

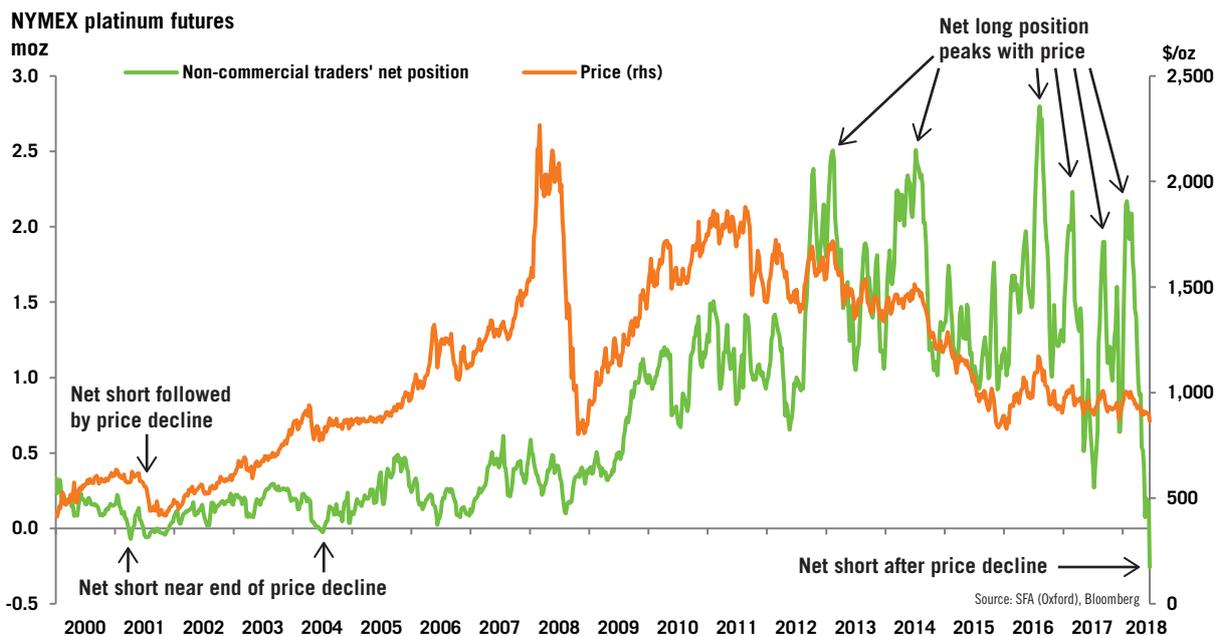


MARKET SPOTLIGHT

Will platinum futures traders be caught out?

The non-commercial traders' platinum net futures position has become net short for the first time in over 10 years by a number of contracts equivalent to 258 koz. Non-commercial traders are large investment funds speculating on price movements. They can take either a long position, where they profit from a rising price, or a short position, where they profit from a falling price, and the net position is their overall position. The non-commercial traders' net futures position was last net short for five weeks in 2004 and prior to that for two periods in 2001.

The platinum price has fallen to its lowest level since early 2016. It is down 16% from its January high, so it is perhaps not surprising that the non-commercial traders are betting the price will fall. However, the non-commercial traders' record is mixed. In July 2001 they moved net short after a 14% price decline and the price continued to fall for three months. In the other two instances they moved to a net short position at a low in the price, which was followed by a rally. When looking at recent peaks in the price, the non-commercials' net position has also tended to reach an extreme at a turning point in the price. It reached a record 2.8 moz net long in July 2016 as the price peaked at \$1,182/oz, with other peaks corresponding with the price peaks.



The fundamental outlook is for a surplus in the platinum market this year. A weak price is consistent with this view, but after a 16% fall the price could rally in the short term and the large traders would be wrong-footed again, as they have been in the past.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,253	-1.26%	1,271	25/06/2018	1,246	28/06/2018
€/oz	1,073	-1.66%	1,091	25/06/2018	1,071	29/06/2018

Last Monday the gold price 50-day moving average crossed below the 200-day moving average, a bearish indicator for gold. This event is considered by technical analysts (who look at price patterns) to be an indication that the price will continue to move lower. The last occurrence of such an event was on 21 November 2016 when gold was valued at \$1,212/oz. The price then continued to fall to a low of \$1,129/oz within a month. Owing to the moving averages being calculated over fairly long periods (50 trading days is equivalent to 2.3 months), this indicator lags behind the price. The 2016 event occurred only after the price had fallen \$144/oz from its peak of \$1,366/oz. Likewise, the price last Monday was down \$97/oz from the peak of \$1,363/oz on 25 January. However, it could continue to fall to the December 2017

low of \$1,240/oz or past that to around \$1,215/oz, the support level from May and July 2017.

China's gold imports from Hong Kong gained 28% to 58 tonnes in May compared to the same month last year; this is a 50% increase over April. China does not report gold imports itself but this metric is a good indicator of trends as a large portion of gold trade passes through Hong Kong. The volume of gold in the first five months of the year reached 242 tonnes, a 22% reduction compared to 2017. Over the same period, the average local gold price in China dropped 1.4% year-on-year. The data suggest a poor start to the year for Chinese gold demand and does not bode well for the price.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	16.13	-1.63%	16.45	25/06/2018	15.92	28/06/2018
€/oz	13.82	-2.03%	14.10	25/06/2018	13.74	29/06/2018

Silver has been trading synchronously with the base metals recently as they decline over the potential for reduced demand from a trade war. The silver price has failed to gain from the political and market volatility which historically tends to prompt traders to look to safe havens where the risk of losses is lower, a pattern typically seen in precious metals. Since the recent precious metal sell-off began on 15 June silver has dropped 5.8%, while the Bloomberg Base Metals Index

has declined 5.6% over the same period. Another consequence of trade concerns is that China's equities have entered into a bear market (having declined >20% from their January peak) which signals a worsening business environment. Silver demand could drop as a result. China is the single largest fabricator of industrial silver products with 26% of global demand in 2017, according to the World Silver Survey 2018. Silver looks likely to continue lower unless safe haven demand suddenly returns.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	854	-2.24%	878	25/06/2018	842	29/06/2018
€/oz	732	-2.56%	753	25/06/2018	725	29/06/2018

Fuel cell technology has received an additional boost from South Korea which has announced that it will be spending approximately \$2.3 billion over the next five years to expand and support the technology. By 2022 it is expected that there will be 310 hydrogen fuelling stations and 16,000 fuel cell vehicles. The main expenses will be the construction of fuelling stations and the expansion of production capabilities for producing hydrogen and fuel cell powertrains. There will also be funding for R&D projects and a number of hydrogen-powered buses. This announcement from the South Korean

Ministry of Trade, Industry and Energy follows the recent show of support for fuel cell vehicles from the Chinese government and the continuing work in Japan. This governmental support reduces the risk of expanding investment in fuel cell vehicles for automakers such as Hyundai, which is based in South Korea and is already one of the leading manufacturers of fuel cell cars. There will be some direct demand for platinum from this project, in the order of a few kilo-ounces, but the major demand potential comes from increased adoption of fuel cells which could occur around 2025.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	955	0.12%	965	27/06/2018	932	26/06/2018
€/oz	818	-0.25%	828	27/06/2018	799	26/06/2018

The threat of American tariffs on European vehicle exports has amplified over the last couple of weeks, posing a risk to future vehicle production volumes. The US steel and aluminium tariffs prompted the EU to introduce retaliatory tariffs for a selection of American products on Friday 22 June. In response, Donald Trump stated that if these tariffs were not removed then the US would place a 20% tariff on cars coming from the EU. The current US import tariff is just 2.5%. Last Tuesday Trump intensified the rhetoric by saying, "We are finishing our study of tariffs on cars from the E.U.". Daimler issued a profit warning based on the potential for tariffs and major European automakers have seen their stock value decline over the last two weeks. The IFO German Export Expectations survey in June showed that exporters became less optimistic about the three-month outlook for exports for the seventh consecutive time. In the survey, automotive manufacturers are expecting no increase in exports for the first time since December 2016. The EU exported 1.15 million vehicles to the US in 2017, according to the ACEA. **If higher prices on European cars deter sales in the US then palladium demand would shrink as well.**

Jaguar Land Rover (JLR) has accelerated its development of electric vehicles, likely in order to achieve its CO2 emissions targets. JLR's main markets are luxury vehicles and SUVs which produce higher levels of CO2 and JLR group sales operations director Andy Goss has previously described CO2 emissions as a "big, prominent issue". Last week the company revealed it now intends to invest £13.5 billion in EV development over the next three years. JLR recently released the I-PACE, a battery electric SUV, and is hoping to offer a fully electric version of every model by 2025. However, the company's strategy for electrified vehicles over the next seven years may vary depending on the adoption rate of battery electric vehicles (BEVs). Sales of the I-PACE will be closely watched, and not just by JLR, to assess the desire of consumers for BEVs. In the next few years the powertrain mix will likely shift in favour of palladium-containing gasoline hybrids before **the rising popularity of BEVs over the next 10 years holds back palladium demand growth.**

⁴⁵ Rh ⁴⁴ Ru ⁷⁷ Ir **Rhodium, Ruthenium, Iridium**

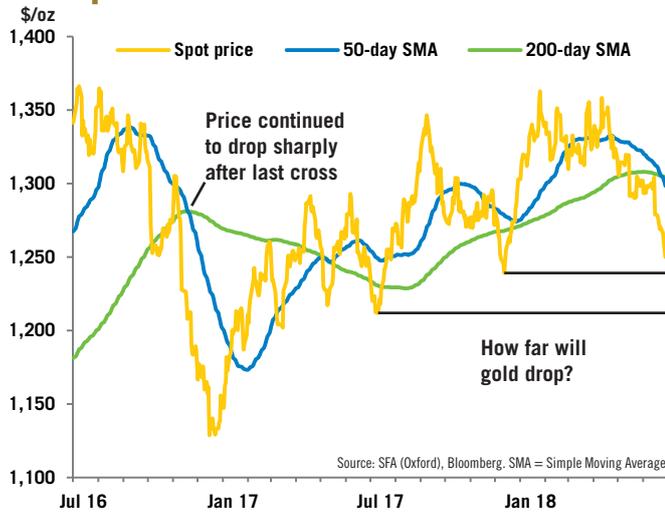
	Rhodium	Ruthenium	Iridium
Reporting week	\$2,250/oz	\$275/oz	\$1,425/oz
Previous week	\$2,250/oz	\$275/oz	\$1,425/oz

The small PGMs have had another week without prices moving. Ruthenium and iridium have held the same price for almost five weeks and rhodium has remained the same except for three days when it was elevated to \$2,265/oz. Rhodium ETF holdings have stabilised around 52 koz, having fallen by only 2 koz over the last six weeks.

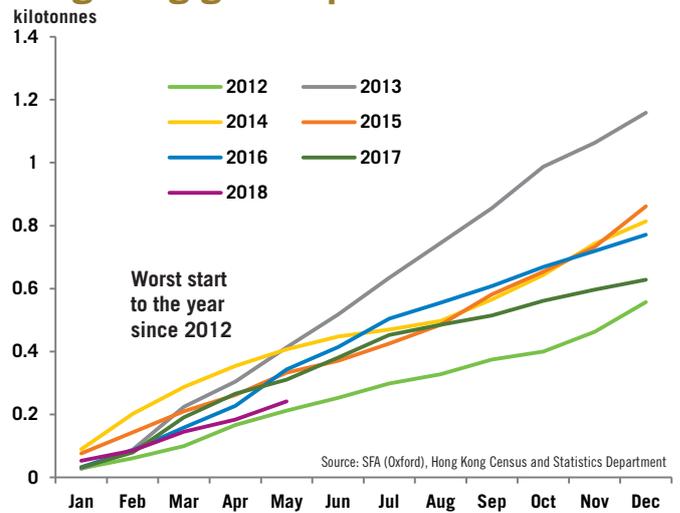


TRENDS AND INVESTMENTS

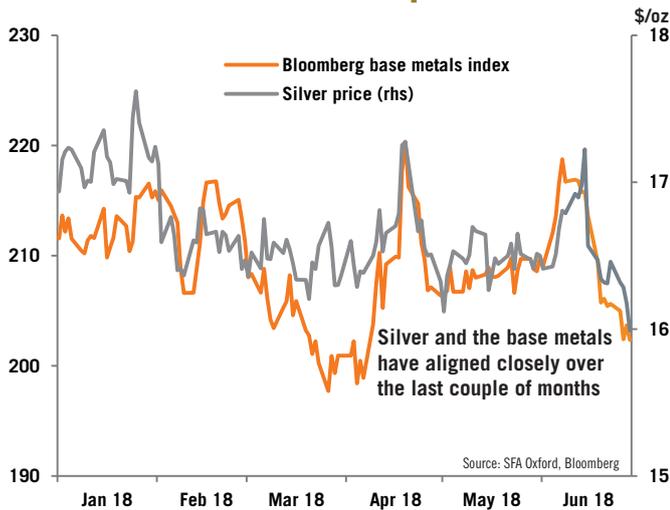
Gold price



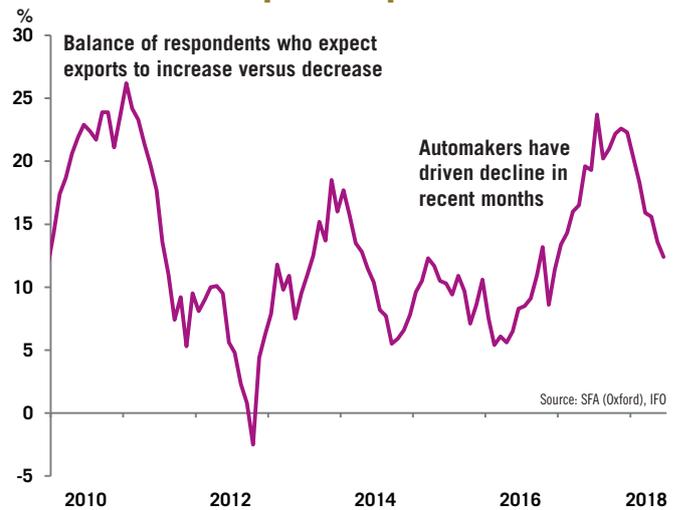
Hong Kong gold exports to China



Base metals and silver price



IFO German Export Expectations



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