

**021111-GCR Q&A with Mark O'Byrne, director of GoldCore**

13:47:19 [Amanda Cooper](#) thomsonreuters.com

**Coming up at 1400 GMT today:** we welcome Mark O'Byrne, director of GoldCore into the gold forum for a Q&A on the state of the market and the outlook for investor demand for gold. We will open the floor for questions so feel free to either post them in the forum or send them to me once the chat is underway!

14:01:18 [Mark Obyrne](#) goldcore.com

Hi Amanda

14:01:37 [Amanda Cooper](#) thomsonreuters.com

Hi Mark! And welcome to the gold forum! Thank you for joining us today.

14:02:05 [Mark Obyrne](#) goldcore.com

Pleasure amanda. Thanks for having me

14:02:08 [Amanda Cooper](#) thomsonreuters.com

To start off, for anyone not familiar with Goldcore, would you mind explaining briefly what the company does and a bit about its dual role?

14:02:50 [Mark Obyrne](#) goldcore.com

GoldCore are international bullion dealers with clients in over 60 countries

14:03:35 [Amanda Cooper](#) thomsonreuters.com

Is your customer base predominantly retail or do you have some institutional clients as well?

14:03:57 [Mark Obyrne](#) goldcore.com

We specialise in physical bullion for investment purposes and offer coins, bars and government certificates to our client base who range from retail investors to financial advisers to high net worth individuals

14:05:05 [Mark Obyrne](#) goldcore.com

We are an unusual hybrid of a company in that we are also wealth managers and run a family office for HNW clients

14:05:41 [Amanda Cooper](#) thomsonreuters.com

Excellent, thanks! With the decline in the gold price from September's record highs, there has been a lot of discussion in the market about the role of the retail consumer and the desire for a safe store of value, especially as the euro zone crisis has ramped up again. What sort of coin/bar demand have you seen since the end of the summer? And is there a preference for gold in any particular form?

14:05:49 [Mark Obyrne](#) goldcore.com

We offer a fee based genuinely passive investment offering to clients through institutional funds

14:07:25 [Mark Obyrne](#) goldcore.com

Normally bullion sales are quite correlated with the gold price. Meaning that we tend to have buyers buying as the price moves up and unfortunately many investors (especially retail) tend to buy near intermediate price tops.

14:08:08 [Mark Obyrne](#) goldcore.com

This was seen in recent months when we, and bullion dealers internationally witnessed very high demand as prices surged over \$1800 and then above \$1900

14:09:02 [Mark Obyrne](#) goldcore.com

Then once prices drop there tends to be a marked reluctance for buyers to re enter the marketplace - and retail investors in particular tend to always wait until prices have moved back up again and have sometimes even reached the intermediate price high

14:09:37	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Have you seen demand from any particular country or region? The Germans have been big buyers of coins/bars in the past year two, has there been a repeat of that?
14:09:44	<a href="#">Mark Obyrne</a>	goldcore.com	this has changed somewhat in the most recent correction and we have seen more buying on this dip then on previous dips since the bull market commenced
14:10:46	<a href="#">Mark Obyrne</a>	goldcore.com	some retail investors may be becoming more savvy with regard to timing the market and emulating HNW clients who tend to be more adept at buying on dips
14:11:37	<a href="#">Amanda Cooper</a>	thomsonreuters.com	To what extent does this have to do with the situation in Europe? Is there an element of safe-haven buying there, be it among retail or the HNW players?
14:11:45	<a href="#">Mark Obyrne</a>	goldcore.com	We are seeing broad based demand. Our primary market place is the UK and Ireland and demand has remained robust even after the recent price falls
14:12:28	<a href="#">Mark Obyrne</a>	goldcore.com	we have also seen an increase in demand from peripheral Euro countries such as Greece - which is understandable given the macro challenges facing them
14:12:44	<a href="#">Mark Obyrne</a>	goldcore.com	Yes exactly
14:14:22	<a href="#">Mark Obyrne</a>	goldcore.com	the situation in Europe and the unfortunate increase in uncertainty after the Greek referendum decision is leading to demand picking up sooner than is usual after severe price falls/ corrections.
14:14:45	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Is the motivation to buy gold stemming from concern about the value of fiat currencies, inflation or the basic desire to have something tangible under the mattress?
14:15:07	<a href="#">Mark Obyrne</a>	goldcore.com	safe-haven buying is the primary driver of demand there, among both retail and HNW investors and store of wealth buyers
14:15:20	<a href="#">Mark Obyrne</a>	goldcore.com	Good question
14:17:04	<a href="#">Mark Obyrne</a>	goldcore.com	it is a combination of all three - sovereign debt and financial / banking system risk is leading to continuing concerns of contagion. the CB policy response is to inflate which is leading to concerns about whether fiat currencies will preserve their purchasing power (they have tended not to throughout history)
14:18:59	<a href="#">Mark Obyrne</a>	goldcore.com	the 'under the mattress' motivation is there for a minority (but growing one) of buyers who are concerned about the financial system and systemic risk and about what Paul Krugan called a "gigantic bank run" or "Emergency Bank Closing"
14:19:18	<a href="#">Amanda Cooper</a>	thomsonreuters.com	With that in mind, are you surprised not to see the gold price higher than it is, given where it was in September?
14:19:34	<a href="#">Mark Obyrne</a>	goldcore.com	some buyers are aware of the 'bank holidays' that took place in Argentina and Russia and want insurance against a worst case scenario
14:20:22	<a href="#">Mark Obyrne</a>	goldcore.com	some HNW clients have similar concerns and they opt for allocated storage - with Zurich being a favoured destination for bullion storage
14:20:31	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Or Northern Rock and what could have happened, if

14:21:17 [Amanda Cooper](#) thomsonreuters.com you cast your mind back a couple of years  
On the allocated storage, my understanding is that most ETFs are backed by unallocated bars. Is this one of the reasons for Goldcore holding physical gold rather than via ETPs?

14:21:47 [Mark Obyrne](#) goldcore.com yes, the concern is now that there are potentially many 'Northern Rocks' out there and the sovereign governments in France, Italy etc may not be in a position to bail out these institutions

14:22:21 [Mark Obyrne](#) goldcore.com Yes that is part of the reason

14:24:51 [Amanda Cooper](#) thomsonreuters.com Hopefully you can all access this but here is a graphic on the collective exposure of the banks of the major European economies to the debt of their neighbours:  
<http://link.reuters.com/qux33s>  
[Counter party risk in the ETFs is quite high - with e...](#)

14:25:41 [Mark Obyrne](#) goldcore.com

14:26:20 [Mark Obyrne](#) goldcore.com

14:26:48 [Mark Obyrne](#) goldcore.com think my response was too long  
we like ETFs as investments but not as crisis/financial insurance

14:27:09 [Amanda Cooper](#) thomsonreuters.com

14:27:41 [Mark Obyrne](#) goldcore.com Ah you can adjust that. So with the issue of counterparty risk in mind, you were saying that the actual gold bars with a serial number in your name are the best way to own bullion.  
Also in our diversified portfolios we advocate a 5% to 10% allocation to gold. We found that the 40 bps cost of owning the ETF is quite costly when compounded over 10, 20 years.

14:28:16 [Mark Obyrne](#) goldcore.com PMCP has no ongoing storage or admin charges which makes it very cost effective for long term diversifiers

14:28:30 [Amanda Cooper](#) thomsonreuters.com Ah that was my next question! have you considered increasing the allocation that you have on the wealth management side? And if so, when and by how much?

14:29:08 [Mark Obyrne](#) goldcore.com Exactly, allocated with serial numbers and legal title or "en bailment" is very important - especially in these uncertain times

14:30:00 [Mark Obyrne](#) goldcore.com Can I share our Market Update from Today - it looks at what Krugman wrote in NYT yesterday and think it is very pertinent to our discussion on counter party and systemic risk

14:30:28 [Amanda Cooper](#) thomsonreuters.com Of course! You can either post a link into the forum or send it as an attachment by pressing the paper clip icon above the window you type in.

14:30:53 [Amanda Cooper](#) thomsonreuters.com Meanwhile, if it's okay Mark, let's see if anyone has any questions? If so, either post here in the forum or, if you prefer, send them along to me

14:31:31 [Mark Obyrne](#) goldcore.com We have an Investment Committee that meets frequently to analyse and discuss issues (primary focus is on asset allocation but we also now look at counter party risk . . .

14:33:31 [Mark Obyrne](#) goldcore.com We have outside independent people on our INV

COM to ensure there is no groupthink of conflicts of interest - Dr Constantin Gurdgiev is on the INV COM - he is one of the leading financial economists in Ireland and we continually review asset allocations etc

14:34:17 Mark Obyrne goldcore.com At the moment our portfolios all have an allocation of 5%. given the degree of macro risk in the world we are considering increasing that to 10%

14:34:18 Amanda Cooper thomsonreuters.com Is there a feeling that allocation could change given the current environment?

14:34:43 Amanda Cooper thomsonreuters.com I spoke too soon! When would you look to change that allocation?

14:34:55 Mark Obyrne goldcore.com however, we need to have academic research to do that as we believe in using data and empirical research to guide us re asset allocation.

14:35:22 Mark Obyrne goldcore.com the data back to 1971 clearly shows gold is a safe haven asset and a hedging instrument

14:36:34 Amanda Cooper thomsonreuters.com Even if its stubbornly refusing to behave like one right now!

14:37:04 Mark Obyrne goldcore.com Numerous academic studies have shown this including a recent one by Dr Brian Lucey and Dr Constantin Gurdgiev.

14:37:24 Mark Obyrne goldcore.com They recently completed an academic paper on gold which was presented in November at a conference hosted by the Bank for International Settlements, the ECB and the World Bank. Quite an achievement for two academics. Their excellent research paper entitled 'Hedges and Safe Havens - An Examination of Stocks, Bonds, Oil, Gold and the Dollar' clearly shows gold's importance as a long term diversification due to gold's "unique properties as simultaneously a hedge instrument and a safe haven.

14:37:46 Mark Obyrne goldcore.com cannot keep up with you Amanda !

14:38:05 Mark Obyrne goldcore.com here is our Market Update today : [http://www.goldcore.com/goldcore\\_blog/krugman-warns-%E2%80%9Cgigantic-bank-run%E2%80%9D-%E2%80%9Cemergency-bank-closing%E2%80%9D-and-%E2%80%9Cnew-lira%E2%80%9D](http://www.goldcore.com/goldcore_blog/krugman-warns-%E2%80%9Cgigantic-bank-run%E2%80%9D-%E2%80%9Cemergency-bank-closing%E2%80%9D-and-%E2%80%9Cnew-lira%E2%80%9D)

14:38:36 Amanda Cooper thomsonreuters.com I seem to remember one quite recently by Oxford Economics for the World Gold Council in which they said a 5 pct allocation to gold in a portfolio would provide a hedge against rising inflation expectations.

14:39:05 Mark Obyrne goldcore.com Yes in the short term the inverse correlation gold has with equities can break down . . .

14:39:57 Amanda Cooper thomsonreuters.com As we've seen recently, the correlation between gold and European equities reached its most positive last week in more than five months.

14:40:00 Mark Obyrne goldcore.com we have seen this many times since the bull market commenced in 1999/2000 . . . but over the long term there is an inverse correlation between gold and financial or paper assets

14:41:00	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Before we wrap up, a final question if I may! Where will gold be by the end of Q4?
14:42:26	<a href="#">Mark Obyrne</a>	goldcore.com	yes gold can act like a risk asset and often does in the short term. hedge funds and institutions trading gold rather than buying physical can often liquidate en masse and go to cash - calling gold to fall along with equities however this is a short term phenomenon and it important for investors to focus on long term - and let speculators/ traders focus on short term
14:43:20	<a href="#">Mark Obyrne</a>	goldcore.com	The Oxford Economics research paper for the World Gold Council was very good and yes think they recommended 5% to 7% as being an optimal allocation in a properly diversified portfolio.
14:44:04	<a href="#">Mark Obyrne</a>	goldcore.com	
14:44:33	<a href="#">Mark Obyrne</a>	goldcore.com	Ah the 'crystal ball' question we continuously try to avoid price predictions and prefer to focus on gold's value rather than its price . .
14:45:11	<a href="#">Amanda Cooper</a>	thomsonreuters.com	
14:45:46	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Ah worth a try... Mark thank you so much for your time this afternoon and all your insight into how consumers are viewing gold right now, their buying patterns and your thoughts on its safe-haven label.
14:46:12	<a href="#">Mark Obyrne</a>	goldcore.com	however if a gun is put to my head I would say that it is quite possible that gold is back above the record nominal high of \$1,915/oz - which is only 10% above todays price of \$1,743/oz . . .
14:47:02	<a href="#">Mark Obyrne</a>	goldcore.com	an equally important question is what price wull gold be in euros or pounds in coming months and years?
14:47:08	<a href="#">Amanda Cooper</a>	thomsonreuters.com	*puts gun away*
14:47:12	<a href="#">Mark Obyrne</a>	goldcore.com	LOL !
14:47:31	<a href="#">Mark Obyrne</a>	goldcore.com	a pleasure Amanda. Thanks for having me on to chat
14:48:00	<a href="#">Amanda Cooper</a>	thomsonreuters.com	Thank you again Mark! Speak to you again soon!
14:48:15	<a href="#">Mark Obyrne</a>	goldcore.com	All the best Amanda