

# HERAEUS PRECIOUS APPRAISAL

Heraeus

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## MARKET WATCH

**Europe's auto industry shifts into neutral.** Most European carmakers have suspended production for at least two weeks owing to supply chain disruption and falling sales as a result of the spread of COVID-19. Europe is the second-largest market (after China) for world motor vehicle production, with output of 19.2 million units in 2018 and accounting for a quarter of all passenger cars manufactured globally (source: ACEA).

**Disruption is expected in the US over the coming weeks.** The Detroit Three automakers (Ford, General Motors and Fiat Chrysler) have already agreed to shut down their US manufacturing facilities for an undetermined length of time. However, China appears to be getting back into gear, with Volkswagen noting that 31 of its 33 Chinese plants were now up and running. The question now is: how soon will Chinese consumers venture out to buy new cars?

**European and US car sales stall.** In China, car sales plummeted 80% in February. It is possible that sales in Europe and the US could have a similar outcome as containment measures limit the movement of people and shut down dealerships. The significant uncertainty around car sales and hence PGM demand has resulted in the rapid PGM price declines over the last two weeks. At the start of the year, the palladium and rhodium markets were forecast to have large deficits. Now with the production halts in Europe and the US, the markets could end up with a temporary surplus. Having held up longer than palladium, the rhodium price has fallen by more than half from its record high of \$14,150/oz two weeks ago to \$5,950/oz as end user purchasing has slowed significantly. However, these metals will remain necessary to meet emissions limits and demand will return once auto production starts to recover. Prices will remain volatile for the foreseeable future.

**Sibanye-Stillwater (SS) will provide processing capacity at its Marikana operations to offset a force majeure declared by Anglo American Platinum (AAP)** earlier this month. The force majeure was issued following the temporary shutdown of AAP's converter plant at the Waterval smelter. The agreement with SS refers to all metal produced from SS Rustenburg and Platinum Mile operations, as well as 50% of the concentrate from Kroondal. Concentrate from these operations is normally processed by AAP under either toll (Rustenburg) or purchase of concentrate (Platinum Mile, Kroondal) contracts. These measures only apply for the duration of the force majeure (80 days). SS providing replacement processing capacity will reduce the impact on PGM supply in the near term.

**Safety is relative as gold outperforms.** Government bonds saw significant volatility over the last two weeks. Yields were pushed down to record lows on 9 March as prices rose. Then prices tumbled last week, pushing the 10-year US treasury yield above 1.1%, the highest in nearly three weeks. Gold was also feeling the pressure, falling to a low for the year of \$1,485/oz as gold's safe-haven attributes were superseded by the need for liquidity. A second emergency rate cut by the Federal Reserve last week takes interest rates close to 0% and pushes real rates further into negative territory, but has still failed to provide support for gold. However, ETF holdings held up and physical bar purchases by retail investors have been strong. Gold has fared better than most asset classes and the price is down by only 3% this year (-13% from its peak).

**Silver has been underperforming gold for some time now and remains weak.** This was demonstrated last week as the gold:silver ratio climbed above 125. Such a high ratio could see some more interest from investors, and indeed there have been reports of strong demand for silver coins, but the price is yet to react positively. The US Mint temporarily halted sales of the American Eagle silver coin last week after stocks were exhausted. American Eagle coin sales reached 3.11 moz in the first three weeks of March, which is 378% higher than the full month of February. However, the silver price continues to underperform gold as the price fell by 14% last week to an 11-year low of \$12.5/oz (-30% this year), adversely affected by its ties to industrial demand.



# PRICE REVIEW

## <sup>79</sup> Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,487	-2.39%	1,554	17/03/2020	1,452	16/03/2020
€/oz	1,394	1.46%	1,416	17/03/2020	1,301	16/03/2020

## <sup>47</sup> Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	12.52	-14.59%	14.11	16/03/2020	11.64	18/03/2020
€/oz	11.75	-10.31%	13.25	16/03/2020	10.83	16/03/2020

## <sup>78</sup> Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	623	-17.00%	754	16/03/2020	564	16/03/2020
€/oz	584	-13.77%	674	16/03/2020	507	16/03/2020

## <sup>46</sup> Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,661	0.73%	1,827	16/03/2020	1,495	16/03/2020
€/oz	1,558	2.44%	1,631	16/03/2020	1,347	16/03/2020

## <sup>45</sup> Rh Rhodium

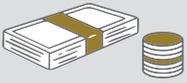
	Reporting week	Previous week	Weekly change
\$/oz	\$5,950/oz	\$12,850/oz	-53.7%

## <sup>44</sup> Ru Ruthenium

	Reporting week	Previous week	Weekly change
\$/oz	\$265/oz	\$265/oz	0%

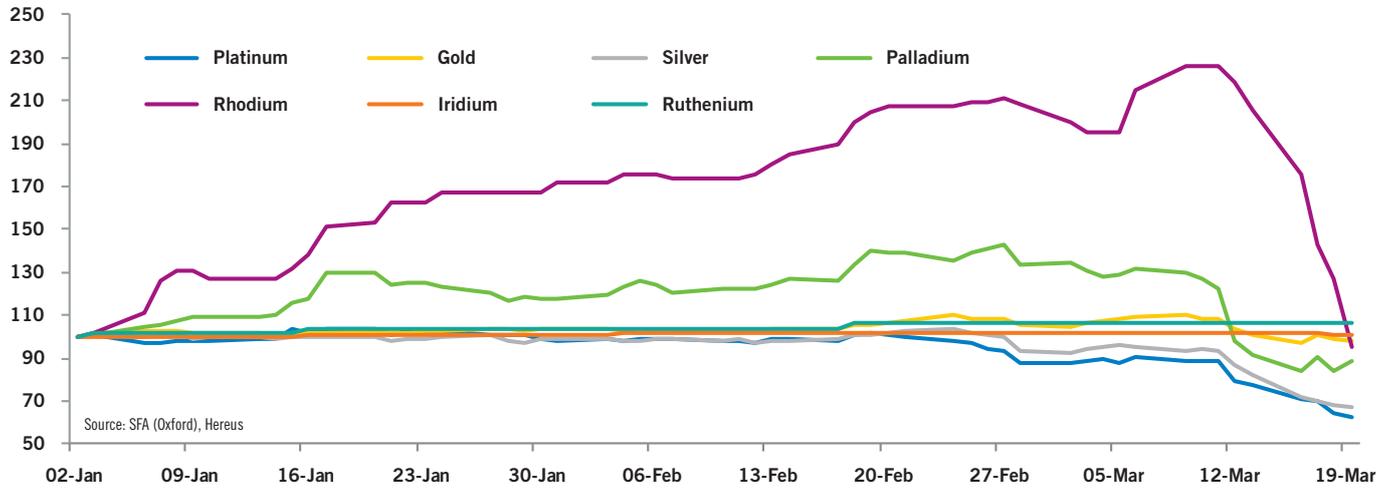
## <sup>77</sup> Ir Iridium

	Reporting week	Previous week	Weekly change
\$/oz	\$1,510/oz	\$1,530/oz	-1.31%

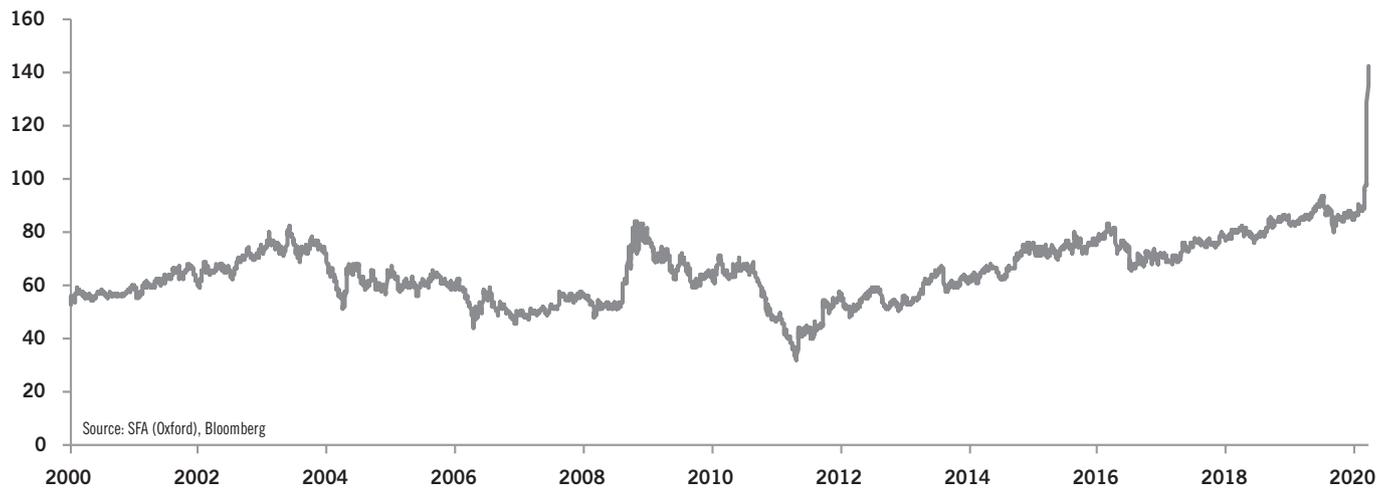


# TRENDS

## Prices indexed to 100, 2 Jan 2020



## Gold silver ratio



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