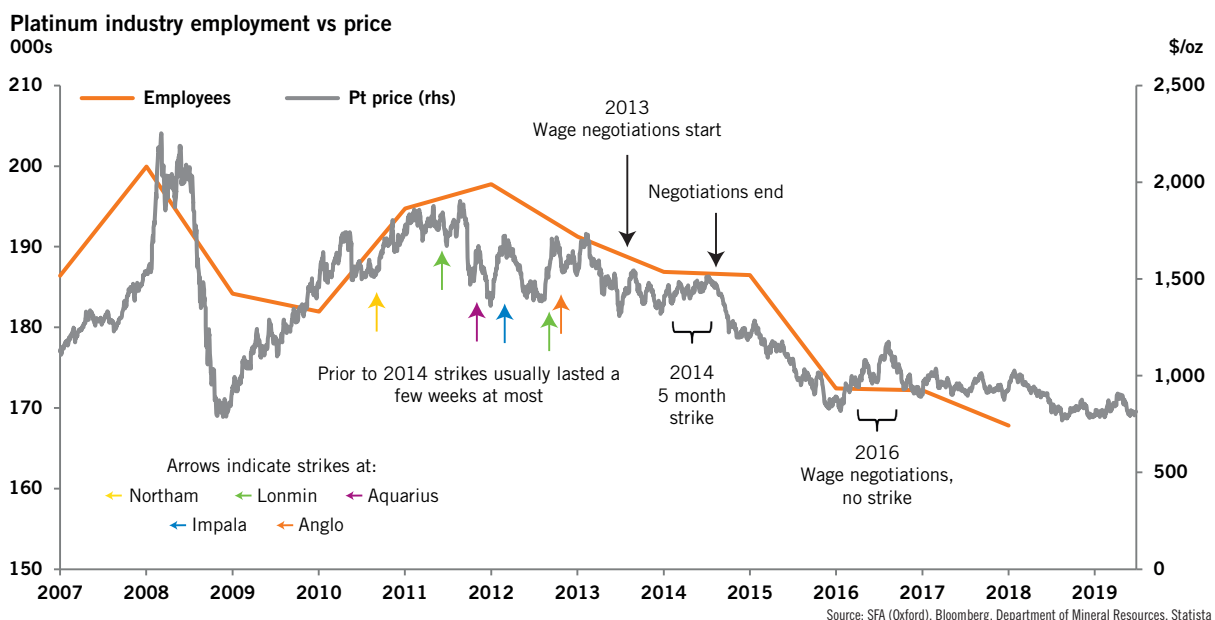


## MARKET SPOTLIGHT

### Wage rises vs. job security: A low platinum price costs jobs

The largest union in the platinum mines is demanding a 48% pay increase. The wage negotiations between the largest platinum miners, Anglo American Platinum, Impala Platinum and Sibanye-Stillwater, and the unions have started for wages for the next three years. The Association of Mineworkers and Construction Union (AMCU), the largest union, is currently demanding a ZAR17,000/month basic salary for the lowest paid workers which equates to an overall increase of 48% over the next three years. AMCU represents 70% of the Lonmin workforce (just acquired by Sibanye-Stillwater) and is the majority union at Anglo and Impala.

Employment levels in the platinum mining industry are closely linked to the platinum price. Since 2011, the platinum price has declined by more than 50%, from over \$1,800/oz to around \$800/oz today. Over the same period, employment in the platinum mining industry has fallen by 15%. There are currently up to 24,000 job losses (14% of the workforce) planned in the near term from restructuring at Lonmin (Sibanye-Stillwater) and Impala. However, the unions will want to prevent retrenchments in the platinum sector.



AMCU's high initial demand will be negotiated lower. In 2016, AMCU accepted a 12.5% wage increase, after initially demanding a 47% raise, without going on strike. History shows that strikes have only a short-term influence on the platinum price and the price falls back once the strike is over. This year a strike is unlikely, as AMCU has already signed an agreement with Siyanda Bakgatla Platinum Mine at a lower rate. This will increase wages for the lowest-paid workers to ZAR14,309/month by the end of the three-year period. A possible tactic for AMCU could be to try for a moratorium on job cuts in exchange for accepting a lower wage rise. However, with an industrial surplus in excess of 1 moz, and very low lease rates indicating high liquidity, the platinum price is likely to continue to decline. On this basis, **if the platinum price keeps falling it will mean fewer mining jobs.**



# PRECIOUS METALS REVIEW

## 79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,412	0.95%	1,439	25/06/2019	1,399	27/06/2019
€/oz	1,241	0.54%	1,262	25/06/2019	1,231	27/06/2019

**Gold is overbought.** The gold price shot above \$1,400/oz last week, but pulled back after comments by Fed officials tempered expectations of how far and how fast the Fed might cut rates. The US dollar strengthened slightly on the hope that there would be progress between the US and China on trade at the G20 meeting. After such a rapid rise, further consolidation is likely in the short term, but ultimately continued price appreciation is anticipated.

**Indian gold price hits record level and demand stalls.** The price of gold in India reached over 35,000 rupee/10g (including local taxes). India is the second-largest gold market and last year the country's demand was 760 t. Almost 80% of that was jewellery demand, with the balance being bars and coins. The World Gold Council projected gold demand of 750-850 t in India this year after consumption rose 5% in the first quarter. That said, the record price has crimped demand in June according to both bullion dealers and jewellers. If the price remains high then demand will likely soften in the third quarter.

## 47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	15.31	0.05%	15.52	25/06/2019	15.16	27/06/2019
€/oz	13.46	-0.36%	13.61	25/06/2019	13.34	27/06/2019

**Silver dragged higher by gold.** Following gold higher, silver reached \$15.50/oz, but it has also given up some of those gains. The silver price has held above \$15/oz but silver's relative underperformance continued, with the ratio to gold rising to 92.

Gold has been receiving attention from macro fund allocators, whereas silver has not and given the uncertain macroeconomic outlook, industrial demand is not helping to drive the price. Retail investors have not been buying much silver either despite its relative cheapness. ETF holdings were up 0.7 mozt to 522.3 mozt last week and are only 5.5 mozt higher this year (1.1%)

## 78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	837	3.40%	838	28/06/2019	805	26/06/2019
€/oz	736	2.96%	736	28/06/2019	709	26/06/2019

**Hydrogen infrastructure is expanding.** Construction has started on the world's largest polymer electrolyte membrane (PEM) electrolyser at Shell's Rhineland refinery. The 10 MW hydrogen electrolysis plant will produce up to 1,300 t of hydrogen per year using electricity generated by renewable energy. This represents about half the capacity that was installed in the whole of 2018. A 1 MW electrolyser has started operation at Gasunie's HyStock green hydrogen plant in the Netherlands. The plant will use renewable energy to generate hydrogen which will be used on-site and supplied to hydrogen refuelling stations in the future. Platinum use in electrolysers and fuel cells is still relatively small at a few tens of thousand ounces a year. Although it is still early days, the backing of hydrogen by governments and industry will be positive for platinum demand in the long term.

**Furuya noted good demand for platinum from the glass industry in its Q1'19 report.** Glass demand for platinum is 3% (210 koz) of total demand and is projected to drop 13% this year after a strong year in 2018 owing to lower plant capacity increases. Where rhodium-platinum alloys are used, the industry is shifting to higher platinum content owing to the high price differential to rhodium.

**More platinum production is on the way.** Northam Platinum has announced it will begin operations at the Eland mine on the Western Bushveld later in the year. In 2020, platinum output may be only a few thousand ounces but as the mine is developed this will gradually ramp up to over 50 koz by 2024 and around 90 koz at full capacity. The platinum market is already oversupplied so the price is expected to continue to perform poorly.



# PRECIOUS METALS REVIEW

## <sup>46</sup>Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,550	2.43%	1,567	28/06/2019	1,510	25/06/2019
€/oz	1,362	1.99%	1,379	28/06/2019	1,328	25/06/2019

**Battery electric vehicles (BEVs) are making inroads in Europe**, but the high growth is from a very small base. Across Europe electrified vehicle registrations reached 95,800 units in May or 7.1% of total registrations (source: JATO Dynamics). However, the majority of those vehicles were hybrids which still have combustion engines and use catalytic converters. BEV sales were up 85% year-on-year, but were just 1.7% (22k units) of total registrations. The overall market was stable in May at 1.4 million units and gasoline cars were 59% of the total, so **Western European palladium demand is holding up at 1.7 moz this year.**

**Northam's new operation at the Eland mine will contribute relatively little palladium production.** The ore body does not contain a high amount of palladium. Production will be roughly half that of platinum, at around 25 koz in 2024 and 40 koz at full capacity. This is too small a contribution to impact the palladium market which is forecast to remain in deficit.

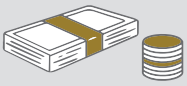
## <sup>45</sup>Rh <sup>44</sup>Ru <sup>77</sup>Ir Rhodium, Ruthenium, Iridium

	Rhodium	Ruthenium	Iridium
Reporting week	\$3,400/oz	\$250/oz	\$1,460/oz
Previous week	\$3,250/oz	\$250/oz	\$1,460/oz

**A dip in smartphone sales has hit iridium crucible demand.** Furuya reported results for Q1'19, noting that the slowdown in smartphone sales meant that orders for iridium crucibles used to grow lithium tantalite single crystals, which are used in surface acoustic wave (SAW) devices for smartphones, were sluggish. However, orders for iridium crucibles for single-crystal growth equipment were strong. Crucibles represent around a third of iridium demand, but overall iridium demand is expected to be little changed this year. The market for ruthenium targets for hard disk drive (HDD) manufacturers was good, although there was a slowdown from the end of 2018. The HDD market is 7% of ruthenium demand. Hard disk shipments are likely to dip this year, but with a larger number of platters per unit, ruthenium demand for HDDs is forecast to be up slightly.

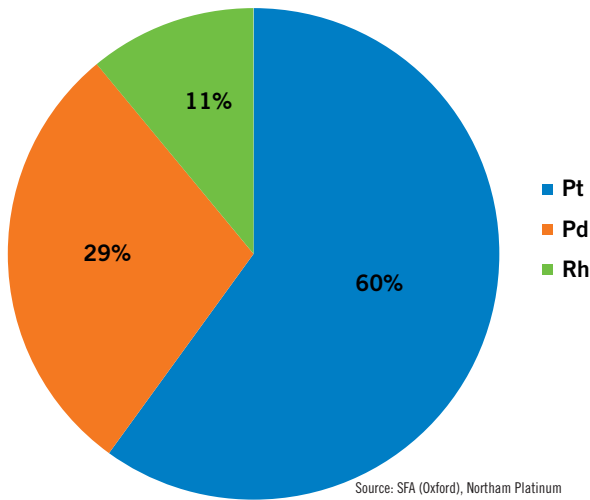
**The high rhodium price is incentivising the restart of rhodium-rich mines.** The Eland ore body has a relatively high proportion of rhodium and will also produce some ruthenium and iridium. This will add one to two thousand ounces of rhodium output initially but over 15 koz by 2024. This is on top of Northam's increasing production from the expansion at Booyssendal. Overall South African production is expected to be modestly higher this year, partly owing to work-in-progress stock that built up last year being processed this year.

The rhodium price continued its pull-back, easing to \$3,150/oz early in the week, before recovering to \$3,400/oz. Ruthenium and iridium prices remain unchanged.

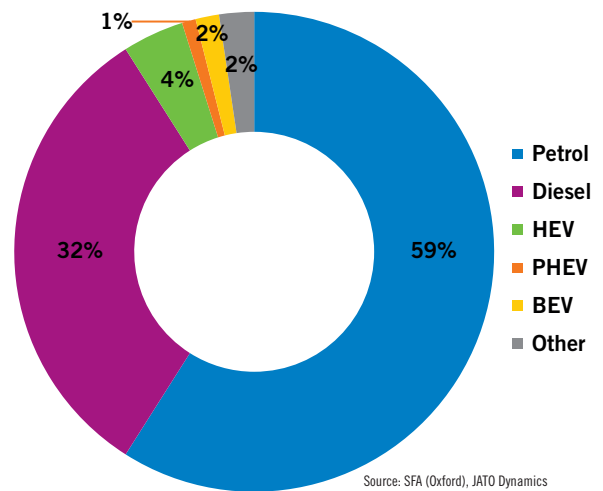


# TRENDS AND INVESTMENTS

## Eland production split



## European car registrations, May 2019



## India gold price



## Gold:silver ratio



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