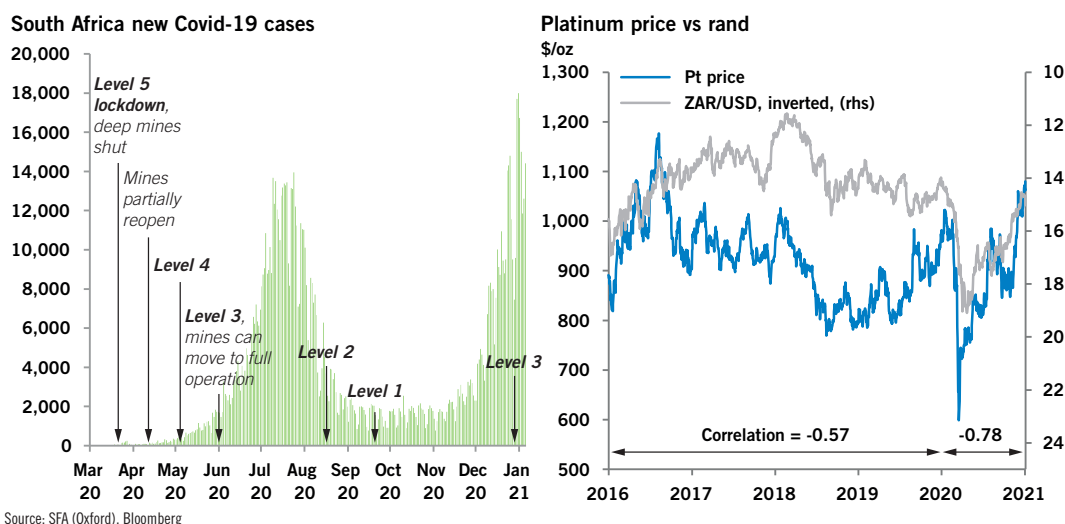




MARKET SPOTLIGHT

Could PGM prices relapse in 2021?

Covid infections are rising sharply in South Africa. The government tightened restrictions in late December to Level 3, aiming to balance keeping the economy open (limiting business closures) while reducing transmission. The concern is that mines will be closed down again if the situation worsens.



Mine closures look less likely than last year. In March last year the lockdown was at Level 5 when underground mines were initially closed. However, the government shifted to a less strict Level 3 owing to the adverse economic impact of the full lockdown. Mines were allowed to return to full operation with safety protocols in place, even though the number of coronavirus cases was increasing. The mining companies did very well at managing the safety of their workers during the first outbreak. It seems likely that the government would shut mines again only as a last resort.

Restrictions are being tightened worldwide. The vaccine rollout has not begun soon enough to avoid more restrictions on consumers and businesses. They are being increased in parts of the US and Europe, and Japan is also considering tightening its restrictions. China is the largest source of PGM demand but even if infections there remain low, the country cannot avoid a negative impact on its economy if its largest trading partners are shutting down again. That does not bode well for PGM demand.

A weaker economy means a weaker rand and lower platinum price. There is a strong negative correlation between the platinum price and the rand. The rand weakened sharply in Q1'20 as a struggling South African economy was put into lockdown and risk aversion drove up the dollar. This reversed in H2'20 and the dollar is now oversold. Even if the economic slowdown is not as severe as last year, a more risk-averse backdrop could see the rand weaken again and drag down the platinum price. That said, the platinum price this year is still expected to be higher on average than last year.

Expect more price volatility. In the short term, the metals with the tightest markets could have their high prices supported as it will take some time for Anglo's refined output to return to normal levels once the Anglo Converter Plant (ACP) is fully operational. However, the second wave of lockdowns will prove detrimental to economic activity, so PGM demand in 2021 may not rebound as strongly as anticipated.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,856	-2.02%	1,959	06/01/2021	1,850	08/01/2021
€/oz	1,514	-2.29%	1,592	05/01/2021	1,513	08/01/2021

The gold price has failed to hold last week's early gains, despite the news of the Democrats winning both of the Senate run-off elections in Georgia, the implications of which are positive for gold. Despite the efforts of protestors who stormed the Capitol in an attempt to stop the certification of the 2020 federal election, it has been confirmed that President-elect, Joe Biden, will now take

over in the White House. He has a Democratic majority in the Senate which will give him a better chance of implementing his economic policy to tackle the fallout from the pandemic. A new round of economic stimulus is expected in the near term, along with more spending to aid recovery over the medium to longer term, both of which are supportive of a higher gold price.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	25.57	-2.96%	27.93	06/01/2021	25.55	08/01/2021
€/oz	20.87	-3.19%	22.64	06/01/2021	20.85	08/01/2021

China's acceleration of 5G rollout is a bright spot for silver. The Ministry of Industry and Information Technology (MIIT) has revealed plans to speed up the rollout of the next generation network across major cities in China, building 600,000 base stations for its 5G network in 2021. Shipments of 5G mobile phones accounted for more than 50% of total phone shipments between January and November last year, at 144 million units. The adoption of 5G is expected to boost demand

for silver in electronics, but the pandemic is forecast to have delayed its rollout in most countries by around 12 months. Still in its infancy, 5G demand is estimated to have accounted for ~7.5 moz of silver in 2020. Electrical and electronics demand amounted to 297.6 moz of silver in 2019, the largest industrial use for the metal (source: The Silver Institute). Silver started the year brightly but underperformed gold slightly last week.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,080	0.92%	1,132	04/01/2021	1,049	04/01/2021
€/oz	882	0.74%	921	04/01/2021	857	04/01/2021

Europe's largest auto markets collectively posted their largest annual sales declines in decades last year, and ongoing restrictions are expected to slow the region's recovery in 2021. New car registrations fell significantly in Europe's major auto markets: Germany (-20%), Italy (-28%), France (-25%), Spain (-32%) and the UK (-29%). Europe's autocatalyst platinum demand is forecast to have contracted by more than 300 koz last year, almost a third of the size of the market (1 moz in 2019).

High prices make tailings reprocessing pay. In South Africa, Eastern Platinum (Eastplats) delivered its first

PGM concentrate recovered from tailings at its Crocodile River mine in December. Eastplats mothballed its Crocodile River operations in July 2013. Production from tailings will be relatively small but the company is also undertaking a rights issue for ZAR375 million to fund the restart of the Zandfontein shaft and concentrator shaft at Crocodile River, as well as bringing its Maresburg open-pit mine into production. The platinum price has continued to push higher after breaking through resistance at \$1,050/oz. Investment demand has seen ETF holdings reach a new record of over 3.8 moz.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,361	-3.61%	2,526	05/01/2021	2,343	08/01/2021
€/oz	1,926	-3.88%	2,042	05/01/2021	1,923	08/01/2021

Nornickel's Global Palladium Fund has issued the first tokens involving metal contracts to industrial users. This will allow the world's largest palladium producer to deliver its products with greater efficiency and traceability using blockchain technology. Over the first year, Nornickel expects to tokenise up to 10% of its overall sales volume. The company's palladium fund delivered 291.3 koz to industrial consumers in addition to its mine production in 2019 and is likely to be close to this – if not more – in 2020. H1'20 delivery was 175 koz so the palladium market deficit of around 350 koz last year is likely to have been mostly offset by Nornickel stocks and ETF sales

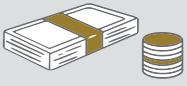
(115 koz). Palladium ETFs still contain 500 koz. Despite the global disruption associated with the pandemic last year, Nornickel's mine output continued relatively undisrupted owing to its geographical remoteness. The company was on track to meet the upper end of its production guidance of 2.6-2.7 moz of palladium in 2020, an estimated 40% of global supply. Nornickel expects year-on-year growth of 2-5% this year. The palladium price has held up but with Covid cases rising and lockdowns being reimposed in Europe and other regions, auto sales may be constrained, curbing demand.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$18,950/oz	\$295/oz	\$3,450/oz
Previous week	\$17,350/oz	\$295/oz	\$3,050/oz

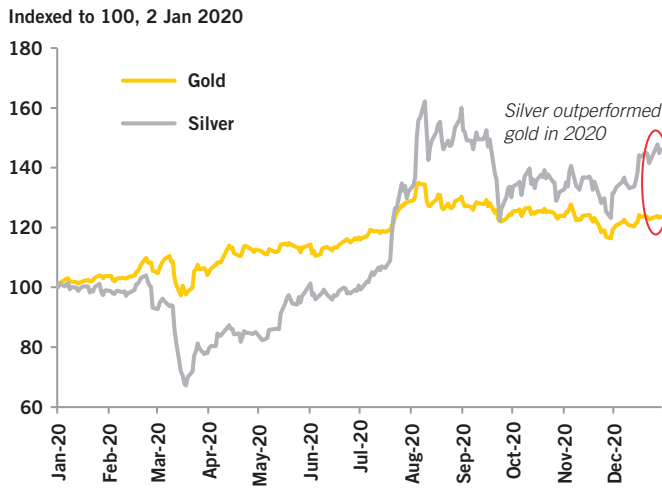
The iridium price has soared by nearly 100% to \$3,450/oz over the holiday season, gaining 40% between 11 and 18 December 2020 and again between 18 December 2020 and 7 January 2021. The rally occurred as the smallest of the PGM markets is experiencing record market tightness owing to supply problems in South Africa. The combined effect of the mine closures in March/April 2020 and Anglo American Platinum's smelter outages

throughout the year has placed significant strain on the market. Availability of the metal is likely to remain low in the near-term, which could see the regime of higher prices sustained. Rhodium also climbed to a record high of \$18,950/oz, again reflecting South African supply constraints and strong autocatalyst demand. Relative to rhodium and iridium, the ruthenium price is lagging, and higher prices are possible.



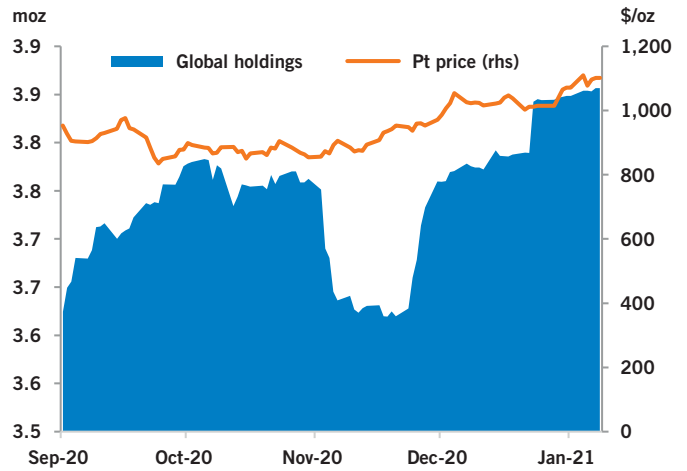
TRENDS AND INVESTMENTS

Gold and silver prices



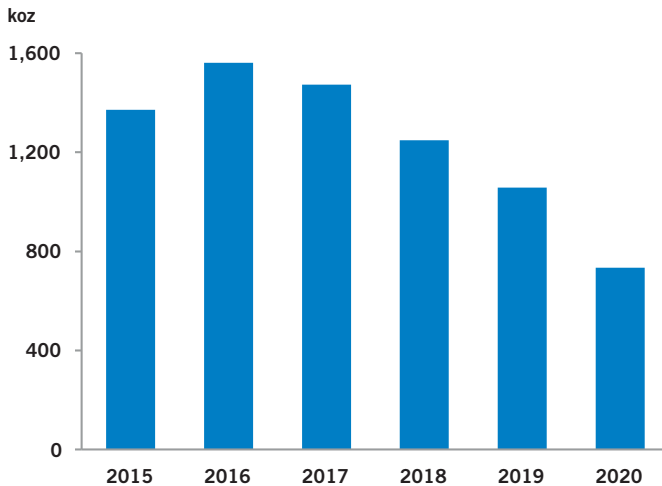
Source: SFA (Oxford), Heraeus

Platinum ETF holdings



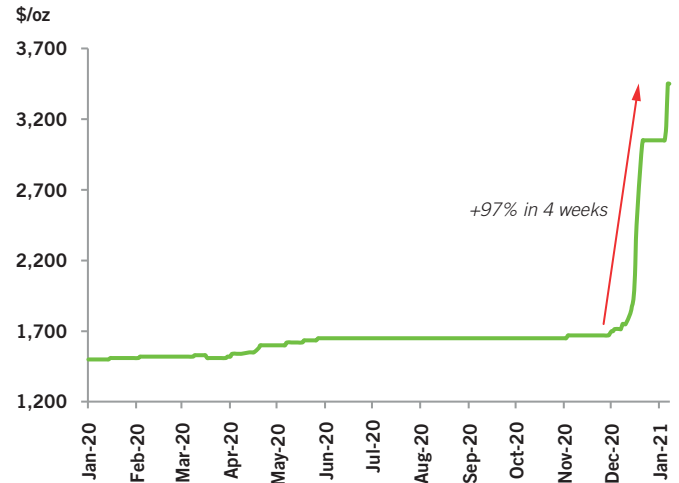
Source: SFA (Oxford), Bloomberg

Europe autocatalyst Pt demand



Source: SFA (Oxford)

Iridium price



Source: SFA (Oxford), Heraeus

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