

PRECIOUS APPRAISAL

MARKET SPOTLIGHT

Platinum catches a tailwind from stronger rand

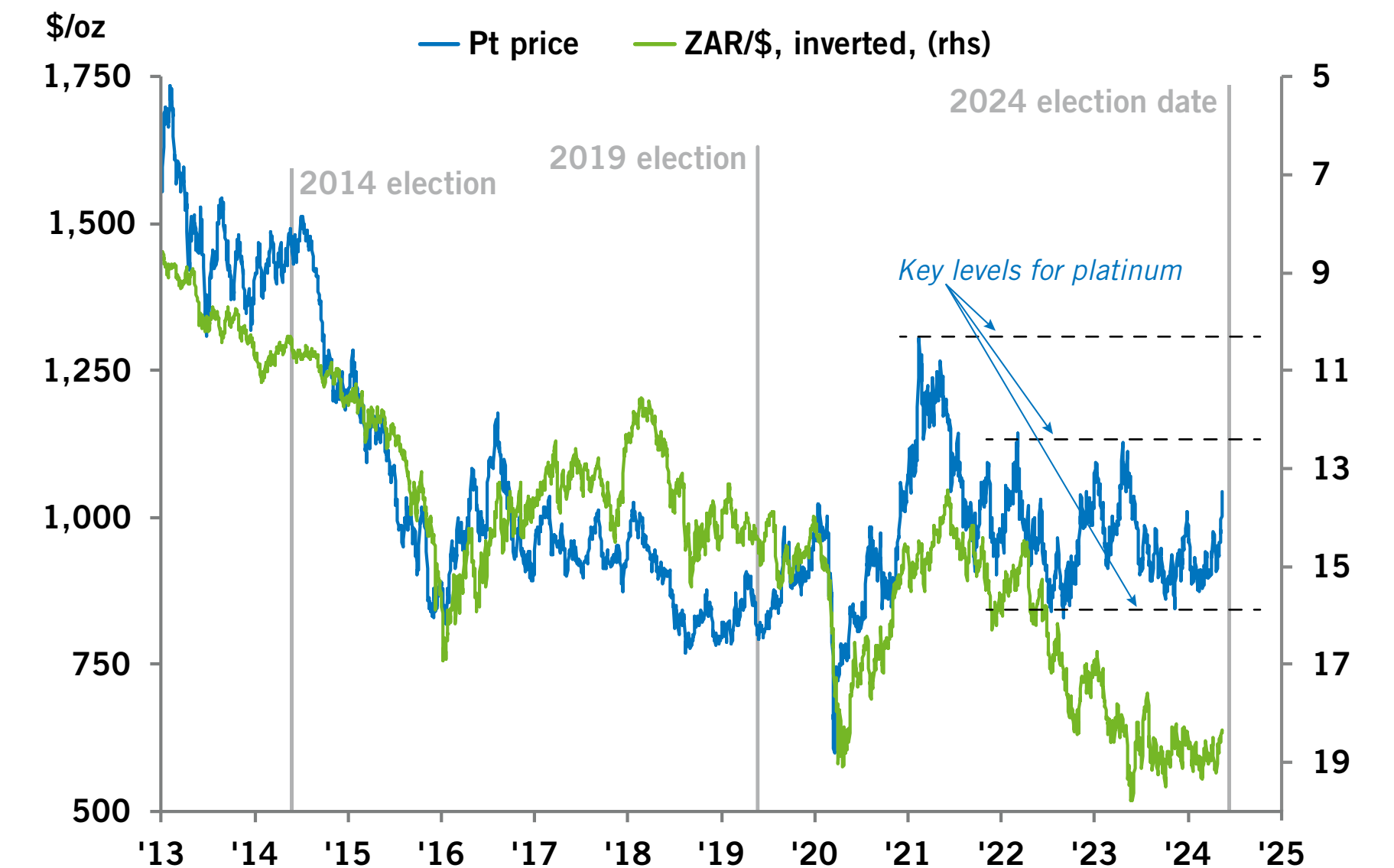
Platinum has rallied strongly in the last month. By the end of last week, the platinum price had broken out of its trading range of the last year. Starting from nearly \$900/oz in late April, it reached a 12-month close of \$1,077/oz. The platinum and palladium prices were almost equal but now platinum has regained its premium, with its price momentum aided by a sharp increase in European platinum ETF holdings.

A stronger rand has provided a tailwind. The turning point in the USD/ZAR exchange rate coincided precisely with the turning point in the platinum price on 25 April. The rand exchange rate has shifted rapidly in the last few weeks, moving from over 19 to ~18.2 per dollar. Historically, a stronger rand correlates well with appreciation in the dollar-denominated platinum price. This relationship has been stronger year-to-date than the average correlation over the last five years.

South Africa's general election looks more likely to support the rand. The ruling ANC party is unlikely to maintain a majority in the upcoming election, meaning it will have to form a coalition to retain power. However, recent polls show a recovery in support for the governing party. This makes it less likely that the ANC will have to form a coalition with a more radical left-wing party – a result that could have been seen as unfavourable for business investment. Easing of this political risk is likely to have helped strengthen the rand and local assets, with the stock market close to an all-time high. At the same time, Eskom has implemented far fewer power cuts, which could also have boosted sentiment.

London Platinum Week tends to be platinum's peak. Despite the presence of positive drivers, seasonality does not support a higher platinum price going into Q3'24. The price tends to reach annual highs in the second quarter, often occurring around the time of London Platinum Week. It may be the case that a more favourable election outcome in South Africa is now priced in to the rand, which could limit upside for both the rand and the platinum price.

The platinum price vs. the rand

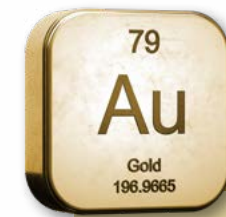


Source: SFA (Oxford), Bloomberg

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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,408	1.82%	2,419	17/05/2024	2,332	13/05/2024
€/oz	2,215	0.92%	2,224	17/05/2024	2,162	13/05/2024

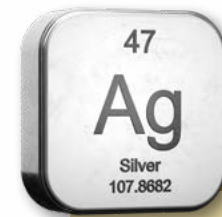
Gold posted another record-high close last week of \$2,408/oz. Last Wednesday’s report of US inflation data for April showed CPI and core CPI decelerating, rising 3.4% and 3.6% year-on-year, respectively. Also helping the uptick in gold are the decline of Treasury yields and a weaker dollar, two conducive factors to gold’s appeal to international investors. Gold’s rebound may also have benefited from the rising tension in US-China relations. On Tuesday, the US officially proposed maintaining – and increasing some – Section 301 tariffs on Chinese imports. The Biden administration may be trying to gain an election advantage by outdoing Trump in its targeting of China.

Indian purchases around Akshaya Tritiya, a festival in May usually auspicious for gold purchases, may also have helped. Discounts of Indian gold to the international price have notably narrowed from \$17.3/oz in April to \$1.9/oz over the first two weeks in May, implying robust demand in the local market.

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PRECIOUS METALS REVIEW

Silver



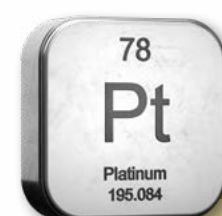
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	30.63	8.45%	30.81	17/05/2024	28.05	13/05/2024
€/oz	28.18	7.49%	28.33	17/05/2024	25.99	13/05/2024

India's imports of silver in the first quarter exceeded the total for the whole of 2023. India had very strong silver purchases in Q1'24, with imports reaching ~3,730 tonnes. India's silver imports may be bolstered by efforts to localise solar supply chains, especially in the cell manufacturing sector, as it is a conductive medium in solar cells. This is in addition to the traditionally large sectors of jewellery and silverware fabrication. At the end of 2023, India maintained a module capacity of 64.5 GW but a cell production capacity of only 5.8 GW, a notable lag in the midstream sector (source: PV Magazine). Cell projects in the pipeline, growing restrictions on Chinese imports, and an ambitious energy transition underway could all significantly lift India's demand for silver paste. At the end of Q1'24, India had 81 GW of cumulative solar installations while multiple forecasts suggest it is on track to hit 500 GW by 2030.

The silver price rallied strongly last week, pushing above \$30/oz. Friday's market closing price of \$30.63/oz was the highest weekly close more than 11 years, and has broken through the level of resistance around \$30.00/oz that has been established since the peak of the Covid rally in 2020. Silver appears to be finally playing catch up to gold. Year-to-date, silver has now outperformed gold with an appreciation for the yellow metal. As a result, the gold:silver ratio has fallen sharply.

PRECIOUS METALS REVIEW

Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,077	8.16%	1,082	16/05/2024	997	13/05/2024
€/oz	991	7.13%	995	16/05/2024	925	13/05/2024

Recycling was the key theme at London Platinum Week. Recycled platinum supply is driven primarily by volumes of spent catalysts from end-of-life vehicles entering the supply chain. Owing to disruption in the light-vehicle market in the last few years, vehicles have tended to stay on the road longer than the pre-pandemic average, and volumes of recycled metal shrank in 2023 as a result. However, the view of many Platinum Week attendees was that in the longer term, volumes should pick up again – particularly as higher PGM-loaded Euro 5 and 6 vehicles begin to be scrapped in greater numbers. The important question, of course, will be the timing of the recovery.

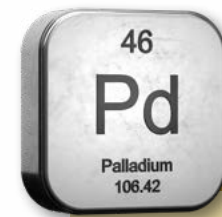
Platinum Guild International presented the latest Platinum Jewellery Business Review last week, which showed platinum jewellery demand continues to struggle in China, the largest market for platinum jewellery. Chinese platinum jewellery demand is expected to rise modestly to 1.37 moz this year but remain much lower than the peak of 2 moz in 2014. Large Chinese jewellery retailer Chow Tai Fook cites a drop in platinum jewellery sales in Q1'24, against a relatively weak macroeconomic backdrop and competition from pure gold alternatives which have increased in popularity in the last 12 months. Although modest growth is expected for the global platinum jewellery market this year, risks to the downside remain. If the Chinese market underperforms by just 10%, all of the expected global growth would be lost.

Following the recent rally, the platinum price closed trading last week at \$1,077/oz, the highest weekly close in 12 months.

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Palladium



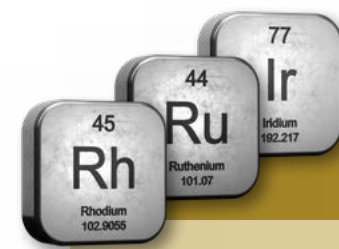
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,002	2.04%	1,023	16/05/2024	961	13/05/2024
€/oz	921	1.08%	941	16/05/2024	890	14/05/2024

Growth in light-vehicle sales will not be enough to lift North American palladium demand. The US light-vehicle market is forecast to grow in 2024 for a second consecutive year to >15 million units, which would make 2024 the best year in the post-Covid era. However, palladium demand for the North America region is forecast to dip slightly this year to about 1.7 moz. A similar influence is likely to be seen in many other regions as the rate at which BEVs capture market share outpaces overall light-vehicle production growth and cuts palladium demand. In the US, so far this this year BEV penetration has averaged 7.1% (source: Argonne National Laboratory/MarkLines), exactly in line with the annual average for 2023. However, in 2024 US BEV penetration could rise to around one-in-ten of all light vehicles sold. Since June 2023, hybrid light vehicles have actually overtaken BEVs in terms of market share, which has helped to maintain palladium autocatalyst demand, particularly as these cars tend to have higher PGM loadings on their catalysts than pure ICE vehicles. The announcement that the US will place a 100% tariff on imported Chinese BEVs may not do much to help improve sales of ICE vehicles. At present, Chinese imports represent only a tiny fraction of US light-vehicle sales, unlike in Europe where the proportion is much larger. Despite the forecast for a market deficit in palladium this year, weaker overall demand from the autocatalyst sector means that the palladium price is expected to remain subdued in H2'24.

Stillwater raises output but North American supply is still forecast to fall. Sibanye-Stillwater's North American palladium production reached the highest level since Q4'21 in the first three months of 2024. Palladium production totalled 94.7 koz in Q1'24, a year-on-year improvement of 23%. The significant improvement year-on-year reflects the shaft incident that impacted output in Q1'23. Despite the comparison to a lower base, palladium production at Stillwater mine has been trending higher since Q3'22 thanks to overall improvements in operational stability. Despite the improvements at Stillwater, total North American palladium supply is expected to fall by 6% this year to ~740 koz on the expectation that output will fall at Impala Canada as well as at other Canadian mines where palladium is a by-product of nickel mining.

PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$5,250/oz	\$435/oz	\$5,250/oz
Previous Edition	\$5,250/oz	\$435/oz	\$5,250/oz

Australian green hydrogen subsidies will sit between the US and Europe.

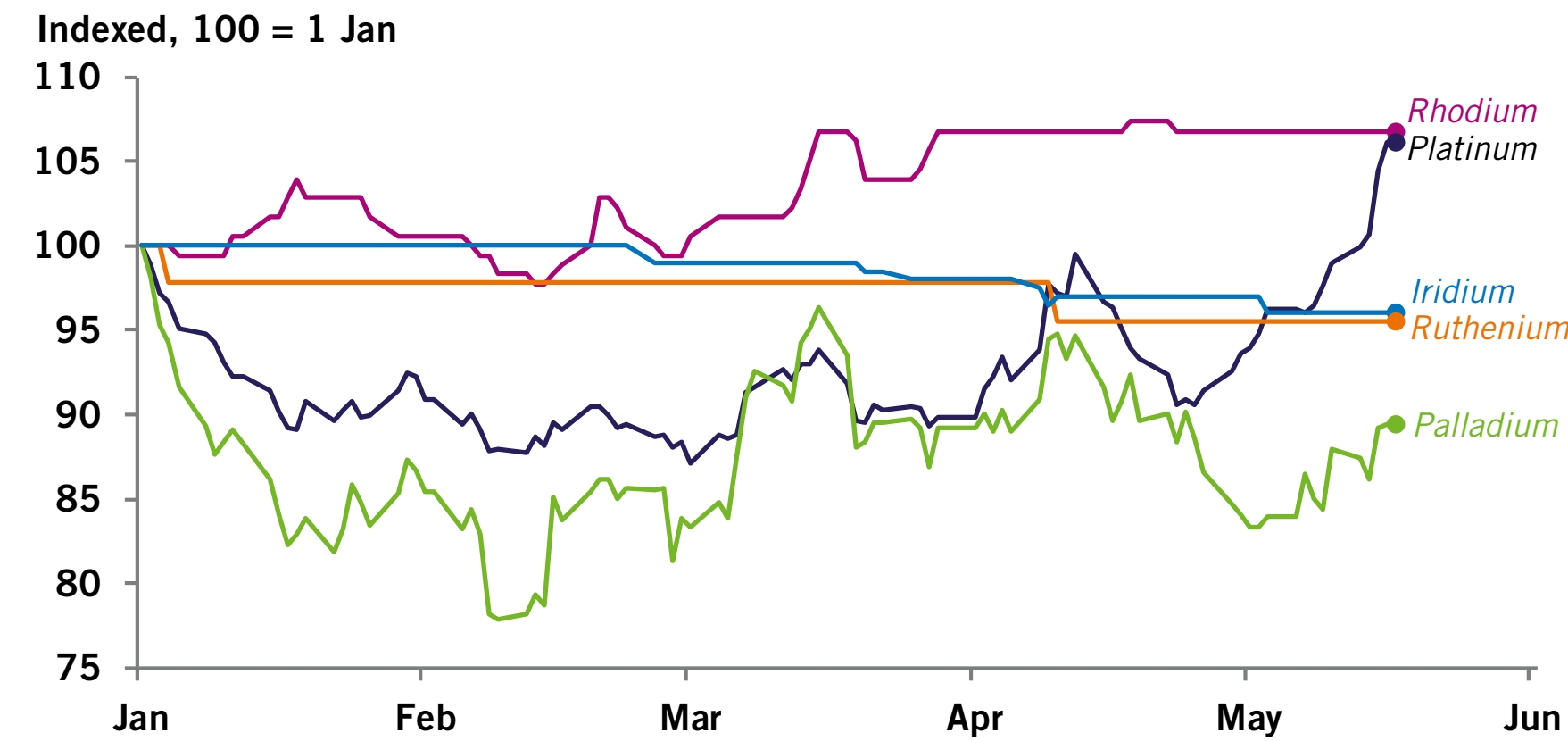
The latest announced green hydrogen production subsidy scheme in Australia will pay producers A\$2/kg H₂ produced from 2027. This is equivalent to approximately double the subsidy offered to European producers in the recent auction, but less than half of that offered through the US hydrogen production credit of US\$3/kg H₂. Total subsidies will amount to A\$6.7 billion over 10 years, which should help to propel electrolytic green hydrogen production capacity in Australia, include PEM-based systems. There are currently 17 known PEM projects in Australia (~12% of all projects), with expected production capacity of 750 ktpa of green hydrogen (source: IEA). The subsidies, as in the US and Europe, are aimed at encouraging more project investment by effectively reducing the operational expenditure of green hydrogen production. Although iridium-containing PEM projects make up only a small portion of the total number, future iridium demand from the green hydrogen sector is expected to grow over the next five years, particularly as these and similar projects enter construction.

All three small PGM prices were stable last week.

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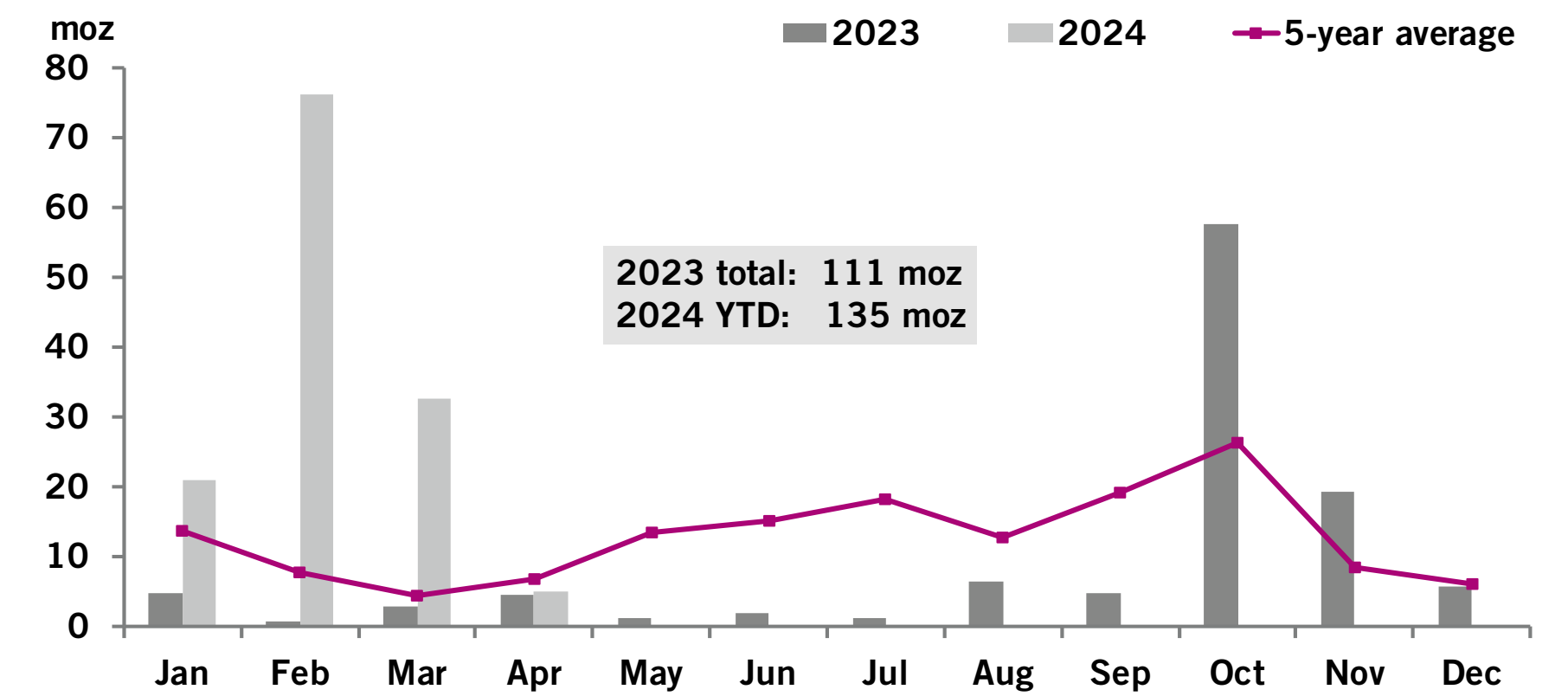
TRENDS AND INVESTMENTS

PGMs price performance, YTD



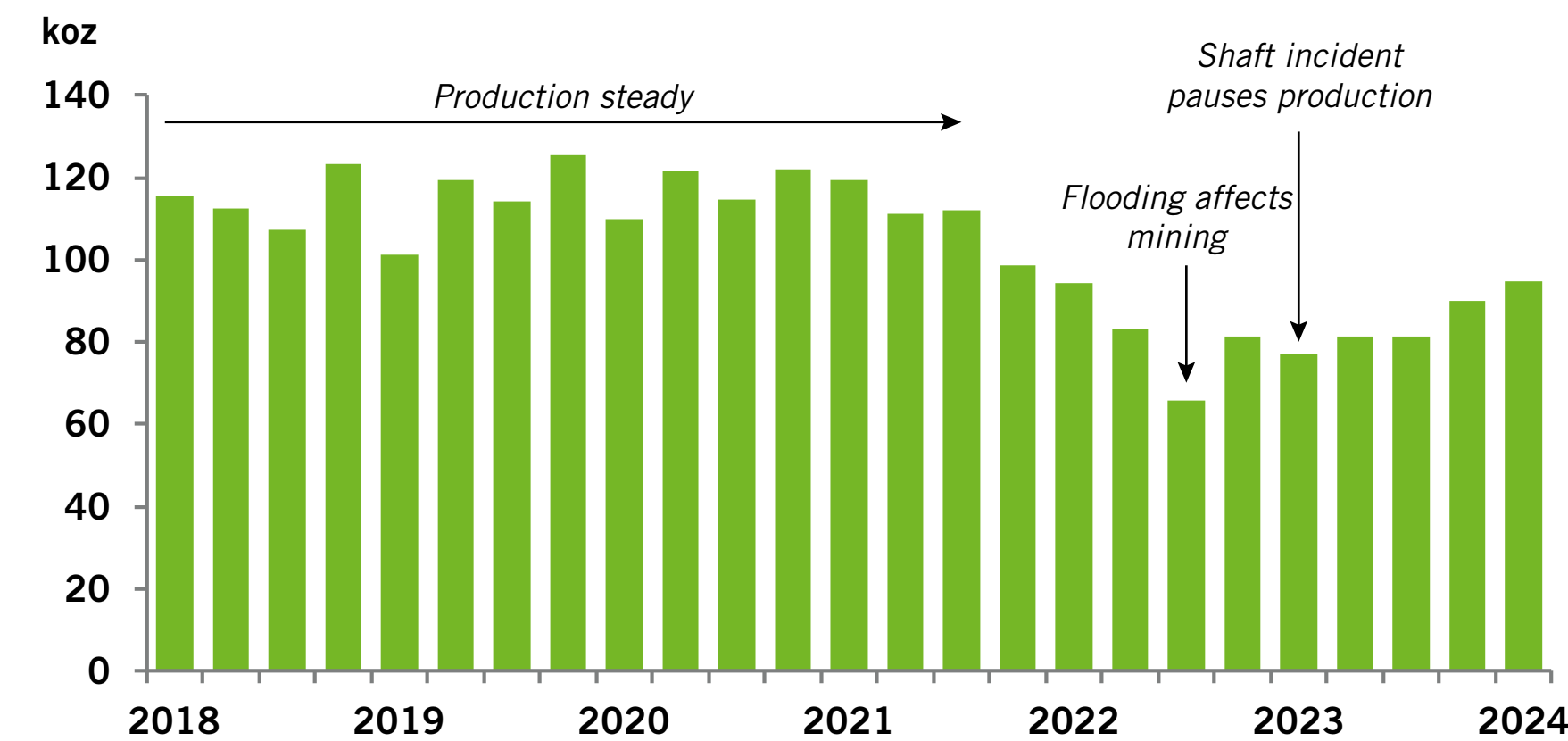
Source: SFA (Oxford), Bloomberg

India silver imports



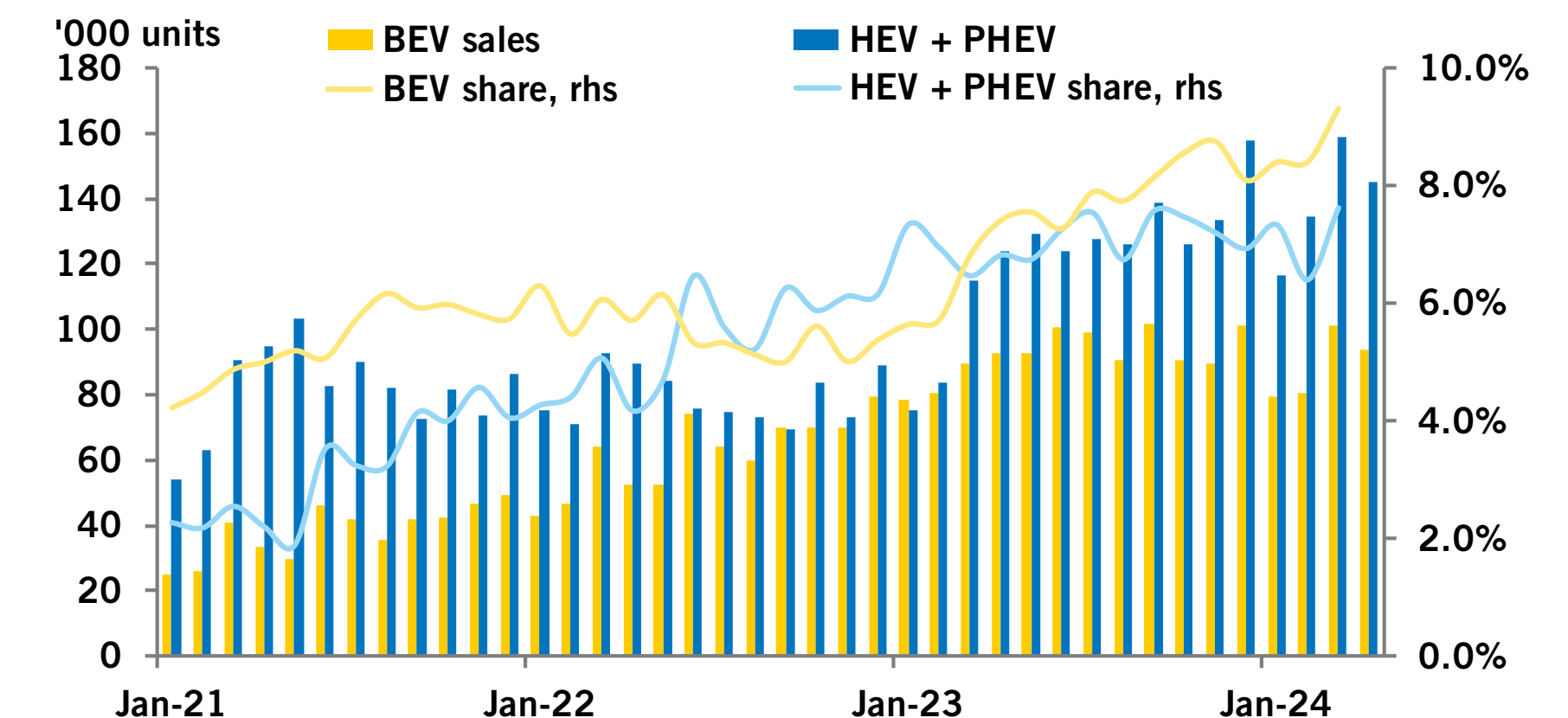
Source: SFA (Oxford), Bloomberg

Stillwater mine palladium production, quarterly



Source: SFA (Oxford), Sibanye-Stillwater

US electrified vehicle sales



Source: SFA (Oxford), Bloomberg

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