

COMMODITY EXCHANGE, INC.
ANALYSIS OF DELIVERABLE SUPPLY
GOLD FUTURES
August 2018

In estimating deliverable supply for Gold Futures, the Commodity Exchange, Inc. (“COMEX” or “Exchange”) relied on long-standing precedent, which provides that the key component in estimating deliverable supply is the portion of typical depository stocks that could reasonably be considered to be readily available for delivery. In its guidance on estimating deliverable supply, the Commodity Futures Trading Commission (“CFTC” or “Commission”) states:

In general, the term “deliverable supply” means the quantity of the commodity meeting a derivative contract’s delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract’s delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract’s delivery points. For a non-financial physical-delivery commodity contract, this estimate might represent product which is in storage at the delivery point(s) specified in the futures contract or can be moved economically into or through such points consistent with the delivery procedures set forth in the contract and which is available for sale on a spot basis within the marketing channels that normally are tributary to the delivery point(s)¹

Approved Depositories and Stock Reporting Requirements

To date, Exchange approved gold depositories are Brinks, Inc., Delaware Depository Service Company, HSBC Bank, USA, International Depository Services of Delaware, JP Morgan Chase Bank NA, Malca-Amit USA, LLC, Manfra, Tordella & Brookes, Inc. Loomis, International and Scotia Mocatta.

Pursuant to the rules of the Exchange, each depository is required to report to the Exchange the level of Exchange grade inventory on a daily basis. The inventory shall include eligible and registered gold. Eligible gold shall mean all such gold that is acceptable for delivery against the Gold Futures contract (i.e., which meets the specifications and approved brands of the Gold Futures contract) for which a warrant has not been issued. Registered gold shall mean eligible gold for which a warrant has been issued. Specifically, on a daily basis, each depository is required to provide the Exchange (1) the total quantity of registered gold stored at the depository, (2) the total quantity of eligible gold stored at the depository, and (3) the quantity of eligible gold and registered gold received and shipped from the depository.

The gold inventory levels at all Exchange-approved depositories are made publicly available daily on the Exchange website². Further, the rules of the Exchange require an independent inventory audit to be performed annually to provide a comprehensive reconciliation of stocks stored at depositories with records maintained by both the Exchange and the depository³.

¹ http://www.ecfr.gov/cgi-bin/text-idx?SID=74959c3dbae469e2efe0a42b45b8dfae&mc=true&node=ap17.1.38_11201.c&rgn=div9

² <http://www.cmegroup.com/market-data/reports/registrar-reports.html>

³ <http://www.cmegroup.com/rulebook/NYMEX/1/7.pdf>

Deliverable Supply Analysis

The Exchange determined at this time to base its estimates of deliverable supply of gold on registered stock as well as such gold stock meeting all specifications of the Gold Futures contract stored at Exchange approved depositories. The Exchange recognizes that gold is used as an investment vehicle and as such some gold stock may be held as a long-term investment. While surveys conducted indicated no clear consensus as to how much gold is dedicated to long term investments, the Exchange, in an effort to represent a conservative deliverable supply that may be readily available for delivery, made a determination to discount from its estimate of deliverable supply 50% of its reported eligible gold at this time. The Exchange may, at a later date, decide to estimate those stocks and include them in future deliverable supply estimates.

Table 1 below provides the monthly inventory average of each of registered and eligible gold stored at Exchange-approved depositories for the period beginning August 2015 through July 2018.

Over the most recent three-year period beginning August 2015 through July 2018, the monthly average registered gold was 8,686 futures equivalent contracts. The monthly average eligible gold was 38,494 futures equivalent contracts accounting for a 50% discount. Based on the foregoing, the Exchange estimates monthly deliverable supply at approximately 47,180 futures equivalent contracts. The current spot month position limit of 3,000 contracts represents 6.36% of the estimated monthly deliverable supply.

At this time, the Exchange does not account for gold stock meeting all specifications of the Gold Futures contract that is stored at depositories other than those approved by the Exchange and which can be moved economically into such Exchange-approved depositories consistent with Appendix C of Part 38. The Exchange may, at a later date, decide to estimate those stocks and include them in future deliverable supply estimates.

Table 1: Monthly Average Stock Levels at Exchange Depositories

(in Gold Futures equivalent contracts)

Month	Average Eligible Inventory (with 50% haircut)	Average Registered Inventory	Average Total Inventory
Aug-15	34,388	4,885	39,273
Sep-15	33,831	1,913	35,744
Oct-15	32,696	1,849	34,544
Nov-15	32,188	1,491	33,679
Dec-15	30,938	1,862	32,800
Jan-16	30,959	2,291	33,250
Feb-16	31,983	2,381	34,364
Mar-16	32,434	3,343	35,778
Apr-16	32,772	4,929	37,700
May-16	35,241	6,835	42,076
Jun-16	36,006	16,667	52,672
Jul-16	41,467	16,470	57,936
Aug-16	43,594	23,617	67,211
Sep-16	42,361	23,128	65,489

Oct-16	41,281	23,471	64,751
Nov-16	40,484	21,151	61,636
Dec-16	37,771	17,682	55,453
Jan-17	37,749	14,660	52,409
Feb-17	37,589	14,188	51,777
Mar-17	38,293	12,799	51,092
Apr-17	39,908	9,829	49,736
May-17	39,714	8,977	48,691
Jun-17	38,969	8,838	47,807
Jul-17	39,118	7,307	46,425
Aug-17	39,610	7,519	47,129
Sep-17	39,932	7,167	47,099
Oct-17	40,114	5,903	46,017
Nov-17	41,048	5,740	46,788
Dec-17	40,511	9,500	50,011
Jan-18	43,473	5,648	49,121
Feb-18	43,856	4,078	47,934
Mar-18	43,655	3,571	47,226
Apr-18	43,378	3,798	47,176
May-18	43,718	2,931	46,649
Jun-18	42,599	3,811	46,409
Jul-18	42,149	2,477	44,626
3 Year Average	38,494	8,686	47,180