

Precious Metals

[Document subtitle]



What are Precious Metals? (**h1**)

A precious metal is a rare metallic chemical element of high economic value.

Chemically, the precious metals are less reactive than most elements, have high lustre, and have higher melting points than other metals. Historically, precious metals were important as currency, but are now regarded mainly as investment and industrial commodities. Gold, silver, platinum, and palladium each have an ISO 4217 currency code.



Best-known Precious Metals (**h2**)

The best-known precious metals are gold and silver. While both have industrial uses, they are better known for their uses in art, jewellery, and coinage. Other precious metals include the Platinum Group metals: ruthenium, rhodium, palladium, osmium, iridium, and platinum, of which platinum is the most widely traded. Here is a list of metals traded daily.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

|  |  |  |
| --- | --- | --- |
| Precious Metals Production 2015 | | |
|  | Ounces |  |
|  | Gold | 54514658 |
|  | Silver | 513346502 |
|  | Platinum | 4497463 |
|  | Palladium | 4542893 |
|  | Total | Insert formula: |
| Tons | | |
|  | Copper | 12947252 |
|  | Zinc | 8563362 |
|  | Nickel | 1022154 |
|  | Lithium | 15900 |
|  | Aluminium | 28393136 |
|  | Iron | 1575956320 |
|  | Manganese | 30096759 |
|  | Titanium | 9312962 |

Demand for Precious metals (**h1**)

The demand for precious metals is driven not only by their practical use, but also by their role as investments and a store of value. Platinum is the most expensive of the precious metals now, but rhodium once traded higher than R6000 per ounce.

Bullion (**h2**)

Precious metals in bulk form are known as bullion and are traded on commodity markets Bullion metals may be cast into ingots, or minted into coins. The defining attribute of bullion is that it is valued by its mass and purity rather than by a face value as money. Many nations mint bullion coins, of which the most famous is probably the gold South African Kruger rand. Although nominally issued as legal tender, these coins' face value as currency is far below that of their value as bullion. For instance, the United States mints a gold bullion coin (the Gold Eagle) at a face value of R50 containing 1 troy ounce (31.1035 g) of gold. Bullion coins' minting by national governments gives them some numismatic value in addition to their bullion value, as well as certifying their purity.



The level of purity varies from country to country, with some bullion coins of as pure as 99.99% available, such as the Canadian Gold Maple Leaf. Note that a 100% pure bullion is not possible, as absolute purity in extracted and refined metals can only be asymptomatically approached.

Gold and Silver as Investments (**h2**)

Gold as an investment and silver as an investment are often seen as a hedge against both inflation and economic downturn. Silver Coins have become popular with collectors due to their relative affordability, and unlike most gold and platinum issues which are valued based upon the markets, silver issues are more often valued as collectables, far higher than their actual bullion value.

When is a Metal Considered Precious? (**h1**)

A metal is deemed to be precious if it is rare. The discovery of new sources of ore or improvements in mining or refining processes may cause the value of a precious metal to diminish. The status of a "precious" metal can also be determined by high demand or market value.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

Reasons to Own Precious Metals Now (**h2**)

Investment experts have long-recommended portfolio diversification and that 10% to 20% (and sometimes more) of an investor's assets be devoted to tangible assets such as gold, silver and platinum bullion and bullion coins. That's prudent asset diversification strategy at any time. But in today's uncertain political and economic environment, there are many (and very sound) reasons to consider investing in precious metals now. Here are three:

Precious Metals Have Been a Solid Hedge against a Declining U.S. Dollar (**h3**)

The value of the U.S. Dollar declined more than 30% from 2001 through 2004, plunging 5% in just a few weeks. For a long list of reasons, including massive increases in U.S. government deficits totalling trillions of dollars, the cost of a prolonged war against terrorism, and a massive trade imbalance, this trend may be just the beginning. This means U.S. Dollars could now be worth less and less every day. Which also means that investments pegged to the U.S. Dollar could be worth less and less every day. Gold, silver and platinum, though, are held and traded throughout the world . . . and their true value (that is, their purchasing power) is not solely or directly dependent on the falling fortunes of the U.S. Dollar. Precious metals, therefore, can be a form of protection against a falling U.S. Dollar. As demonstrated during the last few years, as the value of the U.S. Dollar declined, gold and silver prices and the value of precious metals expressed in dollars increased.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

Precious Metals as stable currency (**h3**)

Today's financial markets are increasingly at risk from terrorism, political instability and war. As we saw so clearly after the 9/11 tragedy, financial markets can be closed down, and remain closed down, for extended periods of time. As terrorism incidents continue to increase around the world, it is not unreasonable to expect further (and potentially more severe) disruptions in financial markets, banking and commerce in the future. Whenever and wherever tension or hostilities break out, people everywhere quite naturally gravitate toward the assets they trust most. And today, even in our high-tech driven twenty first century, the asset class millions rely on in times of trouble is gold and silver. Precious metals have always been, and likely will continue to be, a valued form of wealth insurance in good times and bad.

After the infamous stock market bubble in early 2000 wiped out trillions of dollars of investor equity, many stocks have failed to return to anywhere close to their previous highs. The recent dramatic bull market shares some striking similarities to the late nineties. Gold and silver prices, on the other hand, have increased dramatically - more than 40% - during that same time period. Which means precious metals can produce impressive investment returns even when (and sometimes, especially when) returns from stock, bond and other paper investments decline in value or evaporate completely. And many financial experts have predicted and continue to forecast rising gold, silver, platinum, and palladium prices in the months and years ahead.

C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gifUncertainty in the Markets (**h3**)

In our uncertain world of the 21st century, the whims and fancy of a select few can quickly alter the economic security, stability and order we have come to expect and take for granted in our free society. In the end, it is the responsibility of each of us, individually, to be prepared for change, recognize change when it happens, and take the steps necessary to adapt to change when it occurs.

Nowhere is change more prevalent and pronounced than in the world's financial markets. Prices on stock and bond markets, and on currency and commodity exchanges, can and do change throughout each trading day. Periodically, these changes are quite dramatic, resulting from volatile and unpredictable market conditions. At such times, a diversified investment portfolio may help protect an investor from the full effect of unanticipated and potentially disastrous market movements such as a stock market crash.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

ANNEXURE A (**h1**)

A question of value investing (**h2**)

Many experts believe that the stock markets, and the mutual funds that invest in them, are overvalued and potentially at risk for correction similar to the corrections seen in 1929, 1987 and 2000. Every stock market investor should consider balancing his market risk with real precious metals and not just gold stocks, which like all stocks, are subject to business risk as well as market risk (and can be extremely volatile at times). Historically, physical gold has been a premier and desirable financial asset in times of market turmoil. Precious metals are one of the only financial asset classes in an investment portfolio that are not simultaneously someone else's liability.

The prospect of inflation (**h2**)

US monetary policy is biased toward positive, and occasionally high, inflation. Precious metals can offer inflation protection and profit opportunity, as evidenced by the skyrocketing precious metal prices in the late 1970s when inflation reached double-digit rates.

Government debt may also spur inflation (**h2**)

Despite political jawboning, our colossal national debt has continued to snowball and now stands at R8 trillion-plus. Interest payments on this debt now drain the budget of billions of dollars each month. If history provides any guidance, this escalating debt could lead to a new wave of inflation, particularly if debt repayment causes a collapse of Gross Domestic Product.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

Wealth protection in the 21st century (**h2**)

Many investors are growing increasingly nervous about what they see in the world today: Increasing levels of domestic and international strife, war and terrorism … the declining value of the U.S. Dollar eating away at their nest eggs and their futures … stock, bond and real estate markets that appear chronically overvalued … and the very real possibilities of inflation, deflation, recession, depression and tougher times ahead.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

Uncertain environment (**h2**)

In such an uncertain environment, it is natural – and highly appropriate – to seek out strategic investment alternatives in order to:

1. Preserve one's wealth; and, ideally, to;
2. Increase one's wealth.

For thousands of years, in good times and bad, precious metals have offered investors a solid, long-term and tangible way to hold and protect wealth with relative safety. Unlike paper investments (like stocks, bonds and currencies) that can and have become worthless overnight, precious metals have true intrinsic value ... and, hence, will always be valuable. In recent years, precious metals have also proven to be outstanding short-term trading vehicles, offering traders’ periods of outstanding profit potential as metals prices fluctuate, sometimes dramatically, on world markets.C:\Users\user\Documents\CAT New Paper\Natural Resources\Metals and Minerals  What Are Precious Metals_files\spacer.gif

Will you consider investing in precious metals? (**h2**)

The decision to investment in precious metals in the end is a personal choice and knowledge of the markets. For the novice investor, it is all about confidence in the markets. The stronger the confidence – the more likely the novice investor will invest in precious metals. However, the seasoned investor will always invest in alternative forms of wealth to protect his interests and spread the risk.

*Adapted from: http://www.Metals and Minerals What Are Precious Metals.htm*

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