



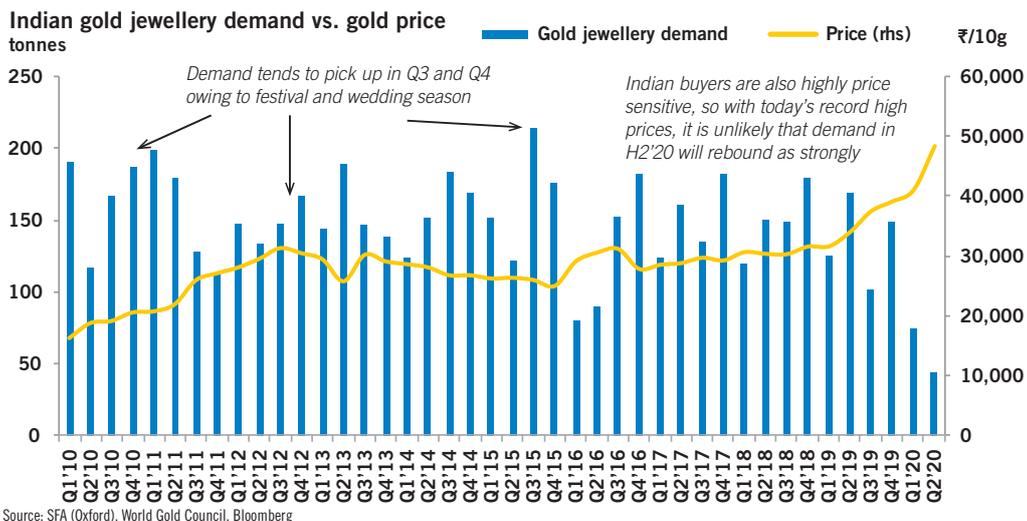
MARKET SPOTLIGHT

Seasonality cannot save gold's consumer demand this year

Gold jewellery demand in Asia typically increases in the second half of the year, with national holidays and festivals supporting purchases. In China, National Day Golden Week is in the first week of October. In India, Dhanteras and Diwali, which are in the first week in November, are considered auspicious times to buy gold. The Indian festivals are followed by the wedding season which also sees stronger demand for gold jewellery. Despite the weak economic outlook in India, which has been accentuated by the impact of Covid-19, 65% of consumers reflect a positive buying sentiment for Diwali this year, with jewellery considered a high priority item (source: TRA Research).

A good monsoon season in India also boosts gold demand in Q4. Around two-thirds of India's gold demand come from rural areas where income relies heavily on the success of the monsoon season. If crop yields are buoyant, then rural income is boosted and spending on gold will increase. The monsoon season in India had a positive start, ending 18% above the long period average at the end of June. The country is expected to receive rainfall in line with the long-term average this year, raising expectations of higher agricultural output.

However, high prices and a strained economy are significant headwinds for Indian gold demand this year. The domestic price has rallied 42% in the year to date, which, even with a good monsoon season, may price some consumers out of the market. The average price of gold in India (₹/10g) this year is already 28% higher than in 2019. Gold jewellery demand in India fell by 74% year-on-year in Q2, pulling demand in the first half of the year down to just 152.2 t (-52% year-on-year).



Discretionary consumption of gold is expected to be significantly lower year-on-year, with a rebound in Q3 and Q4 being insufficient to offset the losses sustained in the first half of the year. If jewellery demand in the second half of the year is as strong as in 2019 (250.6 t), full-year demand in India would still be down by 32% (best case scenario). In reality, given the high domestic gold price and the country's weak economic outlook, it is likely to be even lower.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,944	-4.16%	2,050	10/08/2020	1,863	12/08/2020
€/oz	1,643	-4.63%	1,740	10/08/2020	1,591	12/08/2020

Gold rebounded after one of its largest one-day sell-offs last week, falling almost 6% in a day, and bond yields rose as safe havens were sold. Gold remains below \$2,000/oz, giving back its gains for the month to date. In the short term, the price is in the process of consolidating its strong gains and could trend lower for some time. However, in the medium term, political and economic uncertainty in the US could continue to keep interest in gold high.

Congress failed to agree a new stimulus package before the summer recess so President Trump signed executive orders to provide some economic relief. A second stimulus package is still possible at some point but with Senate Republicans looking at \$1 trillion and House Democrats aiming for \$3 trillion, the plans were a long way apart. Besides the state of the US economy, the US presidential election will increasingly become the focus over the next few months. Joe Biden, the Democrat candidate, has just chosen his running mate.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	26.65	-4.32%	29.41	10/08/2020	23.45	12/08/2020
€/oz	22.52	-4.77%	24.96	10/08/2020	20.01	12/08/2020

The silver price followed gold's descent last week, dropping almost 15% in its steepest one-day decline since 2008, but remains above \$25/oz.

High prices for solar modules may delay PV projects until next year. Explosions at GCL-Poly Energy's plant in China last month have led to a rise in the price of polysilicon, one of the raw materials used for solar panels. Prices have jumped by almost 50% since the incident in July, which wiped out around 48,000 t of polysilicon from

the market, or 10% of global supply. The site is likely to be offline for around nine months. The declining cost of solar modules has helped to boost solar uptake over the past 10 years, but a higher polysilicon price due to supply shortage could see projects postponed, which will impact silver demand. Conductive silver paste is a critical component of solar cells, accounting for 98.7 koz of silver last year, or 20% of silver's industrial demand (source: The Silver Institute).

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	954	-0.01%	1,008	10/08/2020	917	12/08/2020
€/oz	806	-0.54%	855	10/08/2020	782	12/08/2020

Car registrations in Western Europe improved dramatically in July. The decline was just 2.2% year-on-year to 1.16 million units, compared to the 24.8% drop recorded in June. The annual selling rate has increased to 14.3 million units, up from 10.3 million units in June, although this still equates to a 24% cut in demand this year (source: LMC Automotive). Strong sales in France (+3.9%) and Spain (+1.1%) have been attributed to their governments' incentive schemes. Sales in Italy fell by 11% as consumers waited for incentives to come into effect from 1 August. In the UK, pent-up demand saw sales increase by 11.3%. This is despite the UK suffering the worst economic slump in Europe in Q2 which saw GDP fall by more than 20% and the country slip into its deepest recession on record. A second wave or localised spikes of Covid-19 are significant headwinds for the recovery of Europe's auto market. Europe is the largest

diesel market in the world, accounting for 1,040 koz of platinum last year, but its market share is shrinking. In 2016, 49.2% of new cars registered in the EU were diesel, compared to 30.5% in 2019 (source: ACEA), a reduction of around 590 koz of platinum. The market is forecast to shrink by a further ~300 koz this year alone owing to the combined impacts of Covid-19 and weak diesel demand. The platinum price held up relatively well last week, but in an oversupplied market it looks expensive at above \$900/oz.

Sibanye-Stillwater hosted the inaugural Marikana Memorial Lecture on Friday, in honour of the 44 individuals who lost their lives in 2012. The lecture was given by Prof Thuli Madonsela. Sibanye-Stillwater acquired Lonmin, who owned the Marikana mine, in June 2019.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,140	0.36%	2,317	10/08/2020	2,079	11/08/2020
€/oz	1,809	0.00%	1,964	10/08/2020	1,773	11/08/2020

Secondary palladium supply could fall 25% this year. A high palladium price encouraged autocatalyst recycling in Q1'20 despite lockdowns. Scrapyards, incentivised by a high price, continued to sell material while it was available through April but this has slowed since then. There was less material available in May and June. Now lockdowns have eased, there has been a gradual resumption in recycling activity, but material flow is likely to be curbed until the latter half of the year. Secondary

palladium supply could shrink by around 500 koz this year, depending on end-of-life vehicle scrappage rates. Recycling volumes account for around 25% of global palladium supply (~2.6 moz last year).

Despite the decline in recycled palladium, the market is expected to be close to balance this year (which Nornickel has also just noted in its H1 report) so the price is expected to fall further.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$11,350/oz	\$295/oz	\$1,650/oz
Previous week	\$10,450/oz	\$295/oz	\$1,650/oz

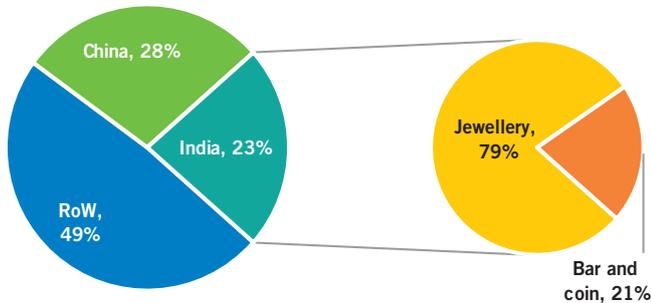
After trading sideways for two months, rhodium is finally gathering momentum. The price reached \$11,350/oz last week owing to steady demand from Chinese fabricators. However, with demand faltering elsewhere in the world,

trading remains thin and lease rates are unchanged. Iridium and ruthenium prices have been unaffected by the precious metal rally and subsequent sell-off, and remained unchanged for another week.



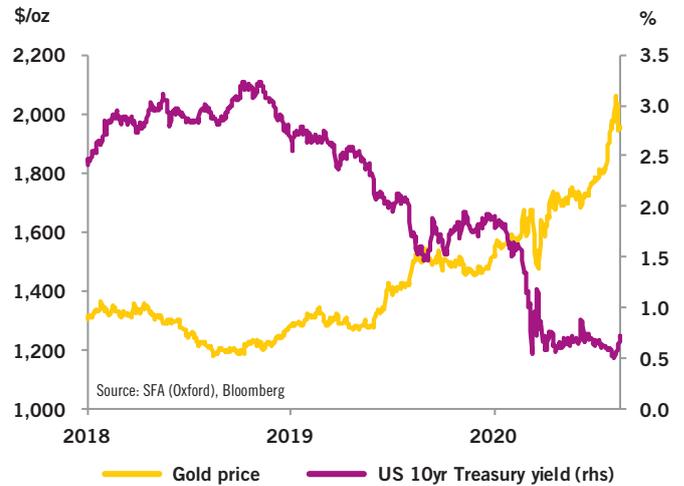
TRENDS AND INVESTMENTS

India consumer gold demand

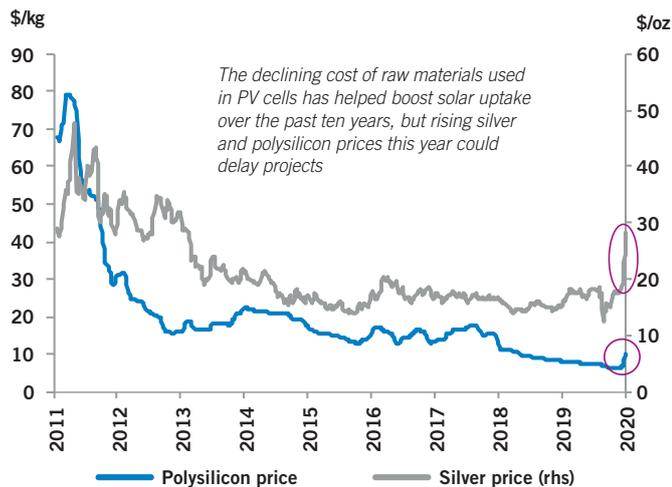


Source: World Gold Council

Gold vs. 10yr Treasury bond yields

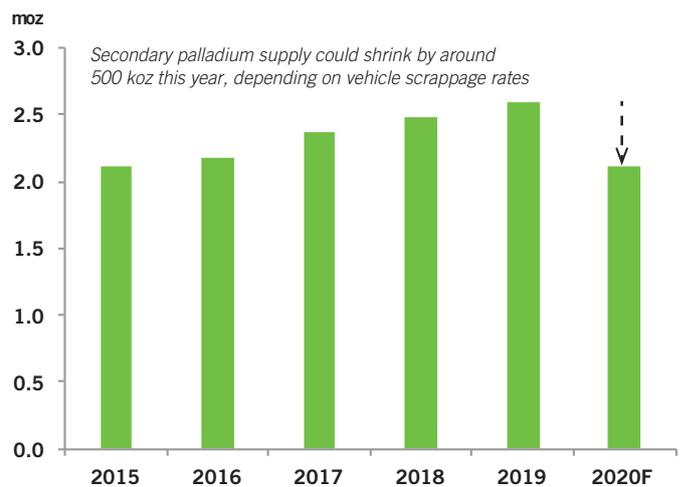


PV uptake vs. raw material cost



Source: SFA (Oxford), Bloomberg

Secondary palladium supply



Source: SFA (Oxford)

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