



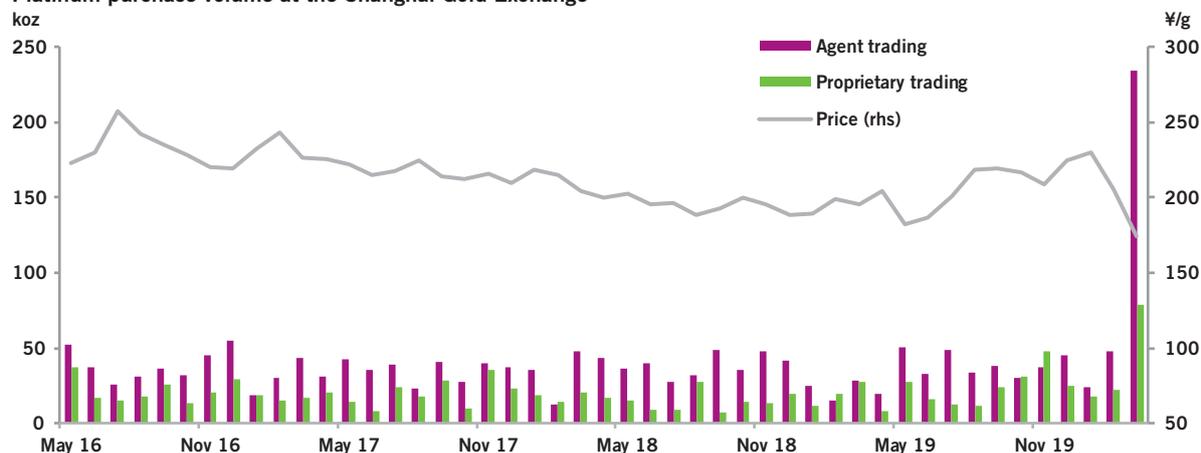
MARKET SPOTLIGHT

Platinum price decline incites Chinese buying

The sudden sell-off in platinum has triggered bottom fishing in China. Platinum trading volumes on the Shanghai Gold Exchange (SGE) rose sharply by 500% year-on-year in March to 343 koz, which coincided with a 26% drop in the local price for platinum (¥/g). Demand increased across all sectors including jewellers, industrial end-users and banks. While each sector varies in its fundamentals, the sectors' consistent reaction suggested the jump in purchasing volume was mostly a one-off, price-induced event. Indeed, purchase levels had returned to normal by the end of April once the price rebounded.

However, the more speculative the sector, the bigger the jump. In March, platinum purchasing on the SGE by agent trading (mostly commercial banks and other investment companies) accelerated by 730% year-on-year, compared to +183% by proprietary trading, which mostly consists of jewellers and industrial end-users.

Platinum purchase volume at the Shanghai Gold Exchange



Source: SFA (Oxford), SGE, Bloomberg

In recent years Chinese jewellery fabricators have tended to buy platinum on a hand-to-mouth basis, but the low price in March attracted additional demand. The majority of purchases were made by two companies which have very few owned fabrication businesses but took advantage of their SGE membership to buy precious metal feedstock for smaller players in the industry, acting as de facto brokers. The surge of platinum buying in March is likely to be enough to keep inventories topped up while demand is weak.

Nonetheless, the jewellery industry's share of purchases on the SGE is declining. In Q1'20, the jewellery sector share on the SGE was a third of the size it was in 2015, while the trading share of industrial and investment sectors has increased dramatically. Platinum jewellery demand in China dipped below 1 moz last year for the first time since 2007 and marked the sixth year of decline. The effect of COVID-19 on consumer sentiment is likely to accelerate China's platinum jewellery decline by several hundred thousand ounces this year.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,710	0.83%	1,723	08/05/2020	1,677	06/05/2020
€/oz	1,577	2.27%	1,591	07/05/2020	1,545	04/05/2020

No luck for India's gold market. Indian gold jewellery demand fell by 41% to an 11-year low of 73.9 t in Q1'20. A weaker rupee and a rising dollar gold price took the local gold price to an all-time high of Rs44,315/10g in March which dented demand. Lockdown in most regions of India was not implemented until the last week of March, which suggests the impact of COVID-19 will be even greater in Q2. Sales of gold jewellery on the auspicious festival of Akshaya Tritiya (26 April) are estimated to drop by 95% this year (source: All India Gem and Jewellery Domestic Council) due to store closures. Most people prefer to handle gold jewellery

before buying, so online sales in India have remained weak. Gold jewellery demand across global markets fell to a record low of 325.8 t in Q1'20, a 39% decline year-on-year (source: World Gold Council). India is the second-largest gold jewellery market, but outperformed China in the first three months of the year. Chinese gold jewellery demand contracted by 65% year-on-year to 64 t. Jewellery accounted for 48% of total gold demand last year, and while it is expected to remain muted for the remainder of the year, pandemic-fuelled safe-haven demand should offset the decline and support the gold price.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	15.46	3.48%	15.64	08/05/2020	14.69	04/05/2020
€/oz	14.26	5.24%	14.34	08/05/2020	13.49	04/05/2020

Silver's electrical uses unlikely to offset the overriding industrial decline. The semiconductor market is expected to grow by 2.5% this year, driven by increased medical chip demand (source: Omdia). The medical sector is forecast to grow faster than the overall industrial semiconductor market moving into 2021. Electrical and electronic demand, such as semiconductors, is the largest industrial use of silver, accounting for around a quarter of total physical demand (248.5 moz in 2018). However,

industrial silver usage as a whole is likely to suffer from the impact of COVID-19 on manufacturing this year.

Silver ETFs reached a record high last week of 793.4 moz as investors rushed to buy on the anticipation that silver could follow gold's recent rally. The gold/silver ratio hit a record high of 123 earlier in the year and is now holding around 113 as both prices moved in tandem last week.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	770	0.79%	780	08/05/2020	745	06/05/2020
€/oz	710	2.16%	720	08/05/2020	686	04/05/2020

Platinum's largest market has stalled. Car sales in Western Europe plummeted 80% in April, the single worst drop recorded in the region in modern times. Sales for the full year are now estimated to fall by 26.5% to just 10.5 million units (source: LMC Automotive). April is expected to have been the worst month for sales as manufacturers now start to re-open and lockdowns ease. Europe's four auto sector associations have published an action plan for a successful industry restart, which includes a coordinated vehicle renewal scheme for all vehicle types and categories across the EU. Car registrations in the UK, now Europe's worst-hit country

by COVID-19, declined by 97.3% year-on-year to 4,321 units in April (source: Society of Motor Manufacturers and Traders (SMMT)). The SMMT predicts 1.68 million new car registrations in 2020, compared with 2.3 million in 2019, which puts the sector on course to record its worst performance in 28 years. Western Europe's auto industry represents the largest end-use for platinum (1 moz last year). Autocatalyst demand in the region this year is forecast to be the lowest for more than two decades. Fundamentally, the platinum market remains oversupplied and the price is likely to remain weak.



PRECIOUS METALS REVIEW

46 Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,866	-3.12%	1,931	04/05/2020	1,762	06/05/2020
€/oz	1,717	-2.11%	1,773	08/05/2020	1,628	05/05/2020

Anglo American Platinum can start relieving the PGM bottleneck. Anglo American Platinum (AAP) has completed the repair of the Anglo Converter Plant (ACP) Phase B unit ahead of schedule. The ACP is expected to be fully operational from 12 May, on which date the force majeure to suppliers of its concentrate will be lifted. The force majeure notice remains in place for refined metal customers. The South African miner is now able to begin processing precious metal concentrate and releasing some of the volume in the bottleneck that has built up during the period the ACP was under repair. AAP reiterates its production guidance for the year of 1,000-1,150 koz of palladium (down from 1,100-1,200 koz at the start of the year). AAP was the largest palladium producer in South Africa last year.

South African supply is taking longer than anticipated to ramp up. Impala Platinum has reduced its FY20 (year to end June) production guidance from 3-3.5 moz of 6E refined metal to 2.6-2.9 moz (6E = Pt, Pd, Rh, Au, Ru, Ir). This equates to a loss of around 176-220 koz of platinum and 144-180 koz of palladium. The revised guidance assumes an average production rate of 30-40% for Impala's South African operations in May and June. It is clear that supply is taking longer to ramp up than initially forecast now the additional social distancing and hygiene protocols are in place.

The significant contraction in automotive demand is likely to outweigh the cuts to production and results in a market that is closer to balance this year. Lease rates have come down and the market is less tight than it was. It is unlikely that the palladium price will revisit its highs this year and it could slip further.

45 Rh 44 Ru 77 Ir Rhodium, Ruthenium, Iridium

	Rhodium	Ruthenium	Iridium
Reporting week	\$7,650/oz	\$315/oz	\$1,620/oz
Previous week	\$8,650/oz	\$315/oz	\$1,600/oz

Delays to ballast water treatment deadlines could push iridium and ruthenium demand off-balance. The US Coast Guard is considering extending the deadline for ballast water treatment system (BWTS) compliance beyond 1 April 2021. Ruthenium- and iridium-coated electrodes are one of the options available to ship-owners in order to comply with new standards of ballast water treatment through the process of electrochlorination. A deadline extension is likely to slightly delay the boost

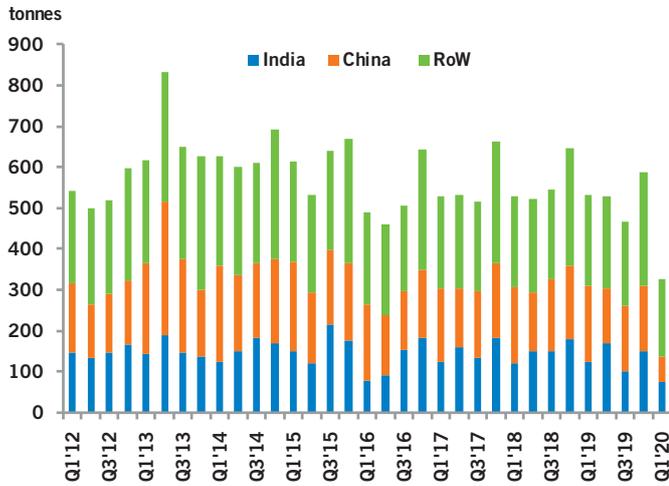
to iridium and ruthenium demand that was expected this year. Electrochemical demand is the second-largest end-use for iridium, accounting for almost a third of total consumption.

The rhodium price fell by a further 11.5% last week to \$7,650/oz. Iridium gained \$20/oz and ruthenium remained unchanged.



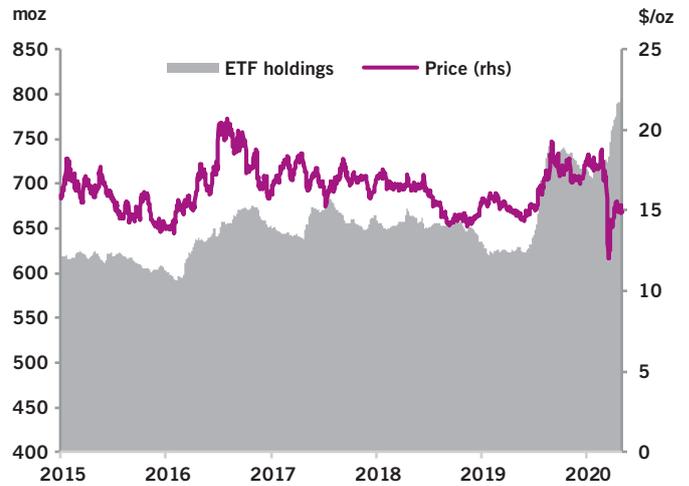
TRENDS AND INVESTMENTS

Gold jewellery demand



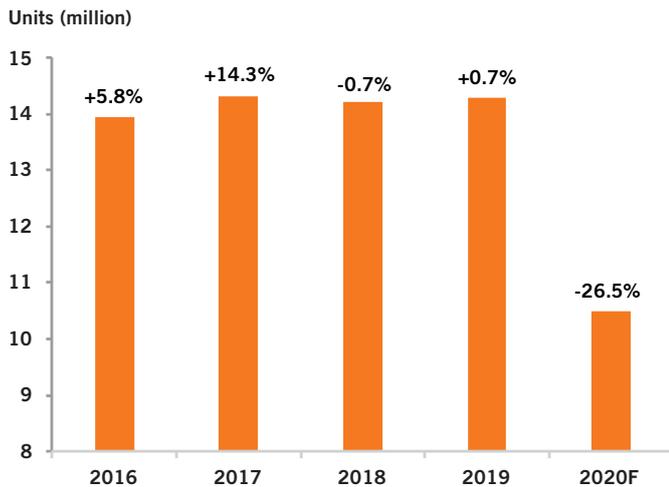
Source: SFA (Oxford), World Gold Council

Silver ETFs



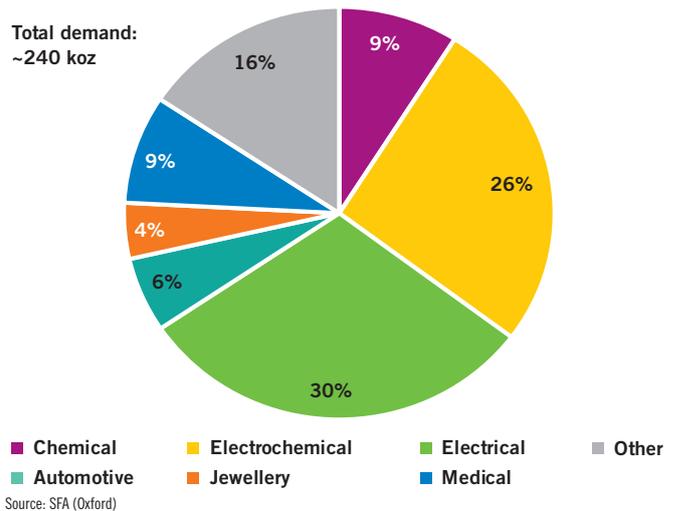
Source: SFA (Oxford), Bloomberg

Western Europe car sales



Source: SFA (Oxford), LMC Automotive

Iridium demand



Source: SFA (Oxford)

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