

# PRECIOUS APPRAISAL

No. 27  
22<sup>nd</sup> August 2022

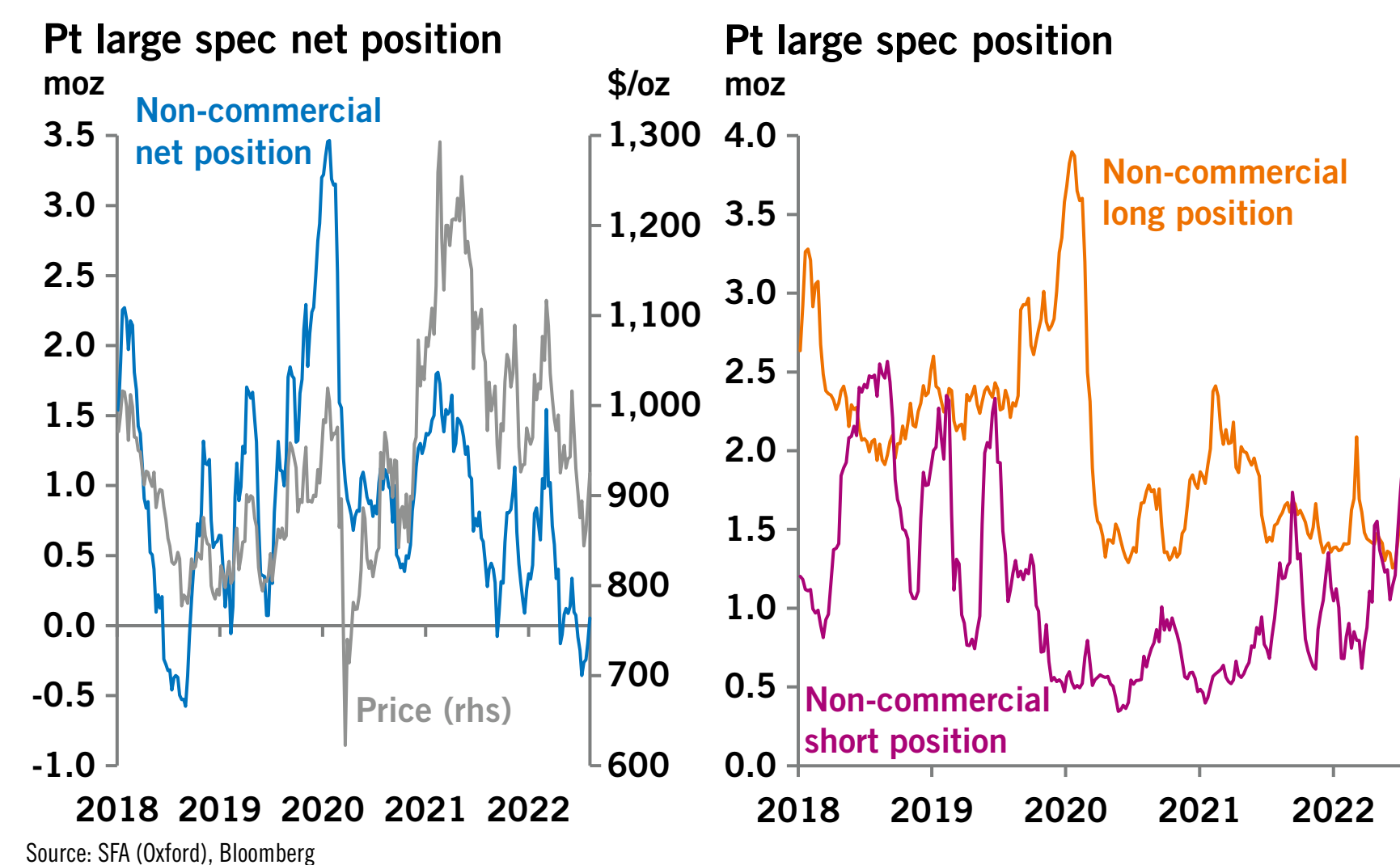


- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

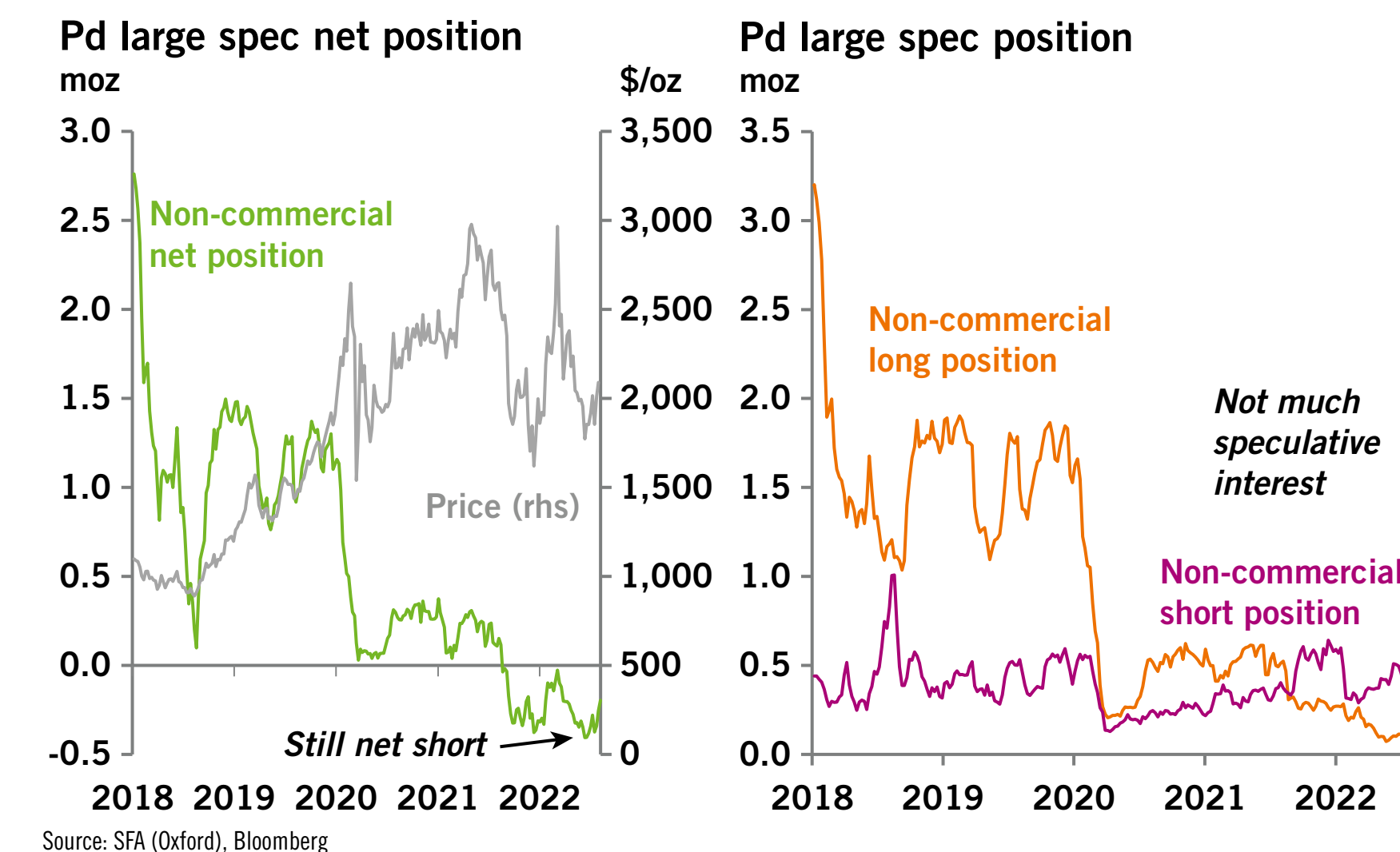
## MARKET SPOTLIGHT

### Are the specs turning bullish on platinum and palladium, or just less bearish?

The non-commercials' (large specs) net position in platinum futures on NYMEX moved back to net long in August, having been net short for more than a month. The price has also rallied, helped by some easing in rand weakness. In 2018 and 2019, the shift from net short to net long was accompanied by a rally in the platinum price, but the magnitude of the move in the specs' positions was larger than the price gain. Once again, the large specs have held a relatively large short position which has started to unwind. With some room for the short positions to be cut further, the platinum price could see more upside in the near term. The drop in the short position may indicate less bearishness, but as the long position has also shrunk, albeit more slowly than the short position, there is no bullish shift yet.



The large specs' palladium position remains net short despite the recent price rally. Even the much larger price rally in March following the Russian invasion of Ukraine was not enough to move the position net long. The large specs are holding to a bearish view for the palladium market. That is understandable considering that the outlook for automotive demand has deteriorated as a result of ongoing supply chain issues, BEVs gaining market share and a weaker economic outlook.



Near-term sentiment still see us to be bearish on platinum and palladium. Although there may be more potential for short covering in platinum than palladium, the price upside may be limited as in 2018 and 2019. In the medium term, the price trajectory for platinum will depend on the outlook for the rand. If dollar strength fades, then the platinum price should perk up. For palladium, the outlook will depend on the fortunes of the automotive market, and ICE vehicles in particular.

## PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

## PRECIOUS METALS REVIEW

### Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,749	-2.54%	1,792	15/08/2022	1,746	19/08/2022
€/oz	1,743	-0.45%	1,756	16/08/2022	1,730	17/08/2022

**Rate hikes and dollar strength have held back gold.** The Fed is focusing on inflation. The minutes for the last Fed meeting indicate that, given the scale of the inflation problem, officials intend to raise interest rates to the point where they act as a drag on economic growth. With inflation at 8.5% in July and the Fed funds rate at 2.5%, there is still some way to go. The question for the next meeting is whether a third 75 bp hike is needed. If the Fed keeps pushing ahead with rate rises, that could see the dollar appreciate further. The gold price bounced off its July low after the dollar lost some momentum, but if the dollar keeps strengthening the gold price could slip further.

**China's jewellery industry has been struggling in 2022** with Covid restrictions and the economic slowdown. Gold jewellery demand in H1'22 was 281 t, down 17.5% year-on-year (source: World Gold Council). China imported 107 t of gold in June, which followed the lifting of the Shanghai lockdown, and they were the highest imports in five months. Now Swiss customs data shows that Swiss exports to China were 80.1 t in July, the highest since December 2016, and up from 32.5 t in June. This may reflect renewed consumer demand, but it could also be due to wholesalers stocking up as the price has fallen.

## PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

01 MARKET SPOTLIGHT

02 GOLD

03 SILVER

04 PLATINUM

05 PALLADIUM

06 RHODIUM, RUTHENIUM, IRIDIUM

07 TRENDS AND INVESTMENTS

08 ABOUT HERAEUS

## PRECIOUS METALS REVIEW

### Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	19.14	-6.81%	20.60	15/08/2022	19.03	19/08/2022
€/oz	19.06	-4.79%	20.12	15/08/2022	18.92	19/08/2022

**Peru's silver production fell 7.5% in H1'22.** In the first half of the year, the country's silver output was down 7.5% year-on-year at 48.1 moz. Mines operated by Buenaventura and Hochschild underperformed. Much of the reduction in production was a result of a combination of the closure of Buenaventura's Uchucchacua mine, which produced 2.5 moz in H1'21, and underperformance at several other operations. Hochschild's H1'22 production slipped by 0.9 moz to 6.1 moz owing to lower grades at the Pallancata mine and Covid-related labour shortages in Q1'22. Peru is the third-largest silver-producing nation, behind Mexico and China, responsible for 106.4 moz or ~13% of global supply last year.

With the dollar strengthening last week, the silver price turned down and fell back below \$20/oz. Silver underperformed gold, moving the gold:silver ratio up to 91.

## PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

## PRECIOUS METALS REVIEW

### Platinum

<sup>78</sup> Pt	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	893	-6.89%	956	15/08/2022	890	19/08/2022
€/oz	889	-7.24%	933	15/08/2022	887	19/08/2022

#### South African platinum supply at risk of missing expectations this year.

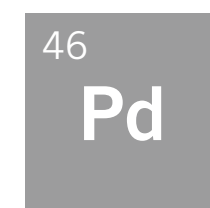
After output was boosted by the processing of stockpiled material last year, platinum production was expected to return to 2019 levels at around 4.4 moz in 2022. However, as detailed last week, a variety of problems has been hitting output and Sibanye-Stillwater is the latest miner to reveal a decline in production for the first half of the year. Sibanye-Stillwater's South African PGM operations saw 4E production (platinum, palladium, rhodium, gold) fall by 9% year-on-year to 849 koz (~500 koz Pt) in H1'22. Underground output declined by 9% to 752 koz 4E and purchases of third-party concentrate fell by 27% to 25 koz 4E, but surface production gained 6% to 72 koz 4E. The company's US operations suffered a 23% drop in output to 230 koz 2E (~53 koz Pt) in H1'22 owing to labour constraints and the flooding that closed the Stillwater mine for seven weeks.

Platinum is the most oversupplied PGM market and with ETFs still losing ounces, investment is not helping either. This weak fundamental position is reflected in the price, which has dropped by more than 20% since the precious metal prices peaked in March after Russia invaded Ukraine, but it may become cheaper if the economic outlook worsens.

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM**
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

# PRECIOUS METALS REVIEW

## Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,114	-6.38%	2,223	15/08/2022	2,104	19/08/2022
€/oz	2,106	-4.33%	2,171	15/08/2022	2,085	16/08/2022

**The Inflation Reduction Act (IRA) is less supportive of BEVs in the short term.** Now that President Biden has signed the Bill, 70% of the 72 electric, plug-in hybrid and fuel-cell EVs that previously qualified for a tax credit are now ineligible, according to the Alliance for Automotive Innovation. The IRA provides for a maximum \$7,500 tax credit on purchases of new EVs. The previous 200,000 vehicle limit on manufacturers for the tax credit is removed from 1 January 2023, but then material sourcing requirements come into force along with income rules and vehicle price limits. At that point, no currently available models would qualify for the full credit.

US BEV sales almost doubled last year to 458,000 as more models became available, particularly SUVs, representing 3% of the 15 million total light-vehicle sales. Through July, US BEV sales this year have been 394,547 units, lifting their market share to 5%. The wider availability of electric pickup trucks may give more of a boost to BEV sales in the coming months. Ford’s electric version of the best-selling F-150, the F-150 Lightning, went on sale in May and is the first mass-market electric pickup available.

While BEVs are eroding the market for cars with PGM catalysts, palladium use in autocatalysts is being impacted by the worsening economic outlook. US automotive palladium demand was expected to increase by 5% to over 1.5 moz this year as light-vehicle production recovered following the semiconductor chip supply problem that held back production last year. However, with chip supply still a constraint and other issues now also adversely affecting demand, any growth in demand now looks difficult to achieve. The latest downgrades to forecasts for light-vehicle production are now extending into 2023 which could keep the palladium market in surplus for longer, making palladium above \$2,000/oz look expensive.

## PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

01 MARKET SPOTLIGHT

02 GOLD

03 SILVER

04 PLATINUM

05 PALLADIUM

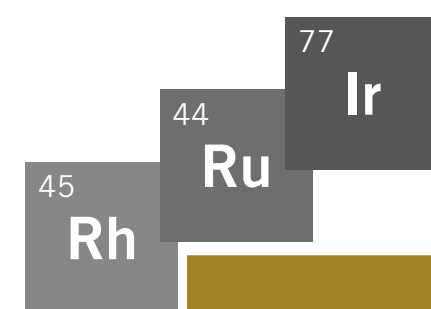
06 **RHODIUM, RUTHENIUM, IRIDIUM**

07 TRENDS AND INVESTMENTS

08 ABOUT HERAEUS

## PRECIOUS METALS REVIEW

### Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$15,500/oz	\$545/oz	\$4,450/oz
Previous Week	\$16,250/oz	\$555/oz	\$4,450/oz

**Sibanye-Stillwater joins Heraeus in focus on the green economy.** The two companies have agreed to collaborate on the R&D of electrocatalysts for proton exchange membrane (PEM) electrolyzers. Platinum and iridium are currently essential components of electrocatalysts for the generation of green hydrogen by means of PEM electrolysis. However, iridium is scarce, with production of a little over 300 koz annually. To enable the widespread adoption of PEM electrolyzers and the scale-up of green hydrogen production, thrifting or alternative metal combinations will be needed.

The iridium price held steady but both the rhodium and ruthenium prices slipped last week.

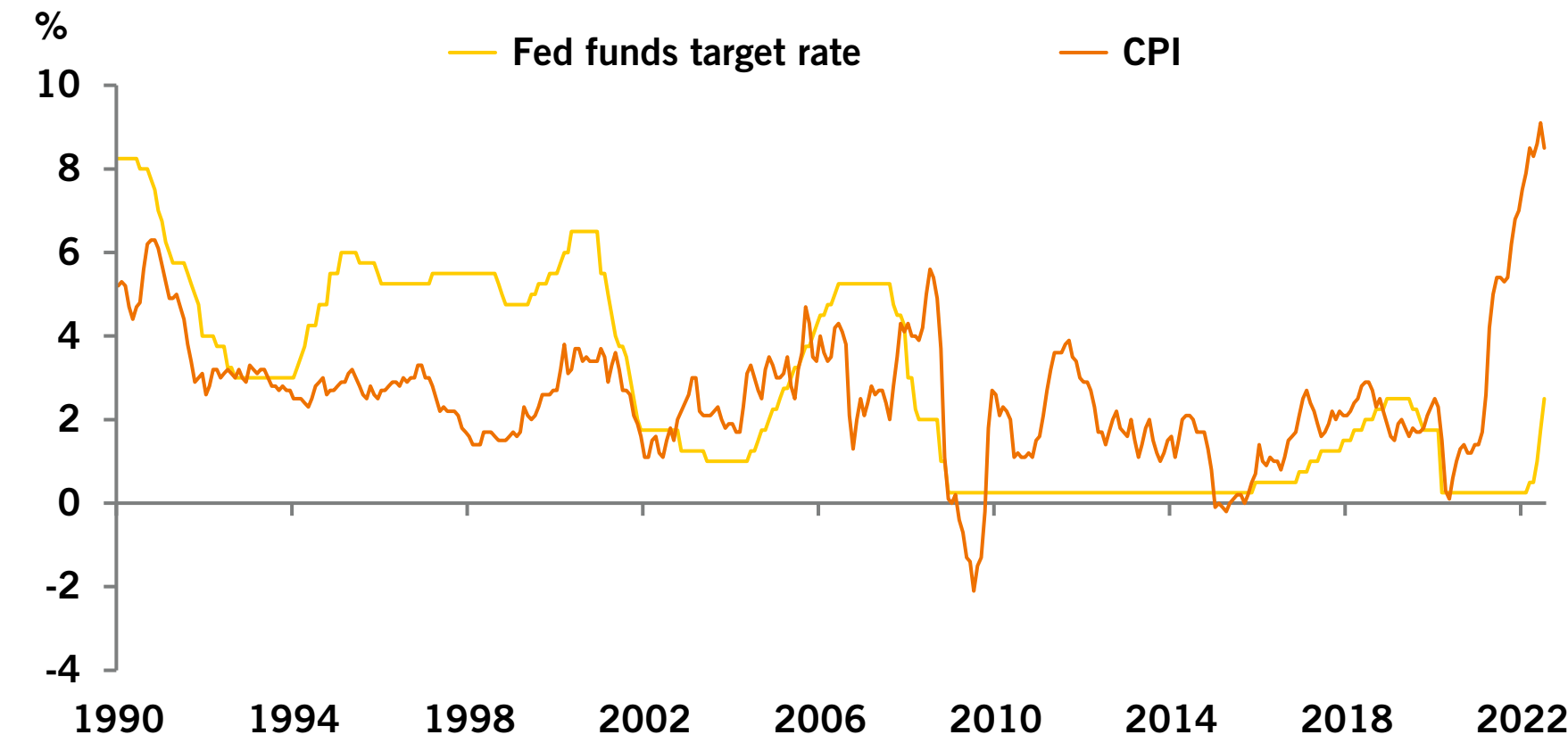
# PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 TRENDS AND INVESTMENTS**
- 08 ABOUT HERAEUS

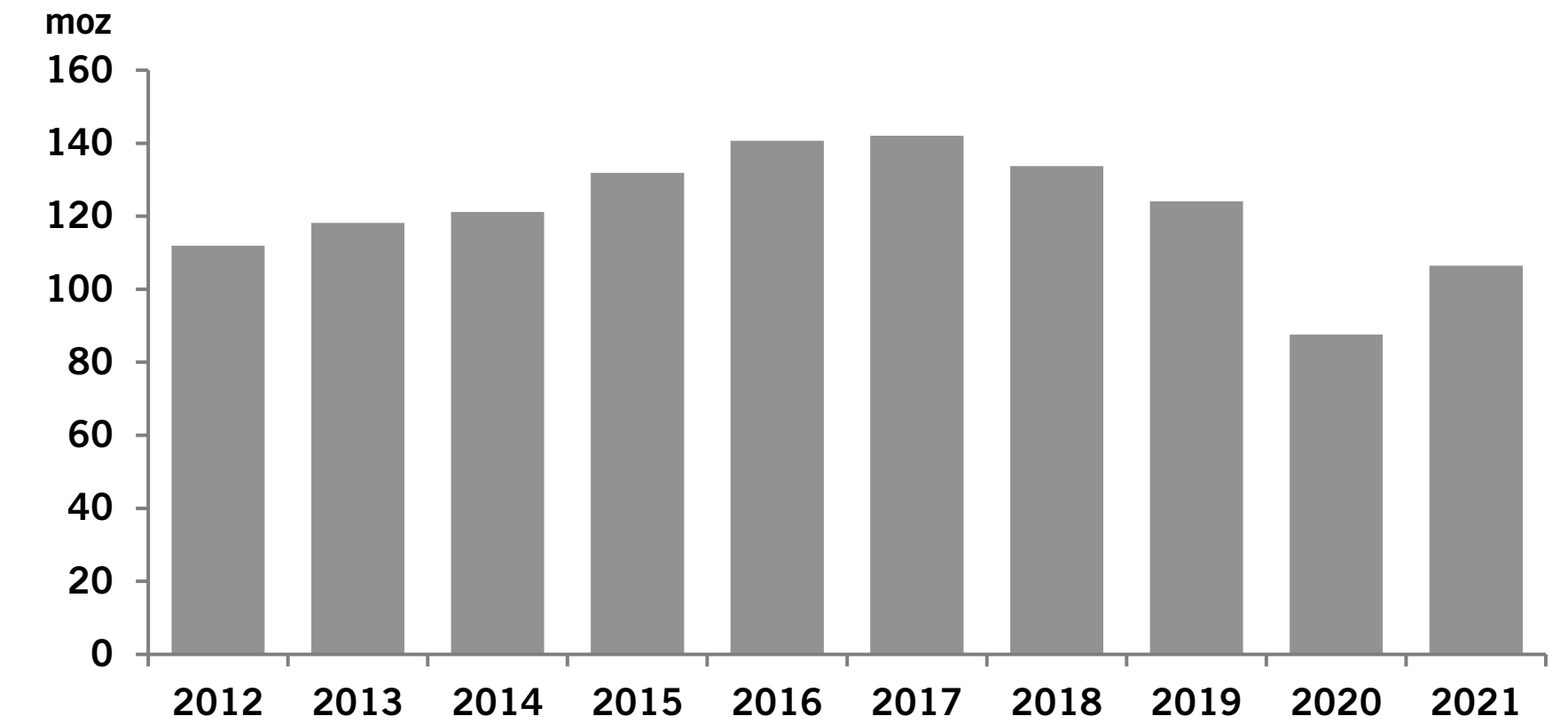
## TRENDS AND INVESTMENTS

### Fed funds rate and inflation



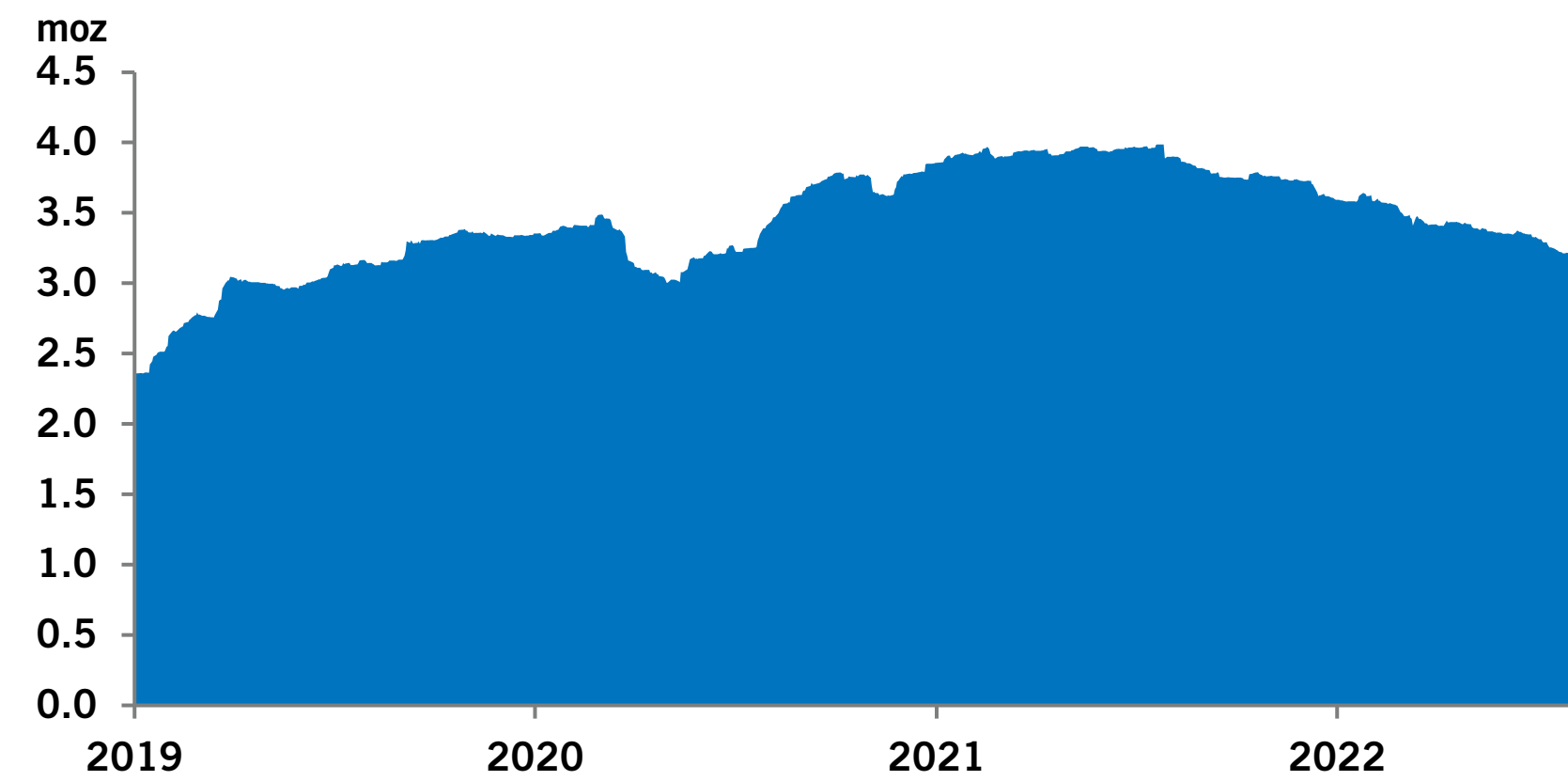
Source: SFA (Oxford), Bloomberg

### Peru silver production



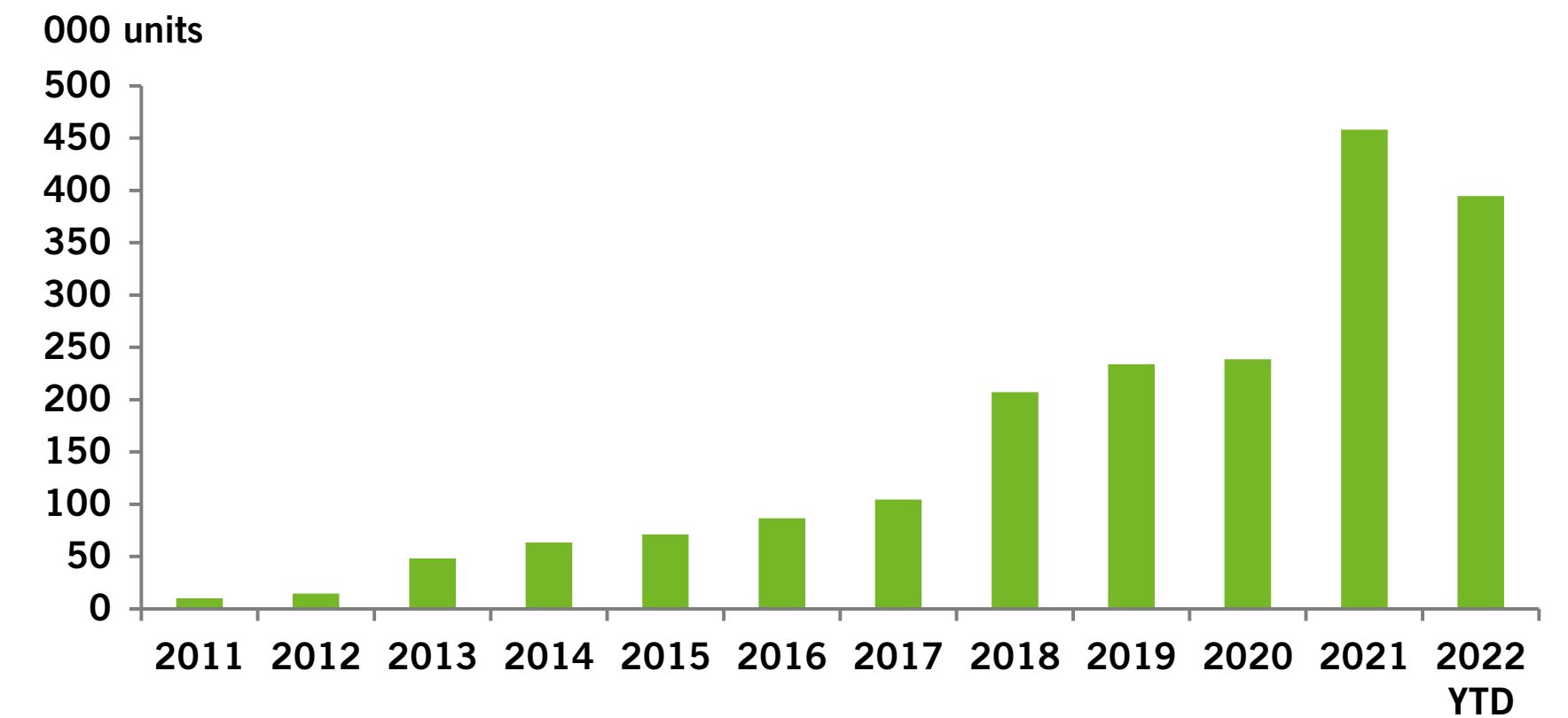
Source: SFA (Oxford), Peru Ministry of Energy and Mines

### Pt ETF holdings



Source: SFA (Oxford), Bloomberg

### US BEV sales



Source: SFA (Oxford), Argonne National Laboratory



## PRECIOUS APPRAISAL

22<sup>nd</sup> August 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 **ABOUT HERAEUS**

## ABOUT HERAEUS

Learn more about important trends in the precious metals markets on a weekly basis with our Heraeus Precious Appraisal. **Please subscribe: [www.herae.us/trading-market-report](http://www.herae.us/trading-market-report).**

### Heraeus Precious Metals

#### Europe, Middle East, Africa & other regions

Phone: +49 6181 35 2750

[edelmetallhandel@heraeus.com](mailto:edelmetallhandel@heraeus.com)

#### South East Asia

Phone: +852 2773 1733

[tradinghk@heraeus.com](mailto:tradinghk@heraeus.com)

#### USA

Phone: +1 212 752 2180

[tradingny@heraeus.com](mailto:tradingny@heraeus.com)

#### China

Phone: +86 21 3357 5658

[tradingsh@heraeus.com](mailto:tradingsh@heraeus.com)



Heraeus, the technology group headquartered in Hanau, Germany, is a leading international family-owned portfolio company. The company's roots go back to a family pharmacy started in 1660. Today, the Heraeus group includes businesses in the environmental, electronics, health and industrial applications sectors. Customers benefit from innovative technologies and solutions based on broad materials expertise and technological leadership.

Heraeus Precious Metals is a leading provider of precious metals services and products. We combine all activities related to our comprehensive expertise in the precious metals loop – from trading to precious metals products to recycling. We are one of the world's largest refiners of platinum group metals (PGMs) and a leading name in industrial precious metals trading.

The Heraeus Precious Appraisal is produced in collaboration with:

#### SFA (Oxford) Ltd

United Kingdom

Phone: +44 1865 784366

[www.sfa-oxford.com](http://www.sfa-oxford.com)

The Oxford Science Park,  
Oxford, United Kingdom, OX4 4GA



consulting analysts in tomorrow's commodities and technologies

### Disclaimer

This document is being supplied to the recipient only, on the basis that the recipient is reasonably believed to be a professional market participant in the precious metals market. It is directed exclusively at entrepreneurs and especially not intended for the use of consumers.

The material contained in this document has no regard to the specific investment objectives, financial situation or particular need of any specific recipient or organisation. It is not provided as part of a contractual relationship. It is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as advice on the merits of making any investment.

This report has been compiled using information obtained from sources that Heraeus and SFA (Oxford) Ltd ("SFA") believe to be reliable but which they have not independently verified. Further, the analysis and opinions set out in this document, including any forward-looking statements, constitute a judgment as of the date of the document and are subject to change without notice.

There is no assurance that any forward-looking statements will materialize. Therefore, neither SFA nor Heraeus warrants the accuracy and completeness of the data and analysis contained in this document.

Heraeus and SFA assume no liability for any losses or damages of whatsoever kind, resulting from whatever cause, through the use of or reliance on any information contained in this document. However, in so far as a liability claim exists under German law, Heraeus and SFA shall have unlimited liability for willful or grossly negligent breach of duty.

Unless expressly permitted by law, no part of this document may be reproduced or distributed in any manner without written permission of Heraeus. Heraeus specifically prohibits the redistribution of this document, via the internet or otherwise, to non-professional or private investors and neither Heraeus nor SFA accepts any liability whatsoever for the actions of third parties in reliance on this document.