

PRECIOUS APPRAISAL



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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,990	0.52%	2,008	31/10/2023	1,970	01/11/2023
€/oz	1,854	-0.85%	1,892	31/10/2023	1,853	03/11/2023

Gold stays steady as rates remain at 22-year high. At its latest meeting, the Federal Reserve left baseline interest rates unchanged last week at 5.25-5.50%, in line with market expectations. Chairman Jerome Powell has not ruled out further interest rate rises, and made clear that the Fed is not thinking about a pivot yet, but, on balance, sentiment appears more dovish. The gold price had a muted reaction to the FOMC meeting following the recent \$200 rally which peaked above \$2,000/oz, suggesting there is some fatigue in the gold market after being supported by safe-haven demand on the conflict in the Middle East. It is possible we will see some of this ‘war premium’ dissipate over the next few weeks, assuming there is no significant escalation in the conflict. This downside risk is compounded by improving sentiment towards risk assets and equities. The S&P 500 has fallen by 10% in the last three months, though it rallied by ~4% last week, coinciding with the stall in gold’s rally. If the zone of resistance formed around \$1,980 holds, the gold price could bounce slightly higher. To sustainably move above \$2,000/oz, however, it may need a clearer signal from the Fed that cuts are coming, and the return of investors to ETFs which have seen outflows of >200 tonnes so far this year.

Central banks continue bullion-buying binge. Abnormally high levels of central bank buying may help to explain why the gold price is defying downward pressure from both US dollar strength and surging bond yields so far this year. This year, central banks, led by emerging market economies, have added 800 tonnes of gold to their collective reserves, 14% more than last year. China is the largest purchaser, having bought 181 tonnes this year, and following an increase of 57 tonnes in Q3, Poland has added the second-highest amount of gold. Central banks were forecast to show a strong bias towards gold buying this year, though they were not expected to match last year’s record level. However, if Q4 is as strong as the previous quarter, global net central bank purchases would exceed last year’s record of 1,082 tonnes.

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	23.14	2.00%	23.61	30/10/2023	22.54	01/11/2023
€/oz	21.55	0.58%	22.27	30/10/2023	21.23	03/11/2023

Ethylene oxide production expansions should improve industrial silver demand. There have been a number of large-scale capacity additions for ethylene oxide (EO) production in the last 18 months. These plants use silver catalysts to produce EO and derivative products. BASF recently commenced production at its expanded plant in Belgium, while SABIC and INEOS have both recently constructed or expanded their production plants, adding to new silver catalyst demand. In addition to new capacity build, catalysts need changeouts over time, requiring top-up metal to account for losses during recycling. Demand for EO is likely to be softer this year, as requirements for the sterilisation of Covid-19 test kits are expected to fall. EO silver demand is categorised under ‘other industrial’ demand by The Silver Institute. This sector is forecast to grow by 7% this year to 144 moz, primarily driven by the EO market.

The silver price rose slightly last week to \$23.14/oz. The latest Commitments of Traders (COT) report shows that non-commercial speculators added long positions for a third straight week while shorts continued to be covered.

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Platinum

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
⁷⁸ Pt \$/oz	937	3.91%	945	31/10/2023	906	02/11/2023
€/oz	873	2.48%	891	31/10/2023	859	02/11/2023

Asset integration boosts Impala's platinum production but stockpiles grow in Q3. Impala Platinum's Q3'23 platinum production was ~400 koz, a 34% increase year-on-year when including the newly acquired Royal Bafokeng Platinum (RBP) mines. On a like-for-like basis with Q3'22, platinum production rose by ~13%. The acquisition of RBP will, in theory, improve production efficiency at the mines. Quarter-on-quarter, production remained steady at RBP assets, though this includes a lengthy stoppage in September, suggestive of a higher production rate year-on-year as the Styldrift shaft ramp-up continues. Impala's work-in-progress stock increased by 75 koz 6E (~38 koz Pt) in Q3 to 320 koz 6E (~160 koz Pt). The company expects stock levels to reach ~350 koz 6E by the end of H1'24, with this metal being drawn down by the end of 2025, deferring refined platinum production from 2023 into later years. This year, South African platinum supply is forecast to grow by 3% to 4.2 moz. This rate of growth is expected to be maintained in 2024, with production lifted to just over 4.3 moz.

Rand bulls were back in the driving seat last week. South Africa's government has laid out plans to firm-up its approach to cash-burning state-owned enterprises, though it stopped short of suggesting any moves towards privatisation. Eskom's debt relief package will be tightened and any bailout of Transnet, the state rail company, will require adherence to the government's new logistics sector roadmap. Traders saw this approach to greater fiscal discipline as a positive move, and the rand caught a bid against several major currencies. Against the dollar, the rand moved from 19.02 to 18.21 in the second half of the week. The platinum price has rallied by 8% since the first week in October, helped by the stronger rand, and last week gained \$35 to finish the week at \$937/oz.

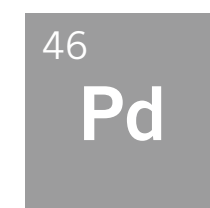
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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,123	0.40%	1,159	30/10/2023	1,104	02/11/2023
€/oz	1,044	-1.17%	1,092	30/10/2023	1,032	03/11/2023

North American palladium production could be lower than expected this year. In 2022, North American palladium production fell 12% year-on-year to 740 koz, largely as a result of flood-related stoppages at Stillwater Mine in Montana. This year, output was estimated to return to ~820 koz as the operation returned to full capacity. However, production guidance for 2023 has now been revised down 10% by Sibanye-Stillwater, from ~370 koz to ~330 koz (guidance mid-point). Sibanye-Stillwater cites a number of operational challenges at Stillwater Mine that have impacted production, including labour availability and grade issues. As a result, palladium supply from North America may only marginally improve year-on-year to ~760 koz. Palladium production at other North American PGM operations is expected to be in line with forecasts. Globally, primary palladium supply is predicted to decline slightly year-on-year to around 6.3 moz, though the fall is primarily related to Russian supply.

The palladium price remained under pressure last week, and managed to hold just above \$1,120/oz.

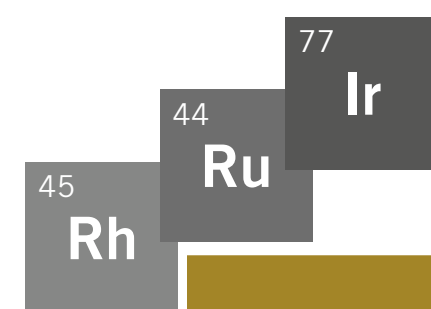
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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$4,650/oz	\$475/oz	\$5,450/oz
Previous Week	\$4,650/oz	\$475/oz	\$5,450/oz

Iridium and ruthenium production growing from Sibanye-Stillwater. The latest production update shows that Sibanye-Stillwater’s iridium output reached 16.8 koz in Q3’23. This represents a 5% increase year-on-year and the highest level since Q3’21. Similarly, ruthenium production from Sibanye-Stillwater grew 6% year-on-year in Q3’23 to 67.8 koz. At the company’s South African operations, iridium and ruthenium production are 3% and 2% higher, respectively, year-to-date. Global supply of both metals is expected to increase modestly this year.

The iridium and ruthenium prices stayed stable week-on-week last week. Rhodium saw some volatility, rising to \$4,950/oz before slipping back to where it started at \$4,650/oz.

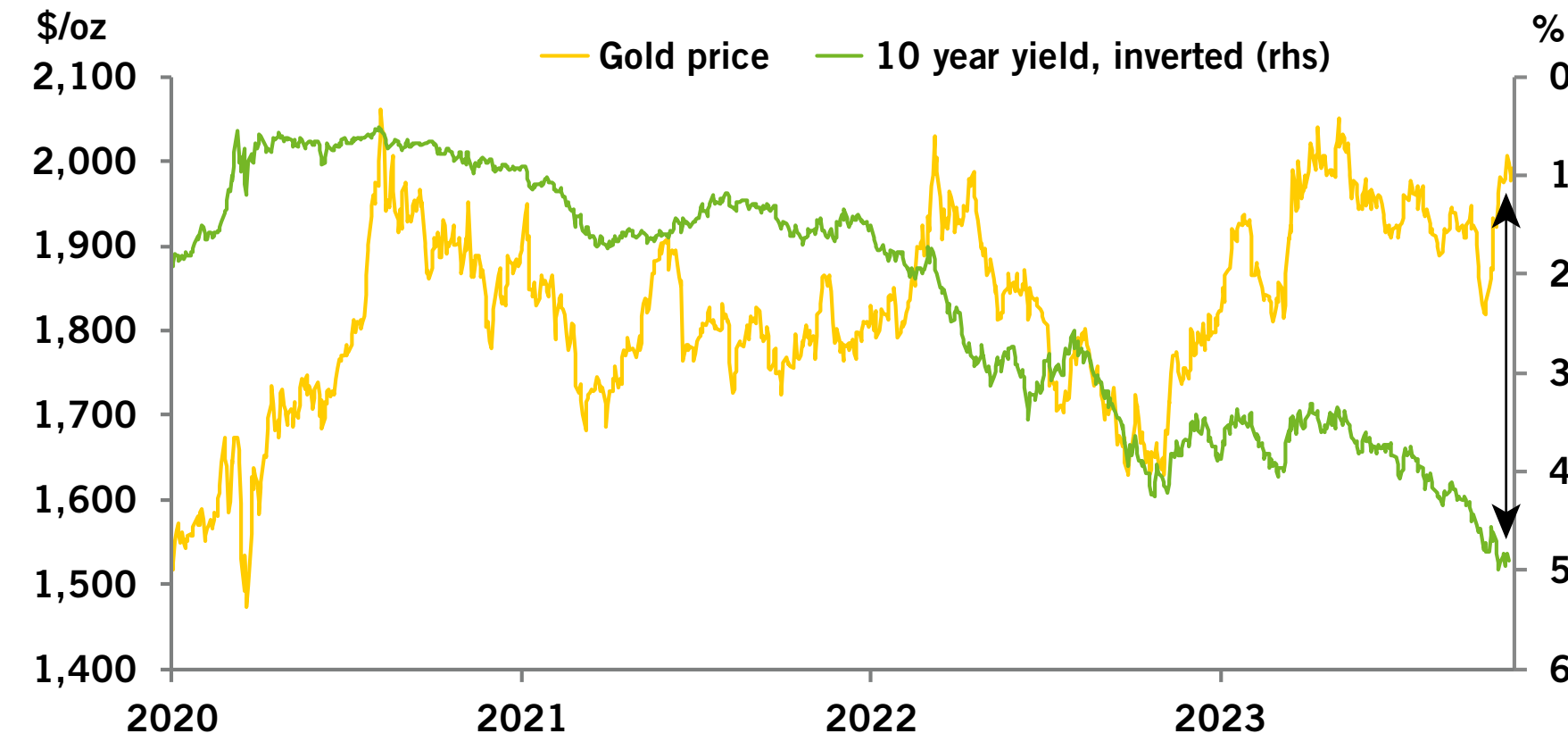
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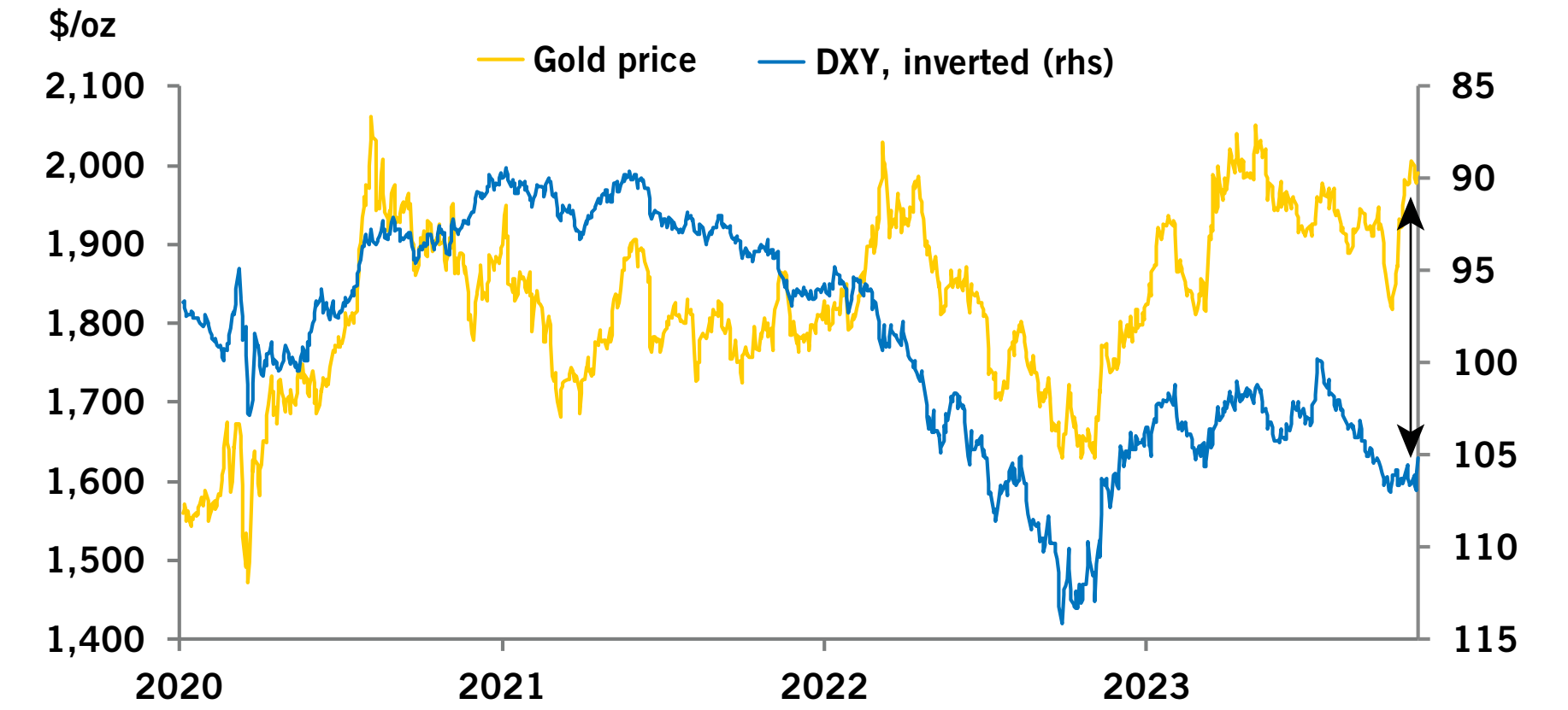
TRENDS AND INVESTMENTS

Gold vs. US 10-year yield



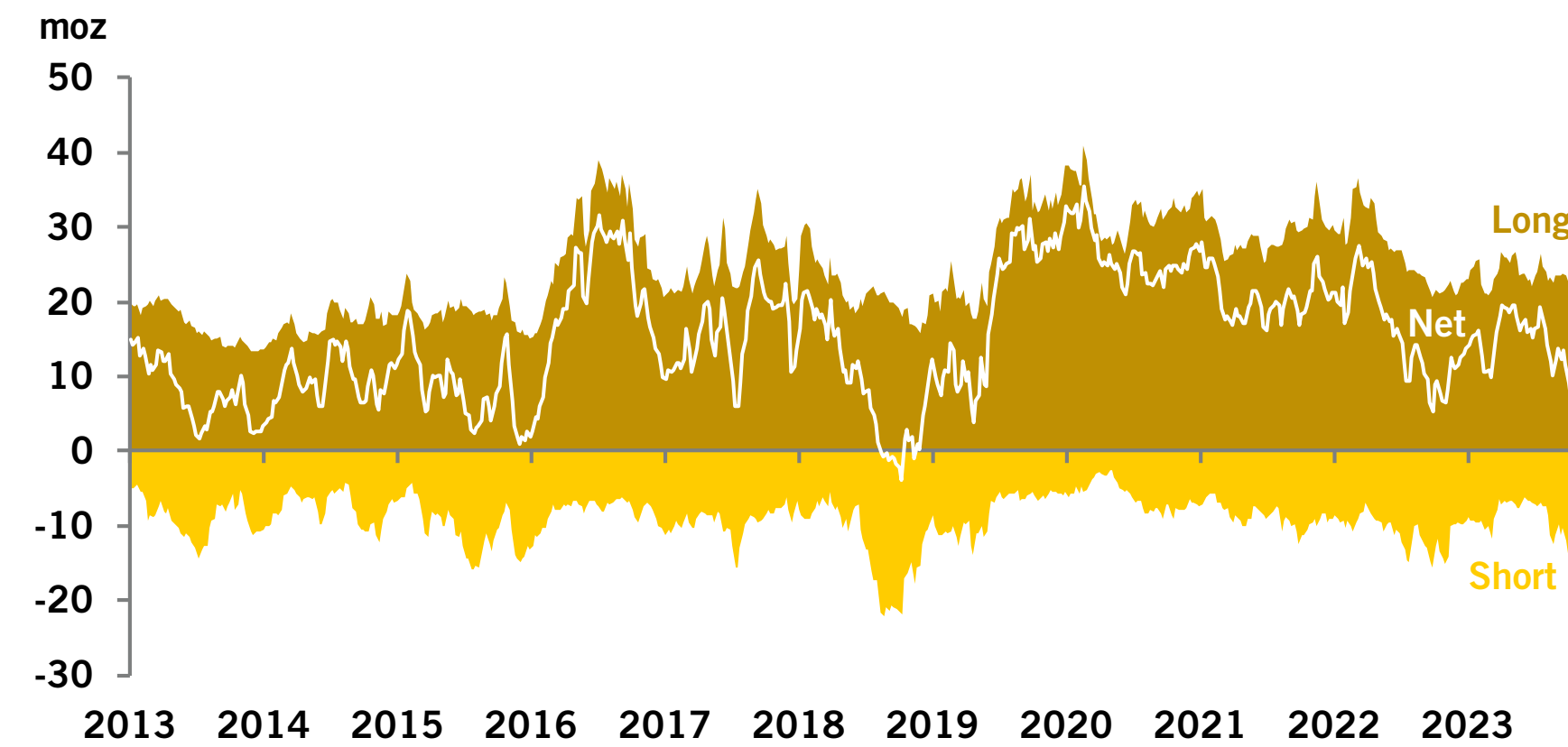
Source: SFA (Oxford), Bloomberg

Gold vs. US dollar strength index



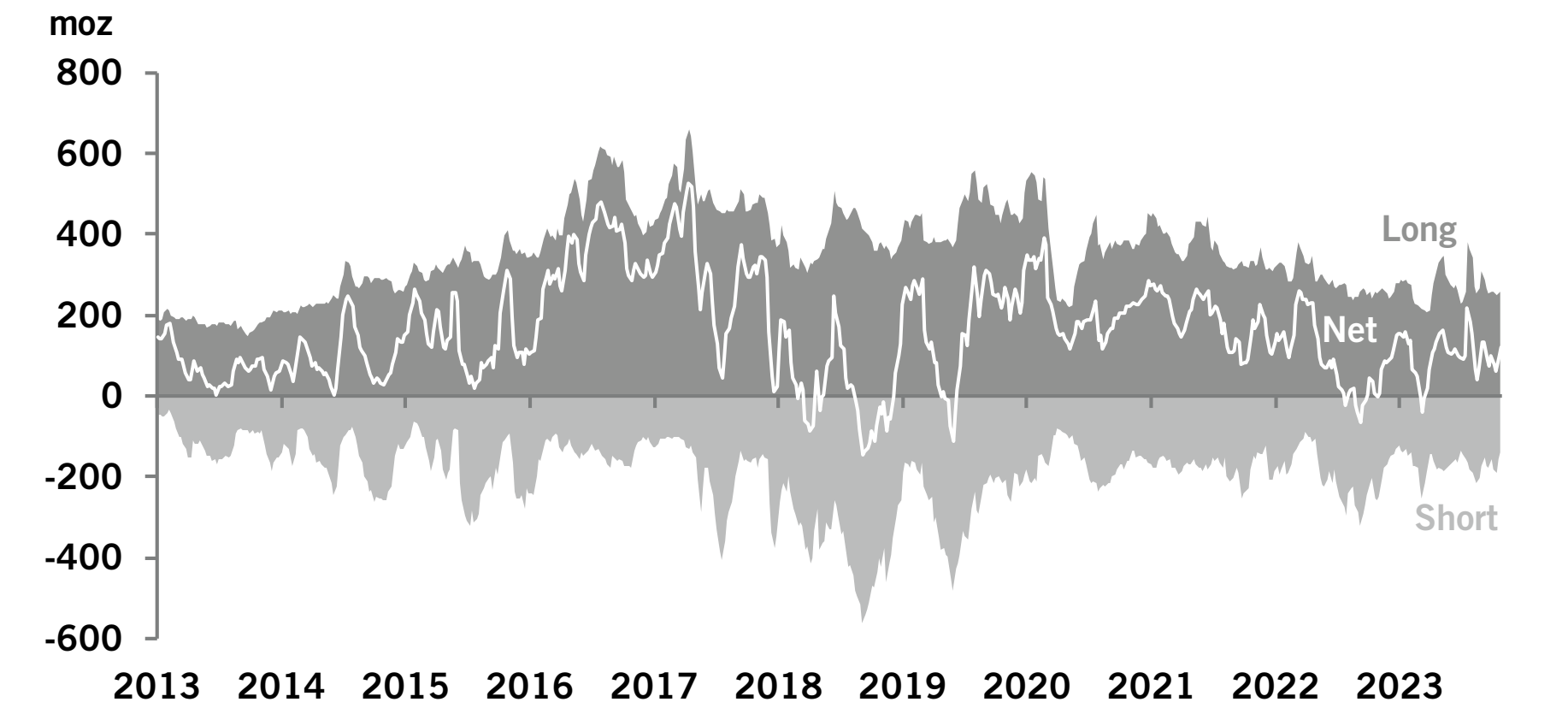
Source: SFA (Oxford), Bloomberg

Gold non-commercial speculative position



Source: SFA (Oxford), Bloomberg

Silver non-commercial speculative position



Source: SFA (Oxford), Bloomberg

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