

An Historical Review of the LBMA's Precious Metals Forecast Survey

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Can you recall the momentous events of 1997? If you are struggling, let me jog your memory. Tony Blair wins a landslide victory at the General Election bringing to end 18 years of Conservative power. The UK transfers sovereignty of Hong Kong, the largest remaining British colony, to the People's Republic of China. The IRA declares a ceasefire in Northern Ireland. Diana, Princess of Wales, dies in a car crash in Paris. Bill Clinton is relected as US president. But these events are a mere sideshow to the most momentous event of 1997 - the launch of the LBMA's Annual Precious Metals Forecast Survey.

The Survey began life as an *Alchemist* article in 1997. A dozen participants contributed trading range forecasts for gold and seven for silver, as well as providing their thoughts on general market trends for the year ahead. With the pm gold price starting the year at \$366.55 analysts predicted that gold would trade during 1997 in the range \$330-\$405. The average price for the year out turned at the bottom end of the range at \$331.3, down 9% on the year. For silver, with the price starting 1997 at \$4.77, analysts forecast that the price would be in the range, \$3.80 to \$5.00. The actual average price for 2007 out turned towards the top of the range at \$4.89, marginally up on the year.

Among the first contributors were Andy Smith (then of UBS), Ted Arnold (Merrill Lynch & Co), Serge Topolanski (Societe Generale), Tom Griffo (Cargill Investors Services Inc.) and Rhona O'Connell (T. Hoare & Co Ltd). And the Survey was truly international with contributors located in New York, Hong Kong, Tokyo, Sydney, Johannesburg and closer to home, Paris, Zurich and London. The international dimension to the Survey continues to this day even if the contributors have changed. Rhona is the only person from the original group of analysts who is still contributing.

For the 1998 Forecast Survey, the arrangements became more formalised. In addition to providing a forecast high and low in each metal for the year ahead, contributors were asked to provide an average forecast price for each metal. For the first time, a 1 oz gold bar was awarded to the contributor whose average came the closest to the actual average price for both gold and silver. In the event of a tie, the forecast trading range was taken into account. These rules continue to apply today.

In 1999 with the survey growing in size and popularity, it divorced from the *Alchemist* and became a separate publication. That year the number of contributors swelled to two dozen contributors in gold and 20 in silver. Since then, the number of contributors has continued to grow. For the latest 2014 Survey, there were 28

analysts contributing to gold and 25 to silver. In 2002, the Survey was extended to include two more precious metals, platinum and palladium. So contributors now had twice as much chance of winning a prize (or twice as little chance,

depending on how you look at it). Since 1998, there have been a total of 56 prizes awarded to 31 different analysts.

There have been six analysts who have each won two prizes in the same year. Matthew Turner began the trend in 2004, securing the first prize for gold and palladium. He was followed by Ross Norman in 2007 (silver and platinum); Bob Takai in 2008 (silver and palladium); Philip Klapwijk in 2009 (gold and silver); Rohit Savant in 2011 (platinum and palladium) and most recently Rene Hochreiter in 2013 (gold and silver).

The LBMA's Public Affairs Committee is responsible for carefully considering all applications to contribute to the Survey. The decision whether to approve an application is

Table 1: The Precious Metals Premiership Table, 1998 to 2013

		Total number of forecast contributions (a)	1st	2nd	3rd	TOTAL
1	Norman, Ross	48	5	4	3	26
2	Klapwijk, Philip	52	5	2	3	22
3	Hochreiter, Rene	36	5	2	1	20
4	Panizzutti, Frederic	48	3	1	5	16
5	Takai, Bob	48	4	0	1	13
6	Kendall, Tom	24	3	0	2	11
6	Reade, John	27	1	3	2	11
6	Smith, Andy	24	2	2	1	11
9	Steel, James	28	1	3	1	10
9	Stevens, Glyn	18	2	1	2	10
11	Turner, Matthew	34	3	-	-	9
12	Hawkes, Neil	15	2	1	-	8
12	Holmes, David	12	2	1	-	8
14	Lasserre, Frederic	12	1	2	-	7
14	Savant, Rohit	12	2	-	1	7
14	Williamson, Alan	20	1	1	2	7
17	Jollie, David Dr	12	1	1	1	6
17	Nagao, Eddie	8	-	3	-	6
17	Naqvi, Kamal	22	-	2	2	6
20	Aubertin, Philip	4	1	1	-	5
20	Briggs, Stephen	24	1	1	-	5
20	Fertig, Peter	20	1	1	-	5
20	Graf, Adam	12	1	1	-	5
20	Rhodes, Jeffrey	28	1	1	-	5
20	Zumpfe, Alexander	16	-	2	1	5
26	Arnold, Ted	8	-	1	2	4
26	Bahr, Robin	20	1	-	1	4
26	Christian, Jeffrey	40	1	-	1	4
26	Firman, Carl	8	-	1	2	4
26	McCaffrey, Helen	6	-	2	-	4
26	Proettel, Thorsten	8	1	-	1	4
26	Tully, Edel	28	1	-	1	4
26	Widmer, Michael	8	-	1	2	4

(a) The number of forecasts is based on the following. Between 1998 and 2001, forecasters could only submit forecasts for gold and silver. After 2002, they could submit forecasts for platinum and palladium too. Most contributors submit forecasts for all metals, although some submit for only one or a combination thereof. Some contributors sometimes intermittently change from submitting forecasts for all metals to forecasting one or two. When moving between jobs, some analysts stopped contributing for a year and then started again. Those shaded no longer contribute to the Survey.

based on a combination of the relevant expertise, the analytical and forecasting ability of the individual concerned, as well as the reputation and standing of the institution that they represent. Such an application process ensures the continued integrity of the Forecast Survey as one of the most prestigious Surveys in the precious metals market.

Table 1 is based on a scoring system that takes into account first, second and third place finishes in each of the four metal categories between 1998 and 2013. Three points have been awarded to the winner, two points for runners up and one point for finishing third. This is certainly fairer than simply concentrating on the number of 'wins' as there are several contributors who have lost out on the winning prize by the narrowest of margins in recent years. Based on this scoring system, 64 contributors have earned at least one point, although owing to space constraints only those contributors who have scored four points or more feature in the table. Those contributors who appear as shaded in the Table no longer contribute to the Survey.

Top of the pile is Ross Norman, closely pursued by Philip Klapwijk and Rene Hochreiter, each of them having won an impressive five 1 oz gold bars. But Ross is out in front by virtue of more 2nd and 3rd place finishes. In an exciting fight for the top spot, this is the precious metal market's equivalent of the English football Premiership where three clubs, Arsenal, Manchester City and Chelsea are currently vying for top spot.

It will certainly be interesting to see who fares best in the 2014 Survey. The average gold price that forecasters have predicted is \$1,219. Ross is the only one of the top three to expect the price to be higher, going with a forecast of \$1,274. Both Rene and Philip are more conservative, with bearish predictions of \$1,150 and \$1,176 respectively. Indeed, they have all adopted a similar stance with their forecasts for the other three metals. Only time will tell whether the relatively bullish forecasts of Ross will help him cement his position at the top of the table or whether the chasing pack will close down his lead.

They say that there are "*lies, damn lies and statistics*", so perhaps I should add some caveats. It is worth noting that some analysts have contributed more forecasts than others. It is therefore not surprising that the top places in the table are dominated by long-standing contributors, which makes the performance of relative newcomers such as Rene Hochreiter (3rd), Tom Kendall (joint 6th) and James Steel (joint 9th) worthy of particular attention. It is certainly possible that they would be even higher up the table had they participated in more surveys. This comment equally applies to other contributors, in particular John Reade and Andy Smith, who both lie in joint 6th place, despite not having contributed to the survey in recent years. Perhaps they should start doing so again! Others worthy of particular mention are Phil Aubertin in 20th place despite having only participated in one survey. In 2010, Phil managed to win the gold prize and finish second for platinum. Adjusting the scores to show the

number of points per forecast would see Phil out in front by some way (more on that later). A mention should also go to Glyn Stevens who lies joint ninth place in the table despite only providing forecasts for two metals (platinum and palladium).

Interpretation of the results is very subjective and the scoring could be manipulated in many different ways to take into account any number of other factors but basing the placings on points earned from the top three placings is certainly a simple and reasonably fair approach. An alternative approach would be to show the points earned relative to the number of forecasts that each analyst has participated in. Table 2 shows how many points contributors have scored (based on the scoring mechanism in Table 1) per forecast contribution. Not surprisingly, Phil Aubertin comes out on top having earned 5 points from the four forecast contributions in 2010, earning him an average score of 1.25 per forecast contribution. Unlike Table 1, the top of the table shows a bias towards those who have participated in relatively few Surveys, so it could be argued that there is a bias from such a small data sample. Of those who featured at the top of

Table 1, Rene Hochreiter and Ross Norman also feature in the top 10 on the adjusted ratings. The bottom half is dominated by those who have been frequent contributors. And talking of which, if you are in the bottom half of the table, don't forget there are many more contributors who did not even make it onto the table as they had scored 3 points or less (some none at all but they will remain nameless!).

The best of luck to all participants in the 2014 Precious Metals Forecast Survey and particularly to Jonathan Butler, Carsten Fritsch, Sonia Hellwig, Nikos Kavalis, Mitul Kotecha and Edward Mier who are all contributing to the Survey for the first time. Let's hope they can pick up some points and make it onto the table next year.

The results of the 2013 Survey and a preview of the 2014 Survey can be found on page 17. And watch out for the next edition of the *Alchemist* as I will be undertaking a historical review comparing how contributors' forecasts stack up against the actual price outturns.

Table 2: Points per forecast contribution, 1998 to 2013

		Total number of forecast contributions (b)	1st	2nd	3rd	TOTAL	Points per forecast
1	Aubertin, Philip	4	1	1	-	5	1.25
2	Nagao, Eddie	8	-	3	-	6	0.75
3	Holmes, David	12	2	1	-	8	0.67
3	McCaffrey, Helen	6	-	2	-	4	0.67
5	Lasserre, Frederic	12	1	2	-	7	0.58
5	Savant, Rohit	12	2	-	1	7	0.58
7	Hochreiter, Rene	36	5	2	1	20	0.56
7	Stevens, Glyn	18	2	1	2	10	0.56
9	Norman, Ross	48	5	4	3	26	0.54
10	Hawkes, Neil	15	2	1	-	8	0.53
11	Arnold, Ted	8	-	1	2	4	0.50
11	Firman, Carl	8	-	1	2	4	0.50
11	Jollie, David Dr	12	1	1	1	6	0.50
11	Proettel, Thorsten	8	1	-	1	4	0.50
11	Widmer, Michael	8	-	1	2	4	0.50
16	Kendall, Tom	24	3	0	2	11	0.46
16	Smith, Andy	24	2	2	1	11	0.46
18	Klapwijk, Philip	52	5	2	3	22	0.42
18	Graf, Adam	12	1	1	-	5	0.42
20	Reade, John	27	1	3	2	11	0.41
21	Steel, James	28	1	3	1	10	0.36
22	Williamson, Alan	20	1	1	2	7	0.35
23	Panizzutti, Frederic	48	3	1	5	16	0.33
24	Zumpfe, Alexander	16	-	2	1	5	0.31
25	Naqvi, Kamal	22	-	2	2	6	0.27
25	Takai, Bob	48	4	0	1	13	0.27
27	Turner, Matthew	34	3	-	-	9	0.26
28	Fertig, Peter	20	1	1	-	5	0.25
29	Briggs, Stephen	24	1	1	-	5	0.21
30	Bahr, Robin	20	1	-	1	4	0.20
31	Rhodes, Jeffrey	28	1	1	-	5	0.18
32	Tully, Edel	28	1	-	1	4	0.14
33	Christian, Jeffrey	40	1	-	1	4	0.10

(b) The number of forecasts is based on the following. Between 1998 and 2001, forecasters could only submit forecasts for gold and silver. After 2002, they could submit forecasts for platinum and palladium too. Most contributors submit forecasts for all metals, although some submit for only one or a combination thereof. Some contributors sometimes intermittently change from submitting a forecast for all metals to forecasting one or two. When moving between jobs, some analysts stopped contributing for a year and then started again. Those shaded either ceased contributing in recent years.