



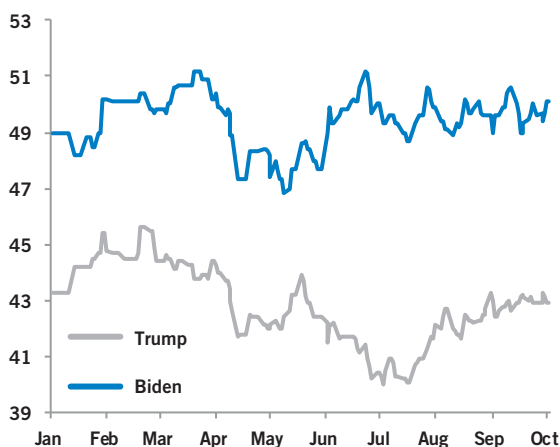
## MARKET SPOTLIGHT

### The US election is a vote for gold

**America's 2020 presidential election will be one like no other.** President Donald Trump and Democratic candidate, Joe Biden, clashed at the first presidential debate in Cleveland last week, a chaotic evening which did nothing to ease market uncertainty. The risk of a contested, drawn-out election is also worrying investors by prolonging the uncertainty for longer, with Trump indicating he may not concede if he were defeated in the election on 3 November. The news that Trump and the First Lady have tested positive for Covid-19 is also fuelling uncertainty with less than a month until the election. Polls show a substantial advantage for Biden, with The Economist's election forecast model giving Biden an 88% chance of winning the election, but Trump has proved once before that he can beat the odds. In 2016, the polls underestimated the level of support for Trump and showed Hillary Clinton with a wide lead right up until election night.

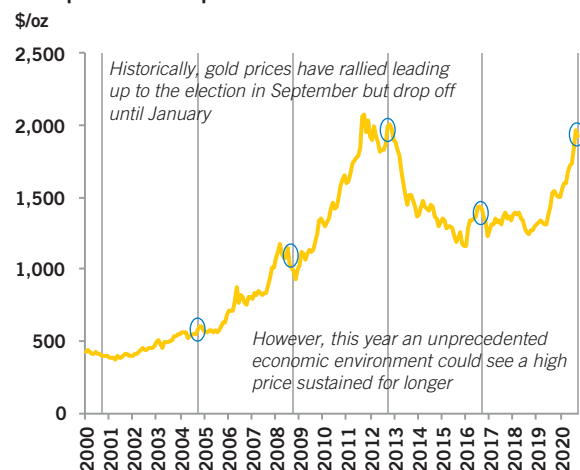
**Gold tends to rally leading up to the US election,** before trading lower through the presidential inauguration in January. As part of his economic agenda, Biden plans to increase corporate tax from 21% to 28%, and a win in November could precipitate a shift away from Wall Street to safer assets such as gold and bonds. If elected, Biden's proposed government spending plan calls for an additional \$7.3 trillion over the next decade, the bulk of which is expected to happen during his term as president. US government debt is already larger than US GDP and this will add to the ever-growing pile. This could see further upside for gold if it leads to a weaker US dollar.

US presidential election polls: Trump vs. Biden



Source: SFA (Oxford), Real Clear Politics

Gold price and US presidential elections



Source: SFA (Oxford), Bloomberg

**Regardless of the outcome in November, a weak macroeconomic environment in the US will prevail in the near term, which supports gold.** With no vaccine on the horizon and the country's economic rebound looking precarious, the risks for gold's safe-haven demand are tilted to the upside. And while both Republicans and Democrats agree further fiscal stimulus is needed, they are unlikely to come to an agreement in the near term. A great deal of political and economic uncertainty is already priced in for gold, but it could intensify as election day approaches, increasing the allure of gold as a safe haven.



# PRECIOUS METALS REVIEW

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## Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,900	2.17%	1,917	02/10/2020	1,849	28/09/2020
€/oz	1,624	1.40%	1,634	02/10/2020	1,588	28/09/2020

**Consumer demand is picking up in the world's second-largest gold market.** According to the World Gold Council, Indian retail demand for bars and coins saw an increase at the start of August but jewellery retailers in Kerala reported 40-50% lower sales year-on-year on Onam on 31 August (Onam is a Hindu harvest festival and is an auspicious day for gold purchases). Official Indian gold imports in August reached a high for the year of 58.5 tonnes but remain 63% down on a year-to-date basis (source: Indian Ministry of Commerce & Industry).

Wholesale demand is expected to improve ahead of the wedding and festival season in Q4. Rainfall and crop plantings were above average between June and August, which is likely to boost rural incomes this year and motivate demand for gold. However, this is unlikely to offset the losses amassed in the first half of the year, and consumer demand is expected to fall significantly short of the 690.4 tonnes recorded in 2019 (source: World Gold Council).

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## Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	23.80	3.93%	24.40	29/09/2020	22.59	28/09/2020
€/oz	20.34	3.19%	20.79	29/09/2020	19.42	28/09/2020

**Slimming silver.** Thrifiting of silver loadings in solar cells is an ongoing headwind for silver demand, as it partially offsets the increase in demand each year from growth in photovoltaic installations. A new silver contact application process has been reported to reduce silver composition by a fifth by using thinner contacts (source: Fraunhofer Institute for Solar Energy Systems). Photovoltaic demand

accounts for around 100 moz of silver per year and 10% of total demand (source: The Silver Institute). This year, the silver price hit a seven-year high and rallied 141% from the low in March, which is likely to have renewed R&D efforts. At present, silver is still in a correction after its explosive rally earlier this year but is showing some upward momentum and outperformed gold last week.

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## Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	883	4.31%	911	01/10/2020	850	28/09/2020
€/oz	754	3.54%	775	01/10/2020	730	28/09/2020

**Commercial vehicle registrations in the EU declined by 28% in the first eight months of the year.** Demand fell by double digits in four of the major European markets – Germany (-23%), France (-26%), Italy (-26%) and Spain (-37%) from January to August (source: ACEA). Faced with shrinking sales and a weak economic outlook, heavy-duty vehicle platinum demand is forecast to contract by around 30% this year to less than 450 koz. The weak level of demand should continue to weigh on the price.

**Mixed fortunes for Southern African projects.** Wesizwe has delayed the commissioning of the Bakubung platinum mine by 18 months to October 2021, as a result of

Covid-19. Bakubung is now expected to produce around 35 koz of platinum in 2022 (instead of 2021), increasing each year to reach a steady state of ~262 koz p.a. by 2028. Bakubung is located on the Western Limb of the Bushveld Complex in South Africa. The Darwendale project in Zimbabwe recently cleared a major hurdle by completing a due diligence study, allowing it to proceed with a \$500 million funding programme for the first phase of the project. The project could start production of ~290 koz of PGM in concentrate in 2022. Zimbabwe has the third-largest platinum reserves in the world after South Africa and Russia, accounting for 7.5% (460 koz) of global mine supply last year.



# PRECIOUS METALS REVIEW

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

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,313	4.84%	2,354	30/09/2020	2,212	28/09/2020
€/oz	1,976	4.02%	2,005	30/09/2020	1,901	28/09/2020

**US light-vehicle demand bounced back from a 50-year low** annualised selling rate of 8.6 million units in April, to 15.2 million units in August. Growth is expected to flatten for the remainder of the year and full-year sales are estimated to close at around 13.9 million units (source: Ward's Intelligence, LMC Automotive). Significant headwinds still prevail, however, including record levels of unemployment, rising Covid-19 cases, as well as limited availability of new vehicles. Dealerships have struggled to restock their inventory to keep pace with demand. In August, sales volume equalled roughly half of the nationwide inventory (typical turnover is close

to one-third). Widespread shutdowns across assembly plants earlier in the year caused inventory levels to drop to a nine-year low and the situation is not expected to improve. US light-vehicle inventory by the end of August was 2.6 million units, down 26% year-on-year (source: Ward's Intelligence). As the second-largest gasoline market, a drop in light-vehicle sales in the US this year is forecast to see palladium demand there contract by around 20% year-on-year (-390 koz). The palladium price gained \$106/oz last week but is still trading sideways below \$2,400/oz, with potential to edge lower given the market is much closer to balance this year.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$14,100/oz	\$295/oz	\$1,650/oz
Previous week	\$14,000/oz	\$295/oz	\$1,650/oz

**Seagate's largest hard disk drive (HDD) is on track for December but will no longer contain ruthenium.** The new heat-assisted magnetic recording (HAMR) HDD has a 20 TB capacity. Rival Western Digital, which remains a supporter of a ruthenium-based energy-assisted magnetic recording (EAMR) technology, launched its 20 TB HDD earlier in the year. However, Seagate accounts for around 40% of the market, so HAMR technology represents a sizeable downside risk to ruthenium demand in HDDs.

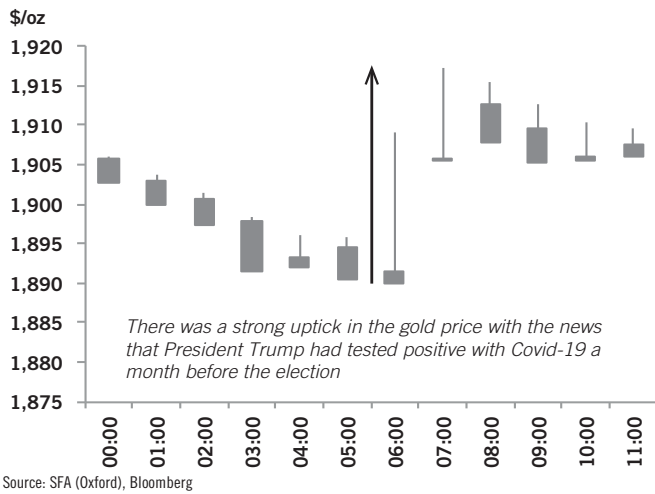
As well as competing technologies, ruthenium-rich HDDs are also losing share to solid-state drives, which contain no ruthenium either. Electrical uses for ruthenium such as HDDs account for 35% of demand (~355 koz last year), so any technological substitution could soften the price.

Rhodium edged slightly higher last week (+1%) but the ruthenium and iridium prices were unchanged.

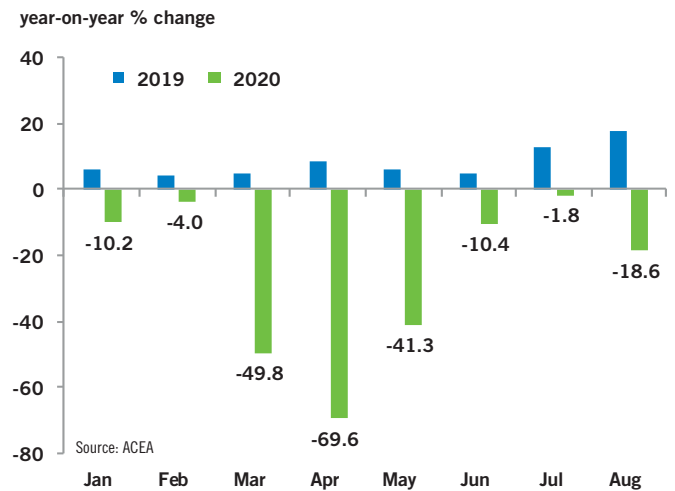


# TRENDS AND INVESTMENTS

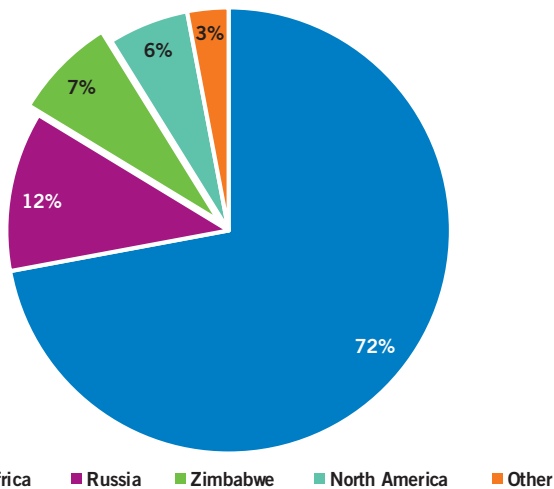
## Intraday gold price 2 October



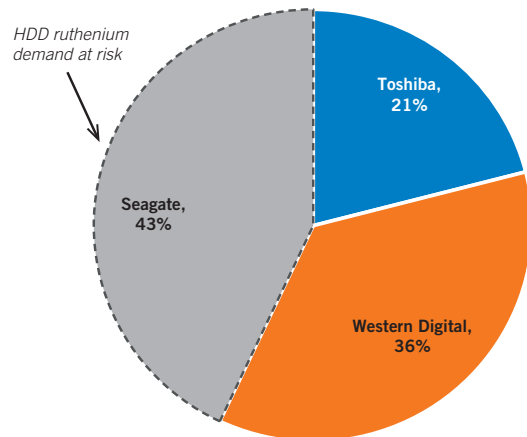
## EU commercial vehicle sales



## Zimbabwe platinum supply 2019



## HDD market share



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