to 27% year-on-year in October, while the manufacturing purchasing managers' index rose once more in October. Investors also favour palladium over its sister metal through physical ETFs. The group of major palladium ETFs increased by 8% from the end of August to 1.89 Moz in early November, while platinum rose by a more modest 3% to 1.04 Moz.

Recent results from PGM producers indicate rising supply in response to the recent upturn in prices. Anglo Platinum reported a 20% year-on-year rise in palladium output in Q3, while platinum was up 11% year-on-year. Norilsk – the dominant palladium producer – announced an 8% year-on-year rise in palladium output in the first nine months of 2010, while platinum was up 9% in the same period.

We believe there is more upside for platinum prices in the year ahead, but the uptrend is unlikely to be smooth. Investors remain fickle, selling through the ETF when risk appetite fades, and the recent strong ramp-up in supply at major producers is a worrying sign for bulls. China's imports also fell in August, suggesting waning appetite from the jewellery sector. Support for prices should come from rising operating costs in South Africa; and an expected upturn in European auto sector demand offers additional potential support.

We still believe that palladium is likely to outperform platinum in the year ahead, although after the recent sharp rise in the former, we think the potential for outperformance by palladium is now far more limited than it was. A strong auto sector in China and the US should keep prices on an upward track, but additional sales of material from Russian stockpiles represent the main downside threat to prices.

JAMES STEEL

HSBC, New York

Au Range: $1,200 - $1,550
Average: $1,450

A combination of safe-haven buying stemming from ongoing European Union debt concerns and continued quantitative easing in the US as the Federal Reserve struggles to prevent deflation from taking root will support the gold market in 2011. This should be complemented by growing inflationary concerns in the emerging world based on quickening economic activity and strong global commodity prices. Other supportive factors include likely net bullion purchases by the official sector for the first time in decades, as potential sellers under the central bank gold agreement retreat from the market, the International Monetary Fund sales programme winds down and some Asian central banks seek gold to diversify their foreign exchange holdings. High prices will limit jewellery and coin sales as well as stimulate scrap supplies. This should help constrain price advances.

Ag Range: $22.00 - $33.00
Average: $26.00

Although we expect silver to remain a beneficiary of safe-haven investor buying and strong industrial demand, notably from the electronics sector, prices may ease from current high levels. Prices far above the marginal costs of production are encouraging primary mine output, while silver by-product is increasing with greater base metals production. After performing well for much of 2010, retail coin demand is slowing, and we expect ETF demand to flatten out this year. High prices should also encourage an increase in recyclable material, which may be substantial.

Pt Range: $1,500 - $1,900
Average: $1,750

Limited mine supply increases based on technical obstacles facing producers in South Africa and high production costs will support platinum prices as will a continued recovery in global auto production. Furthermore investors may diversify precious metals holdings into the PGMs and, consequently, we expect ETF demand to be strong this year. Other forms of industrial demand are likely to be firm in line with robust global industrial production. High prices may deter jewellery demand, however, which would free up supplies for the industrial sector and limit price gains.

Pd Range: $600 - $850
Average: $750

Palladium prices should be supported by ongoing concerns over the remaining level of Russian state stockpiles. Lower stockpile sales would support palladium prices. The continued recovery in world auto production favours palladium. This is because much of the growth in world auto production this year will come from China, other parts of the emerging world and the US, where palladium-rich gasoline-fired vehicles are preferred. Like platinum, palladium mine supply growth will be limited, as producers face a range of obstacles, including power and water constraints. High prices are likely to deter jewellery and other forms of discretionary demand, helping to cap price gains.

GLYN STEVENS

INTL Commodities

Pt Range: $1,536 - $2,222
Average: $1,969

PGMs are increasingly becoming investment mediums and the industrial influence on price is declining. Hence, any continuing Western world economic weakness in 2011 is unlikely to have the effect it would have had in previous years. Platinum was the laggard amongst the precious metals in 2010 and has some catching up to do as investors seek alternative safe havens for their money.

Pd Range: $589 - $1,111
Average: $869

The weight of speculative involvement in palladium looks set to be the major determinant of price movement in 2011. However, there will also be one factor strongly in palladium's favour in the industrial sphere – the shift from west to east in the balance of power in terms of car sales. The prominence of smaller, petrol-engined vehicles in the emerging economies certainly gives palladium an edge.

BOB TAKAI

Sumitomo Corp, Tokyo

Au Range: $1,240 - $1,590
Average: $1,390

Ag Range: $23.00 - $38.00
Average: $30.00

Pt Range: $1,560 - $1,900
Average: $1,750

Pd Range: $600 - $1,150
Average: $800

I believe the Fed will keep its accommodative monetary policy until the job market begins to show signs of recovery, which I don't think is likely this year. Hence, the dollar will stay under pressure and this weak dollar will underpin equities and commodities throughout the year.

Investment money will keep flooding into the commodities space, and the precious metals will continue to be favoured by refugees from dollars and the euro. Of the four metals, I like palladium the most because of its strong fundamentals, and I think it has a good chance of testing the historical high of a decade ago.

In a generally sanguine scenario for 2011, however, one should be alert to two potential risks: unexpected troubles in the Chinese economy or a significant increase in US long-term interest rates.

The US has a growing deficit, and it seems as if there is little or no political will to address this; indeed, the political situation in Washington is becoming more and more partisan. There is a lurking danger that the bond markets could react negatively to this situation. Either of these events could trigger a sell-off in all correlated asset classes, including equities and, particularly, commodities.

ANNE-LAURE TREMBLAY

BNP Paribas, London

Au Range: $1,330 - $1,650
Average: $1,500

A number of factors will continue to underpin gold's rally, including ample liquidity and low official interest rates in developed economies, inflationary pressures in China, concerns related to the stability of eurozone peripheral countries and increasing uncertainty regarding the role of the US dollar within the international monetary system. In addition, the official sector should continue to be an active buyer of gold in 2011. The strengthening of the US dollar until Q3 2011 will likely moderate the extent of the price rally, despite the declining correlation between gold and the euro/US dollar.

Ag Range: $26.50 - $36.00
Average: $30.60

Silver should continue to ride on gold's coattails, benefiting from its status as a cheaper alternative to the yellow metal. In particular, investment demand is likely to remain solid. However, industrial demand growth may slow and we forecast that the silver market will remain in underlying surplus. We expect the gold/silver ratio to rise in 2011 from its current low level of less than 50.

Pt Range: $1,625 - $2,000
Average: $1,800

The surplus in the platinum market limited the upside in the price in 2010 compared to the performances of the other precious metals and is likely to do so again in 2011. This is despite a struggling mining sector, notably in South Africa and Zimbabwe, which failed to materially increase production in 2010. On the demand side, autocatalyst demand growth should slow, as should growth in industrial consumption, while jewellery demand will likely rebound from its 2010 level.

Pd Range: $700 - $1,000
Average: $825

Palladium will likely again be the best performer of the precious metals complex in 2011. The market deficit should increase again this year, as moderate growth in supply may not match strong growth in demand, particularly in the autocatalyst and industrial sectors. Mounting indications that the Russian state stockpile may be nearly exhausted should add further momentum to the price.

EDEL TULLY

UBS, London

Au Range: $1,250 - $1,700
Average: $1,550

European debt concerns, QE implications and an ongoing safety drive will fuel continued investor demand for gold. From the 2010 record price of $1,431, we are looking for a 20% appreciation in 2011. There are risks ahead though: a modest but sustainable economic recovery is underway, investors are returning to equities, and bond yields are rising. It's too early for these negative risk factors to encourage liquidation. The opportunity cost of holding gold remains attractive, and for 2011 at least, the US will not return to monetary policy normalisation. Faith in fiat currencies remains shaky. Gold is the only currency without debt and without any likelihood of QE. A stronger dollar in the context of a European debt crisis is not automatically a burden for gold. Jewellery demand remains quite decent, with scrap supply contained. We expect no change in the official sector attitude to gold. While the year will not be without volatility, dips should be well supported.

Ag Range: $24.25- $39.00
Average: $33.00

Silver benefited impressively as a cheaper alternative to gold in 2010. But this is only one part of the silver story. Typically, we very rarely talk about the metal's fundamentals impacting price direction, and instead point to investor and speculator activity as the primary driver. But silver's fundamentals have tightened because industrial demand has improved by a substantial margin. Additionally, demand from the retail sector has contributed to a contraction in the 2010 silver surplus. Once again, we expect silver to outpace gold over the months ahead, but that direction will be fraught with high volatility. Silver is not an investment for the faint-hearted and we foresee silver serving up episodes of deep price retracements in 2011.

Pt Range: $1,625 - $2,100
Average: $1,905

We expect platinum will play catch-up in 2011. While palladium continues to tell a better auto demand story, in platinum's favour, European fleet sales are rising, consumers are increasingly returning to diesel vehicles, credit is more becoming more easy to access, plus heavy-duty diesel sales and production are rising across mature markets. Mine supply interruptions could push platinum to trade at $2,100 next year. The strength of the rand, coupled with accelerating mine cost inflation means that producers are not fully benefiting from the recent surge in US dollar platinum. We forecast limited mine supply growth, continuing industrial demand appreciation but an acceleration in recycling – both autocatalyst and jewellery. While platinum fundamentals are in a much better state than 2008, at times, tactical risks will be high because of obese positioning, but structurally platinum remains a buy for 2011.

Pd Range: $650- $1,000
Average: $800

For palladium, an extension to $1,000 is quite possible so long as the investor love affair remains in place. While the metal's medium-term direction is fundamentally grounded, short-term momentum remains in the hands of investors and speculators. Potential supply constraints have been compelling reasons to own both platinum and palladium; we expect Russian state sales to be constrained relative to 2010. Auto recycling will increase, however, thus reducing the overall market deficit. While fundamentals are very decent, the depth of investor activity will serve up very volatile price action. But as the May 2010 sell-off was brief, we expect supportive end-user and investor buying will ensure that dips will be short-lived and opportune buying occasions.

MATTHEW TURNER

Mitsubishi, London

Au Range: $1,270 - $1,653
Average: $1,465

Gold option prices imply this year that there is a one-in-seven chance of gold rising above $2,000/oz and a one-in-seven chance of it falling below $925/oz. On past trends, the higher price is more likely, but while our forecast is bullish, it is not that bullish.
There is a lot of external bad news such as the eurozone crisis and risk of war in Korea, plus internal supply/demand good news, such as strong Chinese demand. But gold prices are forward-looking, and this backdrop justifies the current price more than it guarantees higher future prices.

Constrained supply and loose global monetary policy should mean further gains, however. Our forecast peak will come during the next leg of the financial crisis, e.g. a eurozone default or surge in Chinese inflation. The low will occur as strong US economic data threatens tighter Fed monetary policy, boosting the dollar. Central bank activity will be a wildcard.

Ag Range: $21.00 - $39.00
Average: $30.00

Silver zoomed to $30/oz in the last quarter of 2010, more than 50% higher in just over three months. It's not hard to make a case for silver given that we saw a strange combination of fear-induced gold buying and optimism-induced copper buying – both traditional drivers of silver. However, the magnitude of silver's rise was unexpected.
As we forecast higher gold prices, higher silver prices seem a must and $50/oz cannot be ruled

out. But we think the outperformance of 2010 might give way to underperformance in 2011 and so silver's average price will be similar to the current price.

Pt Range: $1,570 - $1,990
Average: $1,775

A 20% price gain over 2010 is not disappointing, but platinum was the laggard of the precious metals in 2010, especially in comparison with palladium and it remains a long way from its 2008 highs. The metal struggled under the expectation of poor automotive demand, as European diesel sales fell in H2 10.

The outlook is bullish, but huge gains are unlikely. The high end of our forecast will come on production shocks – always an underlying threat – and the low end if some of the speculative money comes out of commodities. The relatively narrow range, however, underlies our view that platinum's price is more based on S&D than other metals and so is less prone to a speculative shock either way.

Pd Range: $625 - $945
Average: $785

Palladium's astonishing price gains have naturally raised fears of a speculative bubble with 2 Moz of palladium held in ETFs, 1 Moz of that accumulated in 2010.

Yet it is more obvious with palladium than with many other commodities what speculators are speculating about – a shortage of metal. In palladium, which long suffered under surpluses, this seems extraordinary; but on the supply side, Russian stock sales seem to have dried up, while on the demand side, the fast-growing car markets are mainly gasoline-engined and hence palladium-using. This means the price is well supported, although 2011 is unlikely to see a repeat of 2010's huge gains. The key risks are a slump in Chinese car sales as tax incentives are withdrawn or a surprise Russian stock sale. A longer-term threat that could become clearer in 2011 is how attractive electric cars are with consumers.

BHARGAVA VAIDYA

BN Vaidya & Associates, Mumbai

Au Range: $1,250 - $1,550
Average: $1,375

Investment demand in gold will remain high. Economic crisis in the US and eurozone would make gold remain a very important store of value in all investment portfolios. The physical demand for jewellery will be low but would be more than offset by investment demand. ETF interest would support a bull run.

Ag Range: $19.00 - $42.00
Average: $27.50

Silver would remain volatile. Its relationship with gold will support a bull run. Last year's performance of the metal will attract further investment in silver.

There is a fear that regulators may take some restrictive action on growth of stock in silver ETFs, creating metal scares for manufacturing industries.

Fabrication demand for silver for silverware and jewellery will go down. Industrial demand for silver will remain flat. Investment demand for silver would remain a driving force.

DAVID WILSON

Société Générale, London

Au Range: $1,330 - $1,650
Average: $1,500

The outlook for an extended period of low interest rates, meaning that real interest rates would be negative in the US for all of 2011, should be an important feature supporting gold prices during the year. The official sector is likely to be a net buyer, while other institutional and retail investment is also expected to remain strong as investors look to hedge against longer-term inflationary forces.

Ag Range: $25.00 - $33.00
Average: $29.50

Investor demand for silver should remain strong in 2011 as real interest rates remain low and the global economy continues to recover, playing to silver's strengths as both an industrial metal and as a proxy for gold.

Pt Range: $1,600 - $1,900
Average: $1,780

Pd Range: $650 - $850
Average: $755

Palladium is expected to continue to rise as investors anticipate dwindling Russian sales, while tightening emissions legislation and the economic recovery boost auto demand.

WOLFGANG WRZESNIOK-ROSSBACH

Heraeus Metallhandelsgesellschaft mbH, Hanau

Au Range: $1,190 - $1,550
Average: $1,325

2011 should initially be another bright year for gold, with new records expected in Q1. Bigger setbacks are not very likely before spring, and even if they occur, should not imply an immediate end to the multi-year uptrend. This is only likely to happen once the interest rate environment in Western countries starts to change structurally, perhaps towards the end of 2011.

On the supply side, higher production is probable; the inflow of scrap metal should fall. Central bank selling is going to be non-existent in 2011, but there could well be more hedging by mines as junior producers could be forced into securing gold prices as part of their financing packages. On the demand side, investment is projected to have peaked in 2010 and should be neutral in 2011. Early profit-taking by more short-term oriented investors is likely to be matched by ongoing physical demand for bars and coins in Western markets. ETF holdings are expected to be slightly up in the first months and then subside.

Ag Range: $1,16.00 - $32.00
Average: $21.00

The overall price trend of silver will continue to depend largely on the price of gold. But, given the more industrial character of the metal, several independent influencing factors also exist, which should regain more importance once investment demand dries up. Provided that there are no severe setbacks for the Chinese economy, consumption of silver in electronic applications and in the photovoltaic sector is expected to grow further. This will only partially be offset by a reduction of silver usage in the photo and jewellery industries.

In the long-term, current price levels do, however, pose a grave threat to the important, and usually relatively stable, industrial demand as end-users are already looking to reduce or even replace silver by non-precious metals. This is coupled with an expected increase in mine production and higher supply from recycling. As a result, the silver price might follow gold to reach new highs over the next months. Over the course of the year though, it seems unlikely that price levels above $25 will prove sustainable.

Pt Range: $1,450 - $1,850
Average: $1,600

Platinum continues to have difficulties in keeping pace with the other precious metals. The main reason is that the offtake by the car industry will further diminish as the white metal is being increasingly replaced by other (and cheaper) precious metals. In addition, the important European car market is facing yet another difficult year in 2011. As far as investor demand for ETFs is concerned, a slowdown in the coming months is expected.
Production should again rise slightly, especially due to an output increase by junior mines in South Africa. At the same time, the inflow of scrap metal is expected to grow, both from the car sector as well as on the jewellery side.

Pd Range: $550 - $850
Average: $675

Palladium is initially perceived as – in relative terms – the best-performing precious metal. Nonetheless, the price is expected to fall in the second half of 2011 as the metal most probably will not be able to escape the projected general consolidation mood. One stabilising aspect will be the good demand from the automotive industry in emerging markets; coupled with a slow recovery of the American market and a neutral offtake in Europe. In addition, demand from the electronic industry is seen to rise. Another plus is the expected end of sales from Russian state-owned stocks, which has been a reliable supply factor over the past years. This, though, will be partially offset by the expected substantial increase in scrap inflow.

2010 *Forecast* Review

The text below compares the forecasts made in January, 2010 with the out-turn for the year.

After failing to predict the scale of the gold price rise in 2009, forecasters were prepared to be even more bullish in 2010. They rose to the challenge by predicting the greatest percentage price rise in the history of the LBMA *Forecast* – their forecast for the average price in 2010, at $1,199, represented a rise of 7% compared with the price in the first days of January when the forecasts were submitted. The average predicted trading range was $411, another *Forecast* record.

2010 turned out to be an eventful year, as an uncertain dollar, the Greek sovereign debt crisis and wider eurozone problems drove investors to safe havens. Until the last quarter of the year, the forecast gold average looked very precise. However, as in 2009, there was a twist in the tail of the year as the price showed a sustained rise above $1,300 in the final three months, taking the year average to $1,224. Nevertheless, the analysts' average was only $25 adrift of the out-turn, an extremely good effort for a year which showed a 26% price rise year-on-year.

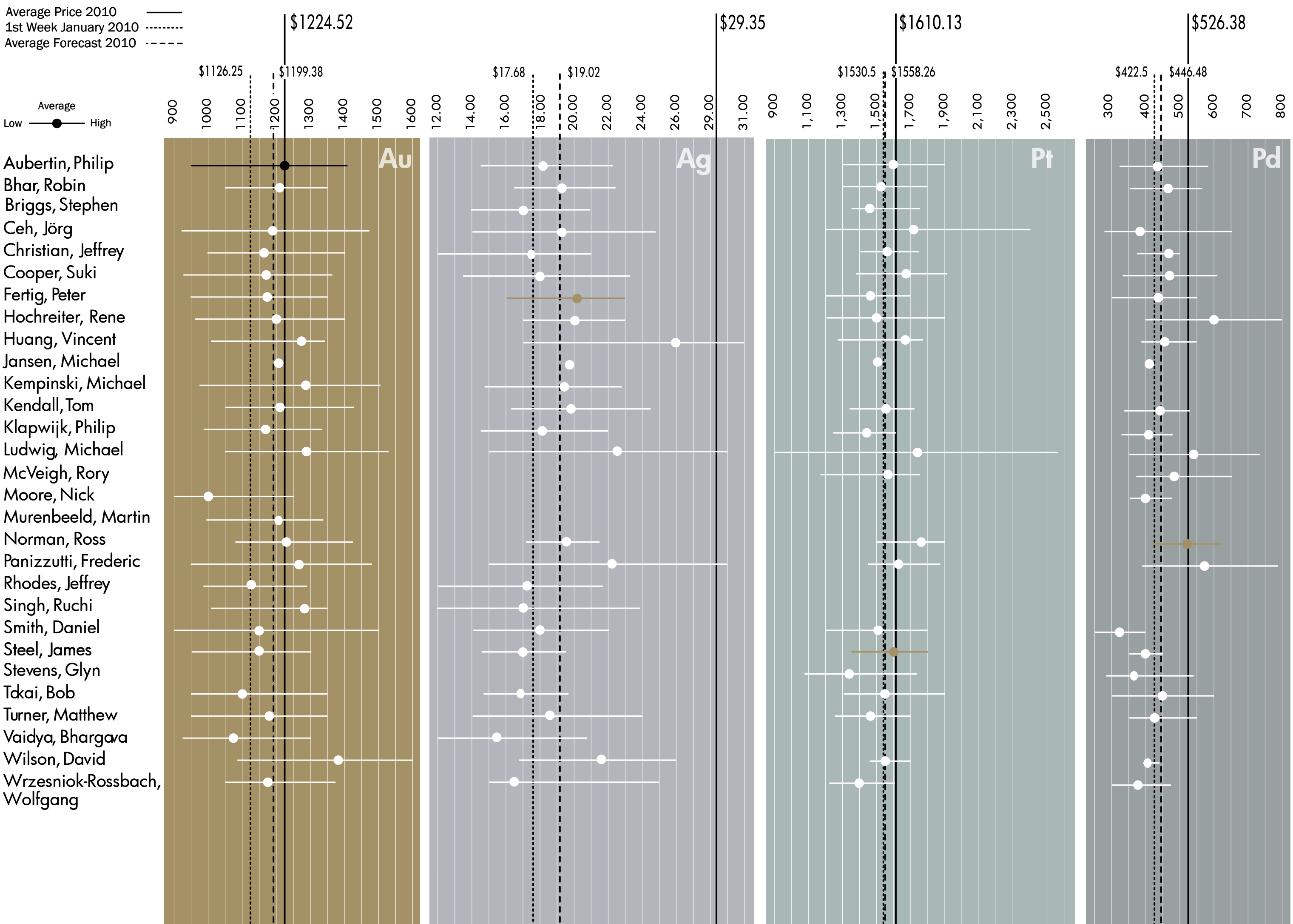
Silver kept rising throughout the year, hitting a high of $30.70 on 30th December. Just three analysts held out for a high of $30+, but their conviction balanced the less bold and the average forecast was only $1.17 lower than the year average of $20.20.

The platinum price tracked the movement of the gold price and the average forecast of $1,558 was not too far off the eventual average price of $1,610. Palladium was the most unexpected performer, outfoxing forecasters with a rise almost as great as that of 2009 – only three analysts predicted a higher average price than the eventual $526.

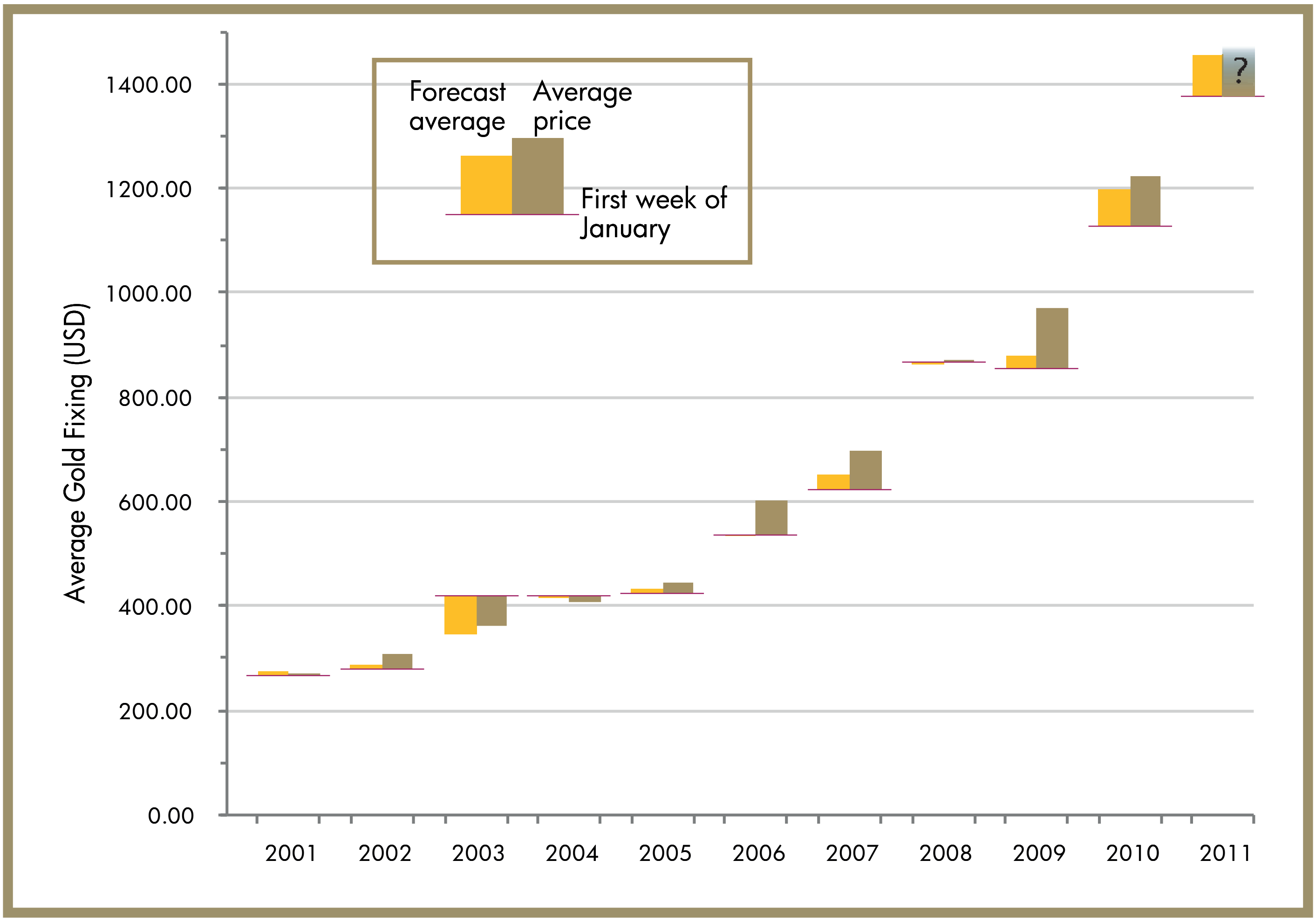
Our thanks to all participants in the survey, and congratulations to the four winners, particularly Phil Aubertin, who but for a tie-breaker on range would have taken the prize for both gold and platinum. The winners will take home one-ounce gold bars for gold and silver, and one-ounce platinum bars for platinum and palladium. Many thanks to PAMP SA, Switzerland, for its generous donation of the 2010 prizes.

Metal	2009 Average	1st Week January 2010	Average Forecast 2010	2010 Year Average	Winning Forecast	2010 Forecast Winners
Gold	$972	$1,126	$1199.38	$1,225	$1,225	Philip Aubertin
Silver	$14.67	$17.68	$19.02	$20.19	$20.20	Peter Fertig
Platinum	$1,204	$1,530	$1558.26	$1,610	$1,600	James Steel
Palladium	$264.60	$422.50	$446.48	$526.38	$522.00	Ross Norman

Last Year's Averages



2001-2010 *Forecast* Review



The chart above shows the average forecast against the average gold price for each year, relative to the first week in January when the contributions are submitted.

Notable contributors to the *Forecast* are Philip Klapwijk, Martin Murenbeeld, Frederic Panizutti, Jeffrey Rhodes and Bob Takai. Each has participated in every survey since 2001 (or earlier), while Ross Norman and Bhargava Vaidya reach their ten year mark this year.

It may be that practice (or perseverance) pays off, as Philip Klapwijk, Bob Takai and Ross Norman have all won a total of four prizes during their participation in the *Forecast*. Three analysts have won two metals in one year – Philip Klapwijk, Ross Norman and Matthew Turner.

The LBMA *Forecast* has a solid record of predicting the direction of gold price movement, as can be seen above. The average forecast has only once been higher than the actual average (and only just, in 2004). Price rises have been recently been underestimated, showing that more moderate forecasters outnumber the bulls among contributors. In the past five years, being more bullish would have put more contributors within reach of the prize. Have they been bold enough this year, or will this be the first time that the *Forecast* has been overly optimistic? We look forward to finding out.

***Forecast* 2011 is published by the LBMA.**
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