

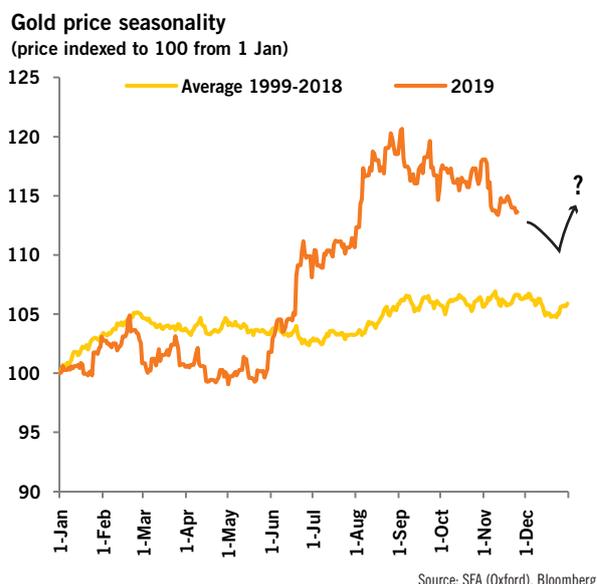
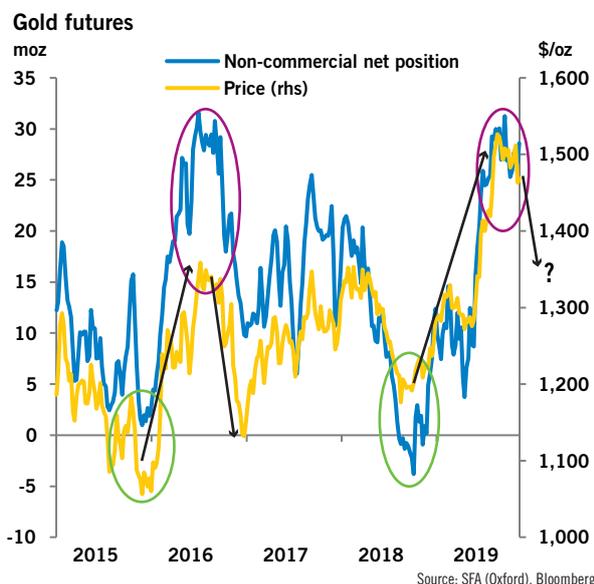


MARKET SPOTLIGHT

Gold - reasons for a seasonal low

As the end of the year approaches, traders will start to consider closing their positions to realise their gains. At \$1,464/oz, the gold price is up 14% this year, making it the fifth-best performing commodity in 2019. The net long speculative futures position on COMEX went up to 28.6 moz on 19 November, not far short of the recent high of 31.2 moz and the record 31.6 moz. At the start of a rally in the gold price, the speculative net long position is usually much lower.

If the first part of a US-China trade deal is agreed before additional tariffs are levied on 15 December, this would likely see gold sell off. This fits with gold's typical seasonal pattern which is for weakness into the middle of December followed by a rally in the last few trading days that continues into the first quarter of the following year.



Optimism on a trade deal has lifted stocks and hurt safe havens. US stock markets have hit record highs recently amid optimism that the US and China will agree an initial trade deal soon. This has resulted in bond yields edging up and the gold price slipping back.

Lastly, three rate cuts in rapid succession from the Federal Reserve make the economic situation look more serious than an economy needing mid-cycle support, particularly when the economic expansion is more than 10 years old. The ECB has pushed down its deposit rate to -0.5%, but how much more room does the ECB have? After three rate cuts, the Fed's rate range is 1.50-1.75%.

Nonetheless, US GDP growth in 2020 is forecast to slow and, after inverting, the yield curve is now steepening, suggesting recession is not far away. If the US economy continues to weaken, the Fed will cut rates again. **This suggests that safe havens will remain sought after and gold will continue to rally next year.**



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,464	0.05%	1,465	29/11/2019	1,450	26/11/2019
€/oz	1,329	0.13%	1,337	26/11/2019	1,273	28/11/2019

China has imported 40% less gold this year, driven by the particularly poor months of July (43.6 t) and October (34.9 t). Total imports of gold for the year stand at 791 t, which is 40% lower than the same period in 2018 (1,338 t). The impact of an ongoing trade dispute with the US and social unrest in Hong Kong was evident in October. Net gold exports to China from Hong Kong, an indication of sentiment as the main conduit of gold to China, fell a further 10.8% from September to 10.4 t (source: Bloomberg). Trading volumes through the Shanghai Gold Exchange dropped by 32% month-on-month to 231 t, and physical gold withdrawals fell by 22% month-on-month to 91 t (source: SGE) as a result of weak consumer demand.

Consumer demand (jewellery + bar and coin) in the final quarter will need to increase by 35% to meet the 994.3 t achieved in 2018 (source: World Gold Council). It is looking unlikely at this stage that full-year demand for 2019 will recover.

Trump livened up an otherwise dull week for gold. At the start of last week, gold prices were sliding on hopes for a US-China trade deal. However, gold rallied when President Trump signed into law a bill on Hong Kong and the Chinese government threatened counter measures, possibly making a trade agreement harder to reach. Unfortunately, this was a temporary gain and the gold price ended the week flat.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	17.01	-0.21%	17.12	26/11/2019	16.82	26/11/2019
€/oz	15.43	-0.13%	15.53	26/11/2019	15.21	25/11/2019

The decline in mine supply is escalating. Protests and disruption across South America and lower than expected grades at some of the largest silver mines mean that mine supply will fall again this year. Hochschild has reduced its silver production target for 2020 by 5% to 35 moz to allow for exploration, after continually low

grades during 2019 at its Pallancata mine. Silver mine supply last year was 855.7 moz, and has been falling at increasing rates each year since peak production in 2015. Near term, the price will likely remain under pressure along with gold.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	898	1.21%	916	26/11/2019	889	28/11/2019
€/oz	815	1.31%	832	26/11/2019	808	28/11/2019

No fortune for platinum in China – is the Eastern promise over? Retail sales of platinum jewellery in China declined by a further 16% in Q3 compared to the same period last year, bringing total demand down by 13% in 2019 so far. Platinum imports into Hong Kong, which are often regarded as a proxy for platinum used in jewellery in China, were slashed by 69% to 2.8 t in Q3. As a result, fabrication volume declined by 31% (source: PGI). China's jewellery industry accounted for 1,155 koz of platinum in 2018 (source: WPIC), but this is estimated to fall between 12% and 15% this year based on nine months of weak demand.

Contrastingly, Japan witnessed a 4.6% growth in platinum jewellery sales. This was driven by a rush to make purchases before a rise in consumption tax on 1 October, and increased tourism from the Rugby World Cup in late September. In what is usually a slow quarter for jewellery demand due to the monsoon season, sales in India also defied expectations, increasing by 10%. Nevertheless, jewellery demand on the whole will decline this year as sales in China, which account for 50% of the market, continue to fall.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,839	3.79%	1,847	29/11/2019	1,782	26/11/2019
€/oz	1,666	3.70%	1,678	29/11/2019	1,618	25/11/2019

Japan's auto industry hits the brakes. Car sales in October fell by 24.9% year-on-year to 314,784 units (source: Japan Automobile Dealers Association), leading to seven of the country's largest automakers lowering their global sales guidance for the year. Production also declined by 11.9% to 741,102 units. A strong yen and a sales tax increase from 8% to 10% from 1 October, on top of the effects of Typhoon Hagibis, meant October was one of the weakest months on record for the auto industry. This was compounded by declining car shipments to the US. However, given the strong sales and production momentum over the preceding nine months, there should be minimal impact on PGM demand. Japan is the fourth-largest market for autocatalyst palladium demand, accounting for around 850 koz a year or 10% of global demand. The roll-out of stricter emissions standards in several countries is supporting the high palladium price at the moment. The higher autocatalyst loadings required mean that demand is growing despite weaker car sales.

The market remains tight and the price has reached unprecedented levels - palladium is now more than twice the price of platinum!

Despite its price premium, does palladium have a place over platinum in cancer treatment? A new treatment mechanism uses palladium catalysts to deliver an anti-cancer drug directly to cancerous cells without damaging healthy tissue, thereby reducing side-effects (source: Nature Catalysis). Platinum-based cancer drugs have been an approved form of chemotherapy treatment for around 50 years, but they have very strong side-effects which has prompted research to find less aggressive alternatives. The new palladium-based mechanism is at an early stage and is still being studied by researchers at the University of Edinburgh, UK, and the University of Zaragoza, Spain, but could be a promising new use for the metal in the future.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$6,000/oz	\$250/oz	\$1,500/oz
Previous week	\$6,125/oz	\$250/oz	\$1,500/oz

The high rhodium price is a support for higher wages. Royal Bafokeng Platinum (RBP) has become the latest South African miner to come to an agreement over wages. The five-year agreement with the National Union of Mineworkers will see employees receive a wage increase of 6-7% p.a. which is above the annual growth in CPI (+5% on average). A reopening of the rhodium-rich part of RBP's South shaft will help to push up revenue enough to accommodate the higher wages, and also

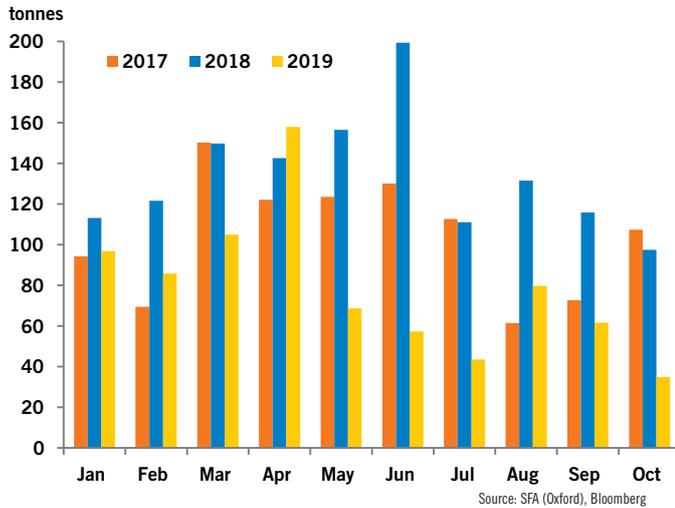
offset slow production at the Styldrift shaft. Nearly half of RBP's revenue in 2018 was from platinum, but the high basket price driven by palladium and rhodium this year incentivised the reopening of the UG2 South shaft that was previously considered uneconomical.

The rhodium price fell back to \$6,000/oz this week. Iridium and ruthenium prices were unchanged.

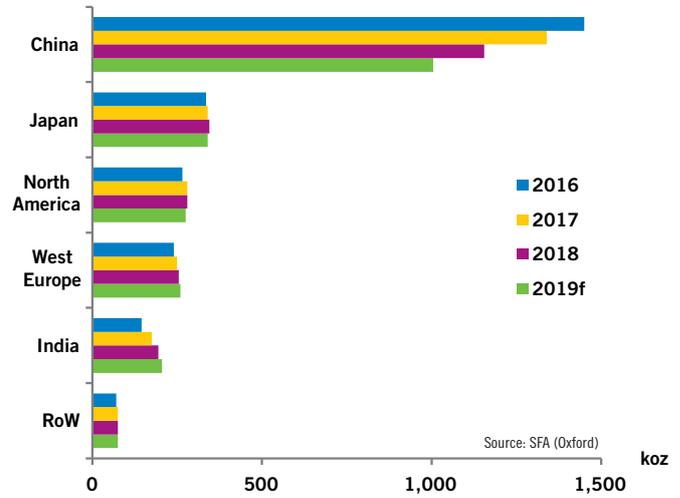


TRENDS AND INVESTMENTS

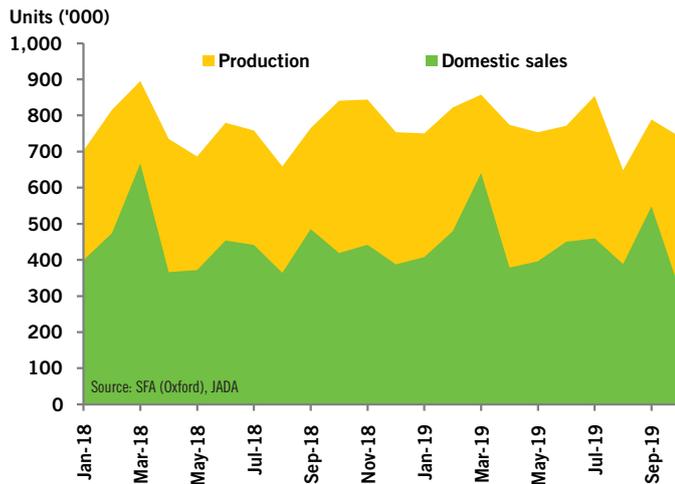
China gold imports



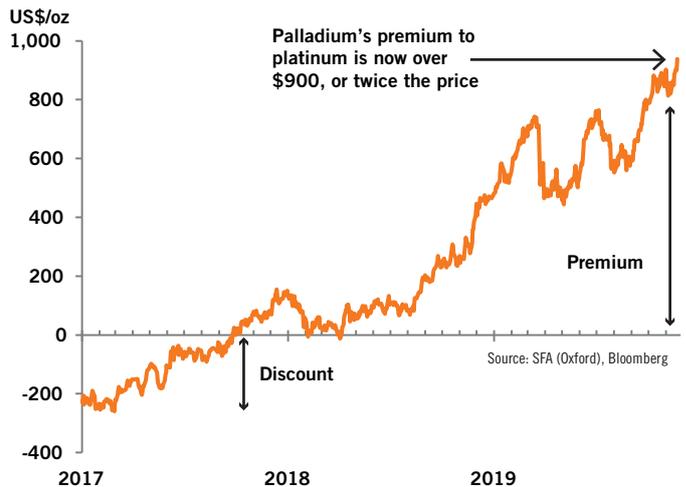
Platinum jewellery demand



Japan car sales and production



Palladium to platinum price ratio



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