



# THE SA BULLION GOLD REPORT

Fourth Quarter 2020

**ANALYST** HILTON DAVIES

**DATE** 15 JANUARY 2021

**TABLE 1:** Gold Performance to 31 December 2020 (% per annum)<sup>1</sup>

	QUARTER <sup>2</sup>	1 YR	3 YR	5 YR	10 YR	SINCE 31/12/99
GOLD IN US DOLLAR	0.2	23.6	13.5	12.1	3.0	9.3
GOLD IN RAND	-13.3	28.7	19.9	11.2	11.6	14.0
GOLD IN EURO	-4.4	12.3	12.4	9.4	3.9	8.3

<sup>1</sup>Based on LBMA Gold Price (PM) note: previously known as LBMA PM Fix

<sup>2</sup>Not annualized for periods of less than one year

**TABLE 2:** Quarter-End Gold Prices and Exchange Rates<sup>1</sup>

	GOLD IN US\$/OZ	R/\$ RATE	GOLD IN R/OZ <sup>2</sup>	\$/€ RATE	GOLD IN €/OZ
31 DEC 2010	1,405.50	6.61	9,298.44	1.34	1,047.67
31 DEC 2011	1,531.00	8.07	12,360.37	1.30	1,179.37
31 DEC 2012	1,657.50	8.50	14,044.10	1.32	1,253.02
31 DEC 2013	1,204.50	10.28	12,385.67	1.38	873.14
31 DEC 2014	1,206.00	11.34	13,679.58	1.22	990.22
31 DEC 2015	1,068.25	15.26	16,298.82	1.09	979.48
31 DEC 2016	1,151.00	13.80	15,886.86	1.04	1,109.56
31 DEC 2017	1,291.00	12.46	16,085.83	1.19	1,080.44
31 DEC 2018	1,282.90	13.98	17,932.79	1.26	1,017.34
31 DEC 2019	1,527.10	14.11	21,539.75	1.12	1,366.91
31 DEC 2020	1,887.60	14.69	27,728.84	1.23	1,535.19

**NOTES**

① Gold prices in US\$ and € are LBMA Gold Price (PM).

② Gold price in Rand from Rand Refinery.

③ Previous quarter-end gold prices were \$1,883.95, R31,975.34 and €1,606.44

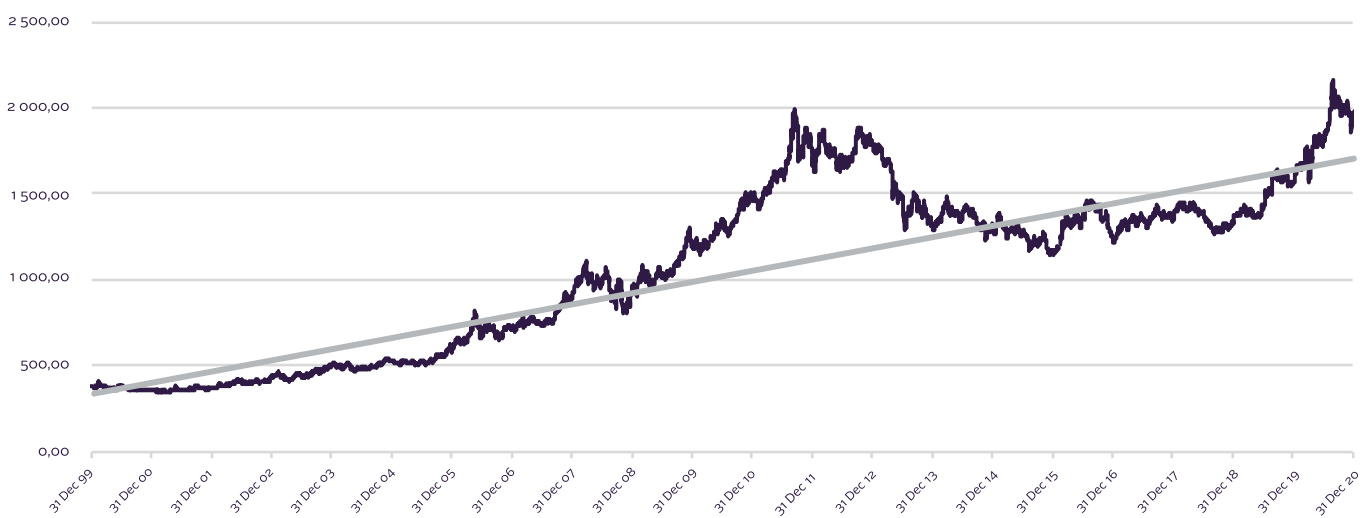
④ Gold prices as at 31 December 1999 were \$290.25, R1,785.04 and €289.09.



**TABLE 3:** Calendar Year Performance of Gold

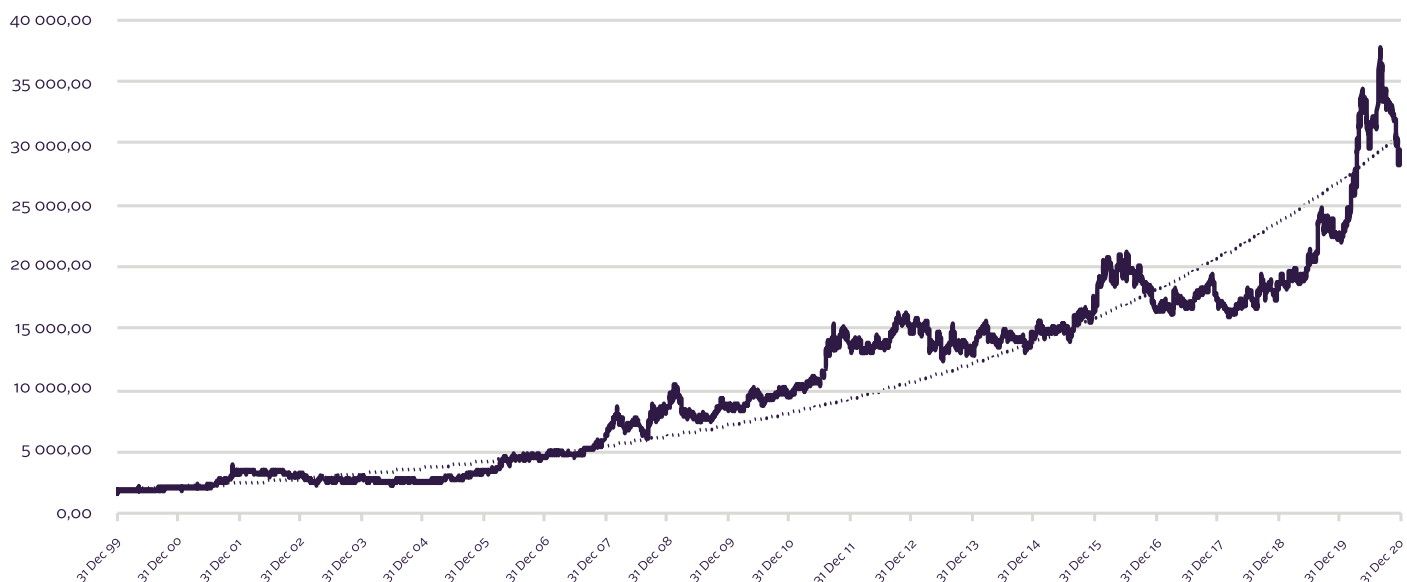
	% US DOLLAR	% ZA RAND	% EURO
2010	29.2	16.1	38.2
2011	8.9	33.0	12.6
2012	8.3	13.6	6.2
2013	-27.3	-11.8	-30.3
2014	0.1	10.4	13.4
2015	-11.4	19.1	-1.1
2016	7.7	-2.5	13.3
2017	12.2	1.3	-2.6
2018	-0.6	11.5	-5.8
2019	19.0	20.1	34.4
2020	23.6	28.7	12.3

**FIGURE 1:** 21st Century Chart of Gold Price in US Dollar (LBMA Gold Price (PM))





**FIGURE 2:** 21st Century Chart of Gold Price in ZA Rand (Rand Refinery First Pricing)



### GOLD PRICE ACTION

Gold in Dollar had a flat Fourth Quarter of 2020, with a V-shaped dip and recovery in late-November and early-December. Due to significant Rand strengthening in the quarter, Gold in Rand performed very poorly at -13.3%.

Gold had a huge up-year in 2020. In Dollar the appreciation was 23.6% and in Rand it was 28.7%. In Euro the appreciation was less dramatic due to Euro appreciation. Gold in Euro was up 12.3% in 2020.

The longer-term picture of gold as contained in the above data tables has been excellent over virtually any period and in virtually any currency.

In the 21 years since the turn of the century Dollar Gold has gone from \$290 to \$1,887; Rand Gold has gone from R1,800 to R27,728; Euro Gold has gone from €289 to €1,535. Gold has been an outstanding hard currency in addition to being an excellent risk diversifier. These price appreciations converted to compound annualized growth rates are computed to be 9.3% p.a. in USD, 14.0% p.a. in ZAR, and 8.3% p.a. in Euro. Gold-owners can be well-satisfied with their investment.

### DEMOCRACY AND PROSPERITY

“The most reliable means to a good life for ordinary people remains the presence of institutional incentives in the form of dependence on a big coalition that compels power-seeking politicians to govern for the people. Democracy, especially with little or no organized bloc voting, aligns incentives such that politicians can best serve their own self-interest, especially their interest in staying in office, by promoting the welfare of a large proportion of the people. That, we believe, is why most democracies are prosperous, stable and secure places to live.”

- **The Dictator’s Handbook** by Bruce Bueno de Mesquita and Alastair Smith.



Prosperous countries do not evolve into democracies. It is democratic political systems that enable countries to become prosperous.

This is a general rule and it is a good rule, but similarly to a good medicine, it will work most of the time, but not all of the time.

Democracies become prosperous because the leader's coalition (all those voters that got him or her into power) is so large that it is not possible to buy loyalty through private rewards and so the emphasis is to spend money on general welfare as the best means to reward coalition supporters. Conversely, dictators look after only a few individuals – the ruling elite.

Democracy is usually the best political system for that vast majority of people who are not in the ruling class. In democracies the majority become unshackled and able to thrive without the constraints of bribery, corruption and fickle dictators. But democracy does not come easily, and it takes a huge amount of effort to protect and maintain. It is extremely difficult to establish, it is immensely valuable, and it is terribly fragile.

In the four years that Donald Trump has been president of the most powerful democracy on Earth he has done untold damage to the political system. Furthermore, he has caused untold damage to innumerable democracies around the world (e.g. Britain, France, Hungary, Brazil, Mexico, the European Union) and he has sent out a strong message of support to dictators around the world (e.g. Putin, MBS, Kim Jung-un).

The nature of a political system does not guarantee outcomes. A democratic system does not guarantee a good government and a prosperous nation. South Africa illustrates this point well. And a dictatorial system does not guarantee a bad government and an impoverished nation. Singapore under the dictatorship of Lee Kuan Yew illustrates this point well. The quality of the leaders is as important as the nature of the political systems. Character matters.

The election of a liar, a cheat, a sexual scandalizer – was unlikely to bode well for America. As it was in South Africa with Jacob Zuma. These two men are of extremely meagre moral quality and that they would both cause staggering damage comes as no surprise to us.

America is sick and it is broken. And the world and its people are much poorer for the reign of Trump. But it could so easily have been much, much worse.

Trump and Zuma illustrate the point - there is every reason in the world to have some of your savings in physical gold bullion, and preferably outside of your national borders.

We thank you for your patronage in 2020 and wish you health and happiness in 2021.

HILTON DAVIES  
15 January 2021