

MEDIA ALERT

February 01, 2010

RESEARCH LINKS GLOBAL MONEY SUPPLY AND FUTURE INFLATION EXPECTATIONS TO GOLD PRICE

The gold price has a positive correlation with money supply growth, according to a new empirical study produced by the World Gold Council, a fact that is extremely pertinent in today's environment of elevated money supply growth. Moreover, money supply growth tends to precede gold price increases by 6 to 9 months. The paper, released today, also shows that a surge in the price of gold is an advance signal of higher velocity of money and, consequently, future inflation pressures.

The findings of the paper, *Linking Global Money Supply to Gold and Gold to Future Inflation*, suggest that investors may be justified in their concerns that quantitative easing measures will lead to an increase in the velocity of money and in turn inflation, given the correlations observed with increments in the gold price.

Juan Carlos Artigas, Investment Research Manager for World Gold Council and author of the study, commented:

"Many investors are concerned that the strategies put in place by central banks across the globe to reactivate the world economy and steer it away from a prolonged recession will ultimately result in inflationary pressures. Our research shows that these concerns are well founded.

"We set out to understand the relationship that movements in the gold price have to inflation and the impact that money supply has on the performance of gold in a global context.

"As well as observing a correlation to the price of gold in both money supply and the velocity of money supply, we found that changes in the US money supply do not solely explain the changes in the price of gold. On the contrary, gold is impacted by many factors world-wide and as such, money supply changes in places like India, Europe, and Turkey also have an effect on its performance. In this sense, gold can be viewed as an indicator of global future inflation."

The full research paper, ***Linking Global Money Supply to Gold and Gold to Future Inflation***, can be accessed at

http://www.gold.org/assets/file/rs_archive/money_supply_paper_jan10.pdf

To discuss the findings further, or for an interview with Juan Carlos Artigas at World Gold Council, please call Claire Aslett on 020 7307 5307 or email claire.aslett@capitalmsl.com

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Notes to Editors:

WORLD GOLD COUNCIL

World Gold Council

World Gold Council's mission is to stimulate and sustain the demand for gold and to create enduring value for its stakeholders. It is funded by the world's leading gold mining companies. For further information visit www.gold.org.

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