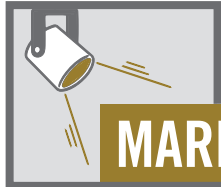


HERAEUS PRECIOUS APPRAISAL

Heraeus

Ed. 20
24th June 2019

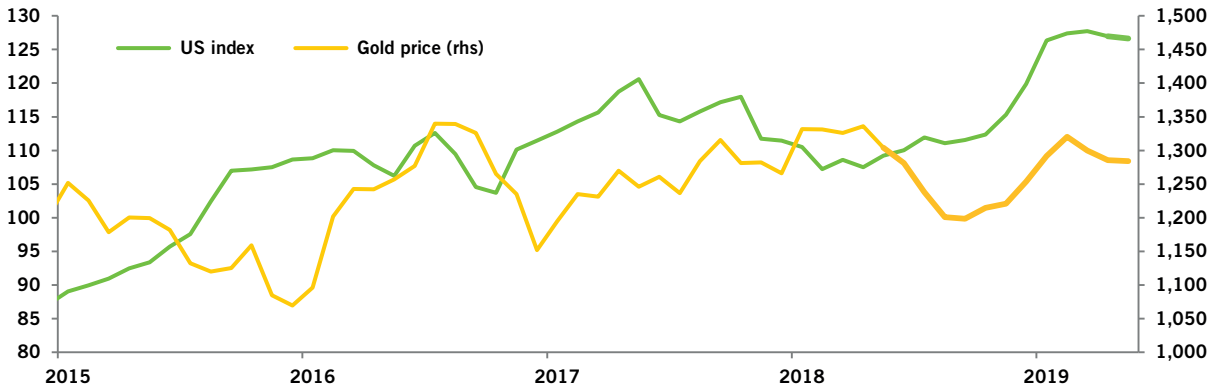


MARKET SPOTLIGHT

Economic uncertainty lifting the gold price

Gold has been broadly following the US Economic Policy Uncertainty (EPU) Index higher as safe-haven buying has helped to lift the price. President Trump's threat to put tariffs on Mexican imports led to the gold price jumping in June. By linking tariffs to non-trade issues, Trump has increased the range of issues that could be complicated with tariffs and hence raised the level of uncertainty. Although the threat of tariffs lasted for only a week, gold held on to its gains. However, despite its rally the gold price has lagged the EPU Index.

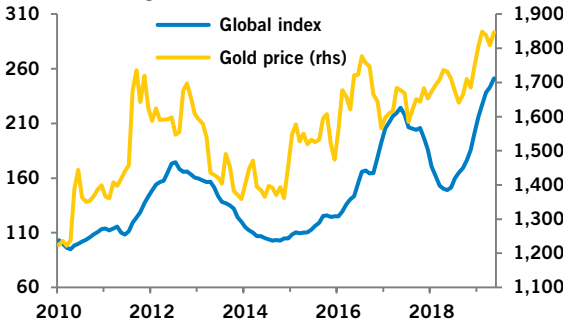
US Economic Policy Uncertainty index
(12 month average)



Source: "Measuring Economic Policy Uncertainty" by Scott R. Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com. Bloomberg, SFA (Oxford). NB: Monthly data up to May.

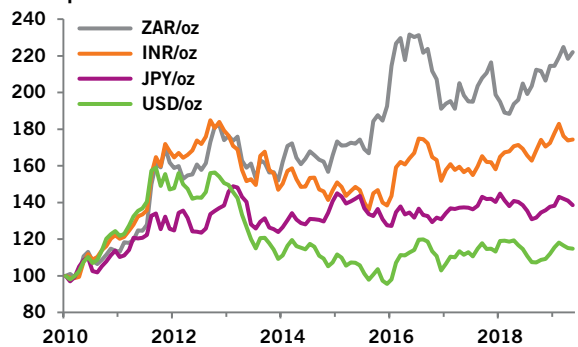
Gold prices outside the US are at or near record highs. The global EPU Index has been rising sharply and looking at gold in US dollar terms does not show the full picture. Dollar strength has restrained the US gold price which is 30% below its all-time high. The gold price is at a record high in the Australian dollar, and is less than 5% below its highs in the rand, yen and Indian rupee. Sterling and the euro are 11% and 14% below their highs.

Global Economic Policy Uncertainty index
(12 month average)



Source: As in chart above

Gold price indexed from Jan 2010



Source: Bloomberg, SFA (Oxford)

The US-China trade dispute is ongoing and the US is holding trade talks with Japan and the EU this year. In addition, the UK still has to leave the EU, so economic uncertainty looks likely to remain high, giving investors several reasons to look to gold as a safe haven.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,398	3.60%	1,412	21/06/2019	1,333	17/06/2019
€/oz	1,234	2.58%	1,249	21/06/2019	1,189	17/06/2019

Gold breaks out and hits five-year high. The Federal Reserve slightly shifted the language in its statement following its monetary policy meeting to say it would act as appropriate to sustain the expansion of the economy. The markets are now convinced that the Fed will cut interest rates at its next meeting in July. The dollar fell and gold rallied to \$1,398/oz. This put the price above \$1,367/oz, the high from 2016, which had been acting as resistance and stalled previous rally attempts. This opens the way for further rally now that gold has closed the week above that level.

Given that the US economy is expected to grow at around 2% in Q2, unemployment is low and inflation is not far from the Fed's target, the risk seems to be that the markets are getting ahead of themselves in guessing how soon the Fed might cut interest rates. The Fed's own members are split but a majority of their projections show no change in interest rates this year. If the Fed fails to deliver a rate cut next month there could be a swift reversal to a stronger dollar, which would be a drag on the gold price.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	15.30	2.58%	15.56	21/06/2019	14.78	17/06/2019
€/oz	13.51	1.57%	13.76	21/06/2019	13.17	17/06/2019

Silver price gets a boost from the Fed. The silver price jumped higher following the Fed meeting, taking it clear of \$15/oz. However, gold rallied by a similar percentage and the gold:silver ratio held close to 90.

speculative positioning has moved from 42 moz net short at the start of June to 13 moz net long. Speculators' opinions are split, with long positions totalling 426 moz and short positions of 413 moz. That is a large short position that could be covered and add some more upside momentum to the silver price.

As noted earlier this month in a market spotlight, there is now a chance for silver to outperform gold as the

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	809	0.30%	824	20/06/2019	791	18/06/2019
€/oz	715	-0.68%	729	20/06/2019	704	18/06/2019

The outlook remains dull for platinum jewellery in China. Platinum Guild International's Q1 2019 Platinum Jewellery Business Review noted a sharp drop in fabrication demand in the first quarter amid ongoing weakness in Chinese jewellery sales. An overall decline in platinum jewellery demand of around 10% is anticipated this year and would mean that the Chinese market has shrunk by almost half since 2013 to a little over 1 moz. Platinum jewellery sales in the US and India continue to be quite strong, but growth outside China is not likely to be enough to lift global sales this year.

Hydrogen is getting more government backing, but realising a hydrogen economy will take time, effort and

money. Platinum is commonly used as a catalyst in polymer electrolyte membrane fuel cells and electrolyzers, but current demand is a few tens of thousand ounces annually. The US, EU and Japan have agreed to cooperate more closely on hydrogen and fuel cell technology to promote technological development and harmonisation of regulations. The International Energy Agency (IEA) also released a new report, The Future of Hydrogen, detailing the benefits of hydrogen in decarbonising a range of sectors and also the challenges in achieving a clean hydrogen industry. More government support for the hydrogen economy improves the outlook for platinum demand in the long term.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,514	3.46%	1,533	20/06/2019	1,446	17/06/2019
€/oz	1,336	2.43%	1,357	20/06/2019	1,287	17/06/2019

Visible palladium stocks continue to decline. ETF holdings have fallen to 600 koz for the first time since 2008, having declined by just over 100 koz so far this year. The rate of decline has slowed compared to last year. The rally in the palladium price has taken it to the highest level since late March. However, the market tightness has eased since then with lease rates back in single digits, making the rally seem somewhat speculative rather than fundamentally driven.

European palladium demand under threat from weak auto sales. Car registrations in the EU are down 2.1% to 6.7 million units in the first five months of the year. Nonetheless, a 9.1% surge in German car sales helped

European registrations edge higher in May (source: ACEA). Of the other large markets, France saw a 1.2% gain but the UK, Spain and Italy all suffered declines. Germany is the only one of the five large markets to have seen sales rise this year. At the start of the year car sales were estimated to grow slightly this year, but it is looking increasingly likely that sales will drop. A 2% decline would cut Western European palladium demand by around 30 koz. This is not a large amount, but combined with the slowdowns in China and the US it could help take some of the upward pressure off the palladium price. The market is projected to remain in deficit, so the palladium price is ultimately expected to climb further.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$3,250/oz	\$250/oz	\$1,460/oz
Previous week	\$3,500/oz	\$250/oz	\$1,460/oz

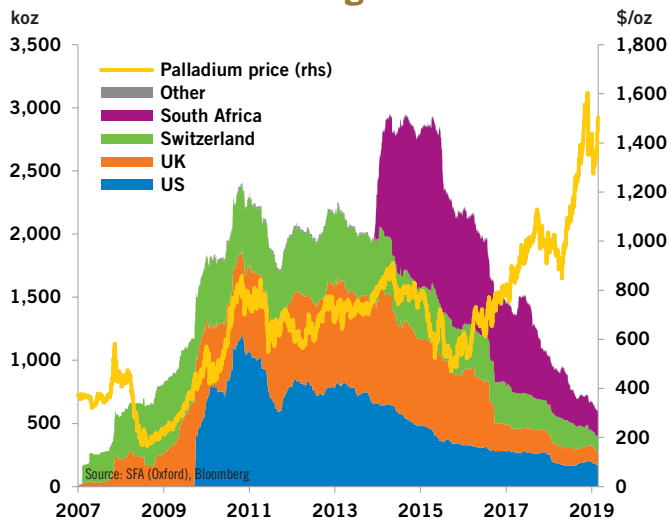
After a very sharp rally, the rhodium price has pulled back to \$3,250/oz.

The ruthenium and iridium prices were unchanged last week.

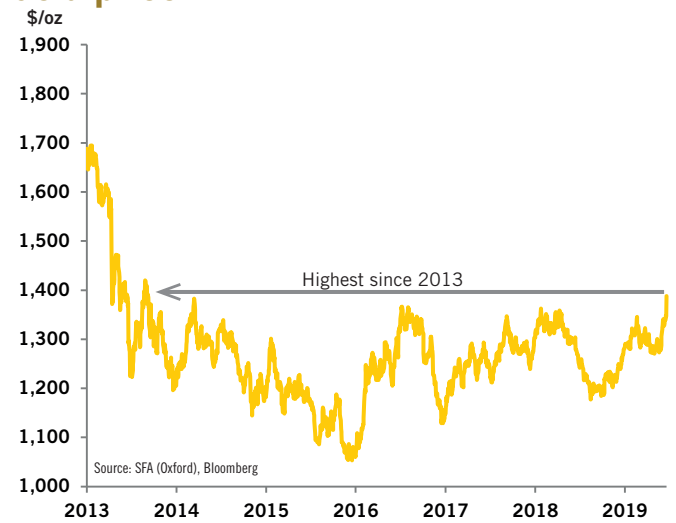


TRENDS AND INVESTMENTS

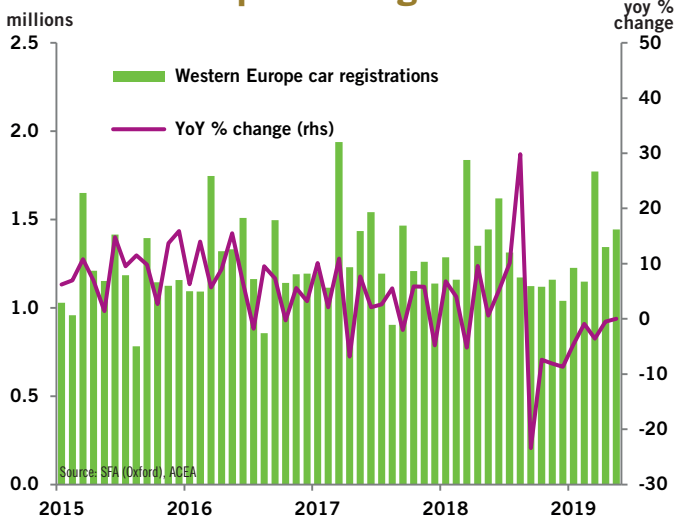
Palladium ETF holdings



Gold price



Western Europe car registrations



Silver speculative futures positions



Heraeus Precious Metals

Europe, Middle East, Africa & other regions
 Phone: +49 6181 35 2750
 edelmetallhandel@heraeus.com

South East Asia
 Phone: +852 2773 1733
 tradinghk@heraeus.com

www.herae.us/trading-market-report

United States of America
 Phone: +1 212 752 2180
 tradingny@heraeus.com

China
 Phone: +86 21 3357 5658
 tradingsh@heraeus.com

The HERAEUS PRECIOUS APPRAISAL produced in collaboration with:

SFA (Oxford) Ltd
 United Kingdom
 Phone: +44 1865 784366
 www.sfa-oxford.com



The Oxford Science Park, Oxford,
 United Kingdom, OX4 4GA

DISCLAIMER

This document is being supplied to the recipient only, on the basis that the recipient is reasonably believed to be a professional market participant in the precious metals market. It is directed exclusively at entrepreneurs and especially not intended for the use of consumers. The material contained in this document has no regard to the specific investment objectives, financial situation or particular need of any specific recipient or organisation. It is not provided as part of a contractual relationship. It is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as advice on the merits of making any investment. This report has been compiled using information obtained from sources that Heraeus and SFA (Oxford) Ltd ("SFA") believe to be reliable but which they have not independently verified. Further, the analysis and opinions set out in this document, including any forward-looking statements, constitute a judgment as of the date of the document and are subject to change without notice. There is no assurance that any forward-looking statements will materialize. Therefore,

neither SFA nor Heraeus warrants the accuracy and completeness of the data and analysis contained in this document. Heraeus and SFA assume no liability for any losses or damages of whatsoever kind, resulting from whatever cause, through the use of or reliance on any information contained in this document. However, in so far as a liability claim exists under German law, Heraeus and SFA shall have unlimited liability for willful or grossly negligent breach of duty. Unless expressly permitted by law, no part of this document may be reproduced or distributed in any manner without written permission of Heraeus. Heraeus specifically prohibits the redistribution of this document, via the internet or otherwise, to non-professional or private investors and neither Heraeus nor SFA accepts any liability whatsoever for the actions of third parties in reliance on this document. Prices quoted are interbank (offer) prices for gold, silver, platinum and palladium. Rhodium, ruthenium and iridium quotes reflect the Heraeus offer price at the time of writing.