

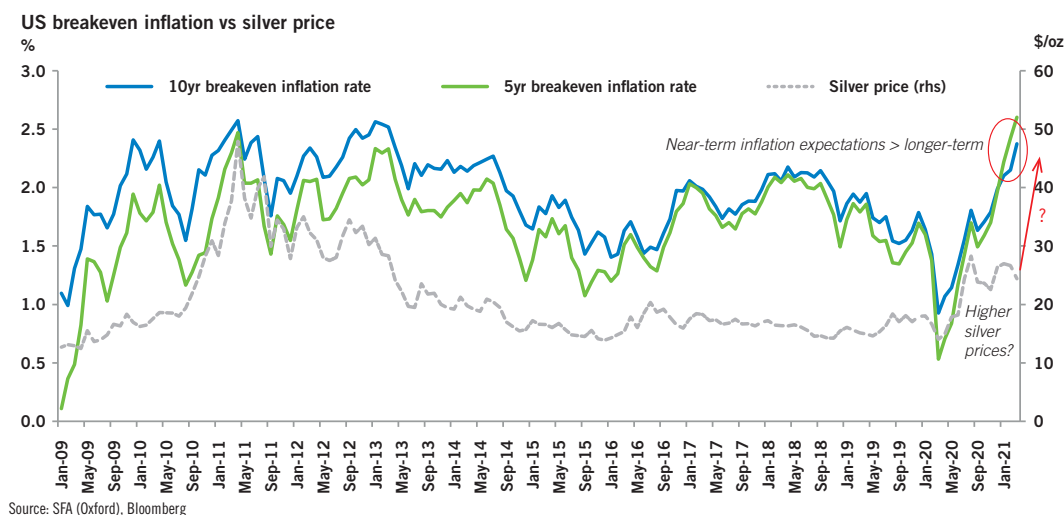


## MARKET SPOTLIGHT

### Higher inflation = higher prices for silver?

**Rising real-yields and a strengthening US dollar have kept the silver price from moving higher recently.** After the sharp Reddit-driven rally at the start of February, the silver price has pulled back in line with the overall sideways trend over the past few months. Central banks have reiterated that they expect to maintain accommodative monetary policy and keep near-term interest rates very low for the next couple of years to support economic growth. However, as the rollout of Covid vaccinations drives hopes of a global economic recovery and bond yields rise in response, is the silver price about to stage a comeback?

**Strong industrial demand is expected to keep prices supported.** Consumption from industrial end-users is forecast to extend to a four-year high of 510 moz this year (source: The Silver Institute), with strong growth from the electrical & electronics and photovoltaic (PV) sectors. PV installation forecasts have already been upgraded from 159 GW to 181 GW this year, a 27% increase on 2020 (source: IHS Markit) owing to support from governmental policy and falling costs.



**Additionally, inflation expectations are rising.** The US five-year breakeven inflation rate (calculated by subtracting the real yield from the nominal yield) has moved to its highest level for nearly 10 years at 2.6% and has exceeded the 10-year rate. Last time the five-year breakeven inflation rate was this high was in 2011 and silver was trading around \$48/oz, almost double the current price. With precious metals seen as an efficient hedge against inflation, higher inflation expectations should provide upside for silver.



# PRECIOUS METALS REVIEW

## 79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,745	1.06%	1,759	08/04/2021	1,722	05/04/2021
€/oz	1,467	0.03%	1,478	08/04/2021	1,457	07/04/2021

**Central banks were net sellers of gold in the first two months of 2021 at 16.7 tonnes**, marking the weakest start to a year for over a decade, according to the World Gold Council. Central banks sold a net 25.5 tonnes of gold in January, although demand improved modestly in February with the central banks emerging as net purchasers. Reserves grew, with 8.8 tonnes added, led by India (11.2 tonnes) and Uzbekistan (7.2 tonnes), which offset a sale of 11.7 tonnes by Turkey (source: IMF). Central banks have been a key pillar of gold demand for most of the last decade, but with key buyers Russia and China pausing their purchasing, the demand dynamic has changed. Demand turned negative (i.e. banks were

net sellers) in Q3'20 for the first time since Q4'10, and activity so far in 2021 has been fairly muted. Central bank demand accounted for 272.9 tonnes of gold last year (-59% year-on-year) and is on track to remain below pre-pandemic levels this year. Gold ETF outflows are also continuing, with global holdings down from a peak of 115 moz in October last year to 104 moz (-10%).

The gold price has found support and rallied so far in April. In March, the price closed below \$1,700/oz three times but each time it rallied the next day. Further upside is expected, although it is too soon to be sure that the trend has changed.

## 47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	25.25	1.71%	25.62	08/04/2021	24.67	05/04/2021
€/oz	21.22	0.70%	21.55	08/04/2021	20.88	05/04/2021

**Silver ETF holdings have held up better than gold.** Global silver ETF holdings have also been in a period of contraction over the past month, while the price has been trading largely sideways. Holdings are down from a peak of 1,169 moz at the start of February to around 1,106 moz now (-5%) and sales momentum is slowing. However,

coin demand has been buoyant and the US Mint reported a 20% year-on-year sales increase of its American Eagle coin in Q1'21 to 12 moz. Silver has recovered some ground relative to gold in April and is favoured to outperform gold if the rally continues.

## 78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,205	0.09%	1,248	07/04/2021	1,192	09/04/2021
€/oz	1,013	-0.95%	1,051	06/04/2021	1,004	09/04/2021

**Platinum autocatalyst demand is set for a strong rebound in 2021.** Global autocatalyst platinum demand is forecast to see a revival of more than 30% this year to an estimated 2.8 moz (which is higher than both 2020 and 2019 levels). Growth is being driven mainly by China's heavy-duty diesel sector to comply with China VI emissions legislation. The outlook for Europe is less positive as the full-year sales forecast for light-duty vehicles has been revised down further this year, to around 12.04 million units in 2021 (source: LMC Automotive). As expected, the third wave of Covid infections across Europe is weighing on sales as several

key markets extend or toughen restrictions. The selling rate in Western Europe was 11.3 million units/year in March, a clear improvement from the 10.3 million units/year recorded in February, but still well behind the average seen in recent years (14.25 million units). The region is expected to continue struggling in 2021, as 'stop-start' lockdowns, slow vaccination rollouts and ongoing economic uncertainty keep consumers from making purchases. After hitting \$1,300/oz, the platinum price has been consolidating its gains. Near term, it could slip back towards \$1,100/oz.



# PRECIOUS METALS REVIEW

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

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,638	-0.81%	2,703	06/04/2021	2,589	07/04/2021
€/oz	2,217	-1.83%	2,285	06/04/2021	2,191	07/04/2021

**Reuse it or lose it – secondary palladium supply is an increasingly important source of metal.** Over the last 10 years, palladium recycling has grown by around 4% CAGR to more than an estimated 2.7 moz this year, and that trend is set to continue. High palladium prices are likely to incentivise a good flow of material from scrapped autocatalysts this year, with additional secondary supply

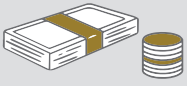
coming from jewellery and waste electrical and electronic equipment. A continued economic recovery should lead to more old vehicles being scrapped. Despite growth in secondary supply, the palladium market is forecast to remain in deficit in the near term which will keep the price supported.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$29,250/oz	\$455/oz	\$6,450/oz
Previous week	\$29,950/oz	\$445/oz	\$6,350/oz

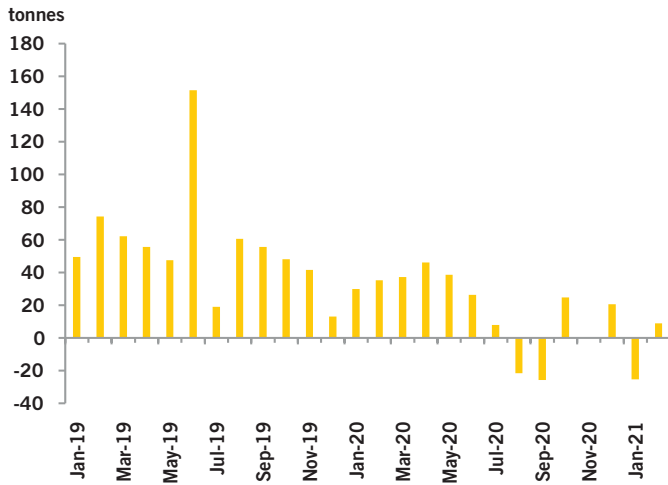
**Improving liquidity for minor metals.** At the start of the year, prices were forecast to continue climbing through Q1'21 as disruption to smelting operations in South Africa impacted refined metal supply. Moving forward, liquidity is expected to gradually improve as refined production normalises in Q2 and built-up stock is

processed later in the year, which could see the recent price rallies start to ease. However, the rhodium market deficit is forecast to widen this year and the iridium and ruthenium markets are also tight, so any downside may be limited.



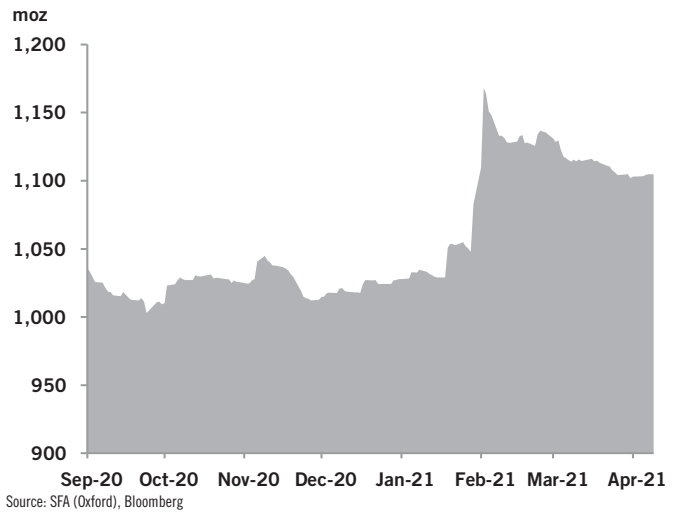
# TRENDS AND INVESTMENTS

## Central bank gold demand



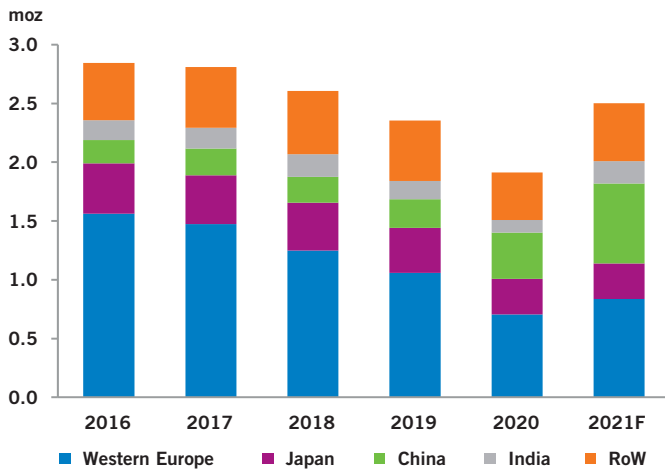
Source: World Gold Council, IMF International Financial Statistics; ECB, Weekly Financial Statement, national sources

## Silver ETFs



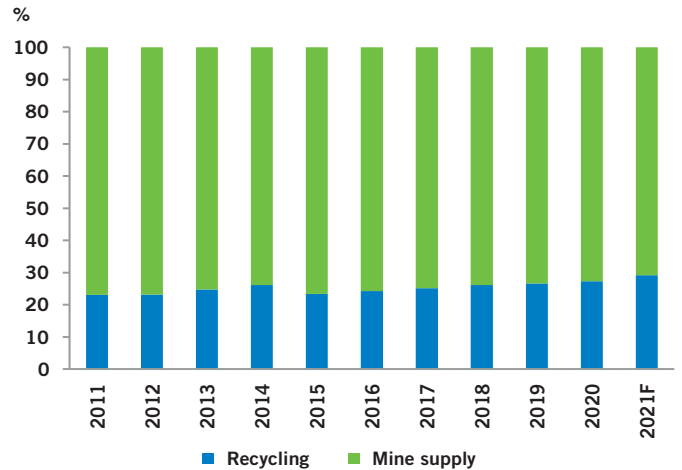
Source: SFA (Oxford), Bloomberg

## Platinum autocatalyst demand



Source: SFA (Oxford)

## Palladium recycling



Source: SFA (Oxford)

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