

PRECIOUS APPRAISAL



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5th June 2023

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PRECIOUS METALS REVIEW

Gold

⁷⁹
Au

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,962	0.95%	1,984	02/06/2023	1,932	30/05/2023
€/oz	1,830	0.86%	1,852	31/05/2023	1,808	30/05/2023

Euro-denominated gold could outperform in the near term. Dollar-priced gold may be looking overpriced despite a recent decline owing to sticky inflation and the likelihood that the Fed will not meaningfully cut interest rates in 2023, leading to a potential resurgence in relative dollar strength and lower gold prices in dollar terms. The euro has been weakening against the greenback since the beginning of May. Eurozone inflation continued to roll over in May, coming down to 6.1% year-on-year, and market expectations for ECB rate hikes have been slightly lowered. This points to there being less upside for the EURUSD pair in the short term and could lead to outperformance in gold as the euro weakens.

A quarter of central banks expect to increase gold reserves in the next 12 months, according to a survey of central bankers (source: World Gold Council). Central bank gold buying reached unprecedented levels last year as net purchases reached 1,078 tonnes, and net purchasing in Q1'23 was also at record levels. Central bank demand is likely to remain robust this year, given year-to-date trends, though it is unlikely that purchasing activity will reach the levels seen last year.

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	23.75	2.33%	24.02	02/06/2023	22.93	30/05/2023
€/oz	22.15	2.23%	22.31	02/06/2023	21.09	30/05/2023

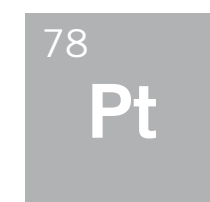
Weak US PMIs add to silver's industrial demand risk. The US manufacturing PMI has been in contraction for seven consecutive months, and the new orders segment of the index has been in decline for the last nine months. This indicates that downstream pull on silver demand in various applications is likely to be weaker than expected this year. The decline from 47.1 in April to 46.9 in May represents a faster rate of contraction month-on-month, as companies attempt to manage output to meet lower end-use demand for products. Both the US and China have shown poor growth relative to expectations so far this year, and combined they account for >50% of global industrial silver demand. In 2023, global industrial silver demand is forecast to grow by 4% year-on-year to 576 moz (source: The Silver Institute). The predicted increase is partially a result of growth in solar cell production. This sector is likely to be resilient to an economic downturn in Europe and the US owing to a greater emphasis on independent and renewable electricity supply. The greater risk to demand comes from the more cyclical industrial sectors such as consumer electronics. An extended period of industrial demand slowdown in silver could remove some support for the price, and lead to underperformance relative to gold.

The silver price did find some upward momentum last week, but failed to hold above \$24/oz, finally finishing more than 2.3% higher than the previous week.

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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,009	-1.99%	1,042	30/05/2023	996	31/05/2023
€/oz	941	-2.08%	970	30/05/2023	932	31/05/2023

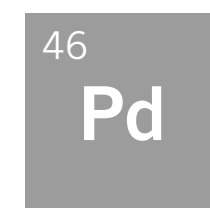
Impala closes takeover of neighbouring platinum producer. Impala Platinum has successfully purchased a controlling stake (~56%) in Royal Bafokeng Platinum (RBP), expanding Impala’s platinum mining and processing base. RBP’s mines are adjacent to some of Impala’s Rustenburg shafts, and sit lower down the cost curve, in part owing to the shallower and more mechanised mining methods. The acquisition expands the PGM reserves and resources of Impala in the Rustenburg area, potentially extending the life of shafts. RBP is predicted to produce 270-280 koz of platinum in 2023. When adjusted for owner-attributed ounces, this could increase Impala Platinum’s 2023 forecast production by ~13% to approximately 1.25 moz, making it the largest South African platinum producer and responsible for ~30% of South African production. By gaining control of RBP, Impala could access synergies in terms of orebody accessibility, staffing and processing thanks to the company’s adjacent mining licences.

Geopolitical influences now weakening the rand over South Africa’s links with Russia. The South African rand fell lower last week against the dollar, now 15% weaker year-to-date. The rand made a new all time-low against the greenback, as South Africa’s relations with the Russian leadership have been questioned by third parties. A weakening rand has historically been a headwind for the platinum price. However, the current rand weakening cycle is yet to significantly pull platinum to the downside. Although a short-term correction is underway (platinum is down 10% since 21 April), price risk remains to the upside as the platinum market is forecast to be in deficit this year, and South African supply (75% of global primary supply) remains at risk owing to the fragile power supply in the country.

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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,416	-1.21%	1,452	30/05/2023	1,361	31/05/2023
€/oz	1,321	-1.29%	1,354	30/05/2023	1,277	31/05/2023

Russian palladium supply forecast to fall this year on delayed smelter maintenance. Nornickel is replacing a furnace at its PGM processing facilities later this year, having pushed back the works for more than 12 months. Smelting capacity will therefore be affected towards the end of 2023 and possibly into early 2024. As a result, Russian palladium output is predicted to fall 14% year-on-year to 2.4 moz, just ~15 koz more than South Africa’s forecast production. Depending on the time taken to ramp up the smelter following maintenance, refined palladium output from Russia may be lower into Q1’24, potentially temporarily impacting liquidity and increasing palladium price volatility, as the global market is forecast to be moderately undersupplied this year. Besides its palladium fund, it is assumed that Nornickel has some additional above-ground stocks of refined metal, which will allow it to smooth out periods of lower metal availability later in the year. The exact volume of metal held in reserve is unknown, however, and unless there is an unexpected delay in the recommissioning of the smelter, it is unlikely that there will be a significant fall in metal availability as the company taps into these stocks.

The palladium price found support at around \$1,360/oz last week, the level formed during the pandemic price trough in 2020, and finished just 1.2% lower week-on-week at \$1,416/oz. If the price falls through ~\$1,360/oz, it could continue to weaken to \$1,300/oz or lower.

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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$7,550/oz	\$525/oz	\$5,150/oz
Previous Week	\$7,750/oz	\$525/oz	\$5,150/oz

China's goals for fuel-cell vehicle adoption are ambitious but would support greater iridium and ruthenium demand. The government has set a goal to deploy 1 million fuel cell vehicles across China by 2035. Demand for ruthenium (primarily used in fuel cell catalysts in conjunction with platinum) in the hydrogen economy is currently relatively low. Initiatives such as this in China are forecast to aid rapid growth in the adoption of fuel cell technology and associated ruthenium demand. However, hydrogen fuel cell-powered vehicles currently occupy only a small slice of global vehicle sales. In Q1'23, South Korea was the only country to show growth in fuel cell vehicle sales, while in China, 688 were sold – a 7% decline year-on-year (source: SNE Research) – versus sales of more than 1 million BEVs. For passenger vehicles, BEVs remain more popular owing to the greater range of options and charging infrastructure. Fuel cells are more likely to expand market share in the heavy-duty sector. Hyundai and SinoFuelCell are investing in expanded fuel cell production in China, and expect to see acceleration in vehicle sales in 2023.

The ruthenium and iridium prices remain stable for another week last week, while rhodium gradually fell lower, closing the weeks trading at \$7,550/oz.

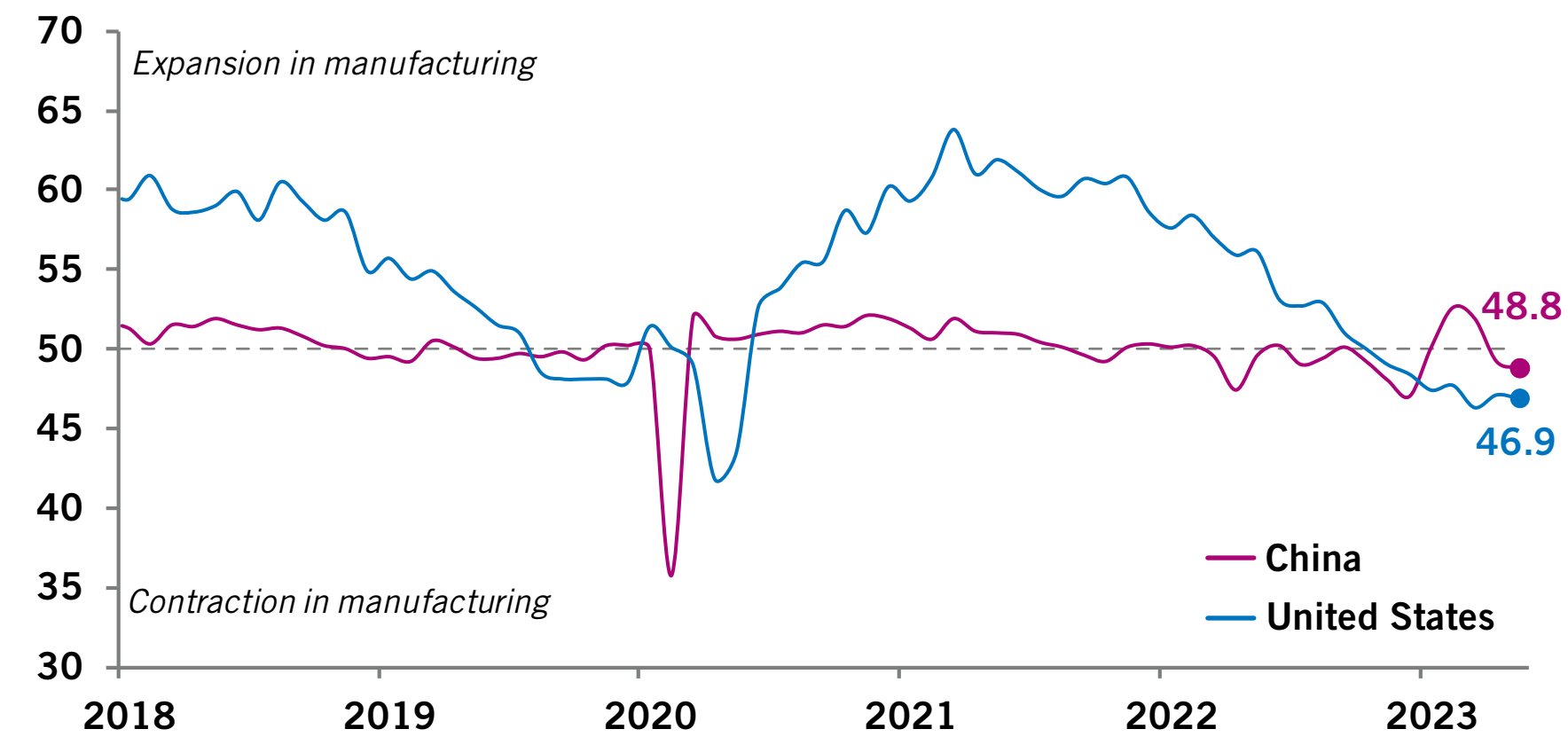
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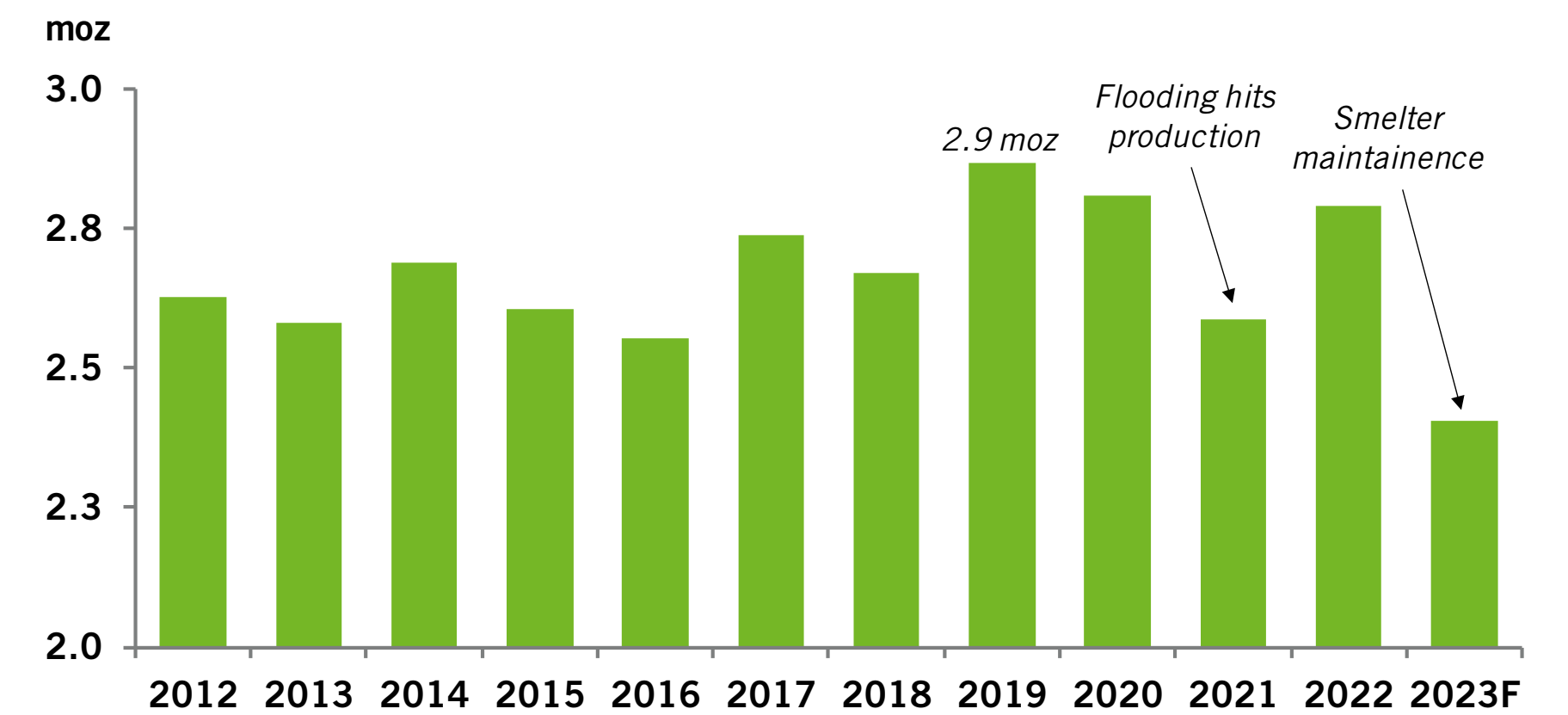
TRENDS AND INVESTMENTS

China and United States manufacturing PMIs



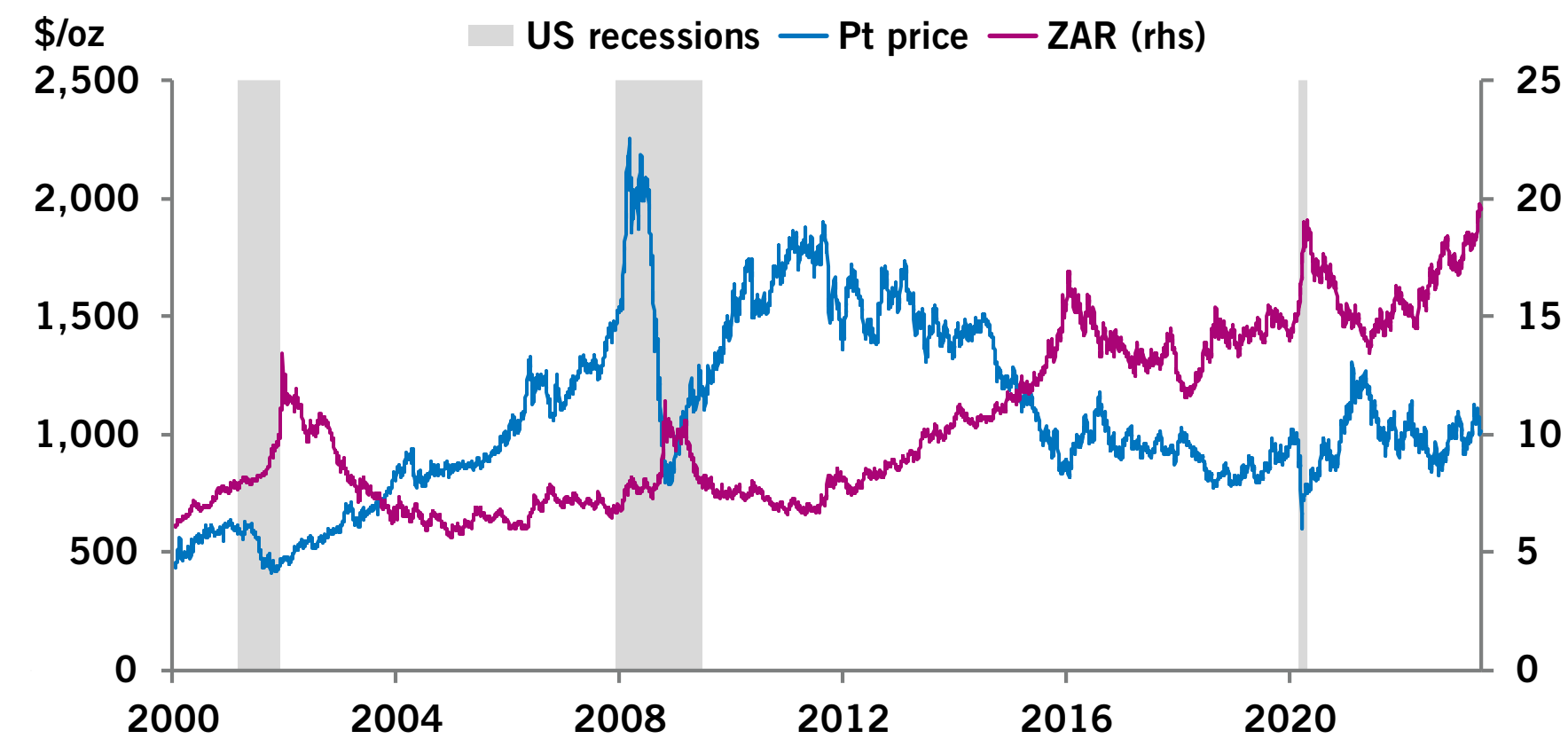
Source: SFA (Oxford), Bloomberg

Russia palladium production



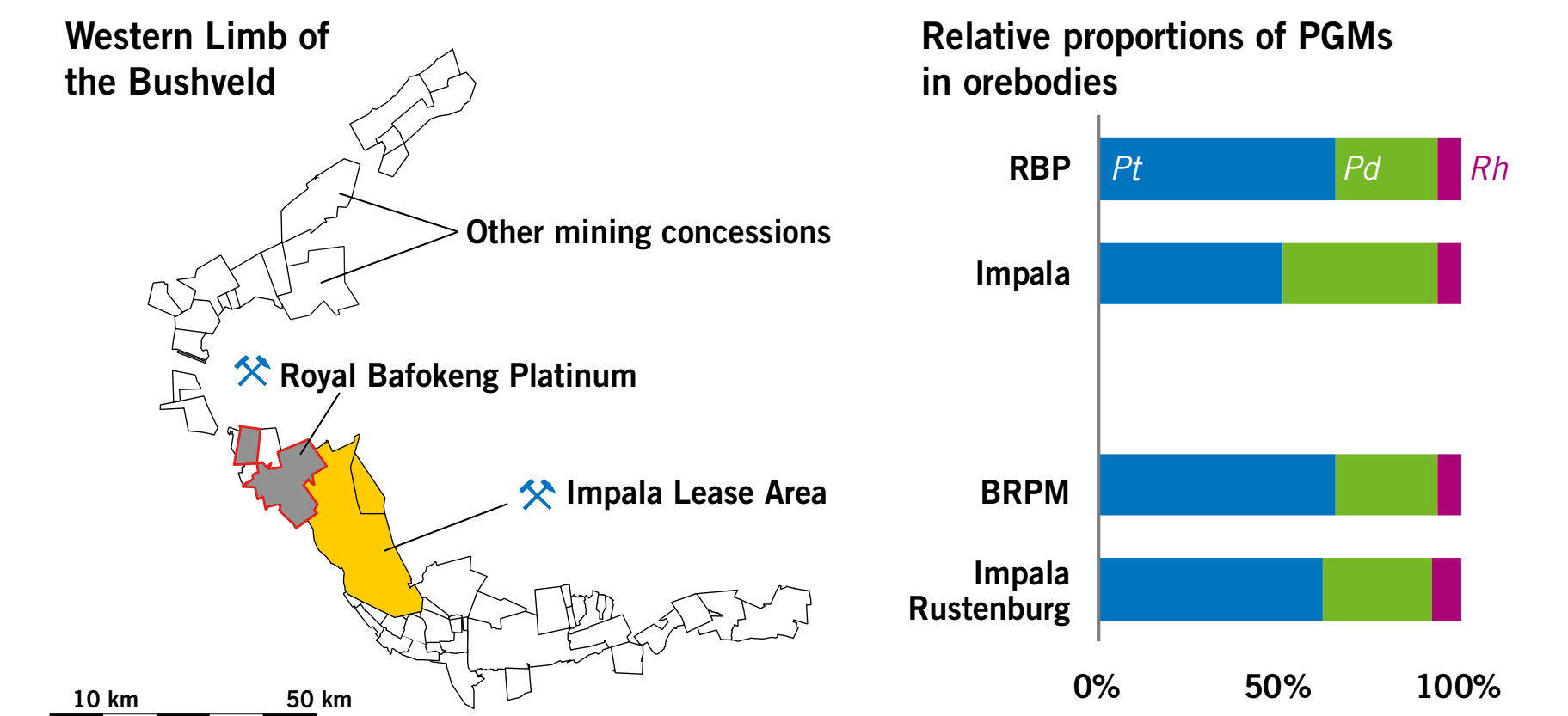
Source: SFA (Oxford)

Platinum price vs South African rand



Source: SFA (Oxford), Bloomberg

PGM content of Impala and RBP orebodies



Source: SFA (Oxford)

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