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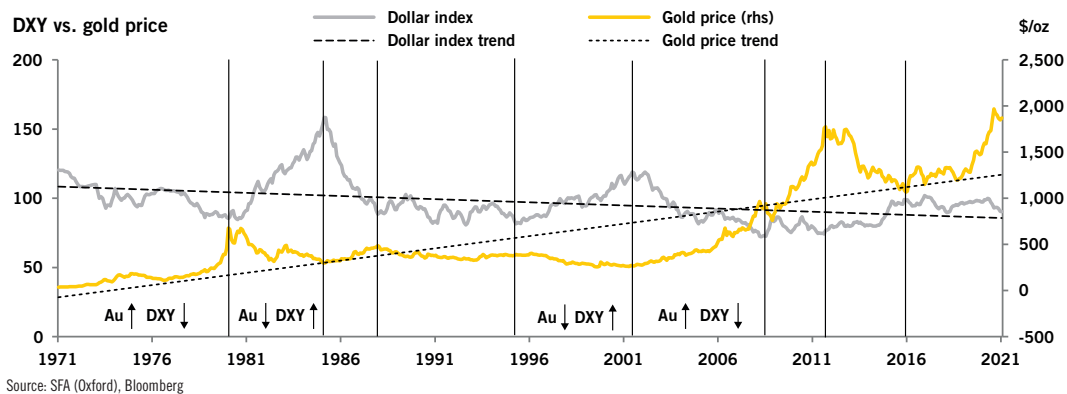
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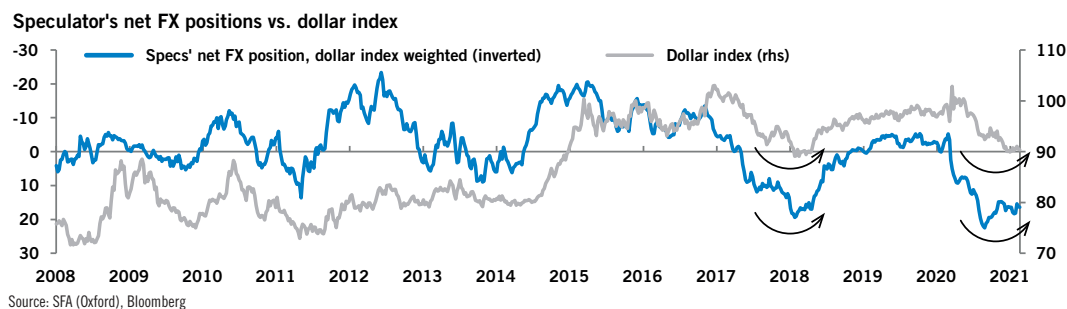
MARKET SPOTLIGHT

Record dollar-short positions is now an alert on gold

Fiscal and monetary policy in the US and Europe provides support for gold. The Federal Reserve and ECB are both expanding their balance sheets at roughly the same rate, at around \$120 billion and €100 billion per month, respectively. With a Democrat-controlled Congress, more fiscal spending is likely in the US which could result in higher inflation (gold positive) as the economy recovers. This could lead to a further fall in the dollar index (DXY), which should also help to propel gold higher.



Vigilance is needed, though, as speculative traders are overly short the dollar. The concern is that when positioning is this one-sided, the trend is usually near its end and a reversal is not far off. Financial conditions in the US are extremely loose and are unsustainable, despite Federal Reserve Chairman Jay Powell reiterating that the Fed will remain very accommodative for now. At this stage, easy fiscal and monetary conditions are priced in to gold. On this basis, any rumoured shift to tighter conditions in the US could strengthen the dollar, which is negative for gold.



ETF holdings have fallen 2.7 moz from their high point this year – is this a sign of things to come? Gold has looked lacklustre compared to other precious metals recently, but its lower volatility is a reason to hold it in a portfolio. An improving economy in the key markets of China and India this year is also expected to support a rebound in consumer demand for gold, but dollar strength remains a serious threat to the price.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,718	-3.65%	1,816	23/02/2021	1,717	26/02/2021
€/oz	1,421	-3.31%	1,492	23/02/2021	1,420	26/02/2021

Demand revival in China pushes the Shanghai-London gold price spread into premium. The spread between spot gold prices in Shanghai and London turned positive in January, for the first time since February 2020. Last year, weak gold demand coupled with strong supply in China led to the largest spot gold price discount on record, averaging -\$24/oz in 2020 (source: World Gold Council). A modest revival in Chinese gold consumption as the country's economy started to recover saw the spread begin to narrow from September last year, and finally nudge back into premium in January 2021, as physical

gold demand increased ahead of the Chinese New Year. Despite the recovery in gold consumption forecast for this year, annual demand is expected to remain subdued compared to pre-pandemic years. The growing trend towards more affordable, lightweight jewellery pieces could also limit consumption in absolute tonnage terms. Chinese jewellery demand accounted for 415.6 tonnes of gold last year, 20% of consumer demand globally (source: World Gold Council). The gold price moved to a new low for the year but is in a region of support so further downside should be limited.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	26.23	-4.43%	28.33	23/02/2021	26.20	26/02/2021
€/oz	21.69	-4.08%	23.27	22/02/2021	21.65	26/02/2021

Silver supply is expected to rebound to a five-year high in 2021 to an estimated 866 moz (source: The Silver Institute). This represents an ~11% increase from last year, as mining operations in key silver-producing regions (Central and South America) were badly affected by the closures and restrictions caused by the pandemic. New projects in Mexico and Australia are also expected to drive growth this year. Incentivised by the high silver price currently, secondary supply (recycling) is also anticipated to rise. Jewellery and electronic recycling from both suppliers and consumers in price-sensitive

Asia are forecast to contribute to a large volume of secondary supply this year. Recycling accounts for ~17% of total silver supply annually (source: The Silver Institute). Nevertheless, the silver market is forecast to remain in surplus again in 2021, and due to the high volume of above-ground stocks of silver, it is unlikely that even large changes to supply (in either direction) could have a meaningful impact on the price. The silver price has followed gold lower. While silver could continue to underperform as gold slides lower, if the price recovers as expected then silver is expected to outperform gold.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,182	-9.03%	1,279	23/02/2021	1,169	26/02/2021
€/oz	976	-8.82%	1,054	22/02/2021	967	26/02/2021

Impala's platinum production increased by 19% to 787 koz in H2'20, despite the operational challenges presented by the pandemic last year. However, this figure includes the contribution of ounces from Impala Canada's Lac des Iles mine, which was acquired in October 2019, so cannot be compared on a like-for-like basis. Impala is also in the final stages of approving two new platinum expansion projects at a cost of ZAR10 bn. Expansion at

Two Rivers (South Africa) and at the Bimha and Mupani projects at Zimplats (Zimbabwe) will add an estimated 180 koz respectively over the next 4-5 years but this will largely be replacement production to offset depleting mines elsewhere. After a rapid rise, the platinum price is pulling back but the average price this year now looks set to comfortably exceed \$1,000/oz.



PRECIOUS METALS REVIEW

⁴⁶ Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,321	-2.59%	2,494	25/02/2021	2,297	23/02/2021
€/oz	1,920	-2.26%	2,035	25/02/2021	1,899	23/02/2021

Nornickel's output likely to be impacted by mining and concentrator restrictions this year. Nornickel, responsible for 44% (2.8 moz) of global palladium supply last year, has partially suspended mining at its Oktyabrsky and Taimyrsky mines due to groundwater inflow. The Norilsk concentrator is also currently operating at a reduced capacity following the collapse of a building and walkway at the ore reloading facility during repairs last week. The two mines account for over half of the ore mined annually by Nornickel's Polar Division. Full details have not been released yet, with the impact on refined production determined by the severity of the problem and how long

it takes to bring the water flows under control. The news from Nornickel saw the palladium price rise mid-week, although the price ended the week lower. A tighter market could keep the price elevated.

Beyond 2021, PGM volumes from Nornickel are forecast to remain flat as scheduled maintenance to the Nadezdha smelter begins. However, the company will also begin to increase output from the South Cluster, which will be stockpiled ahead of the completion of the Talnakh concentrator expansion in 2023.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$27,550/oz	\$395/oz	\$5,400/oz
Previous week	\$24,350/oz	\$375/oz	\$5,050/oz

Iridium to benefit as green hydrogen gains traction. The largest green hydrogen plant in Europe will use a 20 MW PEM electrolyser and will be powered by photovoltaic energy. The Spanish project is a joint venture between utilities company, Iberdola, and fertiliser manufacturer, Fertiberia. PEM (proton exchange membrane) electrolysers produce hydrogen from water and rely on iridium (and platinum) coated catalysts. While innovation is expected to achieve substantially lower iridium loadings, reducing them too much risks low conversion efficiency and poor durability. There are concerns over iridium availability over the longer term, as South African

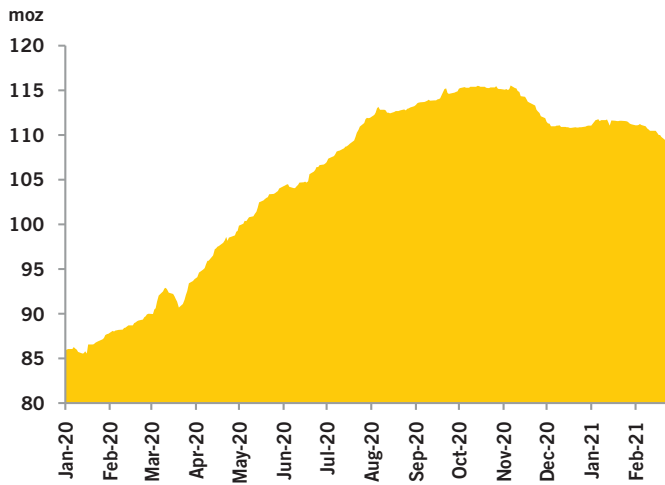
mine depletion could make the market increasingly tight over the next few years. However, recent announcements from South African miners indicate that new shafts and expansions to replace depleting production are now being considered and given the go-ahead. Adding a potentially large new demand stream to a <300 koz market (the smallest of all PGMs) will require both increased mine supply and lower loadings to ensure long-term viability.

All three metals' prices gained last week, with rhodium and iridium hitting new all-time highs.



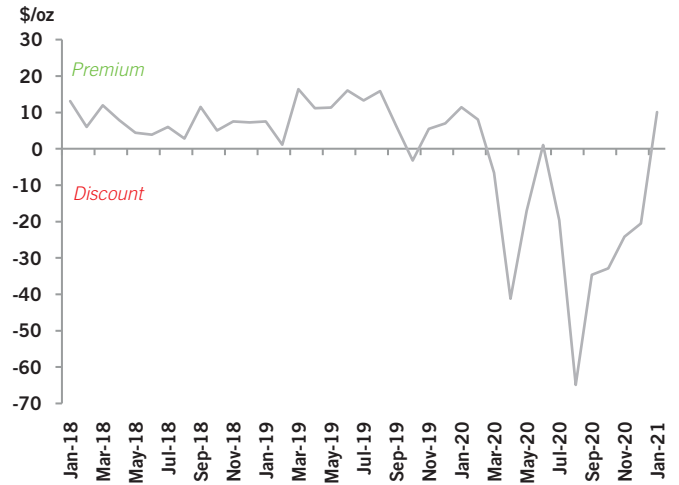
TRENDS AND INVESTMENTS

Gold ETFs



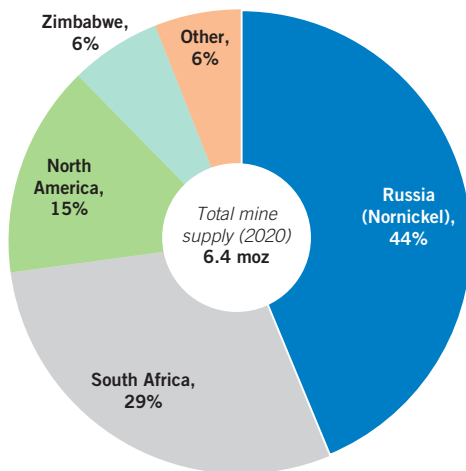
Source: SFA (Oxford), Bloomberg

China gold price premium/discount



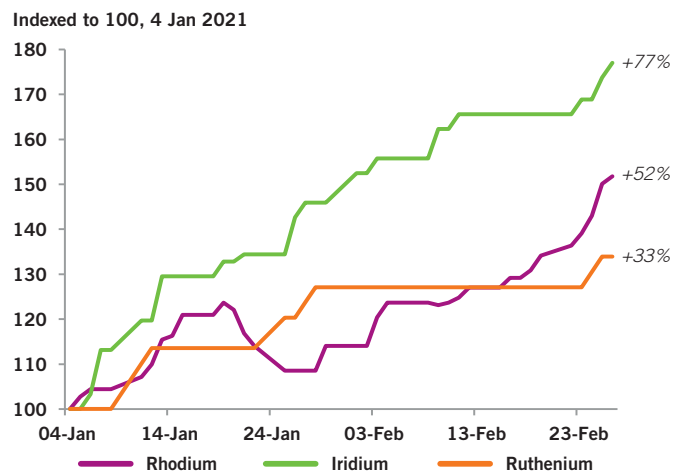
Source: World Gold Council, Bloomberg, ICE Benchmark Administration, Shanghai Gold Exchange

Nornickel palladium supply



Source: SFA (Oxford)

Rhodium, iridium, ruthenium prices



Source: SFA (Oxford), Heraeus

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