

HERAEUS PRECIOUS APPRAISAL

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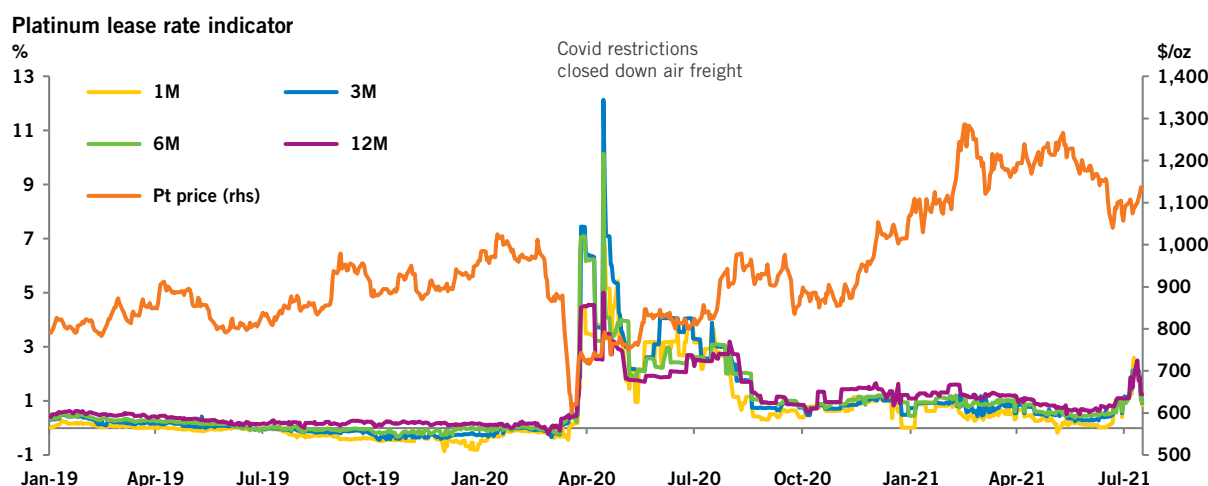
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MARKET SPOTLIGHT

Platinum: an ingot rush or sponge surplus?

Platinum lease rates are rising and the discount of sponge to bars has increased. The last time lease rates rallied was in April 2020, when pandemic-related travel restrictions and mine closures threatened the supply and movement of metal around the world. The situation today, with the platinum market remaining well-supplied, is more nuanced.



Source: SFA (Oxford), Bloomberg

Platinum sponge is the form typically used by automotive and industrial users in the West, for applications where a dissolution process is used, whereas investors, jewellery fabricators and Chinese purchasers, including automotive users, typically prefer ingot. From a supply perspective, platinum sponge is the primary product for South African producers, whereas Russia accounts for a large proportion of ingot supply. When sponge has traded at a discount in the past, LPPM approved refiners have converted sponge to bars, and vice versa.

Demand for platinum sponge is likely to have been impacted by cuts to light-vehicle production this year as a result of the semiconductor chip shortage, which has disproportionately affected automakers in Europe and North America, i.e. the West, more than those in other regions. Vehicle production in China, by comparison, has been relatively robust so far this year.

Investment demand has been muted, with modest inflows into platinum-backed ETFs this year. Global holdings currently stand at around 3.9 moz, after 85 koz was added in the first half of 2021. There was divestment of platinum bars in Japan in Q1 this year when the price exceeded ¥4,000/g, and this is likely to have continued while the price was elevated.

A squeeze on ingot supply could be weighing on the market. The impact of Nornickel's mine closures earlier in the year was estimated to be more noticeable moving into H2'21, and as a major supplier of ingot to the market, lower refined volumes of platinum from Russia is likely to be contributing to the slight squeeze on liquidity.

Overall, the platinum market is well supplied this year, with an estimated industrial market surplus of just under 1 moz, i.e. before investment. Therefore, the jump in lease rates is not attributed to a physical shortage of platinum, rather to a temporary disconnect between end-users and their preferred form of the metal, so the gains should be short-lived.



PRECIOUS METALS REVIEW

79 Au Gold

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,813	0.26%	1,834	15/07/2021	1,792	12/07/2021
€/oz	1,535	0.69%	1,551	16/07/2021	1,510	12/07/2021

Higher US inflation but no Fed response. The US CPI for June came in at 5.4% year-on-year, higher than expected, and the highest since 2008 when the oil price reached record highs. Gold did subsequently rally but remains well below its highs for the year. In a testimony to the US Congress, Federal Reserve Chairman Jay Powell maintained the view that inflation would moderate and that the economy needed ongoing support because of the high unemployment rate. However, he left room for a change in plan if inflation or longer-term inflation expectations were persistently too high. With real interest rates becoming more negative, it seems likely that gold should rally further.

Gold jewellery demand in India is likely to remain lacklustre. The number of new Covid cases has fallen sharply over the last two months and the tightest restrictions, which some states had extended to mid-July, have been eased. However, daily new cases remain at around 40,000 and the economic difficulties caused by Covid and the lockdowns are likely to linger for some time and impact jewellery purchases. There may not be a great deal of improvement on the 315.9 tonnes (source: World Gold Council) purchased last year, which was much lower than typical.

47 Ag Silver

	Close	Weekly change	High	Date	Low	Date
\$/oz	25.69	-1.65%	26.47	14/07/2021	25.60	16/07/2021
€/oz	21.76	-1.20%	22.40	16/07/2021	21.68	16/07/2021

Silver is underperforming gold. Unfortunately for silver bulls, higher US inflation has not been the trigger for the silver price to break out of its trading range, at least not yet. In the UK, the CPI for June was reported as 2.5%

year-on-year which was higher than expected, and UK investors added modestly to their silver ETF holdings last week. However, the US CPI data did not elicit the same response, with US ETF holdings little changed.

78 Pt Platinum

	Close	Weekly change	High	Date	Low	Date
\$/oz	1,109	0.85%	1,148	15/07/2021	1,092	12/07/2021
€/oz	939	1.32%	972	15/07/2021	921	12/07/2021

Disturbances in South Africa have not impacted PGM mining. Demonstrations against the jailing of the former president Jacob Zuma for contempt of court have been overtaken by civil unrest and the looting of shops. This started in KwaZulu-Natal (KZN) province but has spread to Johannesburg and the surrounding Gauteng province which is closer to the PGM mines. However, there is no unrest in the mining areas. South Africa is the largest platinum-producing region with output of 4.5 moz estimated for this year, representing ~74% of global primary supply.

There was an AMCU work stoppage at Impala Platinum's Rustenburg operations for one day as a show of strength alongside the return of contract workers who had previously been let go by the contract companies for non-attendance. They have all now returned to work and full production has resumed. The stoppage had a negligible impact on production.

The price is expected to trade broadly sideways as the market is in surplus (ex. investment) and investment demand remains quiet with global ETF holdings little changed this month at around 3.9 moz.



PRECIOUS METALS REVIEW

⁴⁶Pd **Palladium**

	Close	Weekly change	High	Date	Low	Date
\$/oz	2,631	-6.56%	2,870	12/07/2021	2,617	16/07/2021
€/oz	2,228	-6.14%	2,418	12/07/2021	2,226	16/07/2021

Car sales slip in China. Passenger car sales were down 4.7% month-on-month in June at 1.57 million units which appears to be at least partly the result of supply constraints, particularly the shortage of chips that is impacting production to varying degrees in all the major markets. However, for the first half of the year car sales are up 27% at 10.0 million units.

New energy vehicle (NEV) sales appear to be unaffected. China's NEV sales were up 17.6% month-on-month at 256,000 units (source: China Association of Automobile

Manufacturers (CAAM)). CAAM expected light-vehicle sales to reach 27 million units this year, up 6.7% from the 25.3 million units sold in 2020. Sales will almost certainly be higher than last year, but that might be aiming too high if the lack of chips continues to be a problem. Light-vehicle sales were 12.9 million units in the first half of the year. China is the largest light-vehicle market and palladium demand could get close to 2.7 moz this year. The palladium price dropped back last week but is expected to remain at a historically high level as the market is in deficit this year.

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

	Rhodium	Ruthenium	Iridium
Reporting week	\$20,750/oz	\$795/oz	\$6,150/oz
Previous week	\$18,450/oz	\$795/oz	\$6,150/oz

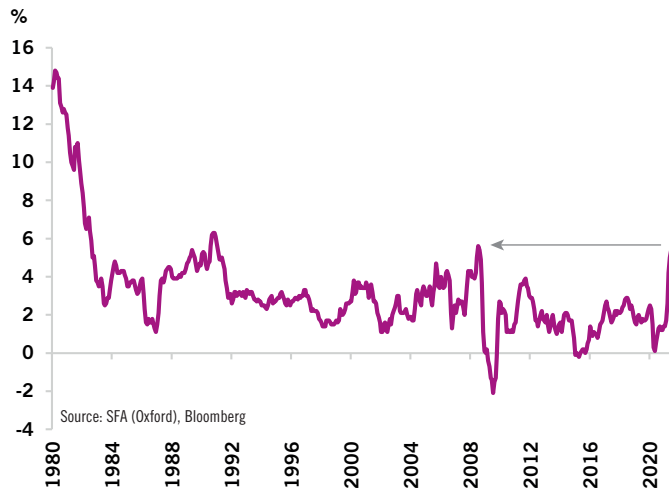
Electronics part suppliers have been seeing robust demand continue in 2021. This is supporting electrical demand for ruthenium which is used in components such as thick film chip resistors. At a little over 300 koz, electrical demand is about a third of total ruthenium demand.

Rhodium bounced back above \$20,000/oz last week, whereas the ruthenium and iridium prices were unchanged.

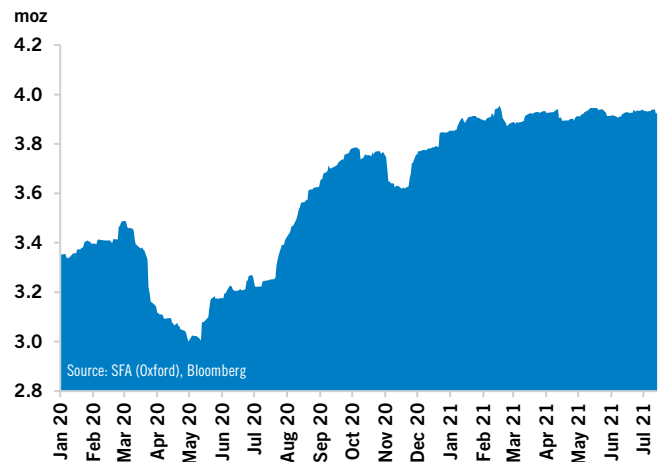


TRENDS AND INVESTMENTS

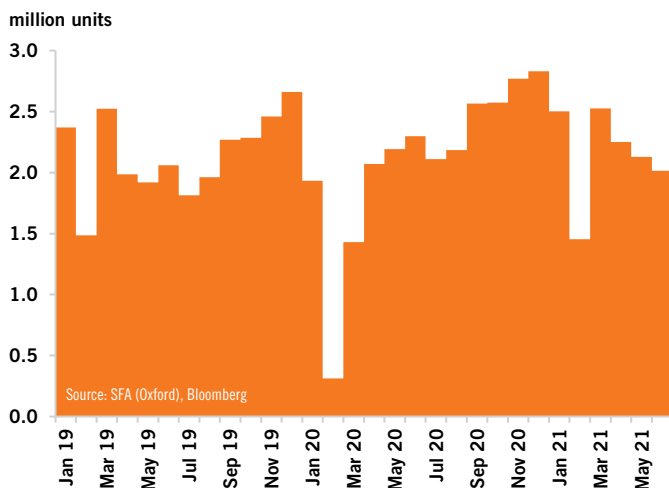
US CPI



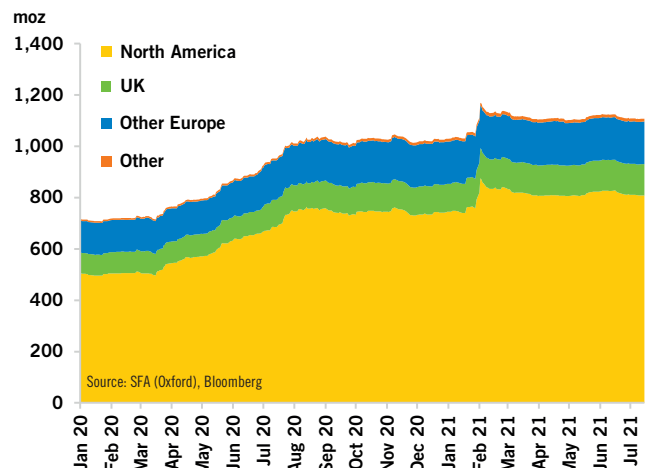
Platinum ETF holdings



China light vehicle sales



Silver ETF holdings



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