

HERAEUS PRECIOUS APPRAISAL

Heraeus

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MARKET WATCH

Russia's central bank has suspended gold purchasing until further notice. Central bank demand represented 15% of total gold demand in 2019 and Russia has dominated buying in recent years. Russia's gold reserves increased by 158.1 t last year, which was 24% of total central bank buying in 2019 (although this was down by 42% from the amount in 2018). Gold now accounts for 20% of Russia's international reserves (2,290.2 t) (source: World Gold Council). Russia is the third-largest gold producer in the world and the pause to central bank buying will provide Russian gold producers with the opportunity to benefit from current high global demand. The impact of Russia's decision on demand in 2020 is unclear due to the unspecified timeframe, but while Russia takes a break, other countries will be looking to increase the share of gold in their reserves and reduce exposure to the US dollar. Monthly net purchases have been declining since August, and it is likely that central bank demand this year will be lower than in 2019. The gold price held above \$1,600/oz last week, as the closure of mines and refineries across the world, coupled with demand for physical metal, squeezed the market.

Mexico's one-month shutdown is expected to impact silver supply this year, with key producers such as Pan American Silver and Newmont Goldcorp already suspending operations. Mexico is the largest producer of silver (196.6 moz in 2018), accounting for 23% of global supply (source: The Silver Institute). Silver already faces a weak fundamental outlook, with a lack of industrial demand keeping the price suppressed. With the metal readily available, a supply setback is unlikely to make much difference. For now, silver remains 'cheap' relative to gold and is seeing stronger demand for bars and coins, but still not enough to see it outperform.

South African producers have declared force majeure on contracts after a three-week lockdown owing to the COVID-19 outbreak forced most mining operations to close. The major South African PGM producers, Anglo American Platinum, Sibanye-Stillwater, Impala Platinum and Northam Platinum, have all declared force majeure. Together, the affected South African mines account for more than half the global supply of platinum, rhodium, iridium and ruthenium, and a third of palladium. The processing of some surface material will continue, but with all flights grounded, the metal will remain in South Africa until control measures are lifted. In Russia, a full lockdown has been imposed in most regions, but the impact on mining operations is unclear. Russia's Nor Nickel is the largest palladium producer in the world (40% of global supply). Production cuts are starting to bring supply more into line with the drop in demand from the auto sector, which is at a standstill in most regions.

It seems that much of the supply disruption was already priced in from when the news of South Africa's shutdown first circulated, so the force majeure announcement had limited impact on PGM prices. Palladium and rhodium closed the week 5.2% and 17.4% lower respectively, while platinum fared slightly better (-3.7%) and platinum lease rates rose significantly. Platinum trading on the Shanghai Gold Exchange increased by 249.8% in Q1'20, totalling 455,190 oz, driven by a jump in March (342,791 oz) due to low prices. In Japan, the fall in the local platinum price to ¥2,500/g has spurred strong buying of small bars there. Ruthenium gained \$20/oz last week (+7.5%) and iridium climbed \$30/oz.

China has announced a two-year extension of the NEV subsidy and tax exemption that would have expired at the end of this year. However, details of which models will qualify, and for how long the subsidy will be in place before being reduced again are unclear. China NEV sales have been declining since last July following cuts in the subsidy. As the COVID-19 outbreak now destroys demand in other parts of the world, the focus in China has turned to incentivising domestic consumption. Chinese consumers are also adjusting to the lower levels of pollution in their cities after weeks of shutdown. The extension to subsidies and improved air quality could see an increase in the popularity of electric cars over the next two years. However, the market share of NEVs compared to gasoline cars in China is still marginal, and once business as usual resumes, automotive demand for palladium and rhodium is expected to be strong.



PRICE REVIEW

⁷⁹ Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,616	-0.72%	1,628	30/03/2020	1,569	31/03/2020
€/oz	1,497	1.84%	1,503	03/04/2020	1,420	31/03/2020

⁴⁷ Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	14.37	-0.27%	14.55	02/04/2020	13.82	01/04/2020
€/oz	13.32	2.38%	13.44	03/04/2020	12.56	30/03/2020

⁷⁸ Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	718	-3.76%	739	31/03/2020	703	01/04/2020
€/oz	665	-1.21%	675	02/04/2020	644	01/04/2020

⁴⁶ Pd Palladium

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,184	-5.23%	2,457	31/03/2020	2,118	02/04/2020
€/oz	2,021	-2.97%	2,230	31/03/2020	1,951	02/04/2020

⁴⁵ Rh Rhodium

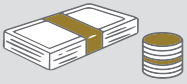
	Reporting week	Previous week	Weekly change
\$/oz	9,450	11,450	-17.47%

⁴⁴ Ru Ruthenium

	Reporting week	Previous week	Weekly change
\$/oz	285	265	+7.55%

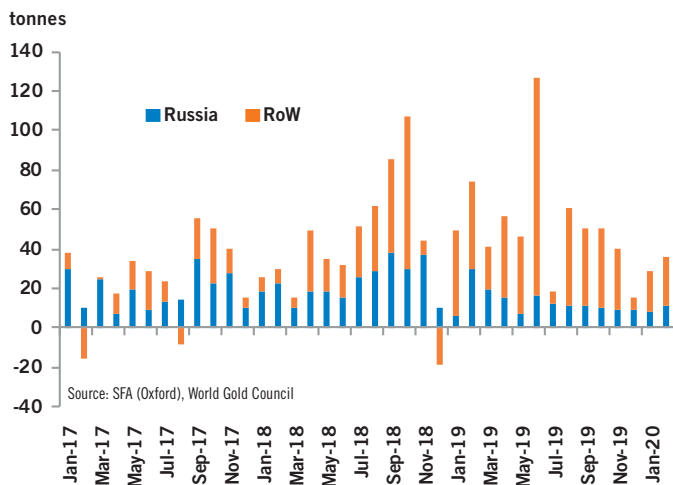
⁷⁷ Ir Iridium

	Reporting week	Previous week	Weekly change
\$/oz	1,540	1,510	+1.99%

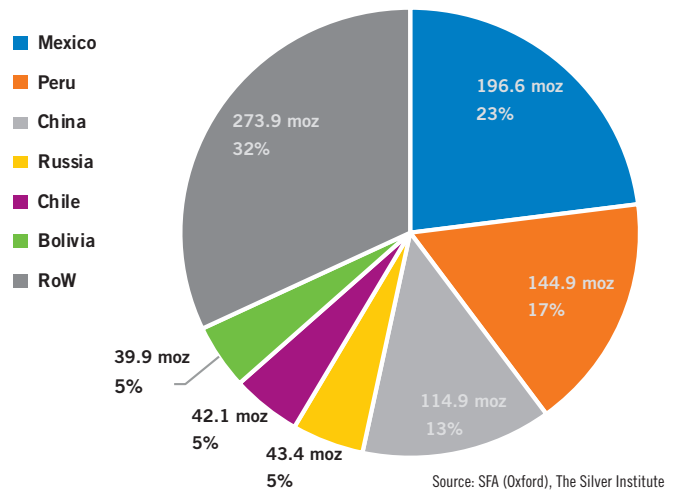


TRENDS

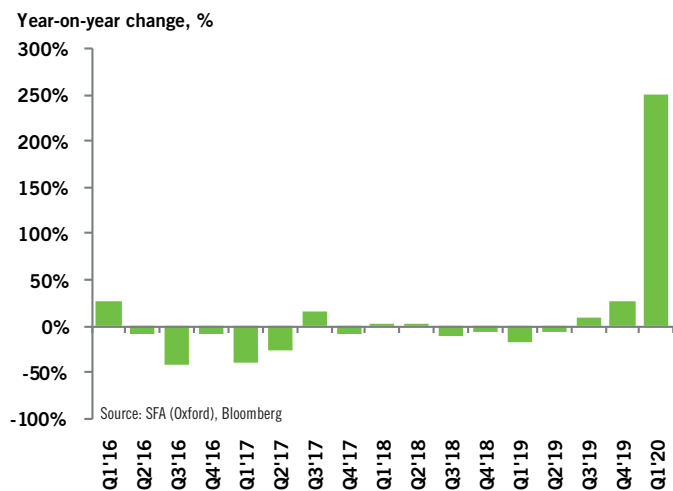
Central bank gold buying



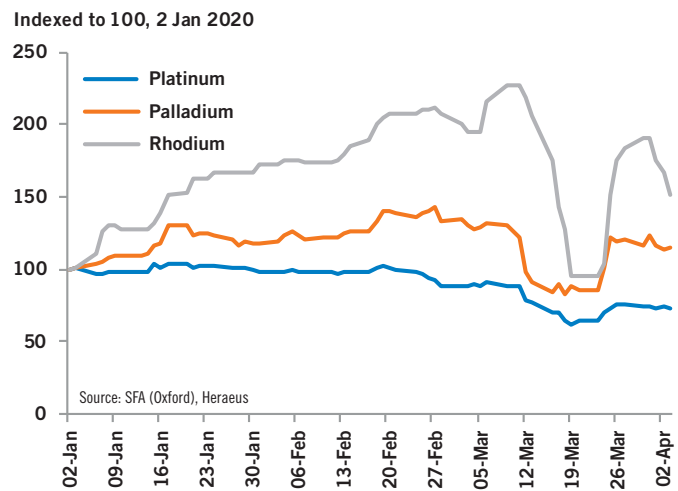
Silver mine supply



SGE platinum trading



PGM prices



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