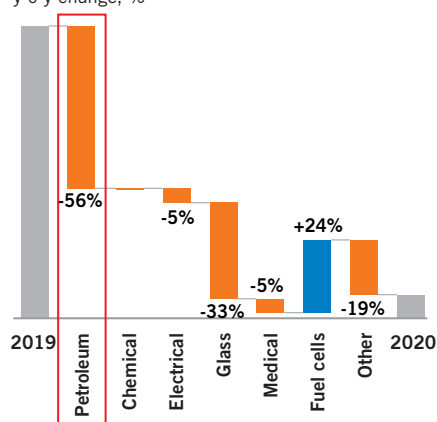


## MARKET SPOTLIGHT

### Will oil refinery shutdowns be a platinum blowout?

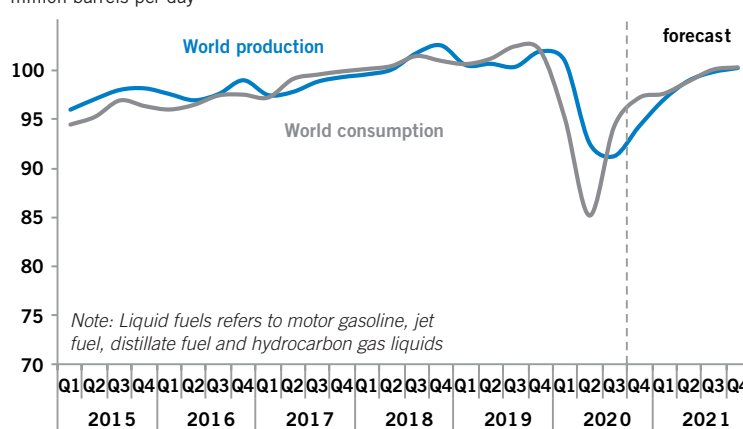
While many of platinum's industrial end-uses have remained relatively robust during the pandemic, petroleum platinum demand has taken a big hit and is expected to contract by more than 50% this year. With travel grounded for several months owing to the pandemic and the coronavirus continuing to weigh on economic activity, global oil demand is expected to fall by 8.4 mb/d to 91.6 mb/d in 2020 (source: IEA). Platinum catalysts are the key active agents in reforming crude oil to produce high-octane gasoline. Catalysts can have up to a 10-year life before recycling but require regular top-up, which, along with new capacity, accounted for around 230 koz of platinum last year.

Industrial platinum demand by sector  
y-o-y change, %



Source: SFA (Oxford)

World liquid fuels production and consumption balance  
million barrels per day



Source: US Energy Information Administration, Short-Term Energy Outlook, October 2020

**Petroleum refining capacity curtailments are being hastened by Covid-19**, leading to the permanent closure of uneconomic refineries in the US, Europe and Southeast Asia. For refiners already struggling as petroleum product demand falls short of new capacity, the pandemic poses an existential threat. Europe is estimated to lose around 2 mb/d of crude oil processing capacity by 2025 (-13%), around half of which is directly attributable to the fallout from Covid-19 (source: IHS).

**Petroleum platinum demand is set to contract by more than 100 koz in 2020** but is expected to rebound in 2021. A major new gas-to-liquids (GTL) plant has been delayed this year, reducing catalyst requirements and likely boosting demand for next year instead. However, a significant number of refinery closures could curb the projected rebound in net platinum demand in 2021 and weaken requirements thereafter by returning recovered metal to market from recycled catalysts. However, decommissioning is a costly process, so closures are likely to be staggered across the next five years.

**Platinum has the largest value chain of all the PGMs, with a significant volume of metal tied up in live industrial capacity.** The petroleum, chemical and glass industries account for around two-thirds of global above-ground platinum, excluding jewellery on fingers and platinum on the road in catalytic converters. The remainder is accounted for by investors, suppliers and end-users. With the platinum market forecast to remain in surplus over the medium term, any platinum released as a result of oil refinery closures from the historically closed-loop system is a price risk to the downside; the release of metal from the closed-loop part of the market can be unpredictable and sometimes poorly timed.



# PRECIOUS METALS REVIEW

79

## Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,920	1.04%	1,929	09/10/2020	1,873	07/10/2020
€/oz	1,625	0.08%	1,633	09/10/2020	1,597	07/10/2020

**Central banks switched to being net sellers of gold in August** for the first time since December 2018, recording a net -12.3 t (source: World Gold Council). While not unheard of, net sales are unusual and could signal that demand is slowing after gold's rally to a record high earlier this year. Purchasing was concentrated amongst a few countries including Turkey (+3.9 t), India (+4 t) and the Kyrgyz Republic (+5 t). Year to date, Turkey remains the largest net buyer, taking total gold holdings to 607 t or 49% of its global reserves. However, a pullback

from some major buyers far outweighed purchasing as Uzbekistan reduced its gold reserves by 32 t in August. This year has shown a slower pace of accumulation compared to previous years, with year-to-date purchases (+214.3 t) more than 50% lower than the same period of 2019. However, weaker central bank demand has been offset by record ETF inflows, which reached 115 moz last week. Central banks are expected to remain net purchasers for the year, continuing to diversify away from US dollar reserves.

47

## Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	24.65	3.55%	24.79	09/10/2020	22.88	06/10/2020
€/oz	20.85	2.54%	20.97	09/10/2020	19.49	06/10/2020

**Silver ETFs recorded a sharp increase at the start of October**, taking total global holdings to 1,029 moz. Inflows have since levelled off and the price is following gold which remains choppy, prompted by President Trump's mixed messages over fresh stimulus measures last week. The chances of Republicans and Democrats

agreeing to a bailout package and the US economy receiving fiscal support before the presidential election in November are looking slim. Minutes from the Fed's September meeting indicated it would keep rates low while the economic outlook is subdued, which is supportive for gold and silver.

78

## Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	890	0.89%	904	06/10/2020	853	06/10/2020
€/oz	753	-0.13%	766	06/10/2020	727	06/10/2020

**The market share of diesel cars in the UK has contracted significantly** in the year to date, while BEV and PHEV uptake continues to grow, accounting for one in ten of new car registrations in September (source: SMMT). Diesel cars accounted for 16.9% of the market in the first nine months of the year, compared to 25.7% in the same period in 2019. New car registrations dropped 4.4% year-on-year to the lowest September volume recorded since 1999, representing a 15.8% drop on the 10-year average for the month. While a 4.4% decline seems modest given the current environment, it is distorted by

the low volumes recorded in September 2018 and 2019 owing to changes in the new WLTP emissions testing. The European market accounted for around 1.1 moz of platinum in 2019, roughly 40% of global autocatalyst demand. In light of declining diesel demand compounded by the impact of the pandemic, European autocatalyst demand is estimated to shrink by around 300 koz of platinum (~30%) this year. The major consumption sectors – jewellery, automotive and industrial – remain weak and ingot is still trading at a premium to sponge.



# PRECIOUS METALS REVIEW

46

## Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,457	6.19%	2,475	09/10/2020	2,299	05/10/2020
€/oz	2,078	5.12%	2,095	09/10/2020	1,960	05/10/2020

### China's automotive market has shown a remarkable rebound from the Covid-induced low earlier in the year.

The world's largest gasoline market recorded double-digit growth in August, rising for the sixth month in a row, and preliminary September results from some automakers have shown the trend was maintained. The China Association of Automobile Manufacturers now expects full-year sales to fall by less than 10% this year, a vast improvement from the 25% drop initially forecast in the first half of the year. 'Golden September' and 'Silver October' are considered the high season for car sales,

with customers typically returning to make big-ticket purchases after the summer. Owing to the low base level of September 2019 (which saw sales fall by 5.2%, a decline for the 15th consecutive month), September 2020 is likely to have recorded another month of 'golden' growth. Despite China's rebound, auto demand in the rest of the world is looking far less promising, with rising Covid cases in key markets threatening economic activity. The palladium price rallied and gained \$144/oz last week but looks expensive at current levels and its exposure to the global auto industry leaves it vulnerable.

77

Ir

44

Ru

45

Rh

## Rhodium, Ruthenium, Iridium

	Rhodium	Ruthenium	Iridium
Reporting week	\$13,250/oz	\$295/oz	\$1,650/oz
Previous week	\$14,100/oz	\$295/oz	\$1,650/oz

### Will high rhodium prices trigger restarts in South Africa?

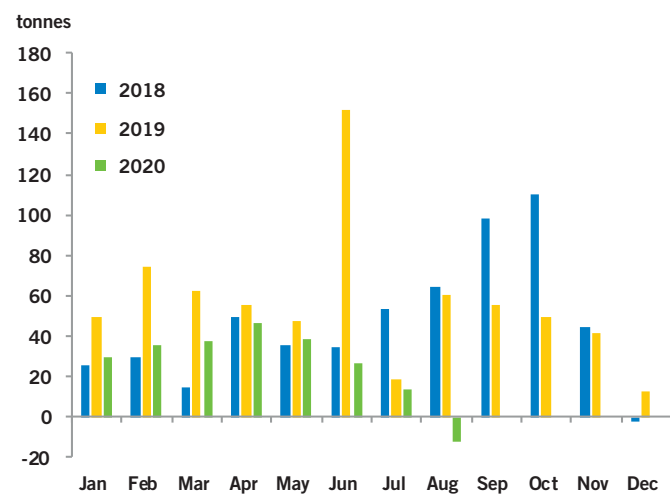
The rhodium price dipped back below \$14,000/oz last week but remains very high, which, combined with a weak rand-dollar exchange rate, has boosted South African producers' profits this year. With prevailing high prices and supply not expected to keep pace with

demand, there is motivation for South Africa's producers to plug the gap. Over the last 10 years just over 150 koz of rhodium supply has been shuttered. Conceivably, some capacity could be recommissioned within three years. The ruthenium and iridium prices remained unchanged for another week.



# TRENDS AND INVESTMENTS

## Central bank gold demand



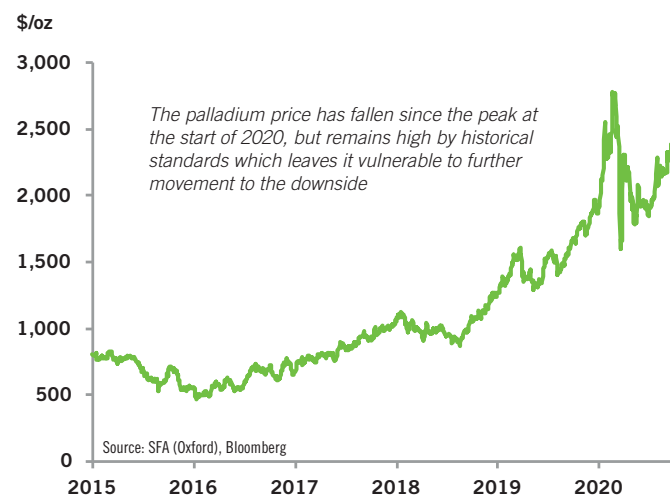
Source: World Gold Council

## Global silver ETF holdings year-to-date



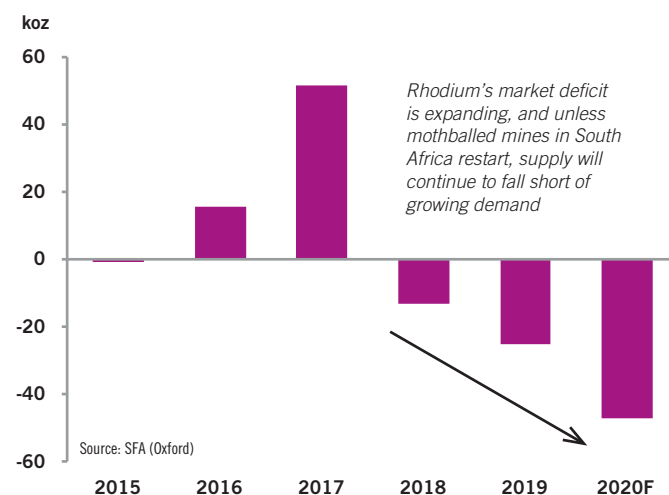
Source: SFA (Oxford), Bloomberg

## Palladium price



Source: SFA (Oxford), Bloomberg

## Rhodium market balance



Source: SFA (Oxford)

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