



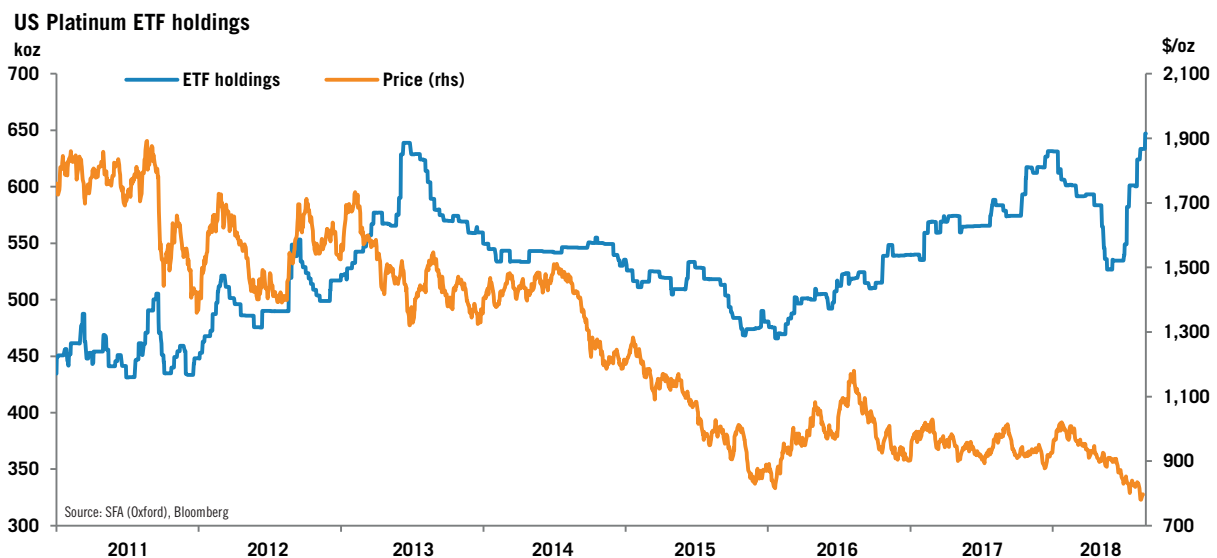
MARKET SPOTLIGHT

US investors see low platinum price as a buying opportunity

There has been a change in attitude from US investors towards platinum ETFs in Q3'18. US ETF holdings reached 632 koz at the start of 2018 as investors had been adding to their holdings during 2017 while the platinum price was trading in a sideways range. However, in January the price reached just over \$1,000/oz for the third time in 12 months, and with the price declining again investors began to reduce their holdings to take profits.

However, in Q3'18 platinum clearly began to look good value at \$900/oz and below. **US investors added 66 koz in July and 46 koz in August, taking their total holdings up to a new record of 647 koz.**

Investors in other regions have been less enthusiastic, with Japanese investors adding only 8 koz in July and August, while UK, Swiss and South African investors all reduced their ETF investments despite the platinum price in their respective currencies being at the lowest level for years.



US investors have not extended their purchases to palladium, gold or silver. Although the prices of those metals are lower now than at the start of the year, gold and silver are still above the lows from late 2015 and palladium is significantly higher.

The new purchasers of platinum ETFs could just be looking for a short-term trade. In 2013, US investors added 122 koz to ETF holdings in H1, taking them to a then record of 639 koz as the price fell from \$1,527/oz to \$1,317/oz, but then sold 80 koz as the price rose in H2.

However, platinum is trading at a wide discount to gold and palladium which should add to its attractiveness on a relative as well as an absolute basis.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,200	-0.68%	1,214	28/08/2018	1,196	30/08/2018
€/oz	1,035	-0.43%	1,040	27/08/2018	1,026	28/08/2018

Gold sustained its recent move above \$1,200/oz as investors looked towards the improving technical picture for gold in a quiet week for news i.e. the price itself became the story. A break above \$1,200/oz on Friday 24 August was followed by gold peaking at \$1,214/oz a few days later on 28 August. This is despite 'headwinds' of optimistic economic data (usually not positive for gold). For example, the US stock market gained early in the week when the new NAFTA deal (now the United States-Mexico Trade Agreement) was announced, and US consumer confidence rose to its highest level in 18 years. Predictably in a dull news week, implied gold volatility declined,

and the CBOE Gold VIX fell back below the year-to-date average of 11.8 to 11.3, after spiking to 13.4 shortly after the drop below \$1,200/oz. Since traders in the US have Monday 3 September off for Labour Day, more price inaction is likely in the week ahead. However, this is with two caveats: first, any break down through the now more important technical support of \$1,200/oz would be a bearish signal for investors. Second, if this, or another market moving event, were to occur over the long weekend then a sizeable move in gold can be expected on Tuesday 4 September as the US market catches up; a daily move around 1.5% has occurred on this day in three of the last five years.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	14.52	-2.31%	15.00	28/08/2018	14.51	31/08/2018
€/oz	12.52	-2.05%	12.85	30/08/2018	12.14	30/08/2018

Silver is cheap relative to gold as the gold:silver ratio moved above the April peak to reach 82.7. While gold has seen some recovery in the last two weeks, silver has lost 1% over the same period. The silver price has not looked likely to break back above \$15/oz and is facing significant resistance around \$14.90/oz. Silver is undervalued and should catch up to gold if the rally

continues as it is typically the higher beta metal, which is to say that its price moves tend to be larger. This would bring the ratio back down; the longest period the ratio has been sustained a value above 81 in the last 20 years was over 11 days in March 2016 and the current streak is at 8 days.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	788	-0.70%	810	28/08/2018	786	31/08/2018
€/oz	679	-0.52%	693	28/08/2018	674	28/08/2018

The outlook for South African platinum production has received a boost from Northam and Sylvania. Northam Platinum has reported a 4.5% increase in production in FY2018 (year ending June 2018), year-on-year, to 572 koz of 6E (i.e. all the PGMs plus gold) equivalent refined metal. In FY2017 6E production was 547 koz and the company sold 274 koz of platinum. Production at Zondereinde grew 7% to 349 koz (6E) while the Booyensdal mine saw 6E output fall by 4.3% to 229 koz due to a work stoppage in May. Northam Platinum also stated in its FY2018 operational update that the successful commissioning of a new smelter at Zondereinde is expected to facilitate the processing of its excess stockpiles, which have accumulated to 170 koz

of PGMs. This should take place in FY2019 (the current financial year) and would effectively raise Northam's output for the year. PGM production is also expected to increase at Sylvania Platinum, a chrome tailings miner and processor, which reported a small increase in 4E production (platinum, palladium, rhodium and gold) to 71 koz in FY2018 and low costs relative to the rest of the industry. The company has issued guidance of 76-78 koz for FY2019 and estimates growth in yield to continue out to 2021. Such sustained high output (from all South African miners) will continue to put downward pressure on the price.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	976	3.78%	985	30/08/2018	933	27/08/2018
€/oz	842	4.23%	845	31/08/2018	802	28/08/2018

BEVs are starting to erode gasoline market share. Sales of plug-in electric vehicles (PEVs) – plug-in hybrids and battery cars – in H1'18 were up by 42% and 37% year-on-year in Europe and the US respectively, but from a low base, according to numbers compiled by ev-volumes.com. This has increased the market share of PEVs to 2.2% in Europe, of which 51% were battery electric vehicles (BEVs). The growth looks likely to continue in H2 as many of the newer BEV models (e.g. Tesla Model 3, Jaguar i-Pace, Hyundai Kona) coming to market in 2018 reportedly have over 10,000 orders on the books. Once this backlog is cleared there is a risk that sales growth could slow down, although this should offer greater clarity on the underlying growth in consumer interest for EVs. The share of PEVs in the US market reached 1.4% in H1'18, of which 53% were BEVs. However, ev-volumes.com expects this share to reach 66% for the year as a whole as the Tesla Model 3 production ramps up.

The impact on palladium is starting to be felt; assuming the market share of BEVs remains the same for H2'18 as it was in H1'18 (i.e. 1.1% in Europe, 0.7% in the US), 2018 palladium demand will be approximately 30 koz lower than if they were gasoline cars.

Automotive demand in the US faces further potential headwinds from the new United States-Mexico Trade Agreement. If the deal is introduced as it currently stands, higher standards on workers' pay and the origin of parts are to be imposed on cars being imported into the US from Mexico. A rise in US car prices would reduce sales and consequently lower palladium demand from the automotive segment. This is on top of what is already a stagnant market: total sales in January-July 2018 are down 1.7% from the same period in 2016 when sales peaked, having grown 77% in the seven years prior to that.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$2,390/oz	\$280/oz	\$1,440/oz
Previous week	\$2,380/oz	\$270/oz	\$1,425/oz

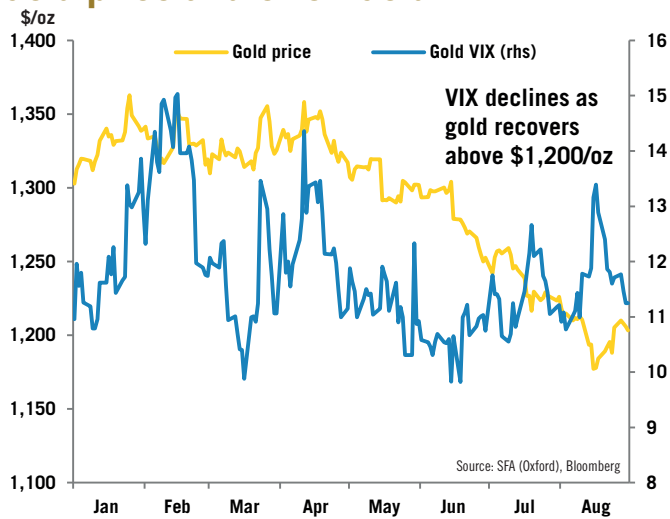
All three of the small PGMs saw their prices increase last week. Rhodium gained \$10/oz to \$2,390/oz and has climbed consistently throughout August, finishing the month \$80/oz higher than it started. Iridium and ruthenium gained \$15/oz and \$10/oz respectively, the first moves for either metal in over six weeks. More

significant, though, is that these prices set new records for the rally, and the last time this happened was back in May. After taking a break over the summer, could they be about to resume their rallies?

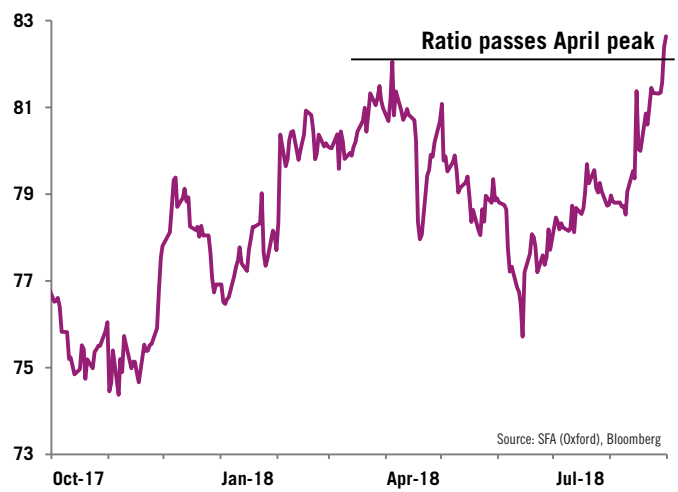


TRENDS AND INVESTMENTS

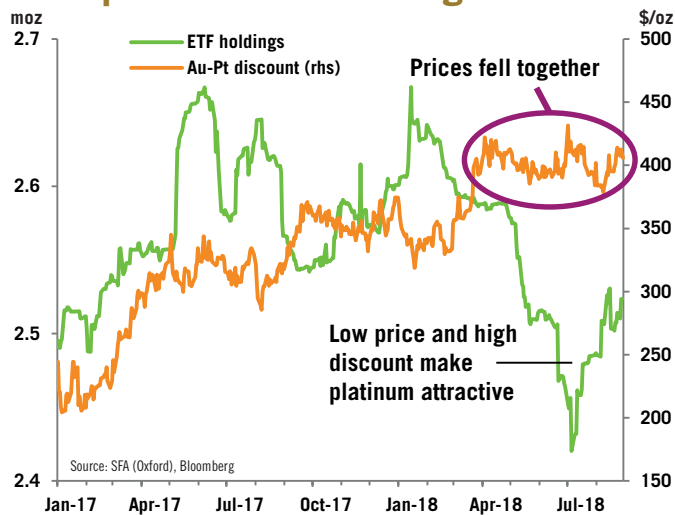
Gold price and CBOE Gold VIX



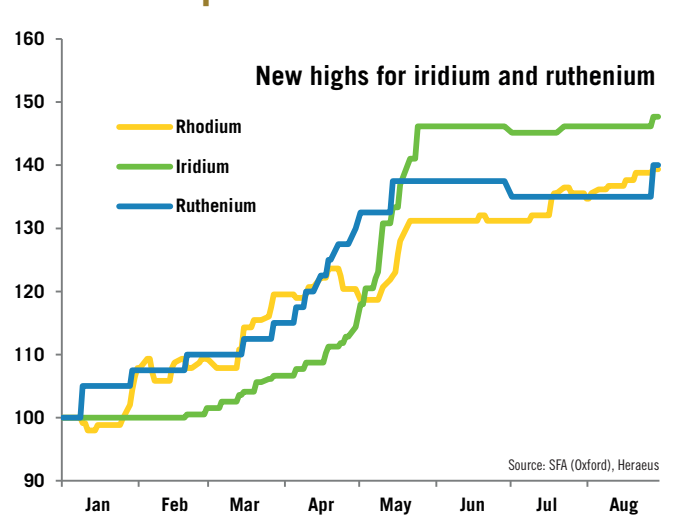
Gold:silver price ratio



Total platinum ETF holdings



Small PGM price index



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