

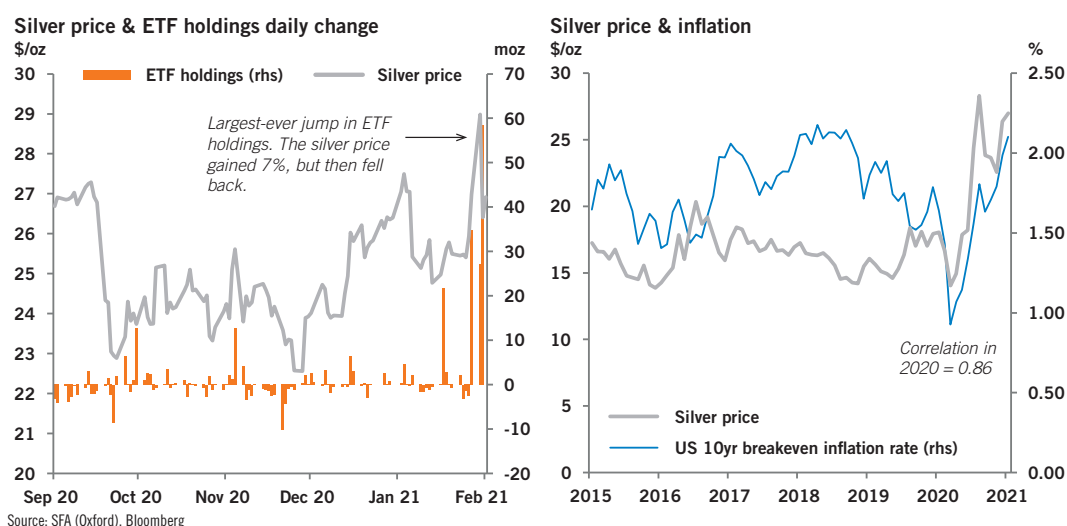


MARKET SPOTLIGHT

A short-lived silver rush

Rising inflation expectations and central bank activities are likely to have a more lasting impact on the silver price this year than retail traders trying to force a short squeeze. Retail traders had been using social media to coordinate buying shares in companies that had been heavily shorted by hedge funds. Their attention moved to silver when posts appeared suggesting the same thing could happen with silver because financial institutions were short silver. However, the size and structure of the silver market does not lend itself to the same sort of short squeeze that happened with GameStop.

Physical silver purchases surged and the price jumped but only temporarily. Buying was too widespread to just be by the same Reddit readers so other people jumped in following the publicity. Silver ETF holdings recorded the largest-ever one-day gain of 58.4 moz on Tuesday 2 February and added 120 moz in three days, mostly in the US-based iShares Silver Trust. In addition, physical demand was very strong globally, with some US retailers reportedly running out of bars and coins. High demand for bars was also seen in Europe but, unlike in the US, holdings in German-listed ETFs were little changed. Over-the-counter trading in London by financial institutions averaged just over 1 billion ounces on each of the first two days of February (source: LBMA). The price briefly rose above \$30/oz on 1 February, its highest level since 2013. However, as buying interest has subsequently eased, the price has given back those gains.



Silver depends more on ongoing investment demand along with growth in industrial uses to drive the price. Investors should remain interested owing to the huge fiscal and monetary measures governments and central banks are still implementing and how the outlook for inflation evolves. The silver price has traded higher as inflation and inflation expectations have picked up over the last year and these look set to increase further as the global economy recovers. The silver price is still consolidating its gains from last year, but the medium-term outlook seems favourable for higher prices.



PRECIOUS METALS REVIEW

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Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,813	-2.39%	1,872	01/02/2021	1,785	04/02/2021
€/oz	1,507	-1.57%	1,547	01/02/2021	1,490	04/02/2021

India has cut import tax on gold, which should stimulate retail demand in 2021. Import duty on gold and silver has been reduced to 7.5% from 12.5%, although a separate 2.5% tax on imports has been introduced which will effectively attract a 10.75% duty. India's Finance Minister announced an increase on import duty to 12.5% in 2019 in order to reduce the trade deficit (most of India's gold is imported) but smuggling increased as a result. Consumer demand (jewellery + bars and coins) in India fell 35% to 446.4 tonnes last year (source: World Gold Council) as the combination of record high gold prices, market lockdowns and an

economic slowdown curbed demand in the world's second-largest gold market. Despite the recent lower price, demand is likely to have been subdued during Kharmas (15 December-14 January) when purchasing is considered inauspicious. If the price continues to soften, retail demand, supported by the lower import duty, is expected to rebound. The gold price fell last week but with support nearby at \$1,760/oz there may not be much more downside. Further fiscal support is likely in the US and while the amount has yet to be determined, that could help to push gold higher.

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Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	26.95	-0.70%	30.10	01/02/2021	25.91	04/02/2021
€/oz	22.40	0.14%	24.82	01/02/2021	21.66	04/02/2021

US coin sales surge as retail investors step up. Sales of American Eagle silver coins from the US Mint have reached 6,396 koz in the year to date, compared to the 4,496 koz sold in the first two months of 2020. Sales so far this month are already 149% higher than in the full month of February 2020. The social media-driven frenzy has stalled but the US Mint is reportedly still seeing

continued market demand, compounded by shipping delays that were already in place. However, with demand easing, the supply shortage is expected to be short-lived. The silver market is estimated to have reached a 31.5 moz physical surplus in 2020, the highest in three years (source: The Silver Institute).

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Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,124	4.06%	1,135	01/02/2021	1,079	04/02/2021
€/oz	934	4.92%	940	01/02/2021	900	04/02/2021

Diesel's share of the European car market shrank to 28% last year, as sales of internal combustion engine (ICE) vehicles were disproportionately hit by the pandemic. The impact of Covid-19 on car sales has accelerated the region's declining diesel market, which had contracted from 44.3% in 2017 to 31.4% by 2019 (source: ACEA). By contrast, the share of electrically-chargeable vehicles extended to 10.5% of all new car registrations last year, supported by government stimulus packages which supported sales of alternatively-powered vehicles. Q4'20 recorded significant losses for the diesel market, as its market share fell to a record low of 25.4%. Demand was impacted by a second wave of lockdowns across Europe, as well as the expiry of certain EV incentives at the end

of the year which boosted sales of EVs and hybrids over ICE vehicles. As platinum's largest industrial end-use region, Europe's shrinking diesel market resulted in a 30% contraction in consumption last year to 735 koz. However, all regions are likely to see growth in platinum automotive demand this year, as car and commercial vehicle sales recover (although Europe's diesel car market continues to shrink). Some substitution of platinum into gasoline autocatalysts, initially in North America, will also help to lift demand in 2021. The platinum price seems high given the large market surplus (ex. investment), but it has been well supported and is expected to be a higher average than last year.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,341	5.71%	2,350	05/02/2021	2,225	02/02/2021
€/oz	1,945	6.47%	1,957	05/02/2021	1,849	02/02/2021

Nornickel exceeded its palladium guidance last year.

Palladium output from the company's own Russian feed was 2,820 koz in 2020, above the production target of 2,648-2,777 koz. This was attributed to productivity improvements and a successful ramp-up of the refining shop at Kola MMC after an upgrade to a new leaching technology. Total palladium output fell by 3% year-on-year to 2,826 koz, mainly owing to the high base effect of 2019, but was robust despite the pandemic. Production guidance for next year is reiterated at 2,715-2,843 koz of palladium. A combination of Nornickel's

strong performance and disruption in South Africa saw Russia's share of global palladium supply increase to 44% last year (up from 39% in 2019). Global supply is expected to recover more than demand this year and bring the market closer to balance.

Palladium had a strong end to the week, but the price is still down 5% in the year to date. Lease rates have fallen and the market is less tight than it was last year, so it is unlikely that the price will revisit the highs of 2020 in the near term and could slip further.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$22,450/oz	\$375/oz	\$4,750/oz
Previous week	\$20,700/oz	\$375/oz	\$4,450/oz

The rhodium price has rallied back up to its record high and the market remains very tight.

While further upside is possible in the short term, metal availability is expected to improve moving into Q2 as Anglo's refined production recovers and then further increases later in the year as stockpiled material is processed. At the moment there is limited supply growth so demand may need to react to help rebalance supply and demand. Thrifting rhodium in autocatalysts may be achievable, and revisiting the possibility of using palladium to replace some rhodium

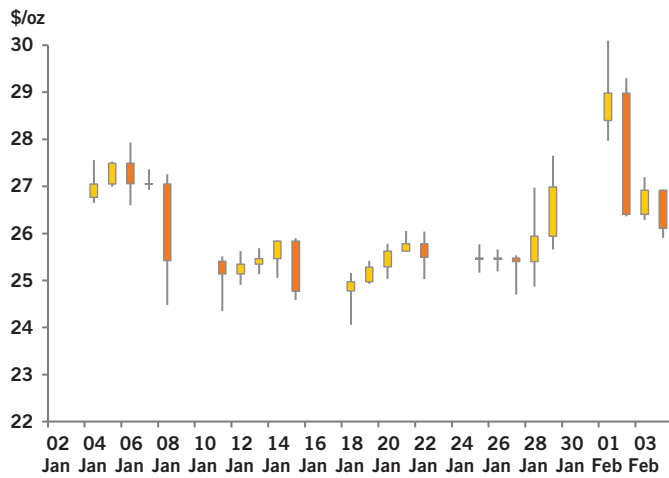
is likely being pushed up the agendas of OEMs and fabricators by the high price. In 2008, palladium was substituted for rhodium in autocatalysts with a ratio of around 4:1 Pd:Rh. With tighter emissions standards now in force, a higher proportion of palladium may be needed than in 2008. The rhodium:palladium price ratio is now nearer 10:1 so that may be viable.

The iridium price moved 6.7% higher last week while ruthenium remained unchanged.



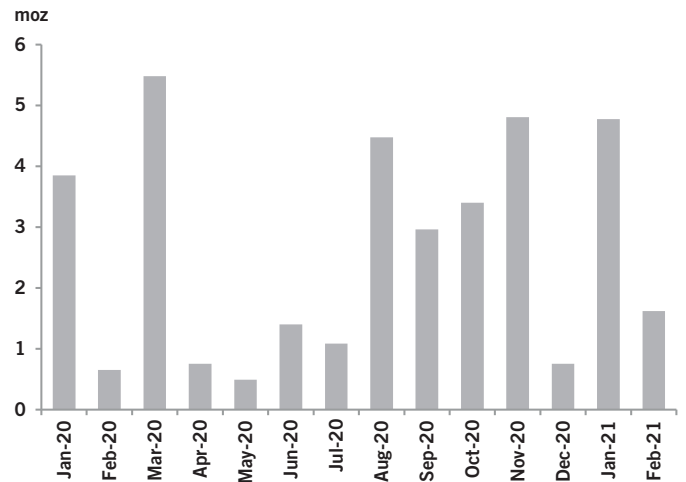
TRENDS AND INVESTMENTS

Daily silver spot price ranges



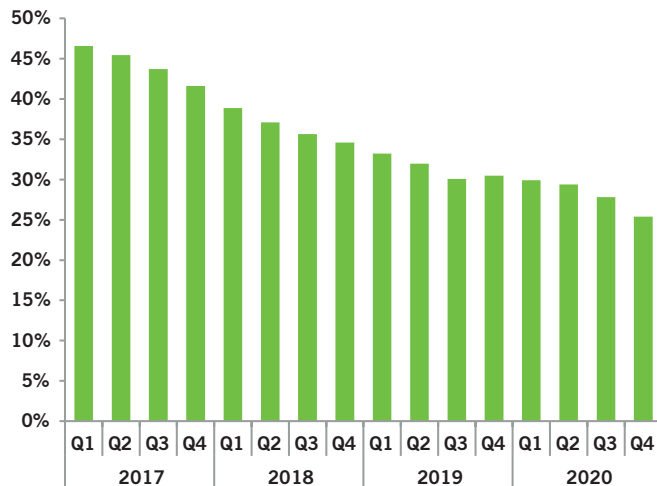
Source: SFA (Oxford), Bloomberg

US Mint American Eagle silver coin sales



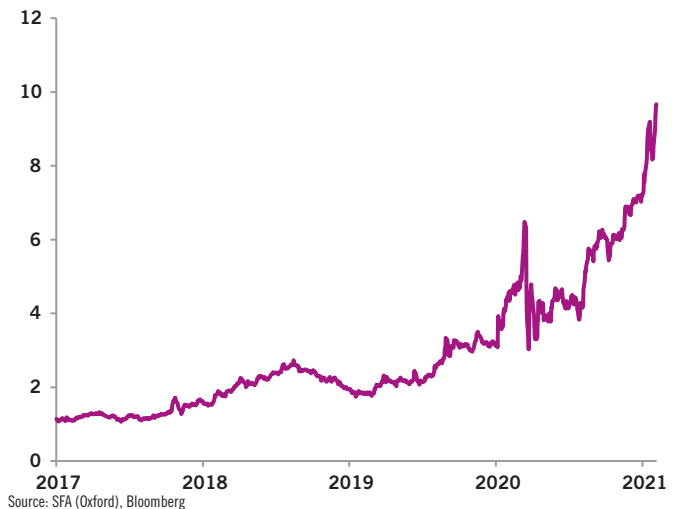
Source: SFA (Oxford), US Mint

Diesel market share in Europe



Source: SFA (Oxford), ACEA

Rhodium/palladium ratio



Source: SFA (Oxford), Bloomberg

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