

PRECIOUS APPRAISAL



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PRECIOUS METALS REVIEW

Gold

79

Au

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,980	-0.36%	1,988	31/03/2023	1,944	27/03/2023
€/oz	1,821	-1.41%	1,835	27/03/2023	1,800	30/03/2023

The end of a decade of dollar strength could be bullish for gold.
Since 2008, the dollar index has been trending higher. It peaked in late September 2022, and has experienced an 11% decline over the following 156 trading days. Gold has been well inversely correlated with dollar strength in that time, gaining 21%. History would suggest that September’s peak may be the start of a longer-term downward trend, which could help to support the gold price, particularly while other factors such as low confidence in the banking sector also work in gold’s favour. Dollar bull markets have in the past been followed by long periods of dollar weakness (e.g. from 1985-1995 and 2002-2008). Also supportive of gold would be a cut to the Federal Funds Rate, owing to the likelihood of this weakening the dollar further. The market sees a 59% chance of a cut by September this year. If we are at the end of the Fed’s hiking cycle, there is more room to the upside for the gold price.

Gold is still acting as an outlet for investor concerns in the US.
Tensions in the global banking sector have calmed somewhat over the last fortnight. However, investors are still showing some nerves over the banking sector. Gold fund inflows that began with the collapse of Silicon Valley Bank have continued in the US while they have slowed in Europe. Total net inflows currently sit at 1.05 moz for US and 470 koz for European funds. Global gold ETF holdings sit at 93.25 moz, still significantly lower than the peak of 111 moz in October 2020. If the gold price reaches new all-time highs in this current bull market, gold ETF holdings are expected to increase further.

Gold finished the week at \$1,980/oz last week and set a new all-time high quarterly close in both US dollar and euro terms. The price is consolidating in a trading range between \$1,950/oz and \$1,990/oz, and another attempt at new highs is possible.

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	24.15	4.04%	24.15	31/03/2023	22.83	28/03/2023
€/oz	22.21	2.96%	22.21	31/03/2023	21.11	28/03/2023

Solar silver demand is set to increase by ~15% this year. Estimates from Bloomberg show global solar installations could grow by up to 316 GW this year following a record year in 2022, though this target may be overly bullish. Growth of this magnitude would feed through to higher silver demand, also likely to be at record levels. Last year’s global solar silver demand of ~150 moz (13% of total global demand) could grow to more than 175 moz if demand for solar panels is maintained. The year has started strongly for solar cell manufacturing. China’s output of solar cells grew by 41% year-on-year during January-February to 62 GW. New installations in China also jumped by 88% year-on-year (source: China’s National Energy Administration) during the same period, taking cumulative installed capacity to 314 GW. Last year’s additions totalled 87 GW, and the China Photovoltaic Industry Association predicts that installations could accelerate to ~100 GW (+15%). Significant demand is also expected in Europe and India thanks to subsidy programmes; however, ~40% of installations are likely to come from mainland China.

The silver price rally did not slow as gold did last week. It kept rising, through \$24/oz, though this region could act as a level of strong resistance. Silver spent more than a month trading around \$24/oz earlier in the year, and a break above this area would be bullish.

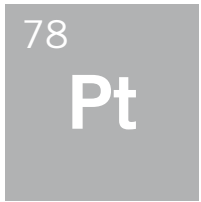
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3rd April 2023

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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	998	1.36%	1,000	31/03/2023	955	29/03/2023
€/oz	918	0.42%	920	31/03/2023	880	29/03/2023

Zimbabwe’s primary platinum supply may receive a boost. The Karo project has secured \$130 million in funding which is needed to begin production in Zimbabwe, close to Zimplats’ Ngezi mine and the Selous Metallurgical Complex. The mine is expected to produce 194 koz 6E PGMs once steady-state production is reached, including ~82 koz of platinum annually. Construction of the mine is already underway and output is expected to begin ramping up next year. At steady-state production, the mine could add 3% to domestic platinum output next year, adding 12% by 2025. Zimbabwe’s PGM production profile is expected to grow this year to just under 1 moz 3E PGMs, including more than 500 koz of platinum. The new mine will produce PGM concentrate, and therefore will need to secure a refining offtake agreement with one of the large PGM producers. Karo will be one of the few new projects bringing fresh platinum supply to the market over the next few years.

Platinum has been trading sideways for the last two weeks and after rallying in the second half of last week. It finished 1.36% higher week-on-week.

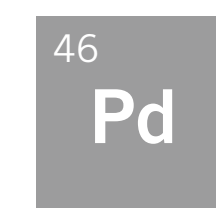
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Palladium



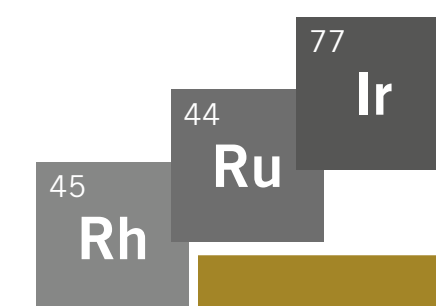
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,476	3.70%	1,508	31/03/2023	1,394	28/03/2023
€/oz	1,357	2.72%	1,383	31/03/2023	1,289	28/03/2023

Light-vehicle sales are recovering but the pace may slow. New vehicle inventory in the US is 70% higher than a year ago (source: Cox Automotive) but remains firmly below preceding years for the end of Q1, signalling that while supply chain issues have eased into the new year, automotive production still lags pre-chip crisis levels. Other bumps in the road to vehicle sales growth also remain, primarily economic uncertainty and high interest rates in two of the largest light-vehicle markets – the US and Europe. After a relatively strong start to light-vehicle sales at the beginning of the year (+9.6% to 1.1 million units in February), US light-vehicle sales may have lost momentum towards the end of Q1 following further interest rate rises. The global palladium autocatalyst market is forecast to fall marginally year-on-year in 2023 to 7.6 moz, although demand in North America is expected to be slightly higher as a moderate rebound in light-vehicle production is forecast. The risk to sales in the US stems from vehicle affordability. More than 80% of new light-vehicle sales in the US are financed, and the average car loan repayment is currently \$784/month (source: Cox Automotive), 30% higher than pre-pandemic levels. This is likely to rise still further, as new loans and refinancing of vehicles take on higher interest rates. This could feed into lower palladium autocatalyst demand in the light-vehicle market, which is also being squeezed by pressure from zero-PGM BEVs, particularly in Europe and China where market penetration reached 12% and 21%, respectively, in February.

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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$8,600/oz	\$525/oz	\$5,150/oz
Previous week	\$9,950/oz	\$525/oz	\$5,150/oz

Rhodium price volatility is expected to continue. The main proportion of rhodium end-use is concentrated within the automotive sector. This year, demand forecasts indicate that 87% of rhodium is used in autocatalysts, and demand could fall slightly despite a small uptick in light-vehicle production forecasts, as BEVs eat away at ICE vehicle market share. With a large proportion of end-use in one sector, the market’s exposure to fluctuations in that sector are intensified. Rhodium has been the underperformer amongst the PGMs year-to-date, as it retraces its meteoric rise to \$30,000/oz, having dropped by 32%, whereas the platinum and palladium prices have posted losses of 9% and 16.5%, respectively. A large move to the upside seems unlikely, but not out of the question owing to the possibility of power cuts in South Africa curbing production.

The iridium and ruthenium prices again showed little action, staying on par with the previous week.

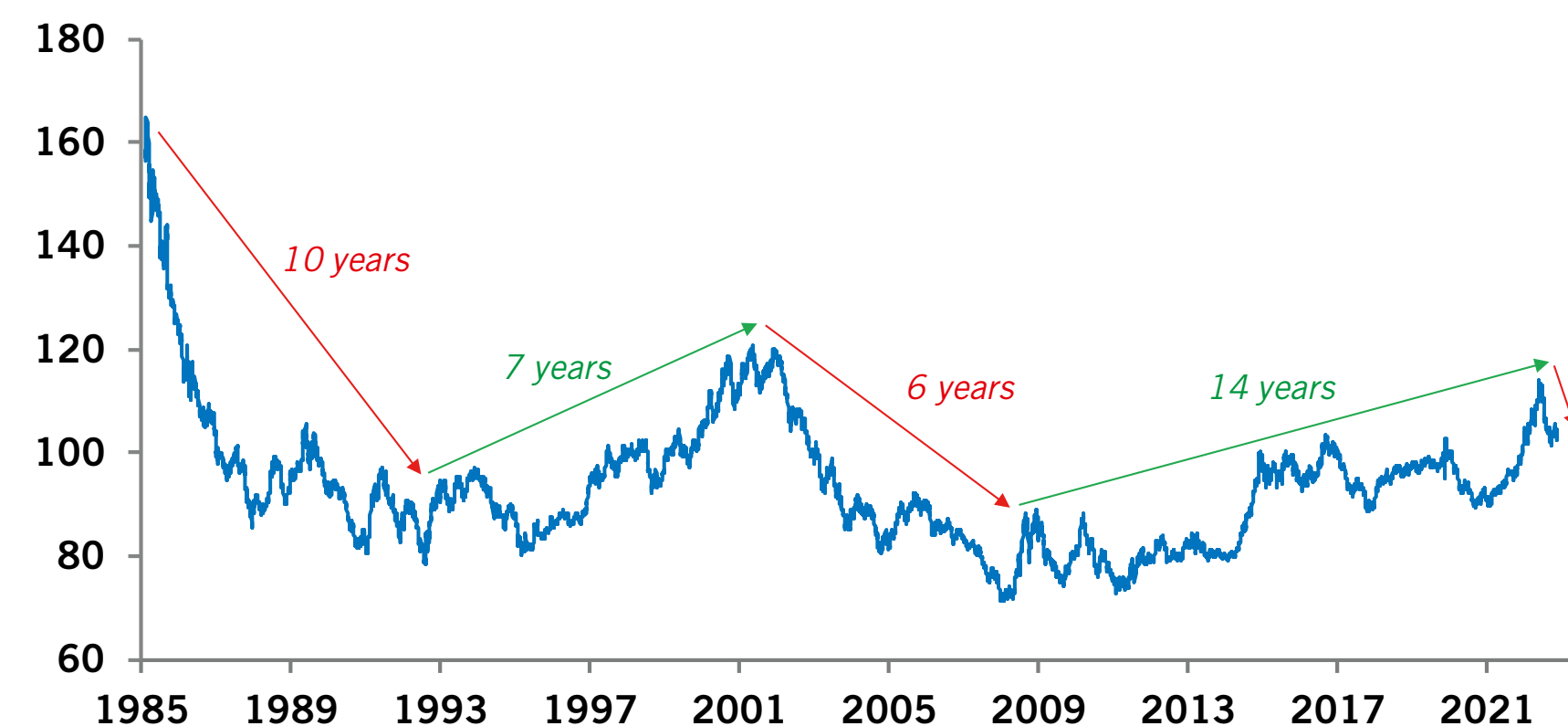
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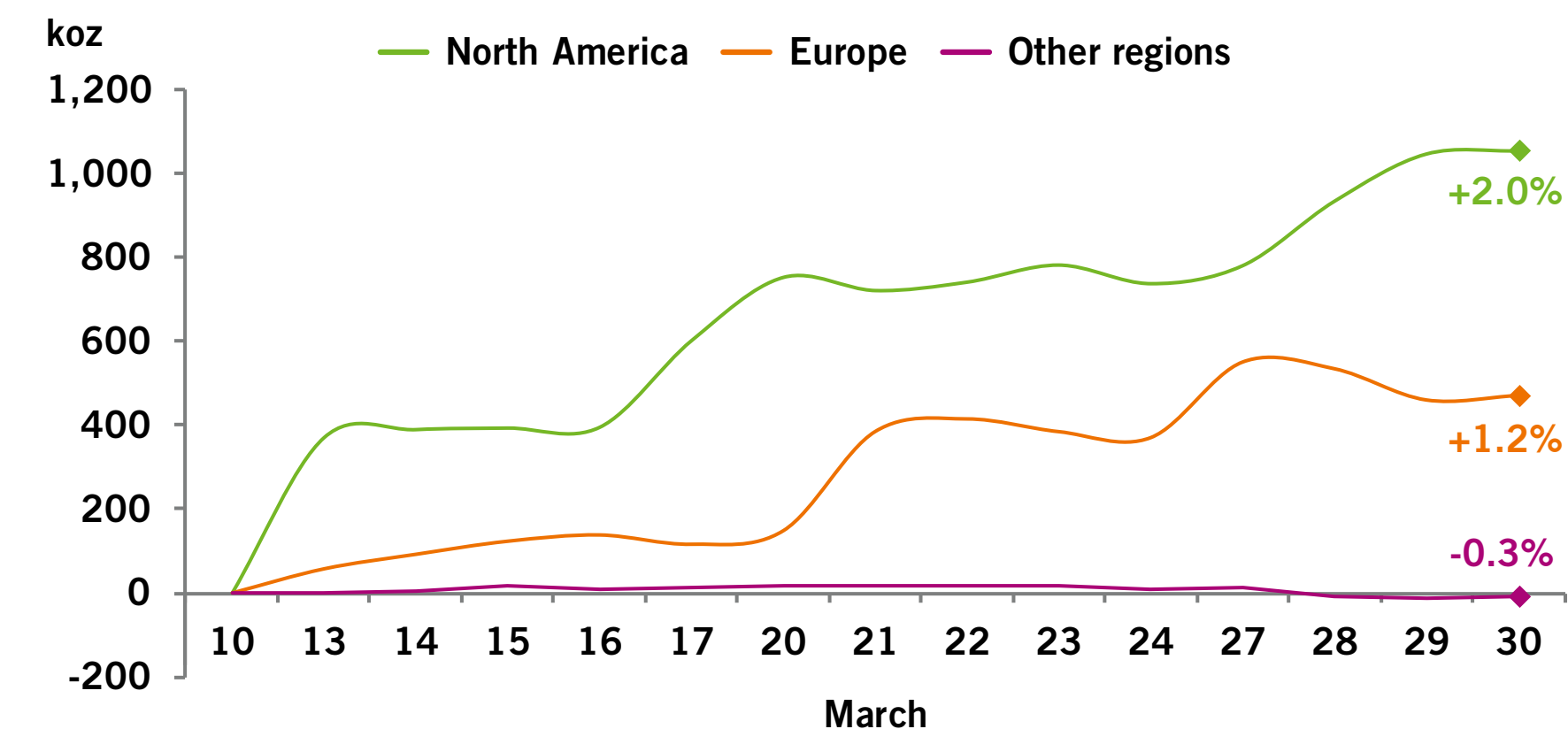
TRENDS AND INVESTMENTS

Price cycles in the US dollar index



Source: SFA (Oxford), Bloomberg

Changes in gold ETF holdings since SVB collapse



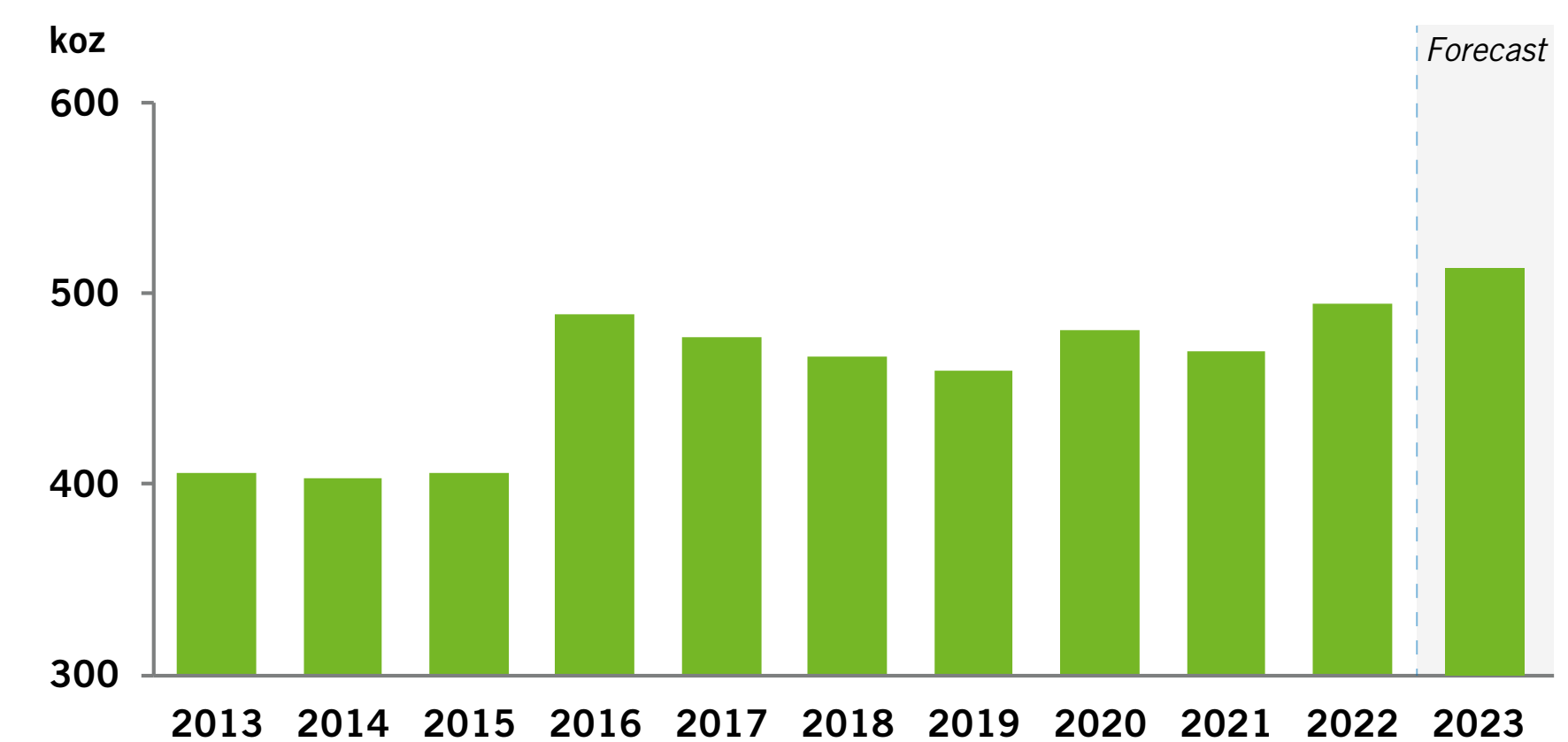
Source: SFA (Oxford), Bloomberg

Gold price



Source: SFA (Oxford), Bloomberg

Zimbabwe platinum production profile



Source: SFA (Oxford)

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