



MARKET SPOTLIGHT

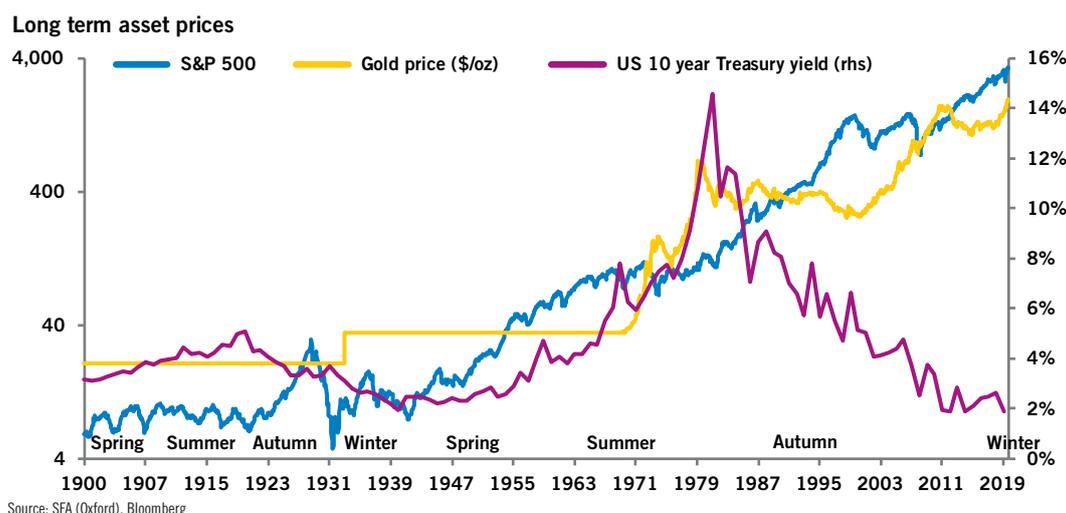
Winter is coming

US presidential elections have little impact on the gold price which follows its longer-term price trend (see charts on back page). The Kondratiev cycle is a 50 to 60-year economic cycle that ends with a deflationary bust. It is named after Nikolai Kondratiev who wrote about it in the 1920s. Kondratiev identified three phases in the cycle: expansion, stagnation and recession. Today the cycle is usually divided into four periods named after the seasons of the year.

The winter period is characterised by falling stocks, deflation and economic depression. The last winter in Europe and the US can easily be recognised as the depression of the 1930s. It was preceded by a stock market rally to record highs and excessive use of credit and followed by a subsequent stock market crash and economic collapse.

Spring is characterised by rising stocks, moderate inflation and a strongly expanding economy – the post-war recovery boom. Summer is characterised by a peak in economic growth, rising inflation and interest rates and increasing commodity and gold prices – the late 1960s to early 1980s.

Autumn is characterised by a dramatically rising stock market, disinflation and an economy that expands slower than earlier in the cycle – 1980s to 2020. Over the last couple of decades, inflation has been easing and GDP growth has been slowing. Meanwhile, the DAX and US stock markets have made new all-time highs in 2020 and US stock market valuations are on a par with those in 1929.



In the winter period, the safest assets to hold are gold and cash. Stocks, bonds and real estate are best avoided as overvalued asset prices deflate. The impact of the coronavirus pandemic has resulted in a huge economic downturn, while at the same time already over-indebted governments have resorted to massive fiscal stimulus measures. Companies have also been raising record levels of debt. Despite that, debt trades at historically low interest rates. While it is assumed that governments will be able to inflate away their ever-increasing debt loads, deflation is a realistic alternative. If the recession means that companies and countries cannot pay their debts, then they will default on them, which is deflationary, and gold should outperform in real terms.



PRECIOUS METALS REVIEW

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Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,882	-0.90%	1,911	27/10/2020	1,860	29/10/2020
€/oz	1,615	0.73%	1,622	28/10/2020	1,590	29/10/2020

Gold demand is on track to decline much more than supply this year, despite strong growth from investors.

In Q3, gold demand fell by 19% to 892.3 tonnes, the lowest quarterly total since Q3'09 (source: World Gold Council). ETF inflows, which have slowed compared to Q2, only partially offset losses sustained by weak consumer demand. Despite a modest improvement from Q2, the combination of a high gold price and the impact of Covid on spending meant jewellery demand fell 29% year-on-year to 333 tonnes, from an already weak base in Q3'19. The two largest markets, China and India, accounted for the majority of jewellery's decline, falling

by 25% and 48% year-on-year, respectively. In the first nine months of the year, annual gold supply is down by 5% at 3,394 tonnes and demand is down by 10% to 2,972 tonnes (source: World Gold Council). Nevertheless, investor demand has taken the price to record levels this year. A worsening pandemic situation will mean a weaker economy and that seems to have triggered selling in the financial markets. Gold was not spared from the sell-off. The gold price has had a strong inverse correlation with US bond yields and real interest rates which have begun to rise. Short term, the price could fall further but gold's safe-haven status should provide some support.

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Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	23.63	-3.82%	24.62	27/10/2020	22.59	29/10/2020
€/oz	20.28	-2.26%	20.85	28/10/2020	19.32	29/10/2020

China's industrial rebound bodes well for the silver market.

Key indicators such as the PMIs and industrial output continued to show signs of strength in September. GDP rose by 4.9% year-on-year in Q3, improving from 3.2% in Q2. China is now on track to be the only major economy to record growth this year. Industrial production gained 6.9% in September, the highest level this year and the same rate as in December before the pandemic. As the largest end-user of silver for industrial purposes, the

silver market stands to benefit from China's impressive recovery post-Covid. Demand last year was 121.3 moz, 24% of global industrial demand (source: The Silver Institute) However, a protracted recovery elsewhere in the world, particularly in Europe and South Asia, will offset growth in China. Consequently, global industrial demand is forecast to slump by around 10% this year. In the near term, silver is likely to underperform gold while the prices are declining.

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Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	847	-7.26%	900	26/10/2020	844	30/10/2020
€/oz	727	-5.76%	760	26/10/2020	723	30/10/2020

Registrations of electrified vehicles in Europe outnumbered diesel for the first time in history in September.

The market share of electrified (pure electric, plug-in hybrid, full hybrid, mild hybrid) cars was 25%, while the share of diesel cars shrank to a record low of 24.9% (source: JATO Dynamics). EV sales have soared this year owing to support from government policies and incentives. Despite diesel's decline, Europe remains the largest market for platinum autocatalyst demand and consumption is forecast to slip by 30% this year to around 700 koz. This will be discussed in greater detail in next week's Market Spotlight.

Lockdowns in France and Germany threaten the auto industry's recovery.

Consumer confidence had been improving but sentiment has just worsened. European stocks suffered a sharp drop last week as two of the region's largest economies reinstated a form of national lockdown following a surge in Covid cases and deaths. Car sales in Europe have been improving in recent months, with better than expected Q3 results from many automakers. However, with new restrictions looming, Q4 is looking decidedly less rosy. The platinum price is currently in an area of support but with the weakest fundamental outlook of the PGMs, the price could continue to slide.



PRECIOUS METALS REVIEW

⁴⁶Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,215	-7.01%	2,393	26/10/2020	2,185	30/10/2020
€/oz	1,906	-5.12%	2,023	26/10/2020	1,871	29/10/2020

Blitz project steady-state production at Stillwater mine is expected to be delayed by two years, after growth capital was suspended in H1. The project is now estimated to reach a steady state of 300 2E koz by 2024, two years later than initially planned. The build-up of production back to normalised levels was better than anticipated (93%) at Sibanye-Stillwater's (SSW) South African PGM operations. However, palladium-rich Stillwater in the US continues to be impacted by Covid-19 protocols and productivity is still down 8% from pre-Covid levels.

This is equivalent to a loss of ~20 2E koz. Palladium supply across the company's US and South African operations was 241,852 oz in Q3'20, a 10% decline year-on-year. Guidance has been confirmed for SSW South Africa as 1.34-1.45 4E moz, where the mines were close to planned operating levels in mid-October. For US operations, it is expected to be at the lower range of 620-650 2E koz. The palladium price fell sharply last week and could slip further as the outlook for car sales is deteriorating.

⁴⁵Rh ⁴⁴Ru ⁷⁷Ir Rhodium, Ruthenium, Iridium

	Rhodium	Ruthenium	Iridium
Reporting week	\$13,750/oz	\$295/oz	\$1,650/oz
Previous week	\$14,600/oz	\$295/oz	\$1,650/oz

The 5G market recovery boosts iridium crucible demand. Despite the uncertainty caused by the pandemic, service providers have continued the roll-out of 5G infrastructure. Uptake in China has gained traction faster than expected in the aftermath of the pandemic, offsetting markets where growth has slowed. The number of 5G subscriptions is forecast to reach 2.8 billion by the end of 2025, accounting for 30% of total mobile subscriptions (source: Ericsson). The uptake of 5G is expected to be significantly higher than it was for 4G,

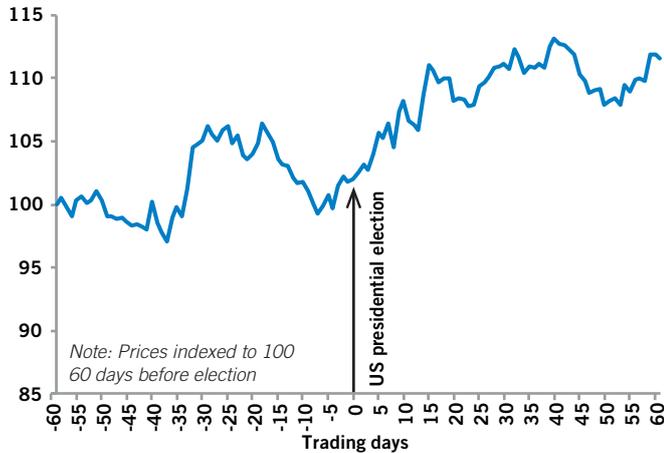
which is a positive sign for iridium crucible demand. Lithium tantalate, produced in iridium crucibles, is used in surface acoustic wave (SAW) filters to improve the performance of mobile phones; 5G smartphones have a higher SAW filter content than older models. Electrical applications, which include crucibles, are the largest market for iridium demand, accounting for around 70 koz last year. The rhodium price pulled back significantly last week approaching \$13,000/oz but iridium and ruthenium remained unchanged.



TRENDS AND INVESTMENTS

Gold price: US presidential election vs. long term trends

Gold price in bull market



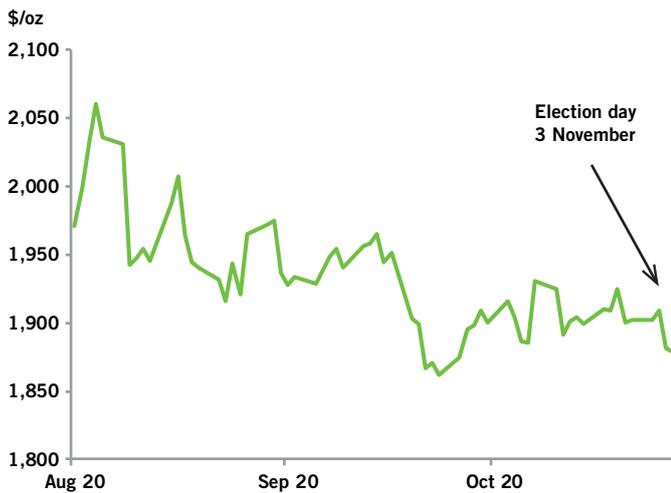
Source: SFA (Oxford), Bloomberg

Gold price in bear market

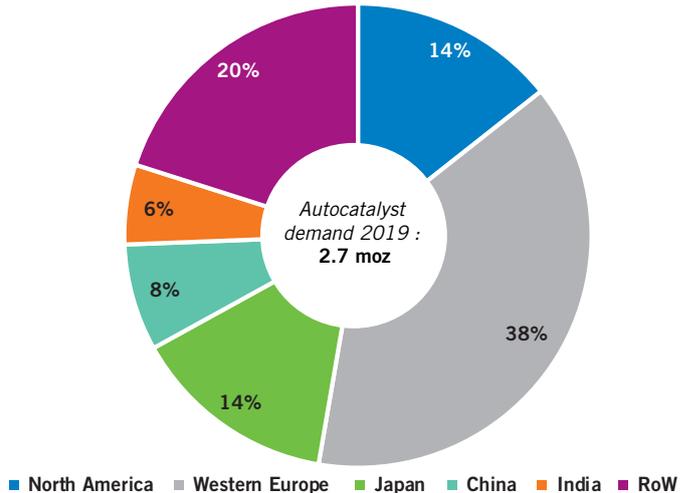


Source: SFA (Oxford), Bloomberg

Gold price: US presidential election 2020 Platinum autocatalyst demand



Source: SFA (Oxford), Bloomberg



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