SM235 | 6.14.2025
Gold for the 21st Century | Episode 11
Thomas McMahon, Co-Founder, Abaxx Technologies

We continue *Gold for the 21st Century* this week with Thomas McMahon, Co-Founder of Abaxx Technologies. David Greely sits down with Thomas to discuss how the role that gold may play in our financial system in the near future is not that different from the one gold and silver played in the not-so-distant past. They also explore precious metals' market evolution in the latter half of the 20th century and its implications for the role of gold in the 21st century.

Thomas McMahon (00s):
I think gold is going to play a much bigger role, and actually the reason why it's going to play a bigger role is because of the US dollar. Gold is a dollar hedge and the Asians know that and the Europeans know that actually the Americans don't know that and we are Americans, so we can say that.

Announcer (15s):
Welcome to SmarterMarkets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities, and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together we examine the questions: are we facing a crisis of information or a crisis of trust, and will building smarter markets be the antidote?
This episode is brought to you in part by Abaxx Exchange, bringing better price discovery and risk management tools to navigate today's commodities markets through centrally cleared, physically deliverable futures contracts in energy, environmental, and battery metals markets. Smarter Markets are here.

David Greely (01m 04s):
Welcome back to Gold for the 21st Century on SmarterMarkets. I am Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Thom McMahon, Co-Founder of Abaxx Technologies. We will be discussing the ways in which the role gold may play in our financial system in the near future is not all that different from the one gold and silver played in the not so distant past. We will also discuss how precious metal's role in the markets evolved in the latter half of the 20th century and what that may teach us about how the role of gold may continue to evolve in the 21st century. Hello, Thom, welcome back to SmarterMarkets.

Thomas McMahon (01m 43s):
Hey Dave, thanks very much, really happy that you gave me the second opportunity.

David Greely (01m 48s):
Oh, anytime. It's been too long. It's great to have you back on the podcast, podcast and I always really enjoyed talking with you, Thom, because I feel like your personal experience of these markets is often a history of the past few decades of them and on this podcast series we have been talking about how gold could move into the mainstream of our financial system in the future and in many ways, this could be a more of a return to the role that it's played in the past and not in the distant past, but to more of the role that gold and silver played when you started working in commodity exchanges, which wasn't all that long ago. So I was hoping you could take us through some of that history and of your experience of it. Maybe you could take us to when did you start working on commodity futures exchanges and what was the role of gold and silver in those markets?

Thomas McMahon (02m 45s):
Yeah, actually, thanks Dave. And I started when I was a kid, which sounds funny when most people don't come into the financial industry until they're adulthood. I grew up in a commodity family, as we, we had spoken about earlier on our first podcast. My dad was a cotton trader, but he was also a member of COMEX and COMEX as we knew it, or as he knew it, I should say back in the 1940s after World War II was only trading silver as we know that in 1933, Roosevelt took the United States off of the gold standard and basically confiscated all the gold in the United States and used it to pay off the national debt, which was quite unique. We could touch on that later. But for me, I was very lucky to be exposed to commodities from a family aspect and my dad being a trader when I was a young boy in the New York Cotton Exchange.

Thomas McMahon (03m 32s):
And in those days, Wall Street allowed for you to work in the summer times for six weeks a year from the time you were 13 years old. You could be what was called a page or runner. And it was both in the commodities and the stocks you know, on Broad Wall or you know, or Exchange Place or Hanover Square where all the different exchanges were and so you got paid a hundred dollars a week, which was a fortune back in the late 1960s. My first summer was there in 1968 and I was a kid. The exposure was tremendous and I went on to university and I came outta university and went to work on the street and that was in February of 1977 and I went to work on the New York Cotton Exchange as a phone clerk at that time with a company.

Thomas McMahon (04m 16s):
It was a cotton merchant firm from Memphis, Tennessee, Hoberg Brothers. A year later they were acquired by Cargill. So the second part of my career was with Cargill for the next five years as both a, a phone clerk, a write-up clerk of runner. And I became a member in September of 79 of the New York Cotton Exchange. And, and July of 80 of the coffee sugar and cocoa and again, that's the soft side of commodities, but the relationship for me was very much silver played a very strategic role in commodities up through the late 1970s with electronic trading of currencies and or even pit trading really in its earliest fashion, but then electronification. But up to that point in time, when you trade in the European contract, you traded either against a Deutsche market or a pound and at that time they were backed by silver.

Thomas McMahon (05m 06s):
And what we know is pound sterling was backed by Sterling and so if I traded a sugar contract in London, I hedged it with a pound sterling contract. If I took delivery of a contract outta London or an overseas delivery in cotton even, we used silver as the hedge. And one of my very first jobs was as a runner, I would run silver certificates between COMEX and New York Cotton Exchange Clearinghouse and Chase Manhattan Bank and JP Morgan. Either we were taking or making deliveries and this was really before the heyday of treasury bills as we know them today, you had a bond market, 30 year bond market. Mostly at that time you had interest rates of about 3% on those bonds where you used silver as your collateral. And we used silver in the cotton business. So I learned how to run COMEX relative to using cotton and silver certificates, warehouse receipts as our collateral.

Thomas McMahon (06m 01s):
That was in the late 60s, early 70s and then 74 when gold began re-trading and allowed for gold to be starting to supplant that position as a collateral that became a bit more efficient. Instead of having 5,000 ounce bars, you had a hundred ounce bars and the scale of the metric where silver was trading five to $6 an ounce, and at that time gold was in $130 range, which we know changed significantly. By 80-81 you had gold in the, in the $800 range and you had silver in the $50 range and the markets so of set the tone for the markets going forward and as we know today, the market you know, significantly higher, but the role that it plays really x us is probably the more important role for gold because they never ever had the issues that we had or the deed education as I call it.

Thomas McMahon (06m 49s):
I could tell you when gold started trading again in 74, it was like a trinket. People had no concept of it as a business tool and, and it took a lot of time to really start to come on as a true inflation hedge as opposed to just a speculative part of a portfolio. But it's changed even in those years from 74 to where we are today. And I was just reading an article yesterday too, about the treatment of gold in the liquidity pools and how banks can use it as an asset and how it's proving itself to be at times even more liquid than the treasury markets today and so there is an argument under Basel and Amy or to change the nature of gold in terms of how it's matters in portfolios and financing and how the bank can put it on balance sheets and treat it equally.

Thomas McMahon (07m 34s):
So yeah, gold has changed over time and as it has for me too. And I have been very fortunate enough in a number of the exchanges, obviously my experience on NYMEX and then COMEX, I was a director of, of NYMEX late 80s and the early 90s and at that time the fortunes of COMEX had dropped significantly after Gold's great run in the eighties. The markets for medals were significantly challenged on into the early nineties and by that time, COMEX was looking for a savior and it was NYMEX and at that time the fortunes of NYMEX had changed dramatically because I can tell you in 1981, 82 NYMEX was almost bankrupt. It wasn't until 83 in the trading of oil that it changed its fortunes and 10 years on it was a much wealthier exchange in COMEX and in 1994 it allowed for NYMEX to acquire COMEX.

Thomas McMahon (08m 27s):
And that in and of itself was very interesting because now you had oil and gold tied together and so you had a bit of a seamless trade within the same building initially when we still had floor trading activities and electronification subsequently to that, as NYMEX was acquired by the CME and it migrated onto Globex, expanded significantly the role that gold played in terms of a tradable instrument within the commodities. So and now that opportunities for Asia, the vision that Asia has for gold is very different than North America and different than Europe also too. It's culturally it's much more ingrained even down to the lowest in, I mean, you can track like country like Malaysia, 34 million citizens and the average holding per year of purchases of gold is 32 grams of gold every family. Now, it doesn't sound like a huge amount of metal, right, when you're talking about grams, but grams traded at a huge percentage to physical metal.

Thomas McMahon (09m 27s):
So you're buying a gram of gold anywhere from a 30 to a 40% premium over. So it becomes a, becomes a business when people can take it down to those levels. But people acquire it to hold it within their portfolios. It's very significant in the farming economies when a farmer needs to get his seeds each planting season. They have a program in Malaysia called and is a borrowing and lending program through Islamic lending that uses gold as its collateral key to it is that when you lend your, or when you deposit your gold to borrow the gold that is returned to you is your gold. So it's never somebody else's gold. It's not, it's very, very specific and very unique in that system. If you give them a 10 ounce bar, you get your 10 ounce bar back when you pay your debt back.

Thomas McMahon (10m 17s):
But you use those funds to buy seeds for your planting seeds. So it's kind of literally, it's got a very organic use case in the aquarium economies across Asia, all hedgeable and all very, very clear demand outside of the speculative interests. So that's the markets that we see the potential. You know, you have got India alone, 1.4 billion people and by nature it's a country that owns gold even down to the poorest person. China, similarly a different vein of how the Chinese gold is part of their demo monetization. It's not within the, obviously not within the Renminbi system, but it sits right alongside of it in a parallel universe of purchasing power and lending power. You can definitely see that in Hong Kong. It's very clear. You walk down the streets and you see the gold stores one after another and now in the Middle East, similarly we are seeing that you have got gold vending machines, which is a bit far out there, but the reality is there, there are people that buy, you know, bars in vending machines today. So it's a interesting opportunity for us in the marketplace that's opening up, but again, very culturally diverse and how gold is acquired, held or utilized.

David Greely (11m 28s):
And there is so many aspects to what you just said that I would love to dig into with you. And maybe I will start, there's this wonderful distinction between how people in the US and Europe are accustomed to thinking or not thinking about gold versus those, as you said, more in Asia where it's much more kind of ingrained in daily life. But I wanted to start, you know, maybe go back to that point in the 70s where you said people needed to be de educated because now probably there is going to be a similar deed education or reeducation. And so I wanted to ask you, when the US moved off the gold standard and there was the end of the Brett Woods currency system, how did that affect gold and silver and what was that deed education process like for people in the trading and clearing business?

Thomas McMahon (12m 18s):
I think for me again, because I had gotten exposed early on what you did with a silver certificate, with a warehouse receipt. And to me it was a commodity. Just like if I had a cotton warehouse receipt or an old J warehouse receipt or a bushel of wheat and a silo receipt, I had a silver receipt. I thought it was very normal. It was not it's what I came to learn to learn because people looked at metals were mysterious to North Americans, not so much Canadians because you have actually, in Canada it's really a commodity and you have got the Royal Mint and, and everything, it's a little bit different there. But in terms of a business use case and stuff, Americans were mystified when gold reopened. And the people that utilized silver like ours, interestingly by the mid to late 80s use case of the dollar in Europe had changed dramatically after the introduction to the Petrodollar, prior to 77, 78 you clear Europe, you cleared either pounds or, or Deutsche marks or French francs.

Thomas McMahon (13m 17s):
The euro was, hadn't even come about yet. It was just a twinkling people's eye. The dominant currencies were Deutsche and pounds. And so you still had a sterling hedge, you still had silver as a hedge against, it's a currency hedge. So interestingly, when LCH changed and went to dollar clearing, it had a very dramatic effect on the silver market negatively because suddenly people was like, what do we do with it? It really had no industrial use case, but gold went the other way. Gold suddenly became very important because of the BOE and the LPMCL, you know, the London Precious Metals Group, well the six banks now, and it's varied over time, but the BOE equal to, so

the BOE uses their gold. It is a strategic use case of borrowing and lending, lending leasing of gold against as opposed to Fort Knox. Even though the US has still got what supposedly the largest stores of gold in the world, they never use it as the Europeans do.

Thomas McMahon (14m 18s):
So gold has still got a very different use case of the US but if, if you go to Canada, you go to like RBC, Royal Bank of Canada, they have a gold lending program. And I know the guys that ran that program actually in New York City, in the old Merrill Lynch building on Liberty Street, it was one of the most vibrant lending facilities in the world for precious metals and most people didn't know what to do with it interestingly. So I think that's changing dramatically now. We are seeing the rise, well obviously the rise of real interest rates, but you're getting a reeducation on what is the collateral underpinning that the US dollar is getting challenged and that period of the petro dollar and I think you had to really pay attention to that because at the rise of the petro dollar changed, the nature of the US dollar dominance obviously became the dominant currency. Prior to that it was not, it was an important currency. But between end of World War II and the Nixon era, it was really the, the rise of the Petrodollar that changed that dramatically for Europe. So then gold got priced in dollars. That's pretty much the most significant change and suddenly COMEX became a much more important or intrinsically important hedging tool that it had been prior to that.

David Greely (15m 29s):
And you mentioned with COMEX coming under the, the NYMEX roof and NYMEX of course being so important and when it kind of reemerged from its troubles in the late 70s to become the preeminent energy exchange, how important was having gold in oil under the same roof in terms of an exchange in clearinghouse?

Thomas McMahon (15m 51s):
It took a while. Again, people treated gold still almost as a secondary speculative hedge. It wasn't really, truly silver became actually more of a use case with the rise of renewable energy. Silver got a reinvigoration at the same time it almost got destroyed because with the bankruptcy of companies like Kodak, the traditional film industry, with the rise of the digital film industry, suddenly silver had lost a real industrial use case and then suddenly it shifted again to the rise of renewables and similarly the rise of the handheld technology. So silver suddenly became an industrial demand. So actually silver became more important for MX COMEX relationship and copper also. Copper was a contract that tagged along with that acquisition and especially with the rise of China post 2004. An interesting point, I don't mean to diverge away from, but it's relevant to how you can get a significant industrial or regulatory change that will have a massive implication on a commodity.

Thomas McMahon (17m 00s):
In 2004, China made a decision within the construction industry because of the cost of copper was so significantly higher than aluminum for the Chinese after in the 1950s under Mao, all construction wiring, building wiring was aluminum. By the early two thousands it had become a basically a disaster aluminum wiring Jerry rights rapidly and it becomes a fire hazard. So they made a strategic, they said, okay, listen, we're all wiring from January 1st, 2005 will be copper. While the price of copper in like June of 2004 was, I am going to say $55, right and I think I'm wrong. It's like it was a lot less than that in terms of US costs and I attended a conference in China and it was a gentleman who was the head of the world Copper Council, never knew there was a World Copper Council to then, but similar like World Gold Council, there was a World Copper Council and he spoke about this regulatory change for China.

Thomas McMahon (18m 05s):
And the Chinese realized they did their math. All they did was look at the building permits for Shanghai alone for the next two years. And they realized that all of the material in the current LME warehouses would be consumed in the next 24 months. Copper tripled in value overnight. You have had similar issues with silver and solely based on China, on solar panel production. And for silver, it's silver paste. And there are certain companies, mostly Japanese companies that create this silver paste and silver paste trades at a triple to what underlying silver trades. So if silver's at 30 bucks, haste is at 90 bucks and all that kind of thing. It's a massively, but again, it was an economic regulatory change in China of going from traditional energy to renewables that created this demand for silver. Now gold, all tags along behind that is really the use case there. And that's what we have seen over the years.

David Greely (19m 09s):
When you think about, you know, you would have mentioned that the Bank of England has always used its gold, leases it out us, it's been less that way. How does that affect the participants in the gold market, in the silver market and how that was structured and traditionally has operated?

Thomas McMahon (19m 30s):
Interestingly, US has gold mines, but they're not primaries. So most of, most of the gold production in the US actually is secondary to copper. We're recycling and such. But if you look at COMEX and if you look at where do the bars come from, it's very interesting, a large part of the, I shouldn't say majority, but a large part of the supply chain for the a hundred ounce bars that are COMEX good delivery actually come from Japan, from recycling firms in Yokohama that create these a hundred ounce bars out of this incredibly efficient recycling industry. And you know, scrap industry here. I happen to be in Japan, so I can say here, and it was very interesting that that a lot of those bars, but there are legacy bars in the US too. There are bars that you can go into some of the vaults, like the ones that used to be on, they are inside the Fed, but overrun Nassau Street, a large part of that used to actually be in the Chase Vaults before ICBC acquired the building.

Thomas McMahon (20m 26s):
But some of that goal goes back to 1933, those a hundred ounce bars and they have got a bit of a different color to them just because it was the con the copper content was a little bit higher at that point in time. But those bars are very unique. They came from the 32 33 Roosevelt. Basically all the gold had to be turned in and gold certificates were destroyed. That metal still sits within Vaults. More interestingly, a large part of the actual physical gold, not bar metal, but coin metal is actually in Paris and because in 33 when Roosevelt confiscated all the metal, he did it at a fixed price of $16. I think 1650 was the price and on the, the fixed day in 33 when all the gold had been taken in by the Fed, they turned around and doubled the price of gold overnight. And gold went to $33, 33 point 34 as we knew it all the way into 1974. And the reason was that we owed at that time billions to Europe, to France specifically and we basically halved our debt overnight by doubling the price of gold and sent these coins to Paris and you can still find them there today. You can still find $20 San Cadence standing Liberty dollars in the Paris banks that they periodically sent back to the United States at a huge premium.

David Greely (21m 53s):
I guess that was part of the rise of the French discussing the exorbitant privilege that the US would start to enjoy being the reserve currency and I wanted to ask you, kind of bringing things back to today, how does your experience inform how you think about the role of the US dollar today and in particular, as the British pound was challenged in the past and kind of went from being the international clearing currency to not being the international clearing currency, do you see the US dollar being challenged?

Thomas McMahon (22m 27s):
I really don't. Not to the extent that people would like to see it collapse and disappear. I think the problem, that's a terrible word, probably from an Asian standpoint, it's a problem. Why is the US dollar the preeminent currency because the prices commodities. That's what I think people completely miss the US dollar. Prior to the mid-1970s, prior to the reopening of the gold market, prior to the pricing of oil in 75, 76, the rise of the petro dollar, which was only supposed to be a petro dollar, it was not supposed to extend itself into pricing beet sugar from Germany, which it does today, that I really do not see changing as much as the Chinese or the Japanese would like to see the yen or the Renminbi as a default settlement currency. It doesn't have any dominance in any single commodity anywhere in the world.

Thomas McMahon (23m 24s):
It's US dollars do and even new commodities, I mean, look at Bitcoin is priced in dollars. It just happened and it was actually the Chinese who didn't, I happened to be out here at the time watching back in 1314 and seeing the rise of, you know, the BTCC, what we know today is by Binance and, and OKX and all these guys who were coming outta China. It was the perfect dollar swap for them, right? Unless you find something that's going to replace a commodity settlement currency or utility, I don't see the dollar going away.

David Greely (24m 03s):
And why is that role in commodity settlement and clearing so important for people who, you know, a lot of folks, they don't look into the plumbing of the system the way you have.

Thomas McMahon (24m 15s):
It's long enough in the past, even for me, I mean I am not a kid anymore, so I've sort of spanned a number of decades there. I talked to people in business say that they didn't know that LCH didn't use to clear US dollars. I mean you talk to somebody about the history of clearing LCH is the dominant English clearing house. It's had its ebbs and flows over time. But there was a time it didn't clear dollars really? No, no way. Yeah, they didn't, and you know, the French didn't, right MATIF, the Paris Exchange didn't clear dollars. So the banks were, the banks had an intrinsically important role as the currency swap protagonists, right? And that was a banking job. I mean, the FX

guys, it's interesting if I go back even to 1990, 1990 was a very interesting year because that was the, you know just prior to the first Gulf War and the richest guys that I knew at that time, it was just at the end of the Drexel era, right?

Thomas McMahon (25m 16s):
Rudy Giuliani was sending Michael Milken and all those guys to jail, right? But the guys, the richest guys I knew on Wall Street were not commodity guys by any means yet. They have become that significantly. But it was the bond guys, the bond traders, they were the kings and then behind the bond guys were the FX guys, the guys trading the currencies who had the spreads, right and they controlled what was your yen dollar swap gonna be today and then subsequent to that, it changed dramatically with the rise of electronification systems like Globex and things like that, the consolidation of Europe, the rise of the Euro and the EU as we know it, right and the regional exchanges going away in Europe and consolidating into what we know year next life and the acquisitions of like the IPE and things like that. Over time the dollar just got more and more and more consolidated in its power.

Thomas McMahon (26m 05s):
And who were the power kings and you look at firms like in the us I mean today we look at Citadel or Virtue or Sequoia, actually, the guy who set the tone for all of that was Paul Tudor Jones, Tudor Paul Jones. Paul was a cotton trader. Paul came out of New Orleans, right? Trained on New Orleans. Cotton Exchange was brought to New York by a gentleman named Billy William Donovan. Billy Donovan got into the cotton pit rest, as you could say, his history. But he was brilliant. He still is brilliant, but you look at the wealth and you look at the funds and the structures that he set up today, people look at like Steve Cohen and go, they modeled themselves on Paul Jones, all the roots rolling in commodities and the roots rolling in dollars. So I know it's a long way from where we are, but that's really where the roots came from.

David Greely (26m 53s):
And when thinking about the future, sounds like you don't see the dollar being challenged, giving the kind of entrenched role it's taken on. What do you see potentially as the role for gold and precious metals moving back to more of the mainstream of the financial system and is that different between the more Western countries versus Asia?

Thomas McMahon (27m 17s):
I think gold is going to play a much bigger role and actually the reason why it's going to play a bigger role is because of the US dollar. Gold is a dollar hedge and the Asians know that. And the Europeans know that actually the Americans don't know that and we're Americans, so we can say that. Yeah, it's very interesting to try to explain, and there are a lot of gold nuts in America. It's a really great people that I have known over the years. It's very difficult to try to explain. Americans don't realize that their currency depreciates 2% every year with intent that's built into the treasury, right? People like, no, I can still buy stuff with my dollars. That's okay. That's just domestic bliss, right and unless you travel outside the United States or do business outside the United States, you don't really realize the impact that it has.

Thomas McMahon (27m 59s):
Gold is that hedge, right? I mean, for me, I have lived in Asia over 20 years now. I've owned gold the entire time and I've probably negated all of my dollar losses just by owning that metal. Just slow creep, just balances out, balances out, balances out. Asia started to discover that, that if they want to de dollarize, they, you need, it's not Singapore dollar swapping Renminbi, it's sing dollars, owning gold and using and Chinese owning gold and using gold as that bridge potentially as the hedge instrument as opposed to just swapping Renminbi dollars or Renminbi sing dollars or so gold is gonna pay more and more of a role and also too it plays that security role. People always go, you know, in times of war, in times of strife, people have always gone to physical things, right? I mean, diamonds in gold and stuff like that.

Thomas McMahon (28m 48s):
And then people like, oh my god, yeah. But you can't carry a ton of gold with you when you, when you know, when the world goes to hell in a hand basket. Well, you don't have to anymore. You have got secure vaulting systems and you've got electronic, you've got connectivity globally, right or in the case of Singapore, Singapore has built a vault over since 2012 efficiently you using LBMA good delivery standards and allowed for private businesses and for single family and multifamily offices and for international banks to build a portfolio of metal within the country. The next step is the unlocking process of how you can use that as a hedgeable instrument, right, as a collateral instrument. It's going to be very interesting.

David Greely (29m 31s):
Yeah. And that brings me to the next question I wanted to ask you, Thom, which is traditionally when we think of global gold centers, it's New York, London, with so much more of a role for gold in Asia, how do you think about where the next gold center or centers could be located and what determines that?

Thomas McMahon (29m 51s):
Good question. Obviously political stability is very important, right? If I am going to gonna storm my medal someplace, I want to make sure it's not gonna be taken over. Unfortunately, we have historically, there has been periods of time where gold is one of the first things that's grabbed and then people spend years looking for it afterwards. That's interesting. If you're sitting in Asia, by default it was Hong Kong that played that role for many, many years. Unfortunately, it's lost that, that role because of the, the rise of China's security law. Also, people just don't have a sense of confidence that they had previously where Singapore has now taken on that role and they did it with intent and they did it with a very good legal structure, very good tax structure, and also a very cooperative structure with the European markets, the Swiss refiners. And with, with London, with the LBMA recognition of their good delivery standards and refining processes, and with specific bolt operators, the likes of Brinks from El Amor and such, Loomis cooperatively, they built a very robust secure architecture around the international airport system in, in Singapore with good consumer protections also and legal rights of transference of metal.

Thomas McMahon (31m 08s):
So you'll see more and more of that. Interestingly, if you look at Japan or Korea who are, historically, there is a culture also very astute in owning metal, but very, very inefficient tax architectures as a result of it. Very high costs, so you look for efficiency around tax ownership, legal, security, vaulting, and, but at the same time, you want to have a financial community that you've got an a trading infrastructure embedded in it. So we have seen that Australia similarly too, Sydney and Perth you have got trading communities down there or that are historic as a result of the mining industry, mining and mineral industry, but they are mostly on the supply side. They're net sellers to the world or to Asia. We are seeing Singapore as essentially located secure environment. Similarly, we are seeing that in the Middle East, also mostly in Dubai. It has grown up, but Dubai has a, has a challenge. It doesn't have the recognition of London. So you have got a good community, you have got refiners, you have got traders, you have got supply and demand, but you don't have the legal form that would sort of give it the stamp of approval. So that's always been a challenge. So it attracts a different set of investors as a result of, it doesn't necessarily mean they're negative, but it definitely has a different flavor in terms of who the market participants within that region.

David Greely (32m 41s):
And there is so many ingredients that all have to be there to make these markets work. And you had mentioned that with Singapore building the vault structures and taking the steps they did, then the next would be how do you unlock that metaphorically, what did you mean by how do you unlock it and what does that look like?

Thomas McMahon (33m 00s):
And it comes down to how do you treat gold and again, if you go back to the American concept of gold, I know that I will use my mom as an example that in 1974 when gold reopened, actually there was no supply of gold in the United States. It was interesting that when gold began to free trade, the first supply of gold into the US were Kruger Rans from South Africa. That was the gold trading instrument for a number of years. Because even though gold was free trading, they did not open the vaults. It wasn't that the US government issued new gold or anything as such, it subsequently has the mint has new mathematically, but not as currency where the Kruger end was actually a currency from South Africa and I remember my dad acquiring one from my mother, and it became like an incredible keepsake for her.

Thomas McMahon (33m 54s):
And she put it on this beautiful chain, and she had that for many, many years and so again, even though gold was free trading, it was still treated as a unique instrument. Nothing from a business concept, Asia is very different. Gold is a obviously an investment, but it's a utility also. You have got a medical industry and a jewelry industry of robust size out here that utilizes gold on a regular basis. So you have got real industrial demand, but you also have investment demand. The Asian banks all have trading desks embedded in them. It doesn't necessarily mean they are efficient because I think for a number of the banks, they actually are very high profit centers simply because of, again, there is a lot of opacity in the price of gold, and especially depending on the size, the most efficient size are either kilos or a hundred ounce bars or 400 ounce bars.

Thomas McMahon (34m 51s):
In terms of London, that's where you get actually close. You have the closest to the purest price of, of an ounce of metal or a gram of metal. Everything beyond that has a huge premiums built into it. So ignorance is a bit of bliss for people when they buy a gold ring or a necklace or whatever and it's the reality is that when you go to sell it, there will be some intrinsic value, but for the most part, you are going to sell it for the weight and most gold industry know that. So you sell it for a dollar, you can buy it back for 50 cents, that kind of thing. So that's changing. We're seeing that change and I think going back to the dollar or de-dollarization, Singapore, just as an example, the rise of the single family office, and again, the Singapore government did it with intent, attracted high net worth individuals to the country to set up their family offices.

Thomas McMahon (35m 43s):
There is over 2,300 family offices in Singapore now 10 years ago there were literally 300 dramatic change, and that's single family offices. There is also multi-family offices that go beyond that, and it draws wealth from all over the world. What are they doing in Singapore? They are investing not just in Singapore, obviously Singapore's a tiny place. It'd be difficult to only invest there, but they're managing their portfolios from Singapore. And pretty much every one of those portfolios today has a precious metals investment in their portfolio and that's an important part. These people want to be serviced efficiently. So the opportunity in Singapore is they have built this infrastructure of both attacks, ownership, security, and now the trading infrastructure is being built around that to service that industry and create a liquid market that could be converted either on the buy side or sell side efficiently. That could be converted to whether it's any one of the currencies and that's the thing too, is you can get a price for pretty much all of the major Asian currencies against your metal in Singapore in real time, and get a settlement at the bank in real time. Equally too, you can, you can purchase metal digitally, right? You have got people swapping digital currencies against gold as an underpinning.

David Greely (37m 03s):
Well, I want to thank you for joining us today, Thom, it, I could listen to you for hours, to be honest. I wanted to ask you one more question before you go though, and that is, when you look out at the gold market and the greater role it could play in our financial system, the role it's increasingly playing in Asia, what do you see in terms of how the, the infrastructure of the gold market may need to change and evolve of to be ready to play that greater role?

Thomas McMahon (37m 32s):
I think it's got to be generational. I think gold has been stuck in probably three generations in the last a hundred years. And, and again, if you look at America up to 32, 33, it had one idea of what gold was and then a gap of 40 years of no gold. And now this the new medal and it's still not a mature vision where European vision on metal is, it's very conservative, it's very commercial. And where Asia has got a very, very different working relationship with gold, it utilizes metal, as I said, industrially commercially as an investment for portfolios, as a currency hedge, as a security hedge. So they treat gold very, very differently across all the different cultures. So no hesitancy of ownership in Asia, still a bit of an education in North America. Europeans are still gonna be very conservative and think that, interestingly, Europeans think they own the gold market.

Thomas McMahon (38m 26s):
That's a fact. I think it's changing it. It's really the Middle East and Asian markets that are gonna dominate metal in the next decade. Really, the key is the generational shift. I think young people actually understand the value of something shiny as well as something that's digital. I can't get a 40-year-old to buy an ounce of gold, but I can get a 20-year-old to do it. If he can buy it with his ETH or Solana or with something like that, they will say, yeah, yeah, yeah, I want to own some of that, give me some of that and I can trade1 it. So we're seeing liquidity build in that generational shift also. And I think that that's going to scale in time.

David Greely (39m 02s):
Thanks again to Thom McMahon, Co-Founder of Abaxx Technologies. We hope you enjoyed the episode. We will be back next week with another episode of Gold for the 21st Century. We hope you will join us.

Announcer (39m 16s):
This episode is brought to you in part by Abaxx Exchange, bringing better price discovery and risk management tools to navigate today's commodities markets through centrally cleared physically deliverable futures contracts in energy, environmental, and battery metals markets. Smarter Markets are here. Contact us at sales@abaxx.exchange to get started.
That concludes this week's episode of SmarterMarkets by Abaxx. For episode transcripts and additional episode information, including research, editorial and video content, please visit smartermarkets.media. Please help more people discover the podcast by leaving a

review on Apple Podcast, Spotify, YouTube, or your favorite podcast platform. SmarterMarkets is presented for informational and entertainment purposes only. The information presented on SmarterMarkets should not be construed as investment advice. Always consult a licensed investment professional before making investment decisions. The views and opinions expressed on SmarterMarkets are those of the participants and do not necessarily reflect those of the show's hosts or producer. SmarterMarkets, its hosts, guests, employees, and producer, Abaxx Technologies, shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on SmarterMarkets. Thank you for listening and please join us again next week.