

PRECIOUS APPRAISAL



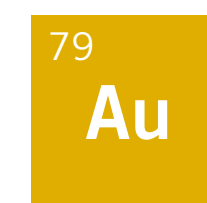
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17th July 2023

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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,958	1.58%	1,964	14/07/2023	1,913	10/07/2023
€/oz	1,743	-0.88%	1,764	12/07/2023	1,738	14/07/2023

One more rate hike appears baked-in, but gold is looking past July.

Easing US inflation led to an intraweek gold rally as the gold price rose to \$1,964/oz, the highest point since 16 June. Headline US CPI fell to 3% year-on-year in June and core inflation retreated below 5% for first time since December 2021. This would suggest that July's Fed rate hike is possibly the last, and that a gold price below \$1,900/oz is in the 'rear-view mirror' for now. Interest rate traders now appear more confident of an end to further tightening. As a result of softer interest rate expectations, the dollar is at its weakest point versus other currencies since April 2022, allowing the precious metals to move higher. Traders' bets suggest a cut to interest rates is not imminent. Now 18 months into the current 'transitory' inflationary cycle, the US dollar is unlikely to show much more strength, provided there are no further interest rate hikes after this month. As a result, gold is expected to drift higher in H2.

Gold finished last week 1.6% higher at \$1,958/oz. Despite this, investors are yet to jump into the rally. ETF holdings declined by 143 koz last week, though this is less than 50% of the outflows in the first week of the month. If institutional investors see this uptick in the gold price as an entry point and flows flip to positive, the rally could gain momentum and potentially test \$2,000/oz in the coming weeks.

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	24.91	8.09%	25.02	14/07/2023	22.75	10/07/2023
€/oz	22.17	5.45%	22.27	14/07/2023	20.78	10/07/2023

US silver bullion demand on track to better 2022. Sales of silver American Eagle coins from the US Mint totalled 1.48 moz in June, adding to strong sales of 1.59 moz in May. This brings the year-to-date total to 9.7 moz of silver coins sold by the US Mint this year. On an annualised basis, demand this year is expected to exceed 2022 by 21%, though at the current rate of sales, 2023 US Mint coin demand will be significantly lower than the 10-year average of 29.4 moz. Nonetheless, sentiment in silver investment appears to be relatively robust. ETF outflows have been lower relative to those for gold this year. However, while sentiment may be good towards silver investment, industrial applications retain the majority of market share, and an improvement in activity in China and Europe may be needed to see the price rise much further in H2'23.

Like gold, silver moved above its downward trend line in the wake of the US CPI reading for June but outperformed the other precious metals, gaining more than 8% week-on-week.

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Platinum

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Pt

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	976	6.75%	980	13/07/2023	908	10/07/2023
€/oz	868	4.19%	874	13/07/2023	829	10/07/2023

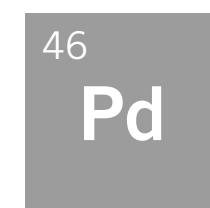
South Africa's platinum producers just cannot seem to off-load load-shedding. Having been more manageable in June, load-shedding bounced back up to Stage 6 last week as a cold snap brought snow to the platinum belt for the first time in 12 years and peak demand exceeded maximum Eskom forecasts for July. Producers appear to have improved their position in terms of power generation in the first half of the year with more off-grid generation, and therefore a relatively low impact from a short-term increase in load-shedding intensity is to be expected. However, the resumption of instability in electricity supply could reduce the ability of producers to work through nearly 500 koz 6E of reported work-in-progress stock (as of end-Q1'23). Supply risks have not supported the platinum price well this year, though a significantly stronger rand in the last week has helped platinum to recover from lows below \$900/oz in the last two weeks.

The notably weaker dollar suggests that the rand will see some relief from pressure experienced recently. The South African currency strengthened to 18 per dollar last week. The rand may find support around this level, but a weaker dollar could still lend the rand more strength into the 17 per dollar range. Having been dislocated, the inverse relationship between the rand's strength and the platinum price is stronger once again. At Friday's close, platinum was 6.75% higher and had the largest weekly gain in 11 weeks.

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PRECIOUS METALS REVIEW

Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,267	2.17%	1,310	13/07/2023	1,196	10/07/2023
€/oz	1,128	-0.29%	1,174	13/07/2023	1,095	10/07/2023

A Europe not ready for EVs is positive for palladium demand. Norway is at the forefront of electric vehicle adoption. Its share of vehicle sales that are fully electric was 80.7% in May. However, since the 25% tax cut on BEVs was abolished this year, sales growth has stalled. Year-on-year, January to May sales were just 0.1% higher. If the fourth-richest country in Europe is struggling to attain BEV sales growth without significant subsidies, other countries may also struggle. Some of the decline in growth may be attributed to market saturation, given the high market share already achieved. However, Germany, by far Europe’s largest light-vehicle market, cut hybrid subsidies this year in order to push customers into purchasing BEVs. The ratio of electric drivetrain sales to petrol is only 4% higher year-to-date than in 2022 and has been stable since 2021, indicating that the reform is not entirely successful. Subsidies are to be lowered again from 2024, which may hinder growth in BEV sales, though many sales will likely be made in Q4’23 to take advantage of current cash incentives. Germany is forecast to account for 360 koz of palladium autocatalyst demand this year (~23% of Western Europe’s demand). Fewer and less valuable incentives leave BEV sales exposed to underlying demand and affordability. If combustion engines retain a larger slice of market share, palladium demand should be sustained for longer on the continent as the 2035 deadline for a zero-emission fleet nears.

Like its sister precious metals, the palladium price rose last week, peaking at \$1,310/oz before falling back moderately by Friday.

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PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$4,850/oz	\$475/oz	\$5,050/oz
Previous Week	\$4,450/oz	\$475/oz	\$5,050/oz

Opinions are still divided on the scale of the hydrogen economy.

Bosch has announced it will invest €2.5 billion in hydrogen technology and has already begun production of fuel cell modules. This is a 150% increase in hydrogen investment against the company’s previous plans two years ago. The company will provide its fuel cell systems to Nikola in the US for use in its heavy trucks. Bosch forecasts 20% of new >6-tonne trucks will be hydrogen powered by 2030. On the other side, British Petroleum (BP)’s 2023 Energy Outlook is less optimistic. It sees little more than 15% of heavy-duty fuel demand being hydrogen-based by 2035. Forecasts estimate that new heavy-duty vehicles sales will reach 4 million units by 2030. If 15% of those sales were hydrogen fuel cell powered, 600,000 new fuel cell vehicles would enter the fleet that year. In 2023, it’s forecast that nearly 9,000 fuel cell heavy-duty vehicles will join the roads, globally. A rapid improvement in FCEV market share would be directly positive for ruthenium in catalyst membranes, and indirectly positive for iridium in electrolyzers used to produce hydrogen fuel. The net impact on platinum demand is expected to be positive, as platinum benefits from both diesel autocatalyst and fuel cell vehicles.

Rhodium found some buying interest last week after hovering around \$4,500/oz for the previous fortnight, and the price moved up to \$4,850/oz. Some end-users may have seen this level as an appropriately cheap price point to enter for restocking. Rhodium investment products saw some investor interest last week as the AfricaRhodium ETF added 280 oz (worth \$1.4 million at \$4,850/oz) of metal to its holdings. Rhodium may have found a temporary bottom at \$4,000/oz, though strength in combustion vehicle sales globally may need to exceed expectations and boost automotive demand (87% of total rhodium demand) if this is to hold over the long term.

Iridium and ruthenium both remained steady last week at \$5,050/oz and \$475/oz, respectively.

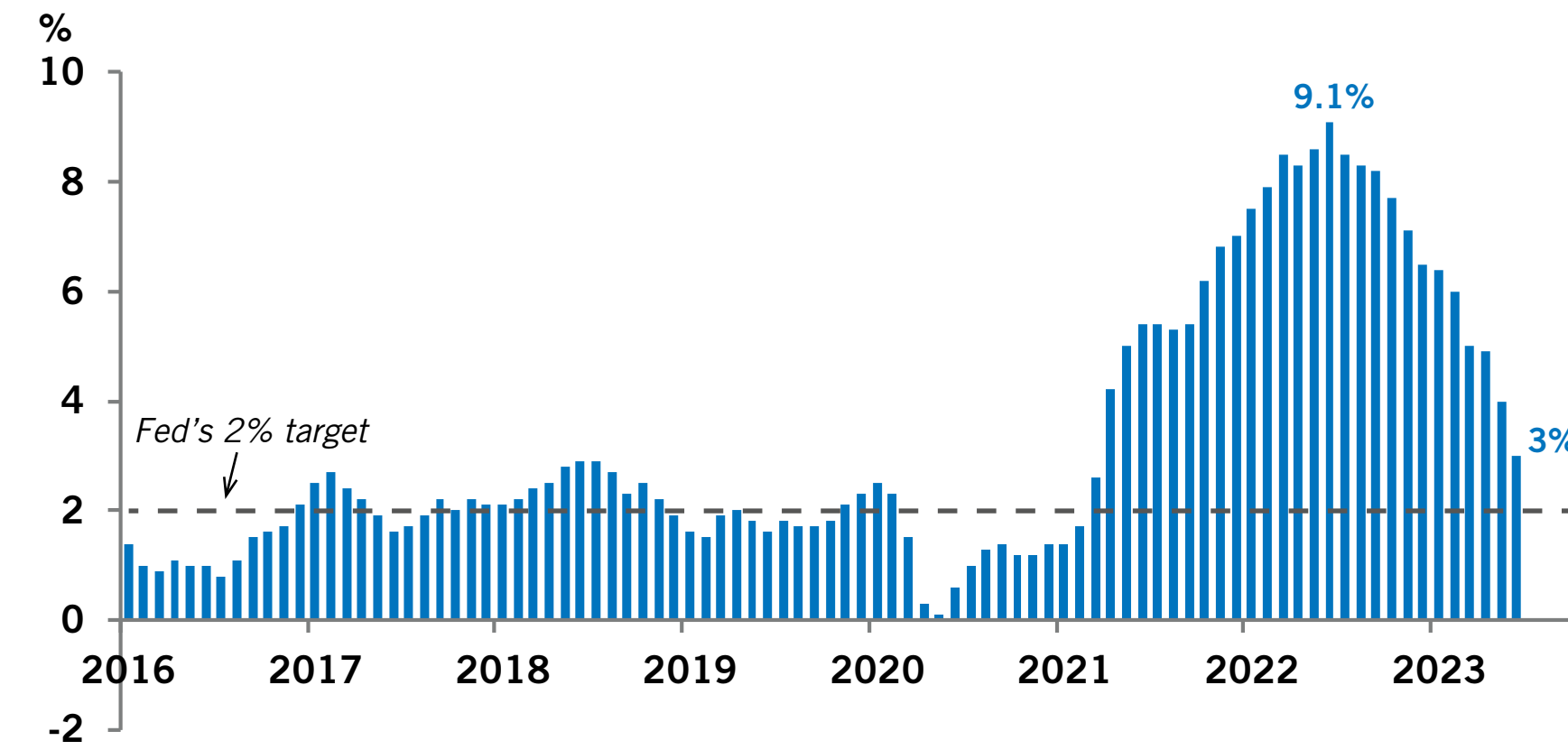
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TRENDS AND INVESTMENTS

Year-on-year change in US CPI



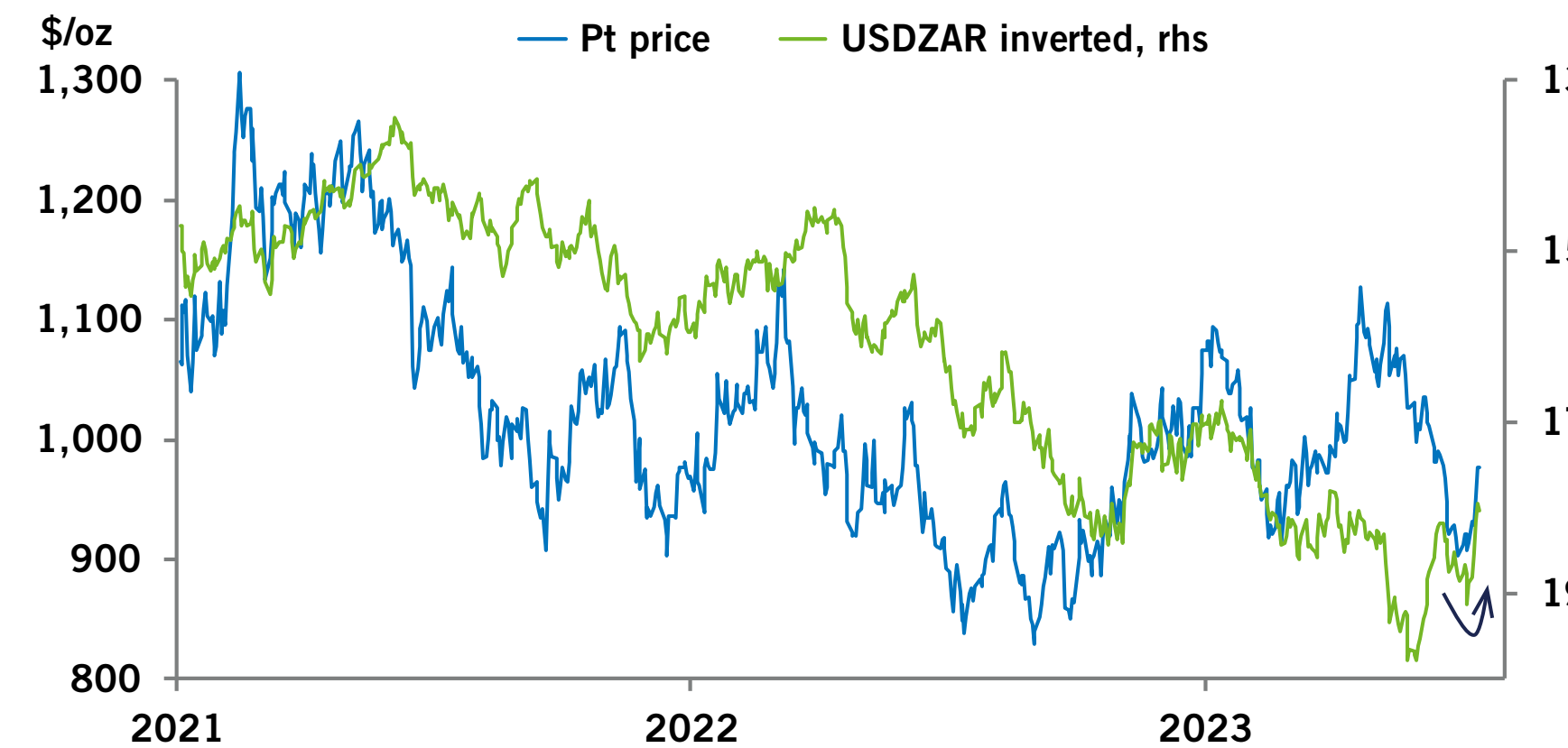
Source: SFA (Oxford), Bloomberg

Silver price



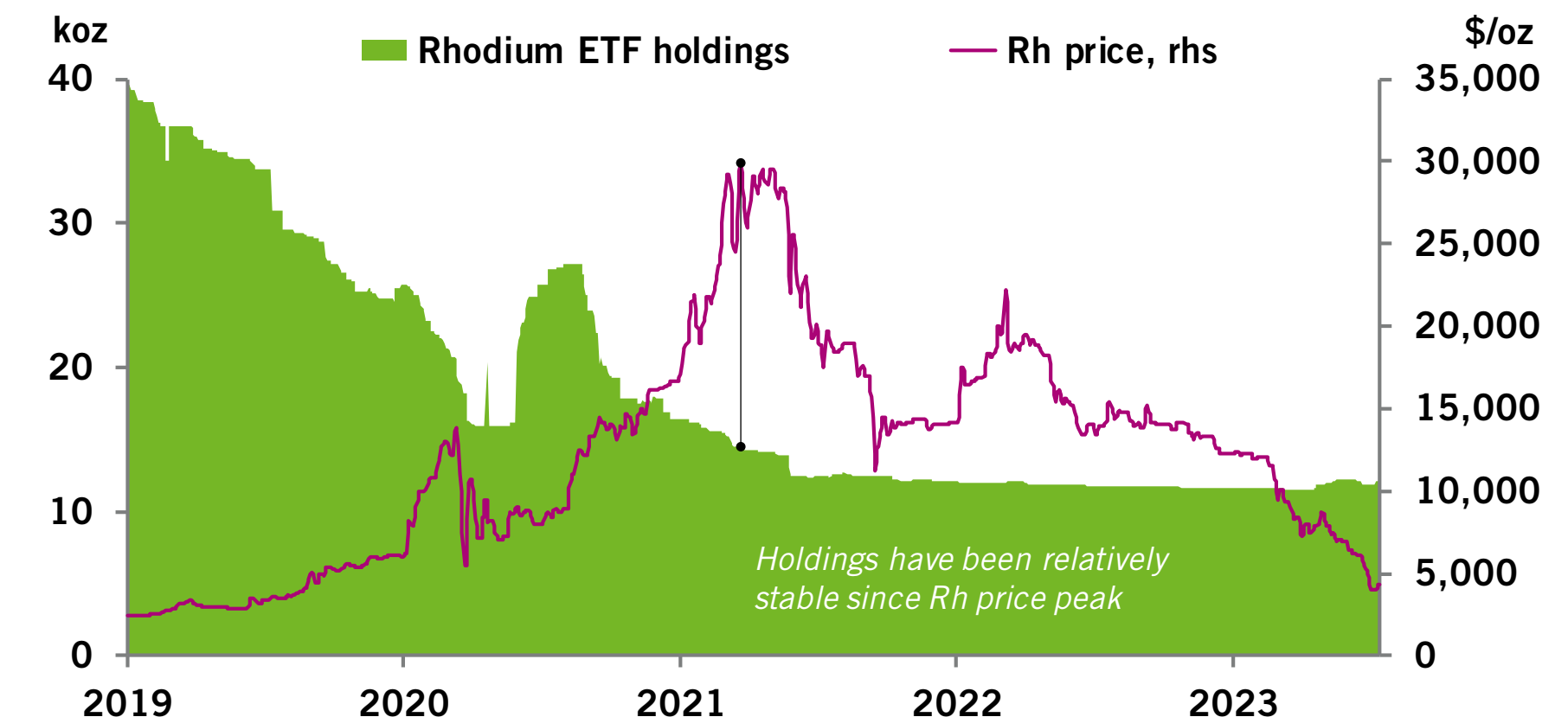
Source: SFA (Oxford), Bloomberg

Platinum price versus ZAR



Source: SFA (Oxford), Bloomberg

Rhodium ETF holdings



Source: SFA (Oxford), Bloomberg

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