

PRECIOUS APPRAISAL



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MARKET SPOTLIGHT

India unlikely to pick up China's slack in gold demand

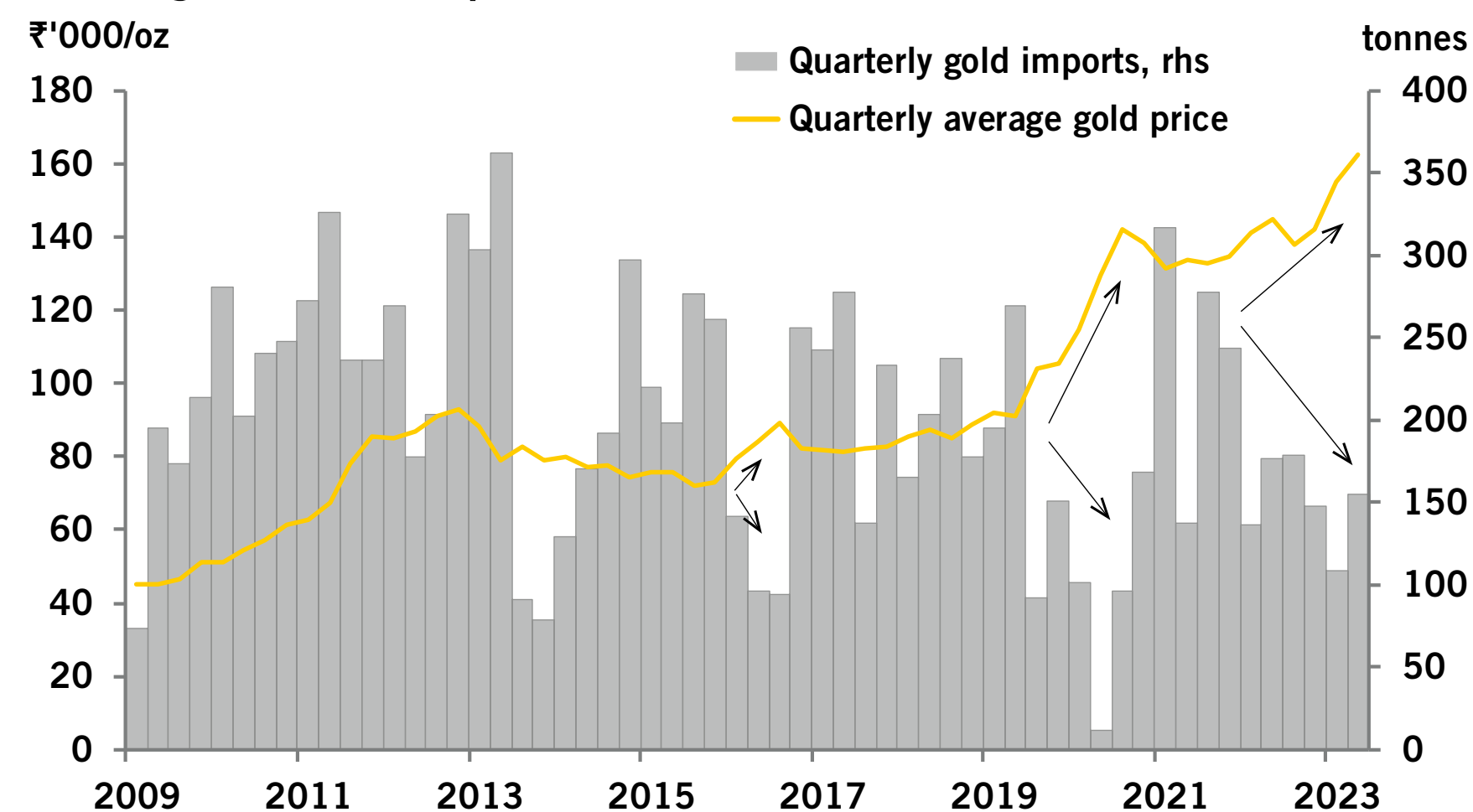
China's rebound from widespread lockdowns in 2022 is underwhelming. Gold demand is reported to have increased by 29% year-on-year in Q2'23 to 192 tonnes (source: World Gold Council), versus a year earlier when Shanghai and other cities were in lockdown. Total Chinese gold demand in Q2'23 was actually 12% lower than the long-term average for the quarter. Despite some stimulus from the government, prospects for healthy growth for the rest of the year are doubtful.

A high gold price hit India's consumers in the first half of the year. The rupee gold price averaged consecutive record high quarterly averages in the first and second quarters. Jewellery demand fell by 8% year-on-year to 129 tonnes in Q2, and is 12% lower, year-on-year, for the first half (source: World Gold Council). First quarter jewellery demand was the lowest since lockdowns were implemented in Q3'20.

Although down from the peak, high prices could suppress India's demand. Price-conscious consumers usually delay gold purchases if prices remain high, as seen in H1'23. Purchases often pick up during dips in the gold price, creating a short-term increase in consumer demand. Gold buyers do become accustomed to higher prices over time, though the incremental increase in buying will not be sufficient to significantly raise demand. An additional risk to demand is a strong El Niño effect on the Indian monsoon. Disrupted rainfall could impact incomes in rural areas where gold is a major store of value. The northwest and southern tip of the country have seen a large deficiency in rainfall so far this season.

Global consumer gold demand could decline owing to India and China's weakness. Together, India and China made up 52% of global consumer demand in 2022. If India's gold consumption is to match 2022, consumer demand in H2'23 would need to grow by 86% versus the first half of the year. Without a significant price decline or event-driven demand spike, this is unlikely. Therefore, consumer demand is expected to decline year-on-year in 2023. A positive performance in China is contingent on an improvement in the macroeconomic environment and the reallocation of discretionary spending to jewellery from tourism, which was one of the only sectors to see growth in H1'23 (source: Bloomberg). If both countries underperform in H2'23, global consumer gold demand could see a year-on-year contraction for the second year in a row.

India's gold demand is price-sensitive



Source: SFA (Oxford), India Customs, Bloomberg

PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,943	-0.93%	1,972	31/07/2023	1,926	04/08/2023
€/oz	1,761	-0.90%	1,792	31/07/2023	1,758	04/08/2023

Strong demand from central banks in H1'23. Despite significant net sales in Turkey, global central bank demand was 387 tonnes in the first half of the year, the most for the period since at least 2000 (source: World Gold Council). The largest source of central bank additions in H1'23 was China, as it continued its regular purchases that were first initiated back in late 2022. More than 100 tonnes of gold were added to Chinese reserves from January-June. It is expected that demand in H2'23 will remain robust, particularly if China continues its gold-buying programme, though levels are not likely to reach that of last year's record annual demand. Assuming the same rate of purchasing as H1, annual demand from central banks could be more than 750 tonnes this year, which would be the second-highest year on record.

Yields on US Treasury bonds rose last week as Fitch downgraded the United States' credit rating. Yields on 10-year government bonds rose above 4.1%, the highest since November last year, while 2-year yields continued to close in on 5%. Higher yields can be a headwind to gold as a non-yielding asset, and bullion declined 0.93% on the week.

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Silver



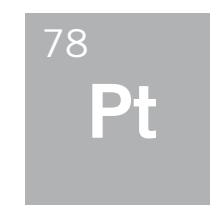
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	23.65	-2.93%	24.84	31/07/2023	23.30	04/08/2023
€/oz	21.44	-2.90%	22.60	31/07/2023	21.29	04/08/2023

More than 2 million US Silver Eagles sold in July. Retail investment demand for silver coins grew by 41% month-on-month in July. More than 2 moz of silver coins were sold, bringing year-to-date US Mint demand to 11.8 moz. Investment demand was broadly softer elsewhere. The Perth Mint witnessed a 35% decline in silver coin and bar sales as volumes fell to 863 koz. The 10% appreciation in the silver price in the first half of July likely contributed to lower sales. Profit-taking was also witnessed in silver ETFs. Investors have sold 16.5 moz of silver from ETFs since the beginning of July, leaving total holdings at 729.7 moz. A further decline in the silver price could prompt some ETF inflows as investors seek to re-enter at a lower price point.

The silver price showed some volatility last week, eventually finishing the week nearly 3% lower versus the previous week's close at \$23.65/oz.

PRECIOUS METALS REVIEW

Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	926	-1.76%	961	31/07/2023	912	04/08/2023
€/oz	840	-1.59%	871	31/07/2023	831	04/08/2023

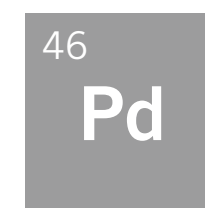
Lower chemical production in Europe crimps industrial platinum demand growth outlook. The chemical sector is expected to make up ~9% of global platinum demand this year. Demand is forecast to reach 640 koz in 2023. Chemical production in Europe is on the decline, and the downturn in Eurozone business activity worsened more than predicted in July. In the second quarter, European chemical production is estimated to have fallen 11% year-on-year, which is likely to feed through to lower regional demand. The outlook for the chemicals industry across many of the major economies indicates sustained weakness throughout 2023, with a gradual recovery projected from 2024 onwards. A moderate rebound in Chinese industrial platinum demand should offset contractions in Europe, resulting in a small increase in chemical sector platinum demand in 2023. However, this is contingent on China’s economy maintaining growth through H2’23.

The rand’s rally stalled last week. The rand fell to an intraweek low against the dollar of 18.78, pressuring the platinum price to the downside. Platinum continued its two-week downtrend last week, closing the week at the lowest level since early July at \$926/oz.

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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,272	1.13%	1,290	31/07/2023	1,227	03/08/2023
€/oz	1,153	1.15%	1,173	31/07/2023	1,120	01/08/2023

China drip-feeds stimulus to the auto industry but stops short of direct interventions to boost demand. A package aiming to restore and expand Chinese consumption, released last week, included guidance banning new regional car purchase restrictions, and direction to encourage the trade-in of second-hand vehicles. This relatively weak notice is likely to have only a small impact on vehicle consumption, but it adds to other incremental steps taken to boost palladium demand and recycling. Also included are directions for further new energy vehicle (NEV) sales stimulus, following the extension to NEV subsidies announced earlier this year.

To June, Chinese light-vehicle sales reached 13.2 million units, 10% higher than last year, but only 3% higher than less Covid-affected 2021. The relatively slow growth in sales and the greater proportion of BEVs sold mean that palladium demand in China is expected to stay relatively stable at 2.6 moz this year. If these measures are successful, demand could be slightly stronger in H2'23, but if measures introduced for BEVs are more successful, palladium demand could be negatively impacted. Globally, autocatalyst palladium requirements are forecast to decline slightly to 7.7 moz.

US automotive sales grew for 11th straight month in July, according to preliminary statistics (source: WardsAuto). Vehicle sales are on track to reach 15.5 million units this year, as the US economy remains strong in spite of an unprecedented rise in interest rates. Vehicle inventories have grown on the back of easing supply chain issues, offering consumers more choice. North American autocatalyst palladium demand is expected to be an outperformer this year, rising 5% to 1.6 moz and the highest level since before the pandemic.

Palladium saw relatively little price action last week, as it rose just 1.13% week-on-week to \$1,272/oz.

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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$4,700/oz	\$475/oz	\$5,050/oz
Previous Week	\$4,700/oz	\$475/oz	\$5,050/oz

Germany's new hydrogen plan should stimulate the hydrogen market and iridium demand growth. The German Cabinet has passed a new national hydrogen strategy to speed up market development that could provide support for the iridium market by 2030. The government has doubled the domestic electrolysis capacity target from 5 GW to 10 GW by the end of the decade, approximately 10% of the EU's target for 2030. Green hydrogen is the only form of the gas that will receive direct financial support for generation. Iridium use in electrolyser catalytic membranes is expected to show strong growth in 2023-2024, though from a relatively low base. By raising targets for generation capacity, Germany is stimulating development of PGM technology in the hydrogen economy and in the recycling of iridium, which will be a key factor in green hydrogen proliferation by the end of the decade.

The minor PGMs' prices were unmoved last week.

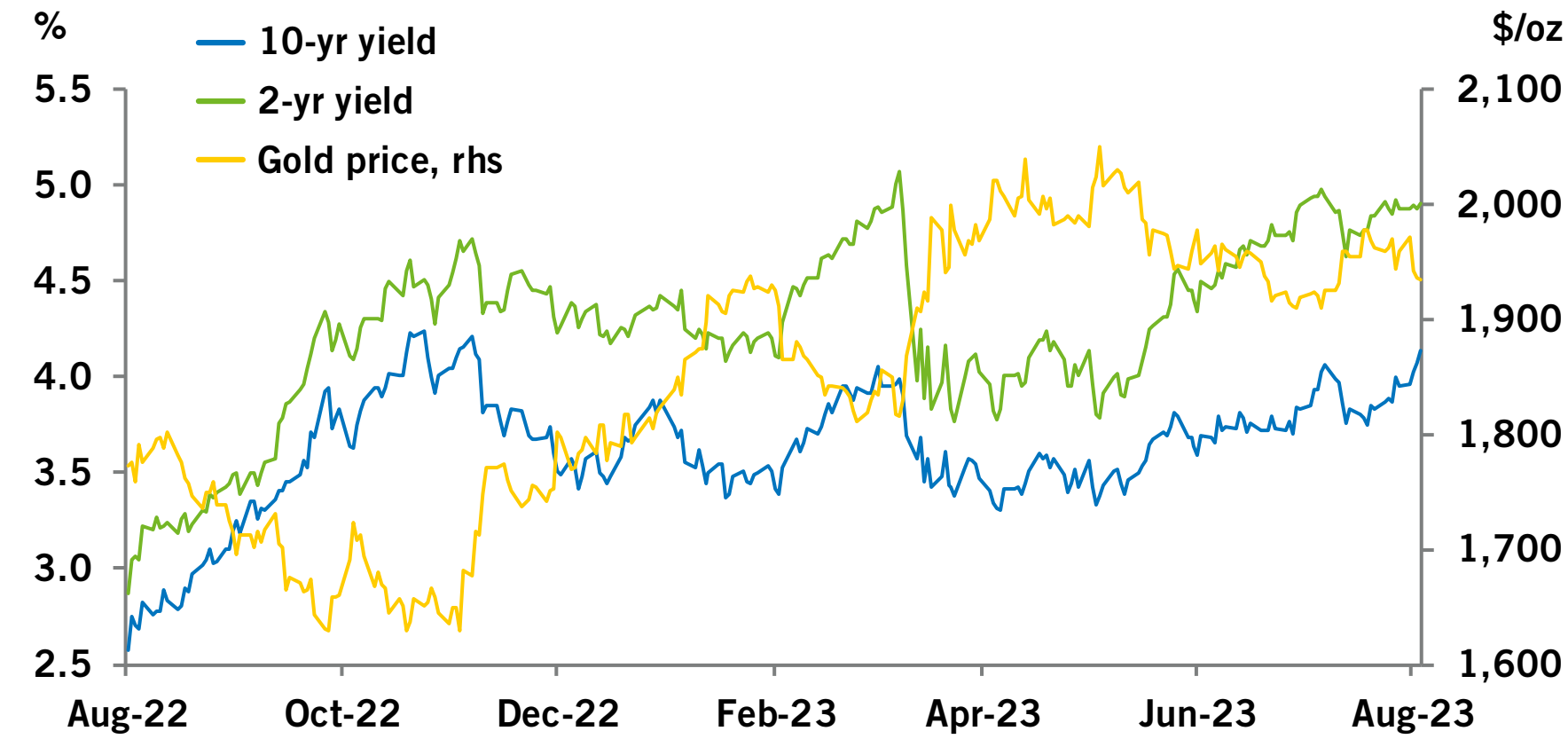
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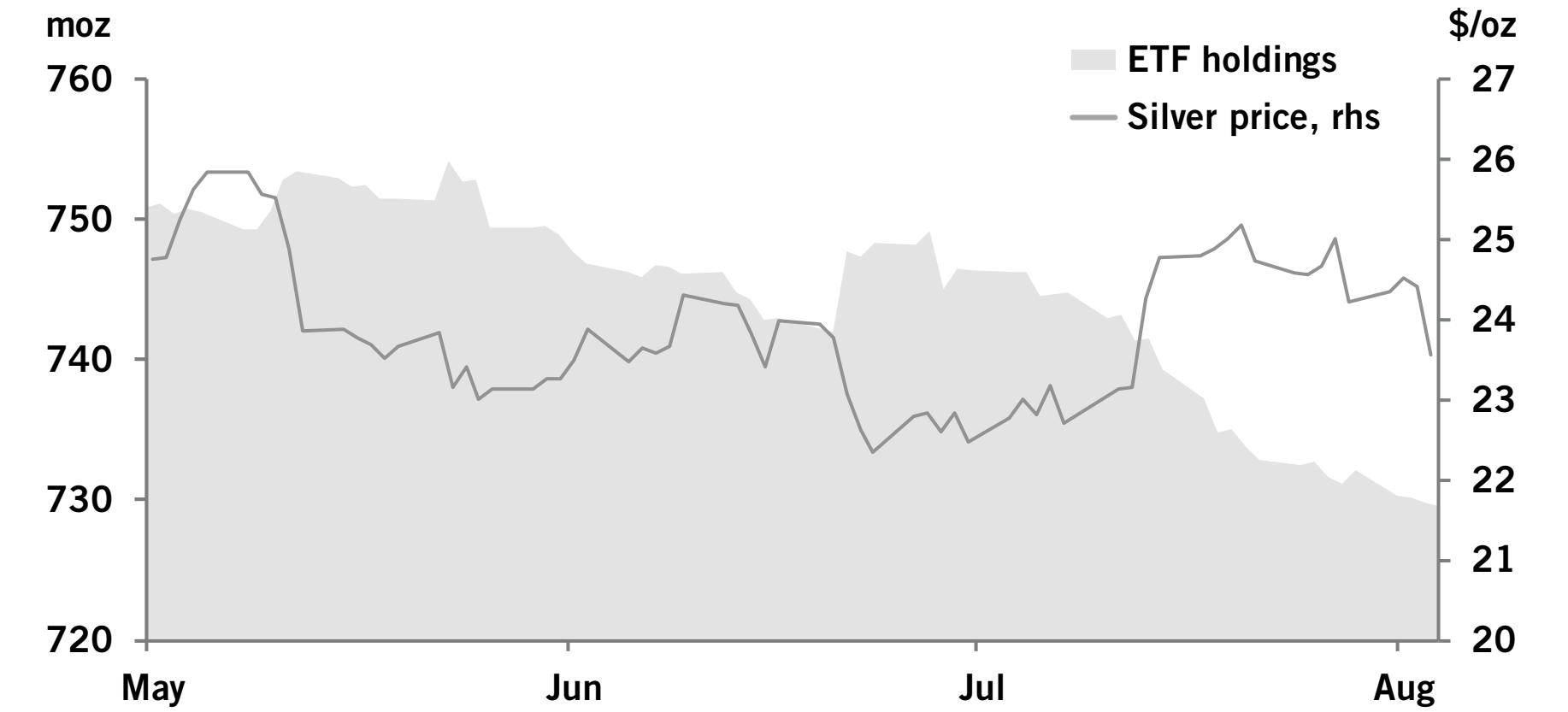
TRENDS AND INVESTMENTS

Gold price vs. US Treasury bond yields



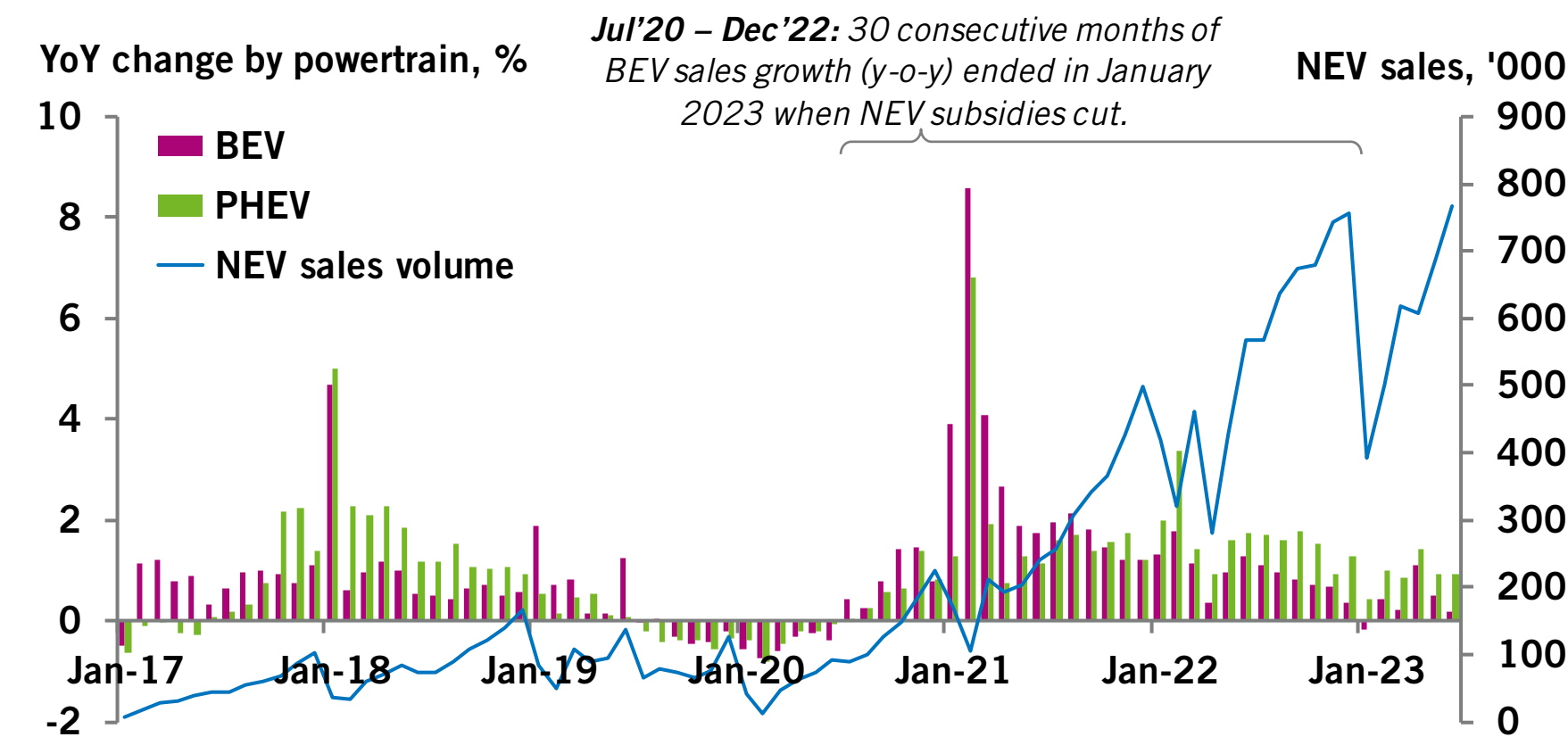
Source: SFA (Oxford), Bloomberg

Silver ETF holdings



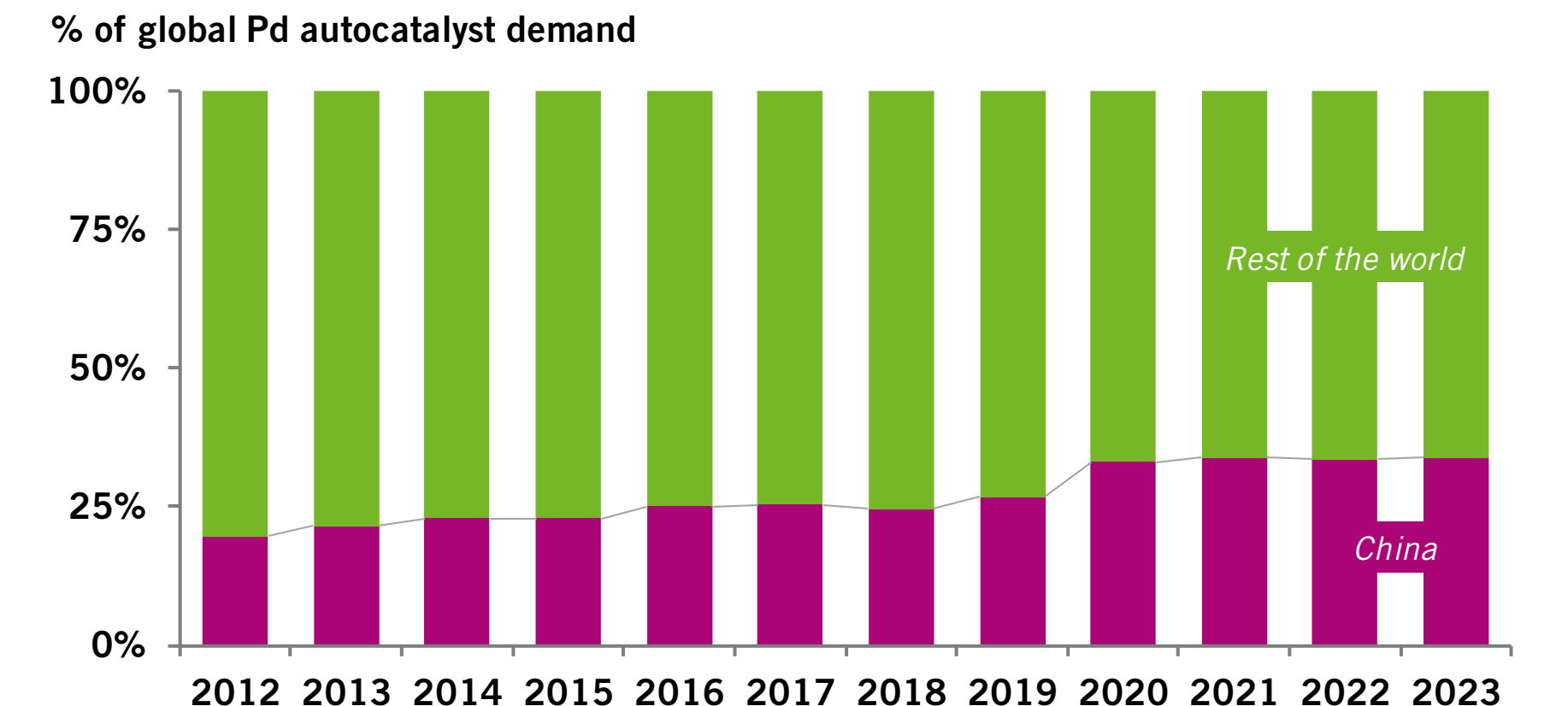
Source: SFA (Oxford), Bloomberg

China monthly NEV sales



Source: SFA (Oxford), Bloomberg

Global palladium autocatalyst demand



Source: SFA (Oxford)

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