

REVIEW

The past week was relatively lackluster for owners of precious metals, with the London PM¹ gold price down 0.6%, silver down 2.5%, platinum down 1.1%, and palladium down 3.9%.

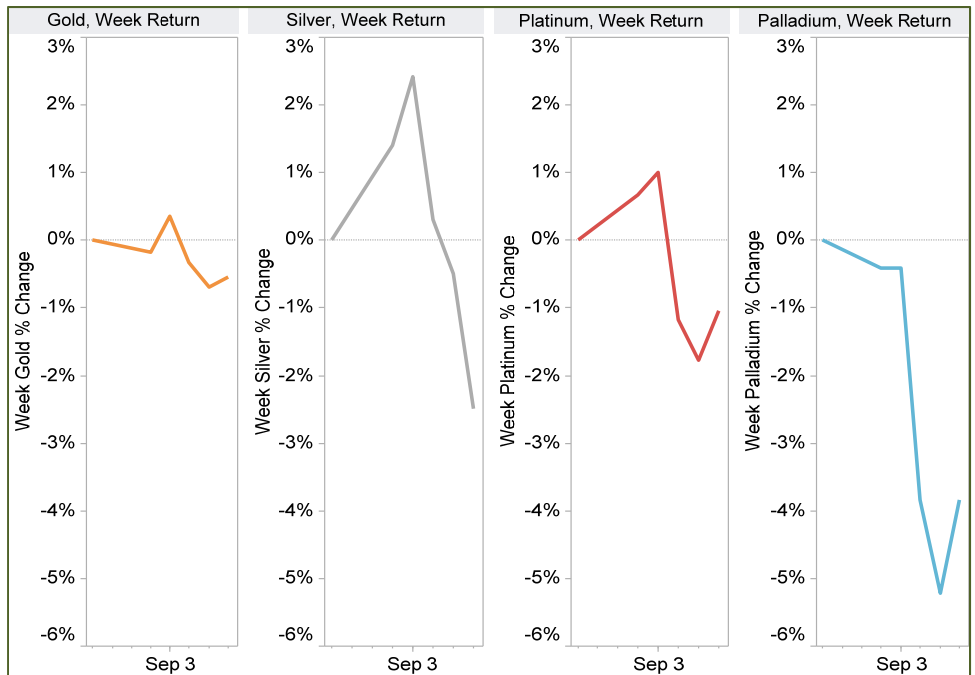
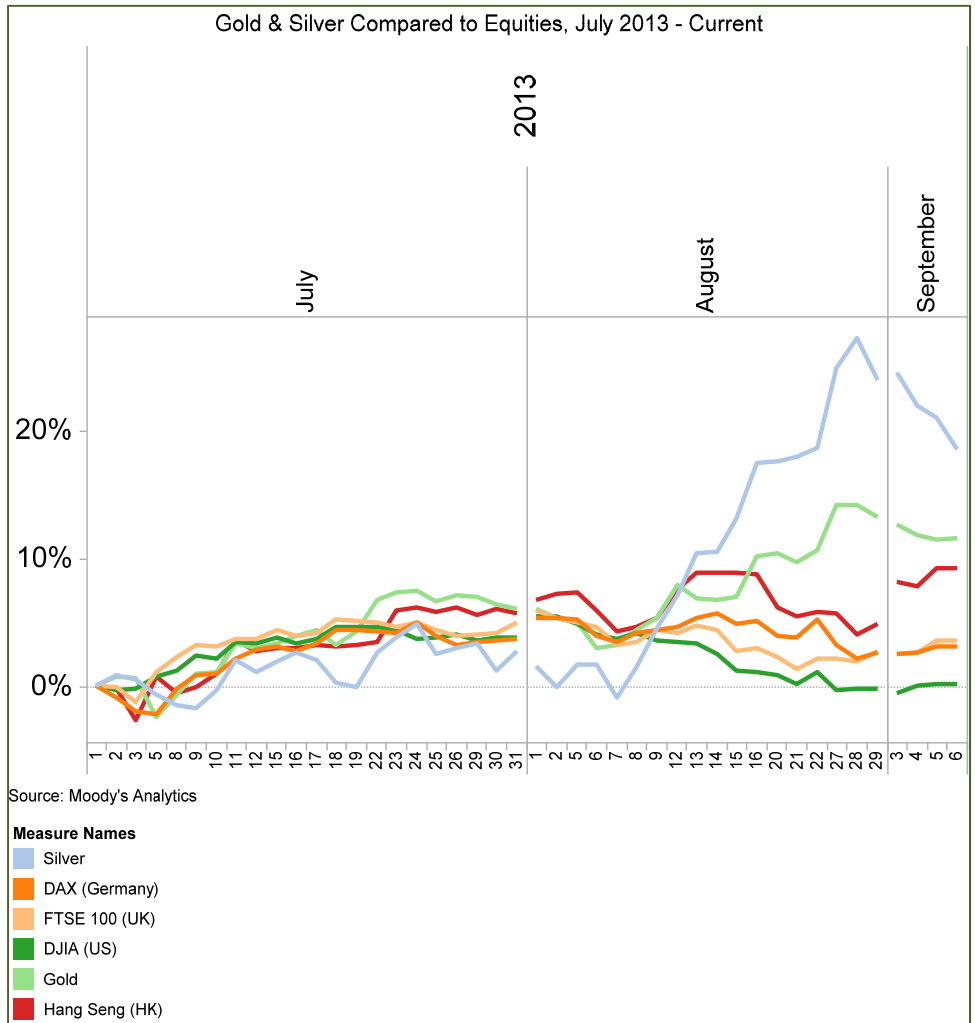
With the exception of the weak August U.S. employment figures, market participants generally viewed last week's economic data as better than expected, which drove the weak returns of precious metals. In particular, data out of Europe pointed to a geographic region not only recovering, but gaining moderate strength. In addition to the European bright spot, economic data out of Asia, in particular China and Japan, came in better than expected.

OUTLOOK

Central bankers and potential U.S. military action in Syria will likely steal a good deal of market participants' attention this coming week.

Interestingly, on military action, precious metal markets investors would likely benefit from formal military action, in that any U.S.-led strikes would likely induce a higher-than-usual level of uncertainty into all investment markets. In times of heightened uncertainty, gold, silver,

¹ All precious metal prices quoted here are London PM



platinum, and palladium act as safe-havens against governments and currencies losing “value.”

On potential central bankers’ policy decisions, the U.S. Federal Reserve represents a greater risk than the European Central Bank, the People’s Bank of China, or other central bankers.

The largest of the risks associated with central bankers for precious metals investors is reduced involvement in the interest-bearing securities markets (i.e. tapering).

Interestingly, the directional effect of central bankers’ policy changes is still unknown. Essentially, should the Federal Reserve begin to reduce its purchases of U.S. Treasuries or mortgage-backed securities, precious metal markets investors may view this as a sign that economies are recovering at a safe enough pace to reduce exposure to safe-haven assets can be reduced. Alternatively, should gold, silver, and other precious metals investors view tapering as having a negative effect on economic growth in the short-term, precious metals may see a surge in demand and price.

GOLD, SILVER, PLATINUM, & PALLADIUM

Because the week ahead is likely to get choppy, analysts give precious metals markets a safe-haven induced upward bias. Of the four precious metals covered here, analysts give gold and palladium the largest upward bias of around one percent, while platinum has about a 0.75 percent upward bias and silver has about a half of a percent upward bias. The upward biases could, of course, turn out to be incorrect should concerns about military action and central bank policy decisions subside and economic data points come in marginally better than expected.

