

PRECIOUS APPRAISAL

No. 1

8th January 2024

MARKET SPOTLIGHT

Global election year adds to gold's upside potential

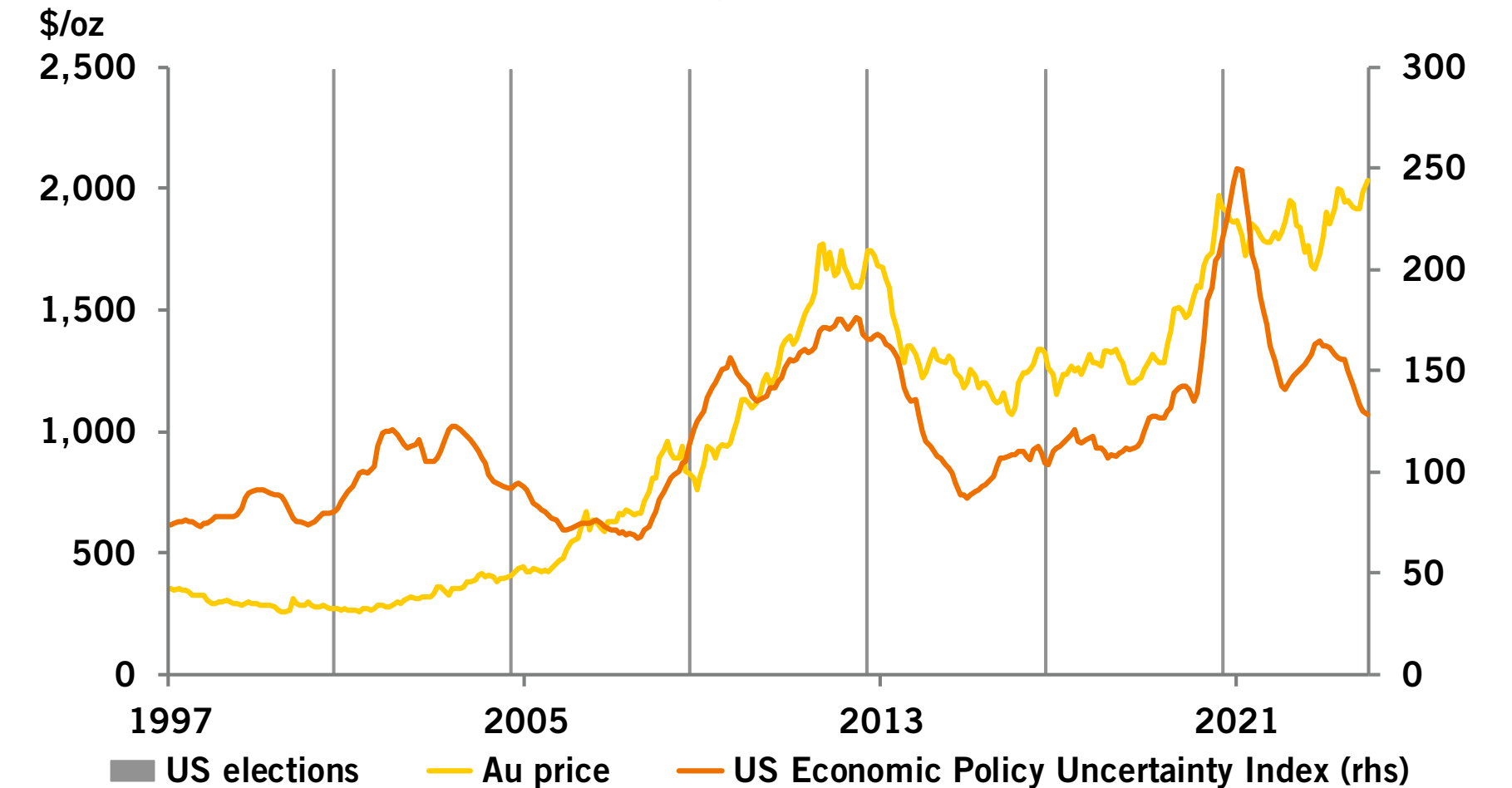
The baseline economic outlook is generally bullish for gold. There is a lingering risk of a recession in the US at some point this year. The US yield curve inversion is narrowing, and recessions do not usually start until after short-term yields have fallen back below the long-term yield. If and when a recession becomes apparent, the Fed can be expected to cut rates, likely weakening the dollar and benefitting the dollar gold price.

This year, more than 50% of the world's population will go to the polls in national elections in 76 countries, encompassing ~40% of global consumer gold demand. India and the US are the largest gold-consuming countries that will see a general election, with a combined demand of 655 tonnes through Q3'23. Arguably most important for gold is the US presidential election, given the effect that a change in leadership and government policy direction can have on the dollar and global macroeconomics. For the Indian gold consumer, the national election is unlikely to have a large direct impact on demand. However, as India is a generally price-sensitive consumer base, higher gold prices driven by events in the US could impact consumer demand in India, the second-largest market.

The gold price tends to move higher ahead of US elections. Since 2000, gold has moved 3.14% higher in the three months leading up to an election month. By comparison, the average change in the gold price over any given three-month period is just +1.8%.

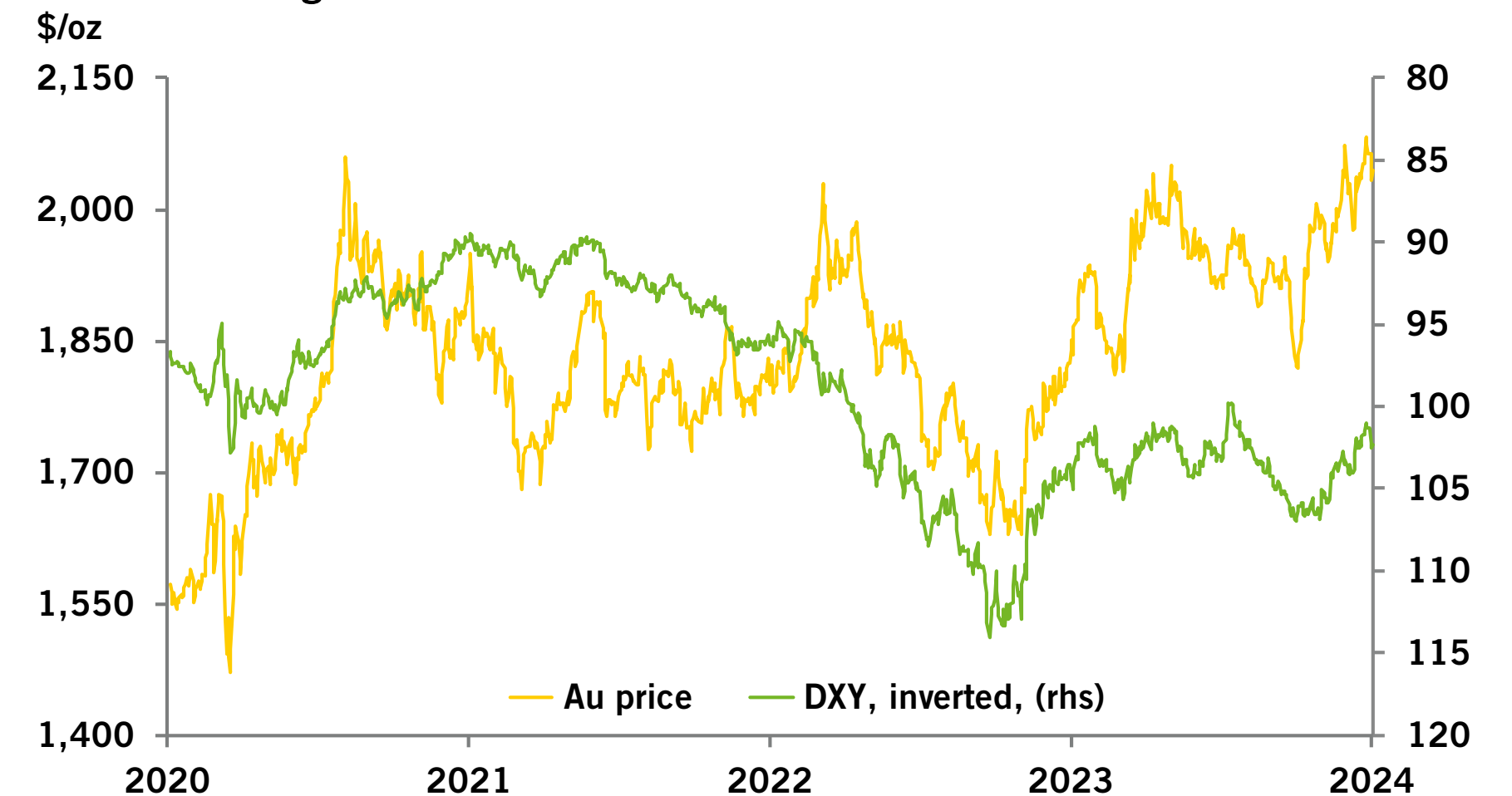
Economic policy uncertainty could rise towards election day. Trump has indicated that in the event of his re-election, he would undo some of Biden's economic policies where possible. The gold price has diverged from a measure of US economic policy uncertainty since 2021, rising as the index has fallen. Historically, as the index has begun to rise rapidly, so has the gold price. Greater uncertainty in 2024 stemming from both recession risk and a possible Trump re-election could see the gold price move higher.

US economic policy uncertainty vs. gold



Source: SFA (Oxford), Bloomberg, policyuncertainty.com

The dollar vs. gold



Source: SFA (Oxford), Bloomberg

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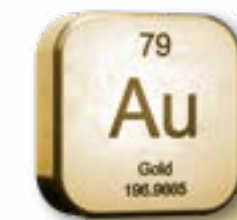
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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,045	-1.02%	2,079	02/01/2024	2,025	05/01/2024
€/oz	1,867	-0.07%	1,890	02/01/2024	1,859	05/01/2024

January tends to be a strong month for the gold price. Typically, Chinese demand is robust in the Lunar New Year holiday, with higher levels of gold purchases in the lead-up to festivities. So far this year the gold price is down, pressured by a moderately stronger dollar. Overly dovish bets on the Fed's rate-cutting path before the Christmas holiday have been moderated by the release of the Fed's December meeting minutes last week that showed a more conservative stance. The stock market has also fallen as the Fed tempered expectations of rapid rate cuts. The Nasdaq 100 and the S&P 500 indexes fell by 3.1% and 1.7%, respectively, last week. Gold's current correction may take the price further towards \$2,000/oz.

Besides the pressure to the downside from the dollar, geopolitical uncertainty is rising again in the Middle East. Houthi attacks in the Red Sea, bombings in Iran, and an alleged drone strike in Lebanon have escalated tensions and altered global trade flows, though no positive impact on the gold price has yet materialised. Following the retracement in the gold price, bullion finished the first trading week of the year at \$2,045/oz.

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	23.24	-2.87%	24.09	02/01/2024	22.69	04/01/2024
€/oz	21.21	-1.94%	21.91	02/01/2024	20.74	04/01/2024

Many of the bullish drivers for gold also apply to silver. However, it will be a struggle between these and the large industrial component of silver's demand profile. So far in January, silver has been materially underperforming gold. The Au:Ag ratio has shot up to 89, the highest since March 2023, indicating that at present silver's bullish drivers are losing the battle.

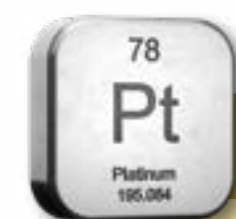
Industrial and jewellery fabrication demand are exposed to several risk factors this year. Global silver demand is estimated to have fallen by 10% last year to 1,143 moz (source: The Silver Institute), and could be lower again this year if photovoltaic installations slow following the surge in 2023 and other industrial applications see a decline. In addition to industrial use, jewellery demand is unlikely to strengthen in 2024. India, the largest source of silverware and jewellery demand, is likely to outperform the rest of the world economically. With a growing class of potential silver buyers, India could be a bright spot. The risk is the price sensitivity of these consumers, and if the price of silver remains relatively elevated (above ~\$22/oz), demand could be limited and unable to again meet 2022 levels of >5,100 tonnes.

Silver underperformed gold last week with the price falling nearly 3% to \$23.24/oz.

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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	964	-3.59%	1,003	02/01/2024	946	05/01/2024
€/oz	880	-2.67%	911	02/01/2024	869	05/01/2024

Lower PGM prices pressure producers into cost-cutting, impacting platinum production. In the lower PGM basket price environment entered last year, PGM producers are working to lower costs in order to remain profitable. Before the Christmas holiday, Anglo American Platinum announced plans to reduce operating and stay-in-business costs by ZAR10 billion (~\$535 million) over the next three years by rephasing and postponing certain expansion projects and focusing on its most important assets (Mogalakwena and Mototolo). Refined production guidance for this year has been pulled back from 3.6-4.0 moz 6E PGMs to 3.3-3.7 moz 6E PGMs, equal to ~1.49-1.66 moz of platinum, from approximately 1.71 moz in 2023. Total South African platinum production is expected to fall marginally to 3.9 moz in 2024 following the closure of the Pilanesberg mine (33 koz of platinum in 2022), and as other miners begin to implement cost-saving measures.

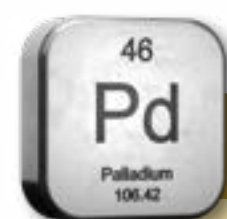
Diesel autocatalyst demand in Europe is likely to continue to evaporate as low-emission zone schemes are implemented in France and elsewhere. According to the ACEA, in the year to November 2023 only 13.7% of all newly registered cars in the EU had pure diesel powertrains. Meanwhile, the proportion of pure electric vehicles reached 14.2%, equal to ~1.4 million units, with December sales yet to be announced. For heavy-duty diesel autocatalysts the road also appears to be rocky. Despite 13-year highs in new truck registrations last year, new orders for Europe declined at the three largest truck manufacturers (Traton, Daimler Trucks and Volvo) in the first three quarters, and are likely to continue to contract

as major European economies generally remain stagnant this year. Combined, light- and heavy-duty diesel autocatalysts make up 70% of Western Europe’s platinum autocatalyst demand. A falling market share in light vehicles and declining orders for heavy-duty trucks are likely to crimp regional platinum autocatalyst demand this year by more than 5% to 760 koz, despite a small offset from some platinum-for-palladium substitution.

The platinum price could not maintain its upward momentum into the new year, and last week posted its first weekly decline in four weeks, failing to hold above \$1,000/oz before finding support at \$960/oz, closing at \$964/oz.

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Palladium



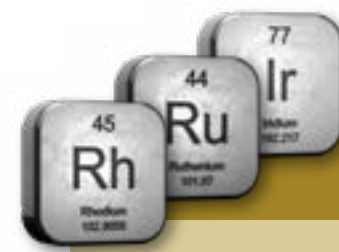
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,045	-5.68%	1,117	02/01/2024	1,019	05/01/2024
€/oz	953	-4.89%	1,015	02/01/2024	937	05/01/2024

Loss of EV subsidies in Germany may slow conversion from gasoline light vehicles. In December, the German government prematurely ceased its EV subsidy programme after the government budget was left €60 bn short following a court ruling. The programme was intended to be in place until the end of 2024 and provided up to €4,500 towards the purchase of a personal electric vehicle. The removal of the subsidy is likely to have a negative impact on EV sales. When the EV company car subsidy was withdrawn as planned in September, Germany’s EV registrations saw a year-on-year decline of 12% in October-November. Some automotive OEMs will step in and pay the full subsidy for certain vehicles ordered before the cancellation, and some customers will see reduced subsidies for registered vehicles early this year, which could help to soften the impact on EV sales. Overall, German light-vehicle sales grew 13.5% year-on-year to November 2023, with a large portion of the growth from hybrid powertrains, and thus supportive of palladium demand. Western Europe’s palladium autocatalyst demand is estimated to have grown by 1.5% last year to just under 1 moz. In 2024, light-vehicle sales are forecast to increase from 9.9 million units to more than 11 million units, though associated palladium demand is expected to be relatively stable owing to the expectation that EVs will continue to capture more of the market. The risk of recession is still present in Europe, and if its effect were to be deeper than expected, there may be relatively little growth in sales figures year-on-year.

The palladium price rallied to over \$1,000/oz in the middle of December and still holds this level despite a pullback. The rise in palladium likely triggered some short covering among market speculators, and the latest Commitments of Traders report shows a reduction of the net short position in palladium from ~1 moz to ~750 koz. End-users of palladium tend to buy more palladium at the beginning of the year, which could give this rally some longevity, though this depends on the degree to which excess stocks of refined metal have been run down by users. **In aggregate, price risk remains to the downside for palladium for 2024, and it is likely that the price will slip back below \$1,000/oz at some point this year.**

PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$4,950/oz	\$445/oz	\$5,500/oz
Previous Edition	\$4,850/oz	\$475/oz	\$5,500/oz

The ruthenium price fell by \$20/oz in December to \$455/oz in the first price move since June 2023, and gave up another \$10/oz last week. The downward trajectory of the ruthenium price suggests that demand for this PGM is relatively weak. It is thought that ruthenium users in the data storage sector ran down inventories of the metal last year, and so were less active in the market. Demand looks unlikely to pick up much for hard drives as non-ruthenium containing alternatives (solid-state drives (SSDs) etc.) continue to take market share, and the risk of a slowdown in major economies later in the year could also crimp demand.

The rhodium price has gained \$100/oz since the last Precious Appraisal, while iridium has remained stable.

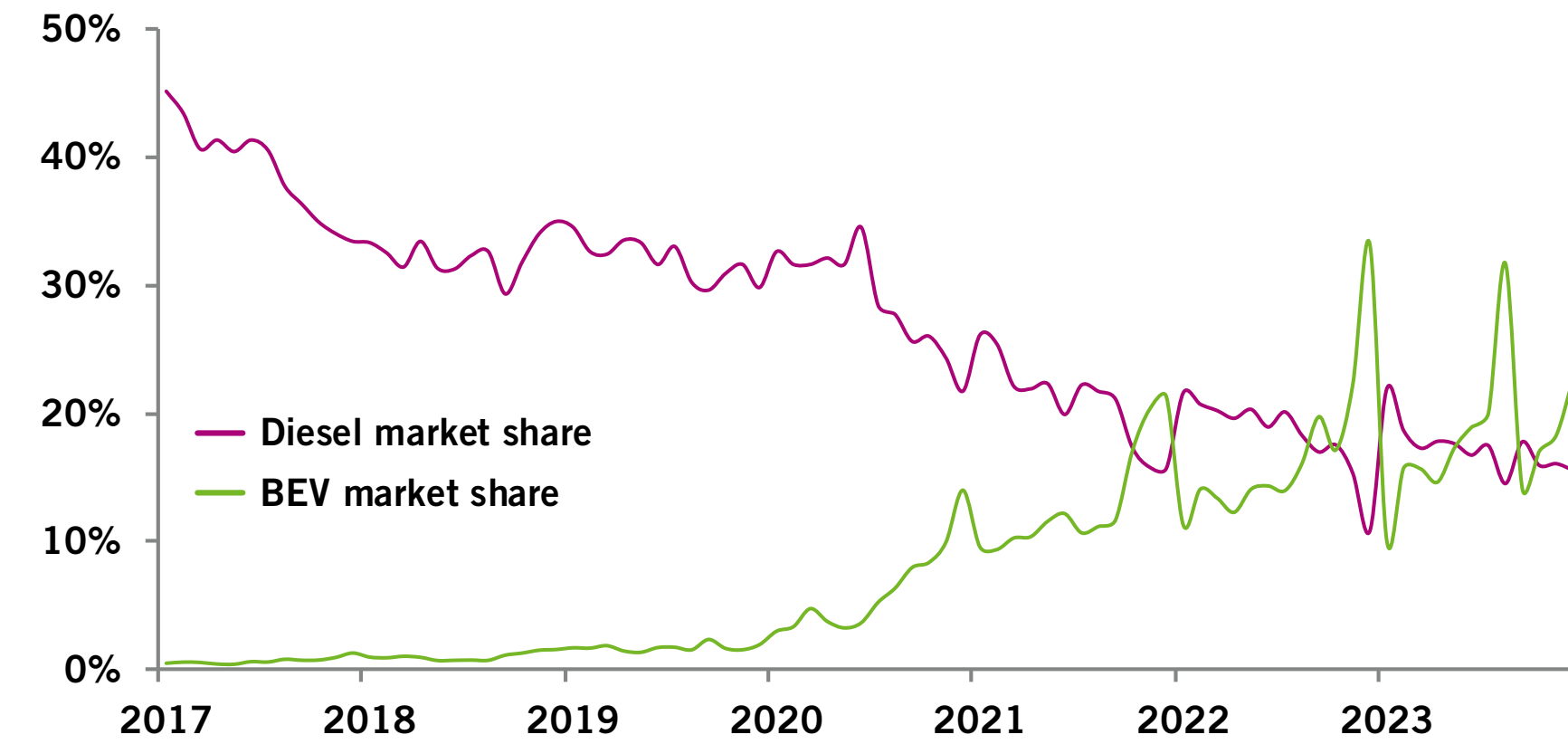
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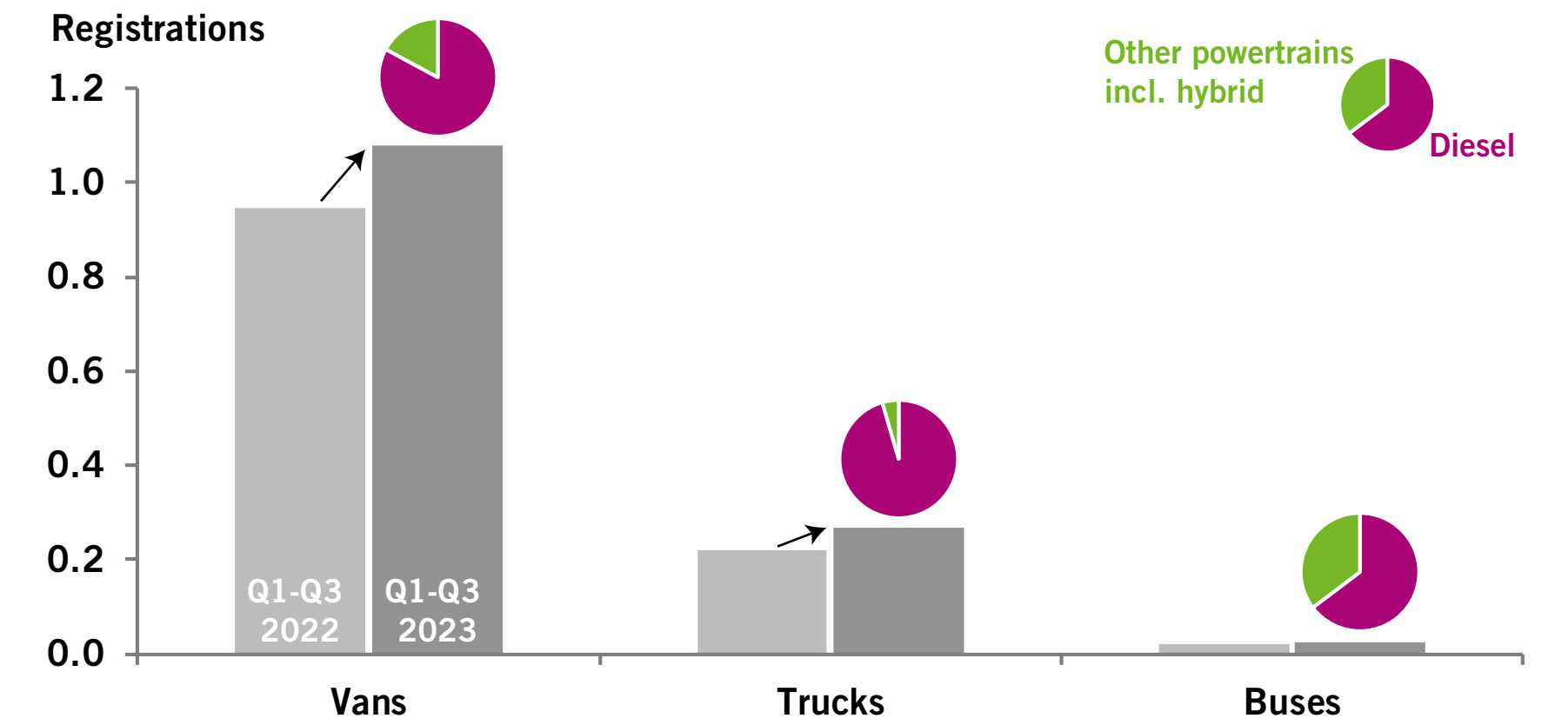
TRENDS AND INVESTMENTS

Germany powertrain share of new light vehicles



Source: SFA (Oxford), German Federal Motor Transport Authority

EU commercial vehicle registrations Q1-Q3 2023



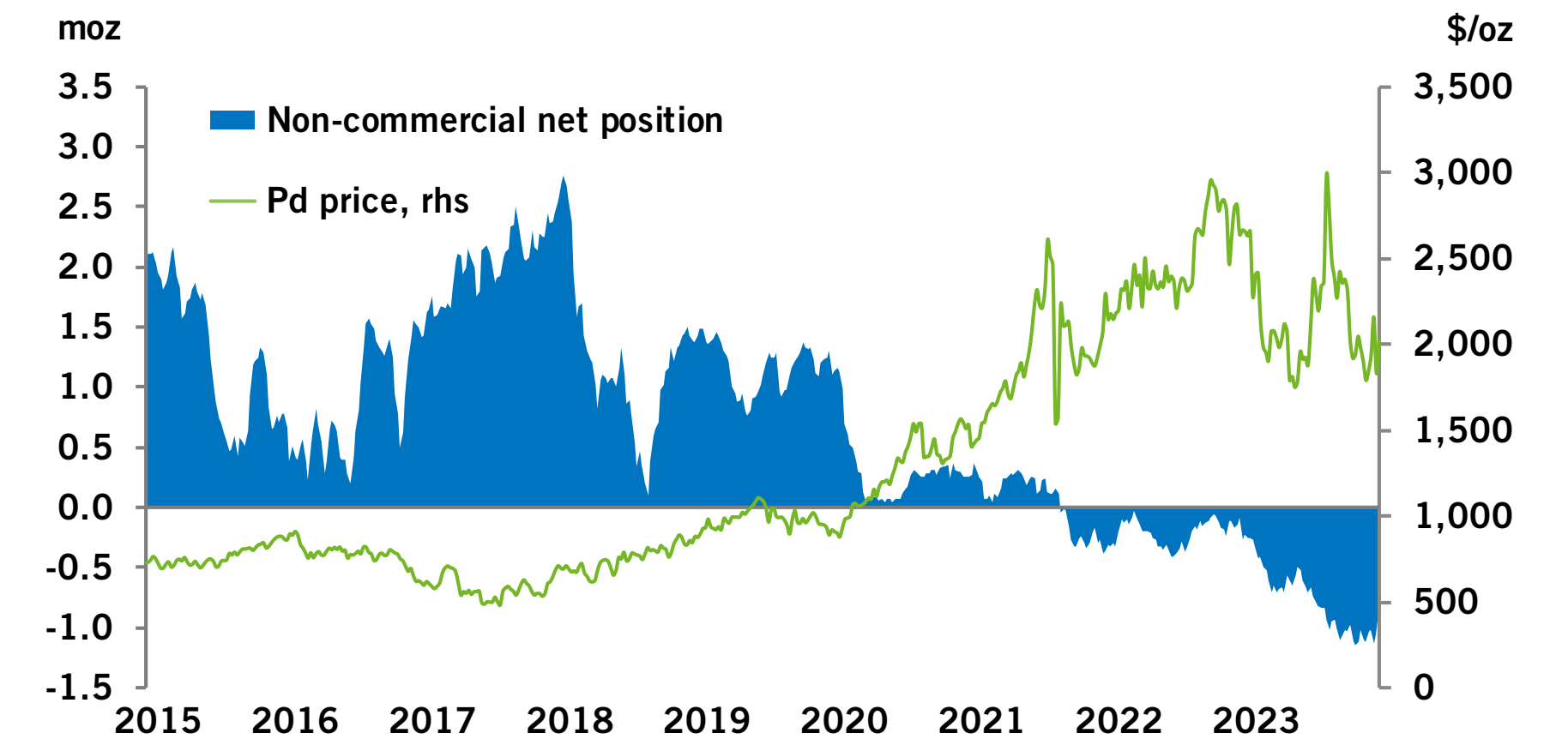
Source: SFA (Oxford), ACEA

Gold price in dollars



Source: SFA (Oxford), Bloomberg

Pd non-commercial net speculators' position



Source: SFA (Oxford), Bloomberg

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