

PRECIOUS APPRAISAL

No. 12
11th April 2022



- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

MARKET SPOTLIGHT

Platinum and palladium funds outshone by gold and silver in the first quarter

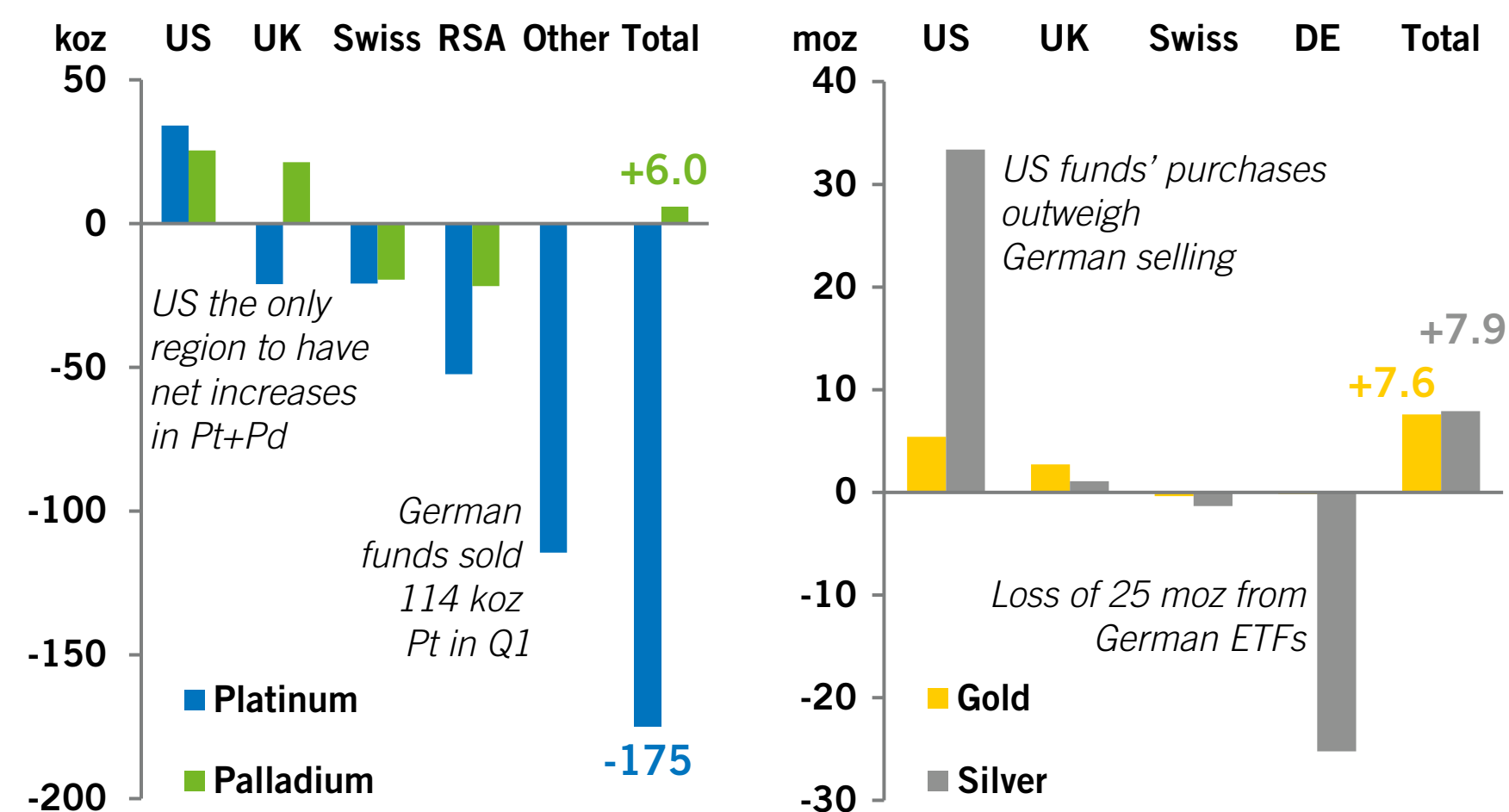
Exchange-traded funds based in the US saw gains in metal holdings across gold, silver, platinum and palladium in the first quarter. Elsewhere, ETFs were less universally popular, with platinum and palladium funds attracting much less interest than those for gold or silver.

Gold ETF holdings grew 7.7% to 104 moz last quarter, peaking on the last day of the period following a 10-week run of net positive gold inflows. US and UK investors poured \$15.8 billion of their capital into gold ETFs as the price gained 7.7% in three months. Investors in Germany preferred physical bars to ETFs. Inflation concerns were a strong incentive, as already rising inflation was compounded by additional pressure on food and energy prices due to the war in Ukraine. Central banks have been slow to act, and inflation is rising faster than interest rates, supporting gold. The Fed plans to accelerate its tightening, which could eventually become a headwind for gold, though if the dollar strengthens further that makes gold look better priced in euros.

Silver investors jumped the gun to take profits. Investors were buying silver in ETFs at a rate of 670 koz a day in the build-up to the Russian invasion of Ukraine, peaking at 899 moz on 22 February. There was a drop of 6.7 moz in the 48 hours following the invasion as prices spiked. Although the price kept rising until 8 March, holdings continued to fall, decreasing by 1.8% (-16.5 moz) by month-end. US holdings were up 33 moz, while German-based funds saw a decrease of 45% as they shed more than 25 moz of silver in Q1'22. Gold has been the favoured metal and the silver price has failed to outperform gold. Real yields are still deeply negative, however, and will continue to be in the medium term, which should be positive for precious metal prices.

Platinum-group ETFs proved less popular. Even with concerns about Russian supply of PGMs driving up the price of palladium to new all-time highs, most investors were not persuaded to add PGMs to their portfolios in Q1. Globally, platinum ETF holdings decreased for a third straight quarter, losing 175 koz in Q1, while palladium holdings edged up 6 koz. US funds added 34 koz of platinum (+3%) and 25 koz of palladium (+10%), making it the only region with a net gain in metal held. Platinum has a wide discount to gold and palladium, but that has been the case for several years, so perhaps some investors have lost patience waiting for a reversal.

ETF Flows Q1'22



Source: SFA (Oxford), Bloomberg. Other = Germany, Japan, Hong Kong, Australia. RSA = South Africa, DE = Germany.

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,942	0.83%	1,948	08/04/2022	1,915	06/04/2022
€/oz	1,786	2.41%	1,796	08/04/2022	1,746	04/04/2022

Central banks were net sellers of gold for a second month in February. Selling of gold reserves was led by Uzbekistan as its central bank sold 710 koz of the yellow metal in February. The sale represented approximately 6.5% of the country’s gold reserves. Uzbekistan was the second-largest producer of gold in Asia behind China in 2020, with 3.3 moz produced. There were also some purchases but the net result was a reduction of world central bank reserves of 180 koz (source: World Gold Council). In 2021, global central bank gold holdings saw a net increase of more than 400 tonnes, and it is forecast that net purchases will continue this year, but to a lesser degree. Purchases have been small and dominated by Turkey (+800 koz) and India (+83 koz) so far this year, with Russia adding small amounts following the central bank’s resumption of domestic buying.

The Indian market was insulated from March’s high gold prices. In India, the local gold price traded at a wide discount to the international spot price in March when the gold price moved above \$2,000/oz. Indian consumers can be very price sensitive and the local discount may have been a reaction to low consumer demand from jewellers trying to draw in sales in the run-up to the Gudi Padwa festival last week. Gold imports into India have stayed relatively consistent at between 2.5 and 3.0 moz per month since September 2021. Last year, consumer demand in India recovered to 797 tonnes (source: World Gold Council) but demand this year could struggle to match that with such high gold prices.

PRECIOUS APPRAISAL

11th April 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

PRECIOUS METALS REVIEW

Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	24.66	-0.31%	24.94	05/04/2022	24.13	06/04/2022
€/oz	22.68	1.25%	22.80	08/04/2022	22.09	06/04/2022

Silver Eagles' premiums soar in March. US Mint Silver American Eagle first-quarter sales were down 37% year-on-year at 7.6 moz for Q1'22, compared to more than 12 moz the year before. Despite this, premiums on US Mint Silver Eagle coins have increased nearly 50% across large silver dealers in the US, suggesting there was strong demand for coins relative to supply. Globally, first-quarter ETF investment yielded an 8 moz net increase in metal bought. US funds added 33 moz, also indicating a positive investor attitude towards silver, and outweighing net sales elsewhere. With silver being a cheaper alternative to gold as an inflation hedge, demand is likely to continue to be robust as monetary policy is a long way from bringing inflation under control. Silver continued to trade lower from its early March high, finishing the week \$0.08/oz down.

PRECIOUS APPRAISAL

11th April 2022

01 MARKET SPOTLIGHT

02 GOLD

03 SILVER

04 PLATINUM

05 PALLADIUM

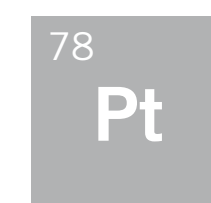
06 RHODIUM, RUTHENIUM, IRIDIUM

07 TRENDS AND INVESTMENTS

08 ABOUT HERAEUS

PRECIOUS METALS REVIEW

Platinum



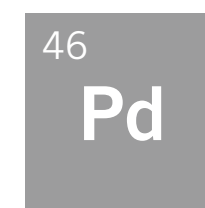
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	974	-1.68%	1,000	04/04/2022	945	07/04/2022
€/oz	896	-0.11%	912	08/04/2022	866	07/04/2022

The Karo project is being advanced in Zimbabwe, and production could start as soon as 2024 if funding and an offtake agreement can be achieved. The Karo project in the central Great Dyke of Zimbabwe contains a total of 9.97 moz PGMs, of which 4.5 moz is platinum. Tharisa aims to start up operations as soon as Q1'24 because initial mining will be open pit. Projected steady-state platinum production will be ~68 koz of platinum p.a., potentially lifting Zimbabwean production to over 600 koz p.a. Tharisa intends to produce metal in concentrate at the operations, with smelting carried out externally. Zimplats' Selous Metallurgical

Complex is 40 km to the north of the project and a smelter expansion there is due to be completed by Q1'24. However, this extra capacity has already been earmarked for Zimplats' own production. Concentrate exports to South Africa would be subject to an export tax. High PGM prices continue to encourage investment into new mine development which is helping to safeguard future supply from Southern Africa. Platinum currently has the weakest fundamental outlook and a price below \$1,000/oz is reflecting that.

PRECIOUS METALS REVIEW

Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,406	6.54%	2,473	08/04/2022	2,170	06/04/2022
€/oz	2,212	8.18%	2,280	08/04/2022	1,993	06/04/2022

Nornickel’s primary refiner removed from LPPM good delivery list. The palladium price shot up 11% to \$2,472.55/oz on Friday afternoon before closing the week at \$2,406/oz as the London Platinum and Palladium Market removed two Russian PGM refiners from its good delivery list. Like action taken by the LBMA with Russian gold refineries, the move effectively blocks newly cast palladium from Nornickel reaching the London and Zurich trading hubs. However, as neither Nornickel nor palladium are subject to sanctions, the metal will likely still find its way to where it is needed. Gold experienced a comparable knee-jerk reaction in the price immediately after the LBMA announcement on 7 March but has since retreated to previous price levels. Palladium will likely behave in a similar fashion.

US first-quarter light-vehicle sales were the best since Q2’21, but still low. New light-vehicle sales in the US decreased month-on-month to 13.3 million (seasonally adjusted annual rate) in March. The sales for the quarter, however, were higher than in the last two quarters, suggesting some ground has been made up since the worst of the semiconductor chip crisis in 2021. Even with rising prices for new vehicles, a shortage of vehicles, not lack of demand, is to blame for the low sales figures. Inventory numbers remain low – indicating that vehicles are sold quickly and not sitting on dealer forecourts. A rebound in chip supply is expected to help light-vehicle production recover this year, but production estimates have been revised down owing to the impact of the Ukraine conflict. As a result, the palladium market is now expected to be in a small surplus this year. However, as 82% of palladium demand comes from the automotive sector, the price is particularly vulnerable to further demand disruptions.

PRECIOUS APPRAISAL

11th April 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIDIUM**
- 07 TRENDS AND INVESTMENTS
- 08 ABOUT HERAEUS

PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$20,450/oz	\$695/oz	\$5,750/oz
Previous Week	\$20,950/oz	\$695/oz	\$5,750/oz

UK's new energy strategy doubles the planned hydrogen production to 10 GW by 2030, at least half of which will be green hydrogen. The previous target was set only last year and has been accelerated as a response to the energy security issues posed by the Russia-Ukraine conflict. This will speed up the growth of electrolyzers using iridium cathodes in the UK market. The iridium market is small compared to the other PGMs. As it is produced only as a by-product, its primary supply is dependent on platinum output being maintained, particularly in South Africa where there have been recent announcements of mine extensions and replacement capacity. Currently, a small amount of global demand is from the hydrogen sector, but this could grow rapidly in the next few years. To meet the higher demand for iridium, levels of thriftiness and recycling will need to increase to help provide enough metal for the hydrogen economy.

The rhodium price fell last week to \$20,450/oz but is still modestly above its March low. Ruthenium and iridium prices both remained flat for another week.

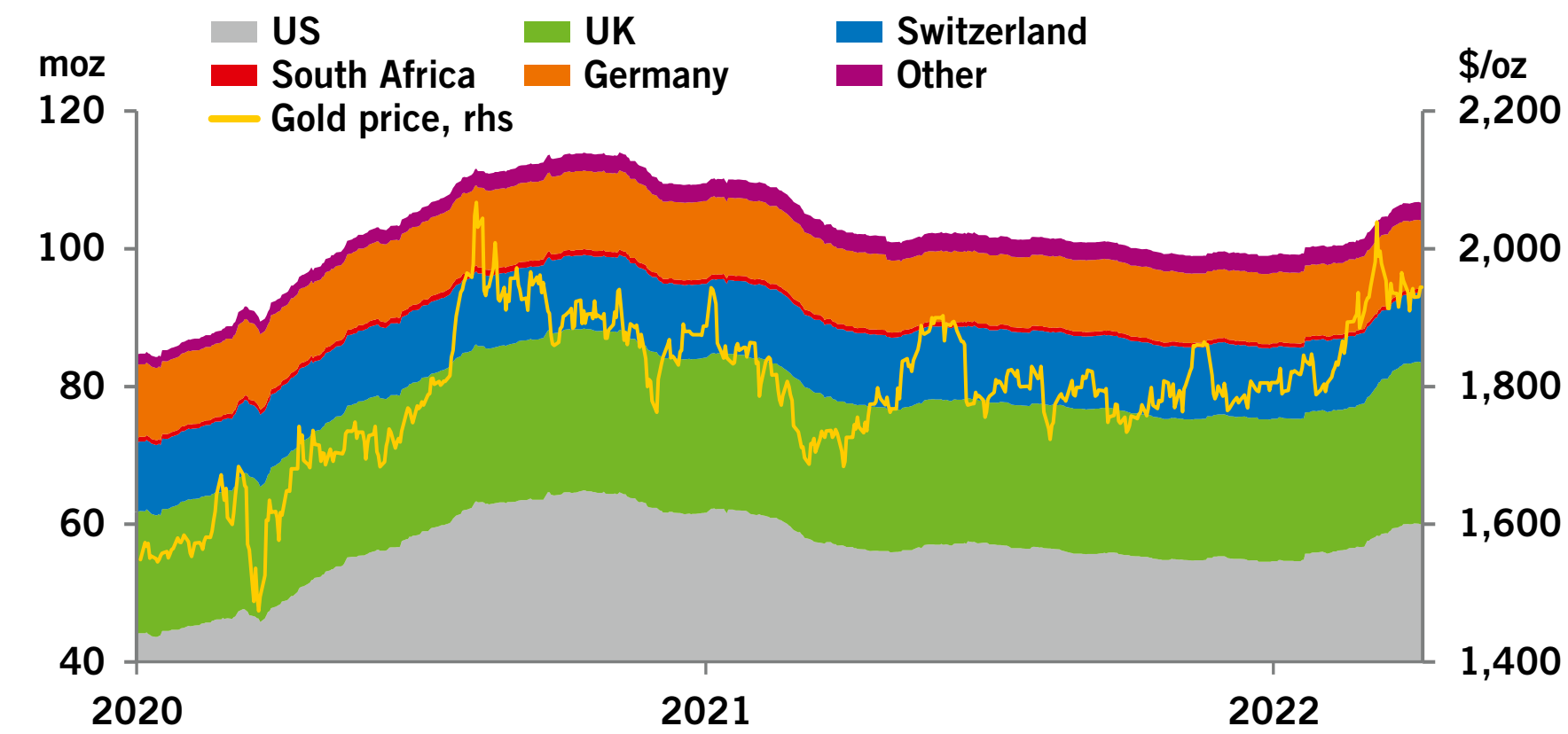
PRECIOUS APPRAISAL

11th April 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 **TRENDS AND INVESTMENTS**
- 08 ABOUT HERAEUS

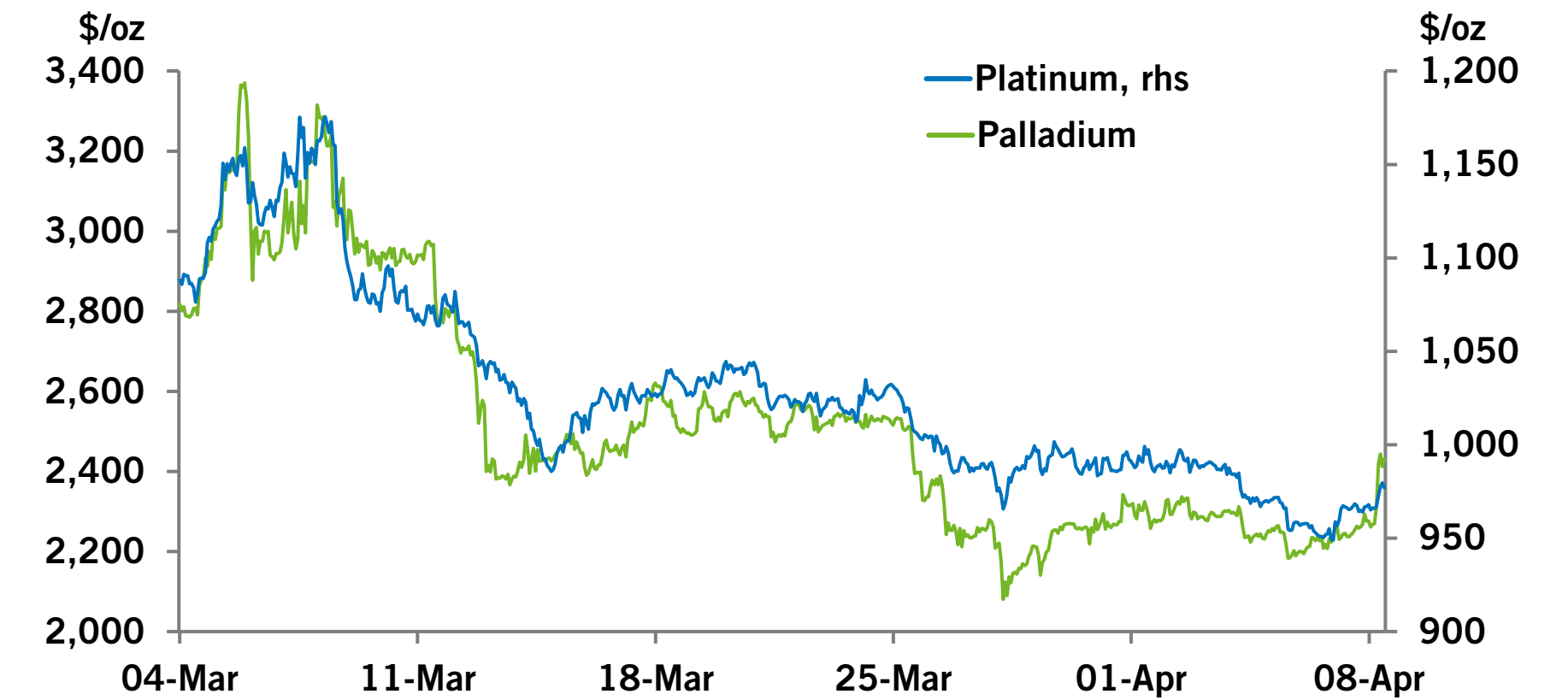
TRENDS AND INVESTMENTS

Gold ETF holdings



Source: SFA (Oxford), Bloomberg

Platinum price vs palladium price



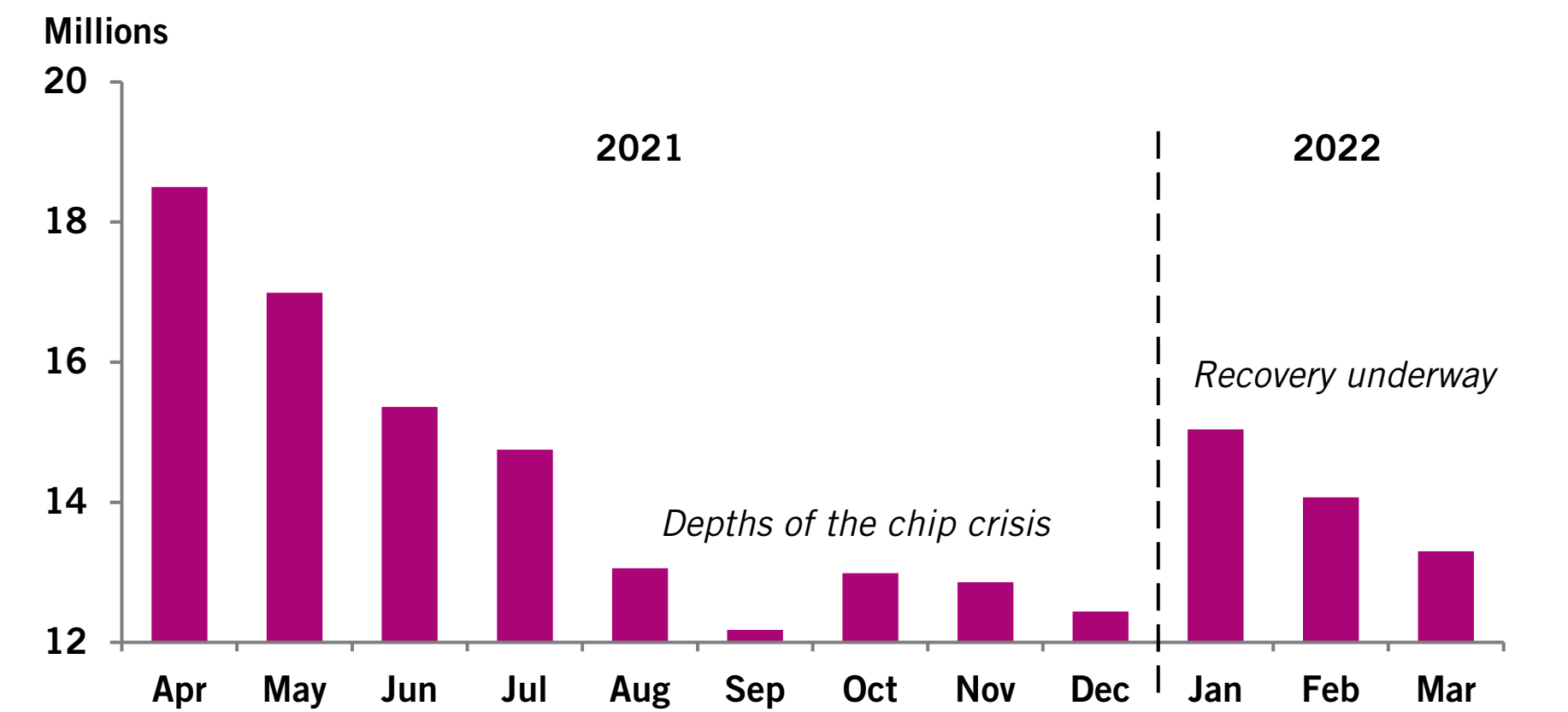
Source: SFA (Oxford), Bloomberg

Silver ETF holdings



Source: SFA (Oxford), Bloomberg

US seasonally adjusted light vehicle sales



Source: SFA (Oxford), National Automobile Dealers Association, tradingeconomics.com

PRECIOUS APPRAISAL

11th April 2022

- 01 MARKET SPOTLIGHT
- 02 GOLD
- 03 SILVER
- 04 PLATINUM
- 05 PALLADIUM
- 06 RHODIUM, RUTHENIUM, IRIIDIUM
- 07 TRENDS AND INVESTMENTS
- 08 **ABOUT HERAEUS**

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