BOURSE AFRICA
AFRICAN MARKETS ▲ GLOBAL OPPORTUNITIES

THE AFRICAN HUB for
Risk Management, Trading, Investing and Capital Raising

GOLD

- Gold underpins the world's major currency systems
- The G20 nations are debating an even greater role for gold in a new world financial architecture
- Gold has provided an important store of wealth to diverse investors, from individuals to institutions, for centuries
- Around 60% of today's gold becomes jewellery, where India and China are at the forefront of consumption
- Gold production is increasingly shifting to developing countries.

The Bourse Africa Gold Contract

- Recent global economic crisis and high volatility of currencies has emphasized the significance of having efficient risk mitigation processes in place.
- Bourse Africa Gold Futures have been launched on October 18, 2010 with the objective of providing investors, jewelers, and producers with an effective hedging tool.
- Contracts will follow a bi monthly expiry cycle of February, April, June, August, October and December expiry months.

Benefits of hedging

- Protects business margins
- Enhances efficiency and competitiveness
- Mechanism to identify, measure, manage and monitor risk
- Reduces both risk and cost and results in better cash management
- Removes speculative element in the business by mitigating exchange rate risk

Why Invest in Gold?

- Diversification of an investor's portfolio
- To manage risk and preserve capital more effectively, especially in times of financial turmoil
- Hedge against Inflation - Purchasing power of many currencies has declined
- Hedge against wide fluctuation in currencies
- Risk Management - Less volatile than most commodities and many equity indices
- Demand & Supply - Production of gold is relatively inelastic while demand for gold has shown sustained growth

World Gold Demand

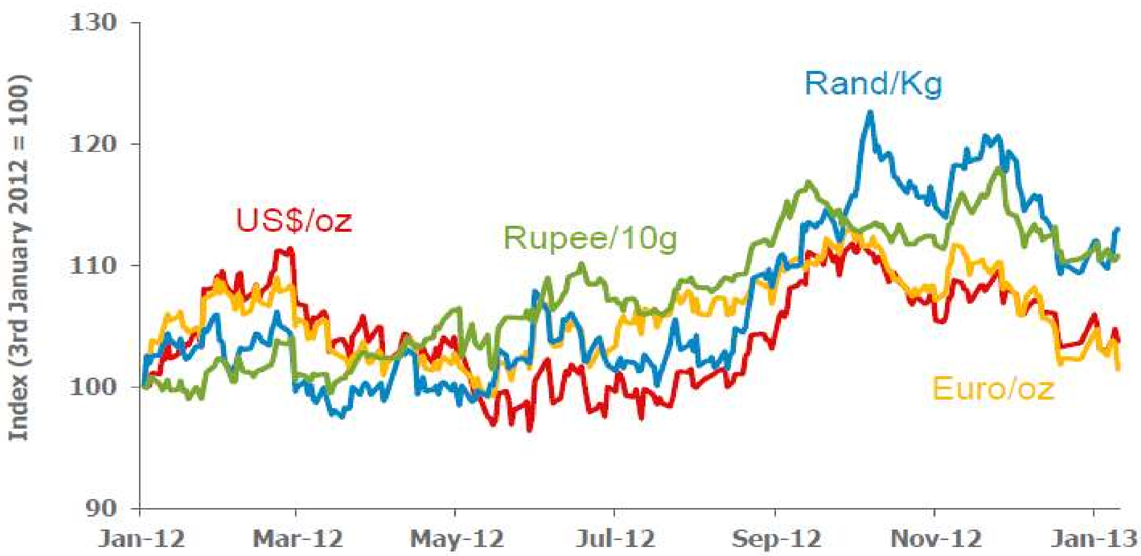
Particulars	Tonnes			Value (US $Million)		
	2010	2011	2012	2010	2011	2012
Jewellery	**2016.8**	**1972.9**	**1908.1**	**79399**	**99684**	**102384**
Technology	**465.6**	**452.7**	**428.2**	**18331**	**22875**	**22978**
Electronics	326	319.9	302.7	12836	16164	16241
Other Industrial	90.9	89.4	85.7	3579	4518	4597
Dentistry	48.7	43.4	39.9	1916	2192	2141
Investment	**1577.8**	**1686.4**	**1534.6**	**62117**	**85207**	**82346**
Bar & Coin demand	1210.1	1524.4	1255.6	47640	77020	67373
ETFs & similar products	367.7	162	279.0	14476	8187	14973
Official Sector Purchases	**77.3**	**456.4**	**534.6**	**3044**	**23061**	**28684**
	4137.5	**4568.4**	**4405.5**	**162890**	**230827**	**236393**

"Central banks" have moved from being net sellers of gold to net buyers
Official sector purchases across the world are now at their highest level for almost half a century.

Evolution of Gold Prices

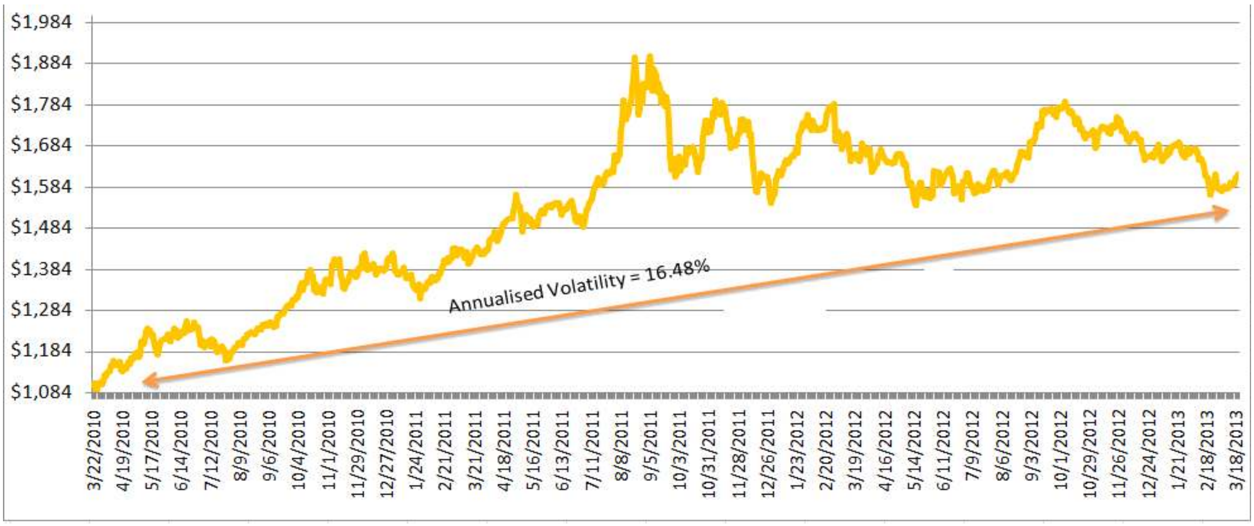
Source: Thomson Reuters GFMS

Evolution of Gold Prices



Source: Thomson Reuters GFMS

Evolution of Gold Prices



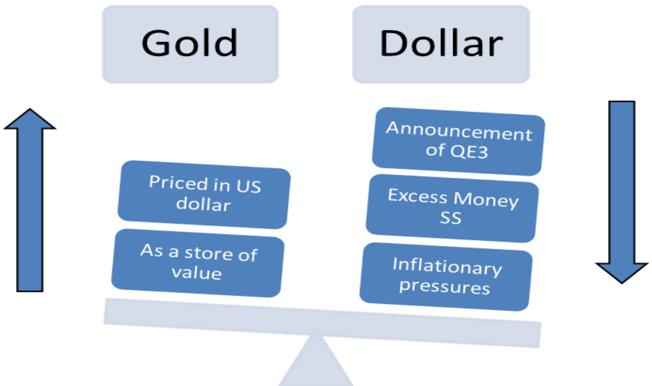
Source: Bloomberg

Note: Volatility calculation is for the period specified in the graph.

Market Observations

Inverse relationship between USD and Gold (2005-2012) : -0.55

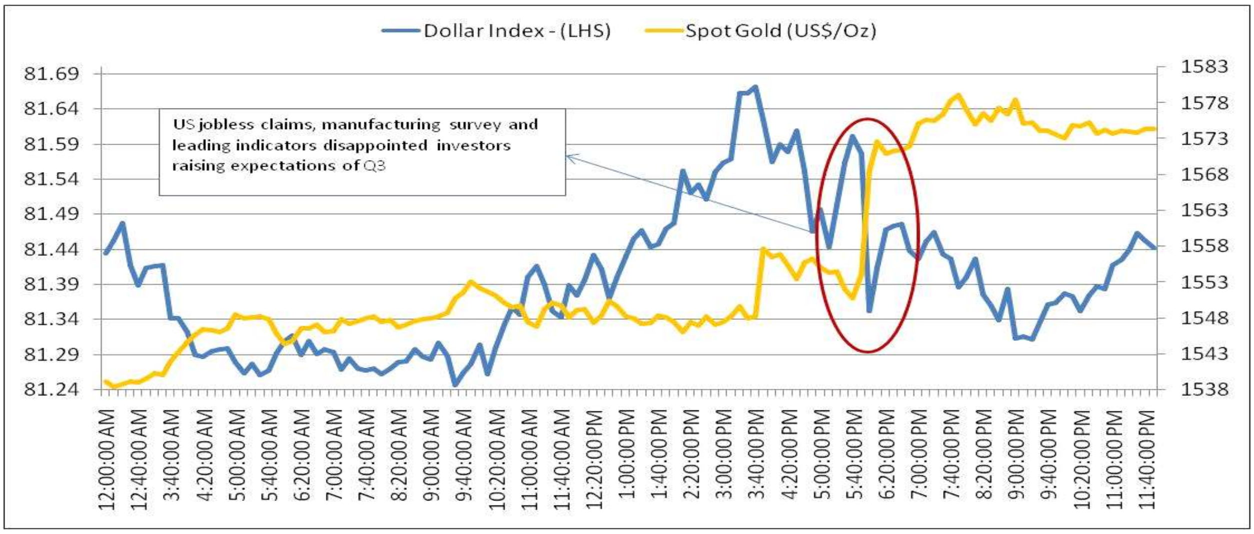
Explanation: Gold traded primarily in dollars – a weaker US Dollar makes gold cheaper for other nations to purchase and increases demand for gold – drives up the price.



Market Observations (Cont'd)

Intraday Price movements

7/05/2012



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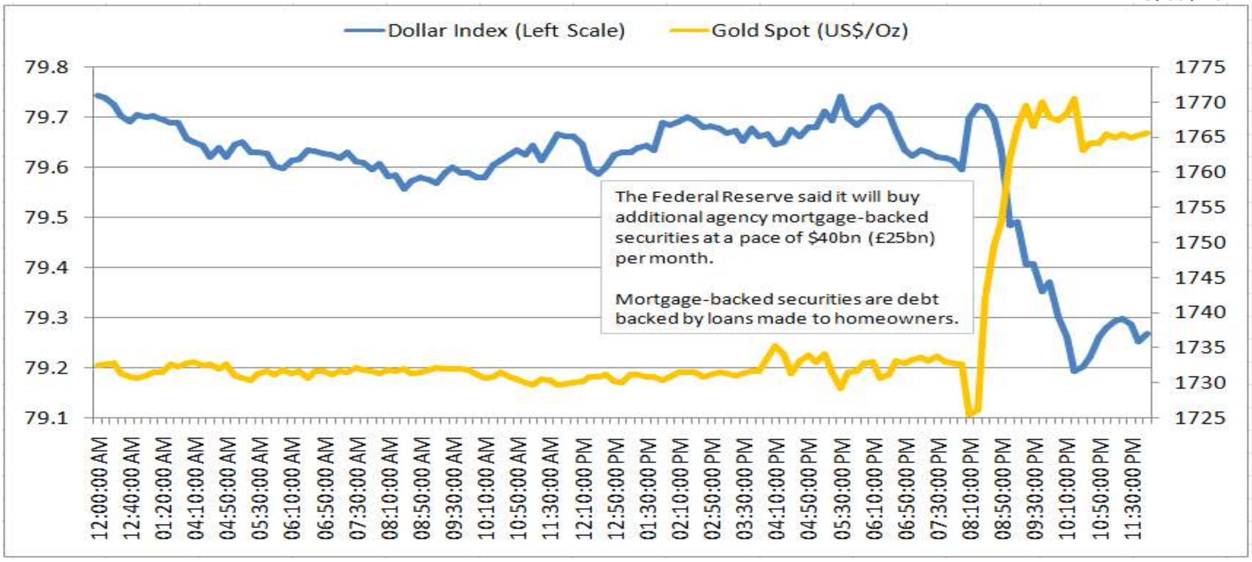
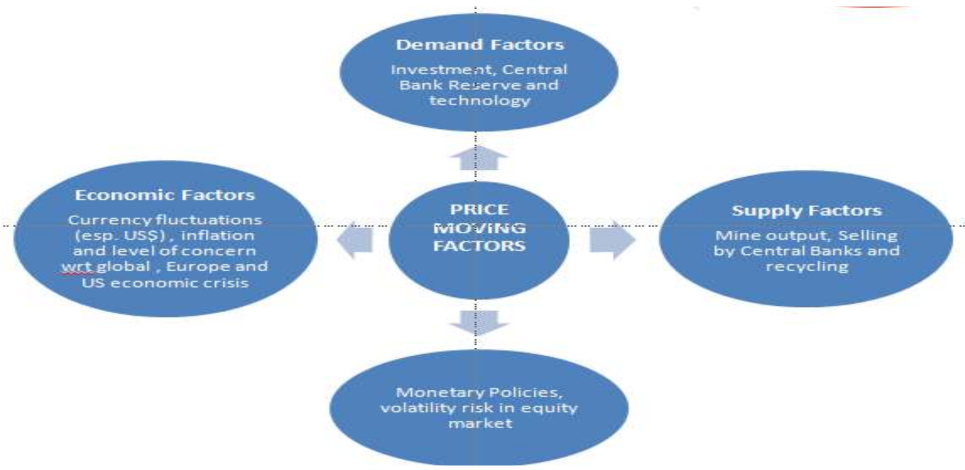


Source: Bloomberg (GMT+4)

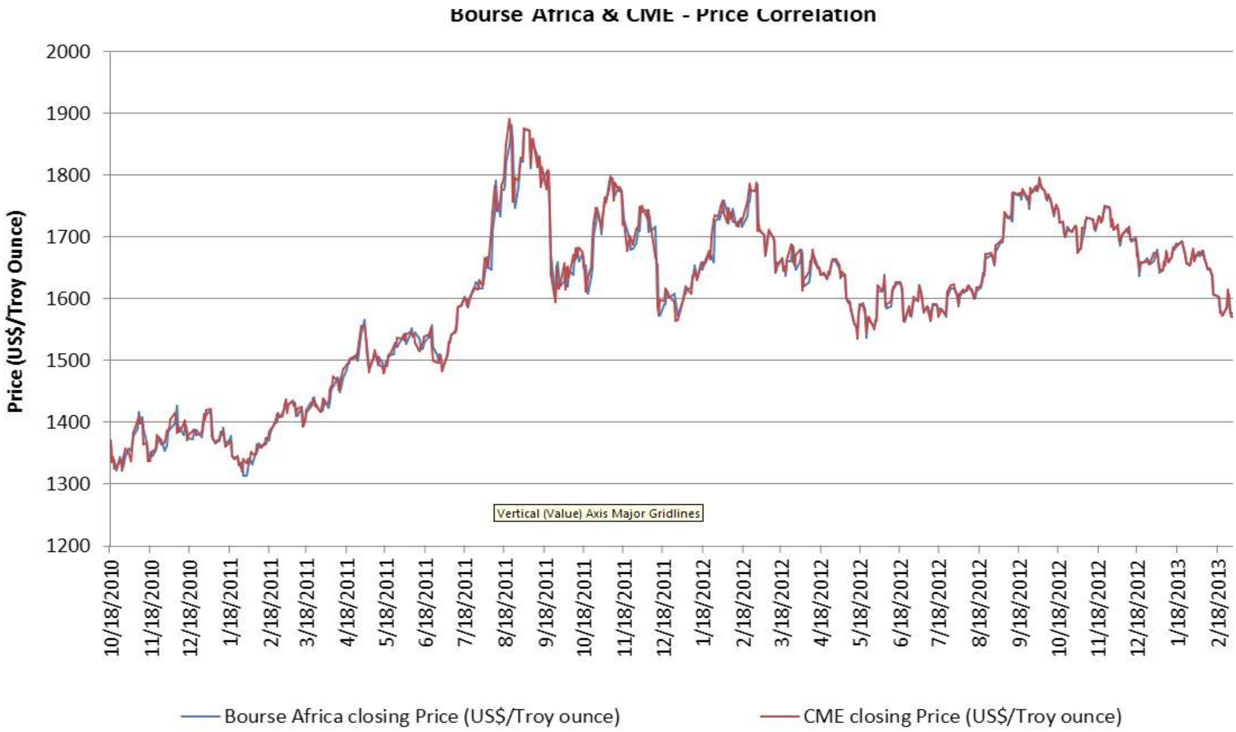
Factors Affecting The Price of Gold



Exchanges Offering Gold Futures

Exchange	Country	Size of Contract	Price Quotation	Tick Size
COMEX, CME	US	100 troy ounce	US $/troy ounce	$0.1/troy ounce
TOCOM	Japan	1 kg (32 troy ounce)	Japanese Yen per gram	JPY per gram
South African Futures Exchange	South Africa	10 troy ounce	ZAR/troy ounce	ZAR 1 per ounce
Bahrain FinancialExchange (BFX)	Bahrain	1 kg (32 troy ounce)	US$/troy ounce	$0.1/troy ounce
Dubai Gold & Commodities Exchange (DGCX)	Dubai	1 kg (32 troy ounce)	US$/troy ounce	$0.1/troy ounce
Singapore Mercantile Exchange (SMX)	Singapore	1 kg (32 troy ounce)	US$/troy ounce	$0.1/troy ounce
Bourse Africa	**Mauritius**	**1 kg (32 troy ounce)**	**US$/troy ounce**	**$0.1/troy ounce**
Multi-Commodity Exchange (MCX)	India	1 kg (32 troy ounce)	INR/10 gms	INR1/troy ounce

Bourse Africa - CME Gold Futures Price Correlation



Business Scenario

Consider the case of a Jewelry maker who is importing gold. Any increase in the price of gold increases his expenses. For instance, consider the jewelry maker to be importing 1kg of gold each during the months of May and June. At the current price of USD 1,600/Toz, he assumes procurement cost as USD 51,200 (1 kg i.e. 32 troy ounce * USD 1,600) in May and USD 51,200 in June as well. So his total expected expenses would be USD 102,400.

Any price risk that is not managed is a cost; any cost is a direct dent on profitability

Particulars	Spot Market (Without Hedging)	Futures Market (With Hedging)
Expected expenses in April for purchasesin May and June (Since market price of gold is US$1,600/ Toz in May)	May: US$ 51,200 June: US$ 51,200 Total = US$102,400 for May and June	
Actual expenses inMay Market Price = $ 1,600 per Troy Ounce	US$ 1,600 per troy ounce (1kg i.e. 32 Toz) = US$ 51,200	Buys 1 futures contract (32 troy ounce is the contract size) @US$ 1,600/ Toz = $51,200 (1*32*1,600)
Actual expenses inJune Suppose Market Price = $ 1,650 per troy ounce	US$ 1,650 per troy ounce =US$ 52,800	Sells the futures contract @ US$ 1,650/ Toz =$52,800 (1*32*1,650)
Total Amount spent	US$ 104,000 ($51,200+$52,800)	
	Losses from the expected expenses = $ 104,000 - $102,400 = US$1,600	**Profits from futures transaction** = $52,800 - $51,200 = $1,600

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