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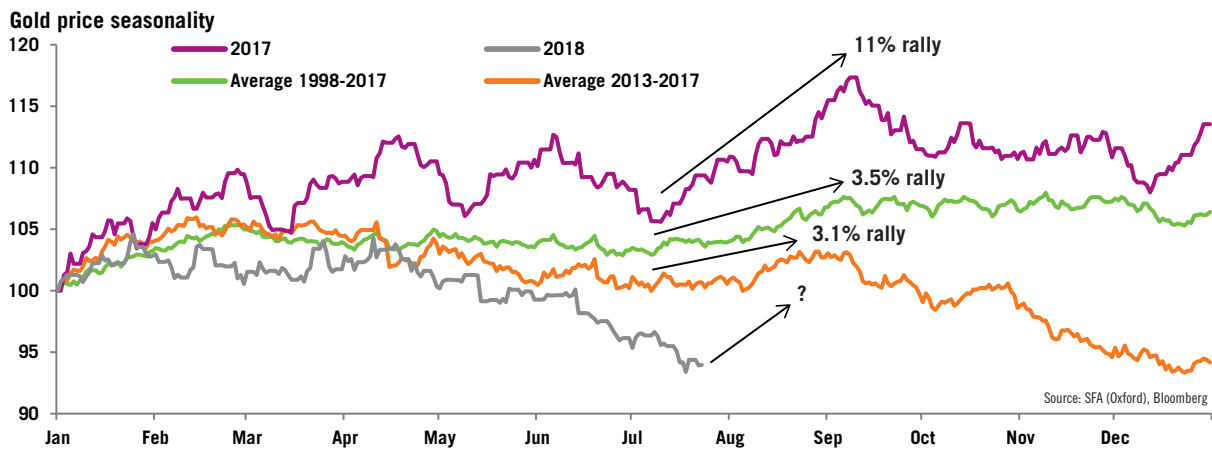
Ed. 23
30th July 2018



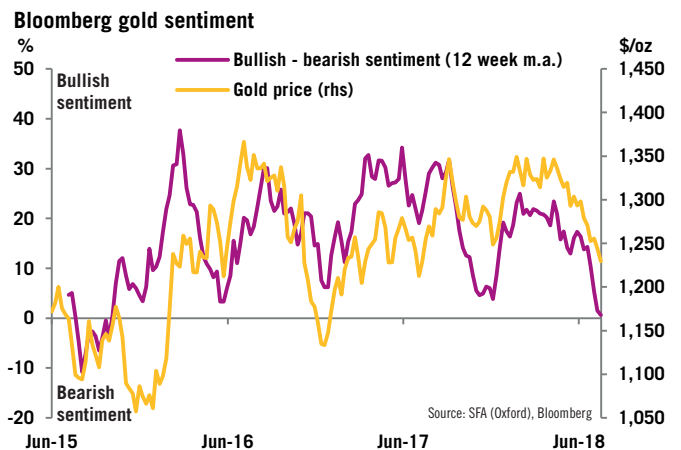
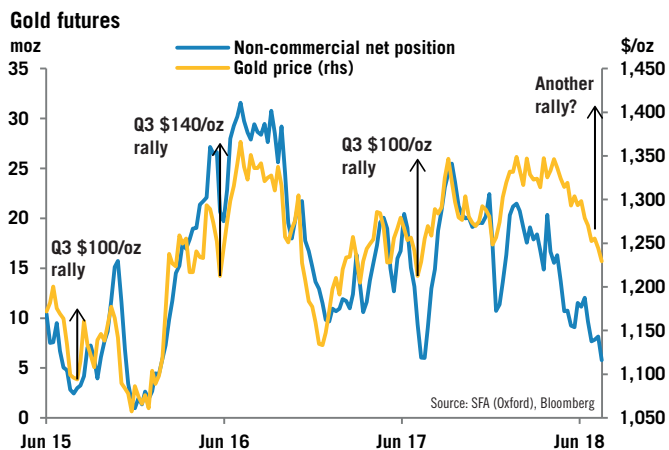
MARKET SPOTLIGHT

Sentiment and Q3 seasonality suggest a gold price rally!

The gold price could rally in the near future, since **over the last 20 years gold has, on average, rallied in the third quarter.** Even during the last five years when the gold price has, on average, fallen, it has managed to rally in the third quarter.



Sentiment indicators also show that there is little positive sentiment towards gold right now. However, it is often the case that once **sentiment has reached an extreme of bearishness** then most of the selling has already occurred and **it takes only a small change in conditions for the price to rebound.** The gold price has declined by 10% since April. Bloomberg's most recent survey of gold analysts and traders shows that 53% are bearish and just 12% are bullish. This is the widest gap between bears and bulls since December 2017. This marked a low in the gold price, as did similarly low readings in May and December 2016.



The non-commercial traders on COMEX are also not very bullish on gold. The net non-commercial traders' futures position has reached the lowest level since early 2016. While this by itself does not guarantee an immediate recovery in the price, **gold has rallied by over \$100/oz from similar positions in the past.**



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,227	-0.20%	1,235	26/07/2018	1,218	27/07/2018
€/oz	1,052	0.22%	1,055	25/07/2018	1,043	24/07/2018

Gold mine supply from major producers declined in H1'18, despite which gold prices still fell by 6%. In China, the world's largest gold producer, gold mine output dropped by 7.9% year-on-year to 6.12 moz in H1'18, according to the China Gold Association. The world's two biggest gold miners, Barrick Gold and Newmont Mining, reported Q2 results last week. Barrick's gold production declined 24% year-on-year to 1.07 moz in Q2'18 as two mines had scheduled shutdowns and the Porgera Joint Venture recovered from an earthquake in February. Despite this, 2018 guidance was not changed, remaining at 4.5-5 moz. Newmont Mining produced 1.16 moz of gold in

Q2, 14% less than last year as grades dropped at several mines and inventory for later processing was built up. With 2018 guidance of 4.9-5.4 moz, Newmont is expected to overtake Barrick as the largest primary gold miner.

Speculators almost doubled their short positions in gold futures between 26 June and 17 July to reach 19.6 moz.

This is in response to the bearish sentiment from the strong dollar that has driven the gold price down \$50/oz over the last seven weeks. As a result, the net long position has moved to the lowest level since January 2016 of 7.36 moz, as long positions gained marginally to 27.0 moz.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	15.53	0.27%	15.67	26/07/2018	15.33	27/07/2018
€/oz	13.32	0.70%	13.36	25/07/2018	13.12	24/07/2018

Silver prices were volatile last week but if gold prices rally, as suggested in the Spotlight, then silver will follow. Fresnillo plc, the largest primary silver producer at 7% of global supply, reduced its guidance for 2018 by 2.5 moz to 64.5-67.5 moz, citing issues with water supply at its

San Julian mine; its stock price fell 6.9% in response. The company's Q2'18 production increased 5.7%, to 15.3 moz, compared to the second quarter of 2017 as a result of the commencement of the second-phase operations at the San Julian mine.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	832	0.26%	846	24/07/2018	822	27/07/2018
€/oz	713	0.64%	722	24/07/2018	704	23/07/2018

Could Zimbabwe's platinum production more than double in the mid-2020s? Karo Mining Holdings has launched a mining project in Zimbabwe which is planned to start mining in 2020 and reach peak production of 1.4 moz of PGMs. However, it is at a very early stage, and is expensive and complex. It is estimated to require \$4.2 billion of funding to develop the mines and infrastructure, including a power station and a 2 moz base and precious metals refinery. This is a large investment in the country and a show of faith in the new government, ahead of the elections. The company plans to make a decision on funding once its feasibility study is completed in 2019 to fully quantify the available resources. The mines are to be located on the Mhondoro-Ngezi platinum belt near Zimplats' existing operations in central Zimbabwe. Karo states that the first open-pit mine could begin operations in 2020 followed by three more which, combined, are expected to produce 1.4 moz of refined PGMs, more than 140% of the output of Zimbabwe in 2017.

Despite platinum prices falling to a nine-year low, Anglo American Platinum (AAP) has raised platinum production guidance for 2018.

PGM output in H1'18 grew by 4% year-on-year. Guidance on PGM production has been increased by 0.1 moz to 4.85-5.1 moz, and platinum production expectations for the year have been raised by 0.05 moz to 2.40-2.45 moz. Mine costs are low: 70% of AAP's production is below the median cost in the industry. The company acquired Glencore's interest in the Mototolo mine, which can now be developed to benefit from efficiencies with the neighbouring Der Brochen mine. AAP plans to expand Mogalakwena with a third concentrator, currently at the feasibility stage, which should increase palladium output by ~270 koz and platinum by ~250 koz. This is highlighting that AAP is now a PGM company, not just a platinum company. Consequently, this could exacerbate the oversupply problem in platinum but have less of an impact on palladium and rhodium from which AAP is now making an increasing proportion of its revenue.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	931	3.65%	943	26/07/2018	888	23/07/2018
€/oz	798	4.10%	806	26/07/2018	757	23/07/2018

The US government is expected to introduce new regulations which will relax emissions standards and could limit growth in palladium use in autocatalysts. The Trump administration intends to freeze emissions standards at 2020 levels until 2026 and revoke California's waiver which allows it to set its own emissions legislation for automobiles. California's emissions standards set the de facto requirements for automakers selling cars in America. Twelve other states have also adopted California's stricter standards over the federal ones. Consequently, to avoid the cost of creating multiple configurations of each car, automakers frequently choose to produce one version for the whole of the US which complies with California's tighter standards. If the Federal emissions legislation becomes the new standard

then automakers will be able to make compliant vehicles using less palladium than is currently necessary. The change in demand will not occur quickly as there are likely to be legal and political challenges to the new regulations. Furthermore, the development and roll-out of new emissions systems can take two to three years.

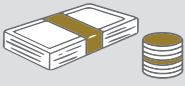
Donald Trump and Jean-Claude Juncker reached an agreement not to implement any new tariffs while they negotiate a new trade arrangement, which resolves the hiked tariffs on steel and aluminium. This means that the threatened tariffs on European vehicles are less likely to be implemented soon.

⁴⁵ Rh ⁴⁴ Ru ⁷⁷ Ir **Rhodium, Ruthenium, Iridium**

	Rhodium	Ruthenium	Iridium
Reporting week	\$2,325/oz	\$270/oz	\$1,425/oz
Previous week	\$2,325/oz	\$270/oz	\$1,415/oz

Rhodium ETF holdings fell again last week by 550 oz (1.1%). Investors took advantage of the step-up in price last week to take profits. Holdings have fallen 5% over the last three weeks and have dipped below 50 koz, slipping to 49.7 koz from 52.0 koz. However, the value of the holdings is higher now than it was when they

reached a peak quantity on 1 January 2017 due to the increase in the rhodium price. The 109 koz of rhodium held then was worth \$84 million compared to the current holdings value of \$116 million, although it peaked at \$165 million in February before the rapid drop in holdings.

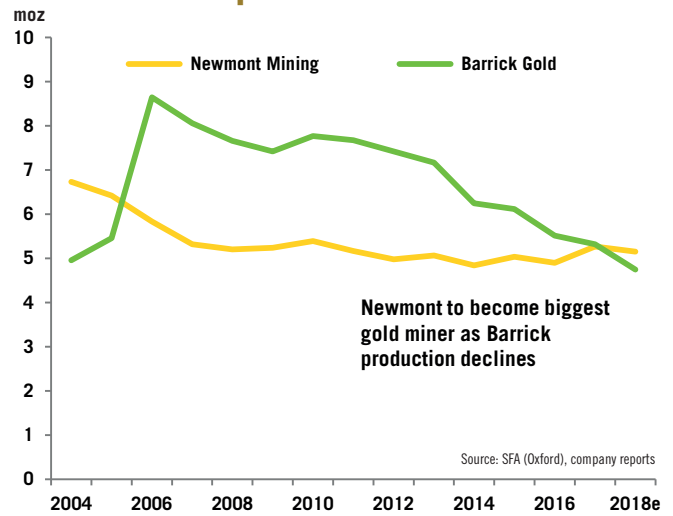


TRENDS AND INVESTMENTS

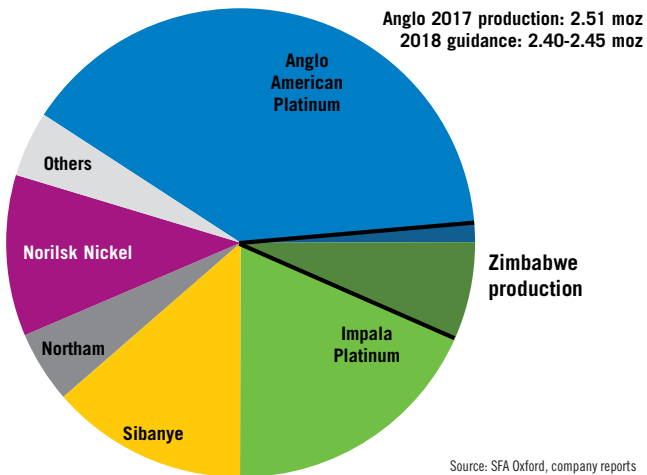
Speculators' gold futures position



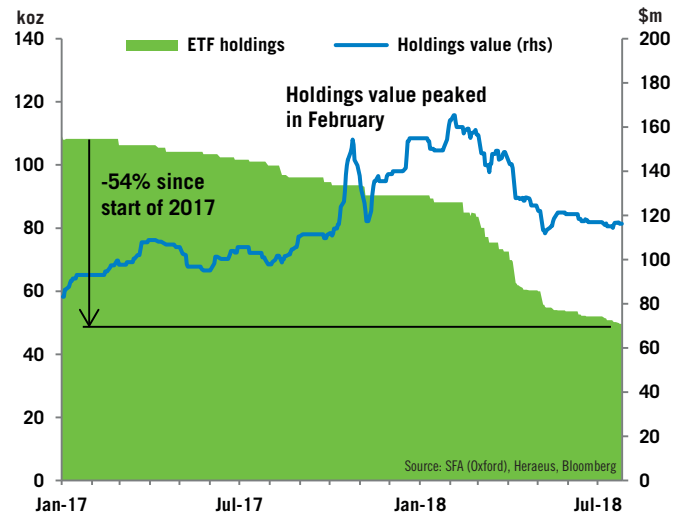
Gold miners' production



2017 platinum production by producer



Rhodium ETFs



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