HERAEUS PRECIOUS METALS

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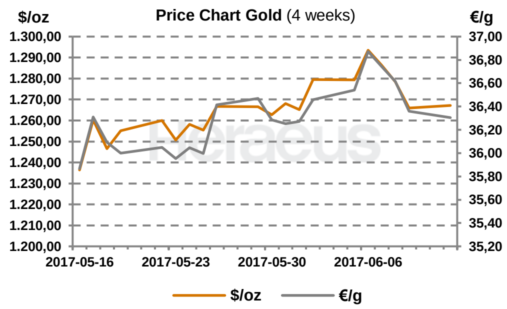
PRECIOUS METAL update

05 June - 11 June 2017

	Au	$/oz	€/oz	€/g	Stock/oz	ETF (abs.)	ETF (rel.)
GOLD	High	1.295,97	1.151,83	37,03	12 June 2017	55.630.269	0,83%
	Low	1.258,60	1.130,37	36,34	5 June 2017	55.173.495	

Profit-taking after seven-month high

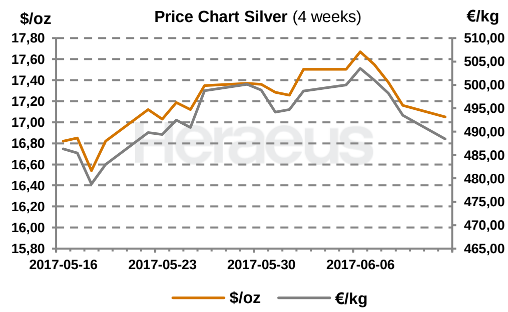
Gold took center stage during the past week of trading with what amounted to a "super Thursday" filled with events: the ECB's interest rate decision, the testimony on Russia by former FBI Director James Comey and the election in the UK. As the market anticipated, the ECB's monetary policy remains unchanged. However, the ECB's Governing Council revised its forward guidance on future interest rate changes slightly, with no promise of lower base rates. In the US, former FBI Director James Comey leveled serious accusations against the Trump Administration in testimony, which were immediately and firmly rejected by Trump's attorney Marc Kasowitz. In a surprising turn of events, current British Prime Minister Theresa May and her Conservative Party failed to win an absolute majority in Parliament, but they still received a mandate from Queen Elizabeth II to form a new government. Brexit negotiations will start on June 19 as planned.
The aforementioned political risks drove the price of Gold up sharply until the middle of the trading week. After opening the trading week at 1,277 $/oz, the precious metal approached the psychologically important threshold of 1,300 $/oz by midweek (with a weekly high of 1,296 $/oz, which also represents a seven-month high as well), but it did not break through it. Profit-taking, higher Asian recycling volumes and a stronger US dollar resulted in a decline in the price of Gold, which fell back to 1,266 $/oz by the end of the week.
The focus during the upcoming week of trading will be primarily on the Fed's decision regarding interest rates. After trading at around 1,200 $/oz in the run-up to the Fed's last interest rate decision in mid-March, the precious metal has risen sharply since then. There was a similar upward trend after the December rate hike. Ongoing geopolitical risks around the world form a solid basis for a continued increase in the price of Gold. Demand for physical Gold will mainly be supported by rising imports to India, China and Turkey, while plan to simplify taxes in India could drive demand even higher.



	Ag	$/oz	€/oz	€/kg	Stock/oz	ETF (abs.)	ETF (rel.)
SILVER	High	17,79	15,80	507,98	12 June 2017	642.810.795	-0,02%
	Low	17,13	15,31	492,22	5 June 2017	642.919.551	

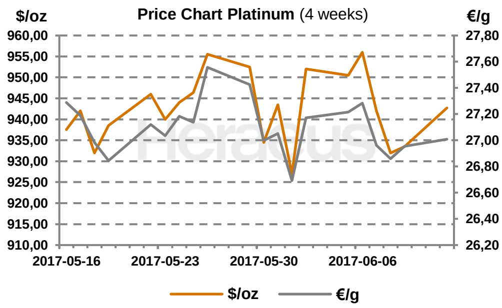
Silver follows Gold

As indicated in the last report, Silver moved in parallel to Gold during the trading week. After opening the week at 17.57 $/oz, the metal reached a high of 17.79 $/oz by midweek. In its Commitments of Traders report, the Commodity Futures Trading Commission (CFTC) reported a sharp increase in net long positions, which reflects rising optimism among futures speculators. On the physical demand side there was record demand from the solar industry, according to the 2016 figures provided by research firm GFMS. Demand for Silver from this sector rose by 34% to more than 76.6 Moz, which is the direct result of the rising number of solar module installations.
As a result of falling Gold prices, Silver ended the trading week on Friday at 17.24 $/oz, a total loss for week of 2%. Based on this level, there is technical support at 17.00 $/oz and resistance at 17.50 $/oz (200-days-moving-average).



PLATINUM	Pt	$/oz	€/oz	€/g	Stock/oz	ETF (abs.)	ETF (rel.)
	High	972,50	863,14	27,75	12 June 2017	2.227.060	0,37%
	Low	929,00	828,72	26,64	5 June 2017	2.218.910	

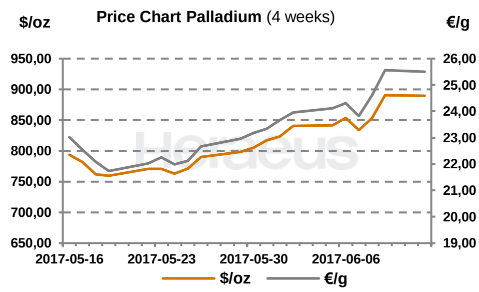
Platinum remains weak



Platinum opened the reporting week at 949 $/oz, before gradually falling over the course of the week and closing at 933 $/oz.
In contrast to its sister metal Palladium, there is little news regarding Platinum for the reporting week. At present, we neither see any significant new developments on the demand side nor the supply side. Instead, the price of Platinum has correlated more with the change in the price of Gold over the past week.
Platinum fundamentals still remain weak. Given the weakening demand in the Chinese jewelry market and the European automobile market, there is little hope of significant price support at present. A strong South African rand along with weak prices for Platinum also point to continued decreases on the supply available from South African mines.

PALLADIUM	PD	$/oz	€/oz	€/g	Stock/oz	ETF (abs.)	ETF (rel.)
	High	925,50	828,00	26,62	12 June 2017	1.435.944	0,19%
	Low	829,68	737,00	23,70	6 June 2017	1.433.265	

Palladium on record highs



And again Palladium left an eventful week behind. The metal opened at 841 $/oz last Monday to reach a 16-Year High at 925 $/oz towards the end of the past week.Significant driver for this development was amongst others the financing costs which almost exploded in the past few days and currently move around the 20% p.a. level for short-term leases. There is not one explicit reason which led to last week's Palladium price development. We rather see an accumulation of several factors which can be considered as root causes:

- Illiquid market environments
- Demand for the metal has exceeded the available supply for 5 years in a row
- Stocks (Above Ground Stocks) which shall be present in the ballpark of 14 – 16 Mio. ozs have most likely been depleted faster than expected by the market
- Expected slight decline of supply quantities out of Russia
- Danger in decline of Platinum production due to too low prices and thus consequently a slight decline in Palladium production
- Good consumption data out of the Automobile industry which itself consumes more metals than is being newly mined
- More vehicles operating on petrol engines than diesel (positive for Palladium/negative for Platinum)

After the wave of panic with strong price and interest spikes we expect some easing on high levels in the short term. The operating companies in the Palladium market will try to return some liquidity and thus decrease some pressure out of the markets again. We also do not exclude the fact that ETF investors, which have heavily invested in Palladium, will start their profittakings. However, we cannot give a durable all-clear signal as of now as the market remains too tense.

RHODIUM, RUTHENIUM, IRIDIUM		Rhodium ($/oz)	Ruthenium ($/oz)	Iridium ($/oz)
	Bid	925	60	900
	Ask	1.025	70	1.000

Price of Rhodium continues to rise; Nervous Ruthenium market; Increased demand for Iridium

Rhodium was more active again during the reporting week, accelerating in price developments somewhat. Continuing physical demand and renewed price hedging drove the price, which climbed up by 30 $/oz. The trading volume was above average, as potential sellers were prepared to meet demand. At the end of the week, there was a healthy amount of two-way business, which allowed the price to remain very stable at the current level.
There is little movement price-wise for **Ruthenium** at the moment, but there continues to be unconfirmed information regarding demand and future applications. Experience shows that such events do not occur overnight and would first have to become established in the market over the long term. However, there are no such signs in the market at present. The trading volume has climbed again slightly, but this is probably unrelated.
Following a quiet period the week before last, there was significantly more demand for **Iridium** from various users and consumers, which has however not, so far, been reflected in the price. If this trend continues, however, a new price increase may be just a question of time.

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