

PRECIOUS APPRAISAL

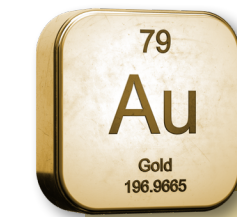
No. 35

30th September 2024

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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,650	1.04%	2,686	26/09/2024	2,614	23/09/2024
€/oz	2,375	1.04%	2,408	26/09/2024	2,351	23/09/2024

High prices could take the shine from China’s Golden Week. With the Chinese National Day (Golden Week) Holiday this week, consumer demand for gold would usually see some strength as the population celebrates. However, weak imports in the preceding months suggest that internal demand is lacking. Imports of non-monetary gold to mainland China have fallen sharply as the year has progressed, mirroring the appreciation in the gold price. January saw imports of 233 tonnes, with an average gold price of CNY14,597, but by August imports had dropped to 21 tonnes; meanwhile, the Chinese gold price had risen to average CNY17,656 (source: China Customs). In Q1 of this year, Chinese gold jewellery demand was relatively strong, totalling 195.4 tonnes (source: World Gold Council). However, as the gold price has risen to successive all-time highs in Q2 and Q3, demand has fallen sharply as prices seem to be putting buyers off, against a backdrop of poor consumer sentiment. The Shanghai gold price has been trading at a discount to the LBMA price since the beginning of the month, also indicating soft demand.

Final data for Q3’24 demand is expected to be weak when released. However, should the gold price pull back, particularly when coinciding with a continually strengthening yuan, Chinese demand could rebound in Q4’24, which tends to be a relatively strong time of year for sales. Unless jewellery purchases reverse course strongly, the Chinese market is unlikely to see any growth in 2024.

Last week, three out of five trading days saw the gold price close at all-time highs. Uncertainty over the path of further interest rate cuts in the US continued to fuel the rise. Swaps traders currently see the probability of the size of a cut in November as 50-50 between 25 and 50 basis points. A second, larger cut would be most beneficial for gold. By Friday’s close, gold had risen by 1.04% week-on-week to \$2,650/oz. The price has strong momentum, but it is also overbought and so could take some time to consolidate the recent gains.

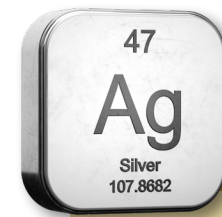
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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	31.67	1.29%	32.71	26/09/2024	30.36	23/09/2024
€/oz	28.38	1.30%	29.69	24/09/2024	27.06	23/09/2024

Silver's outperformance of gold has caught investors' eyes, with fundamentals to back it up. The last quarter witnessed inflows to silver-backed ETFs totalling 829 tonnes, the most in a quarter since the beginning of 2021 when holdings reached their peak. The silver price is comfortably out-performing gold this year, being up 34.3% year-to-date, against gold's 29.5%. A variety of fiscal and monetary stimuli announced in China last week probably helped with sentiment in silver. Additional support for the Chinese property sector could help solar installations, given that a significant proportion of new panels are installed on rooftops. Solar installations in China have been better than expected this year. Forecasts vary on how much China will exceed its initial forecast for the year. In January, the China Photovoltaic Industry Association (CPIA) predicted that China would install ~190 GW of new solar panels this year. However, the latest estimate from energy analysts Ember predicts installations reaching 334 GW, and globally for 29% growth year-on-year. In metal terms, solar silver demand is expected to rise by 20% year-on-year to 232 moz. The lower growth rate in silver demand vs. installations is a result of thriftiness to reduce the metal usage intensity per GW.

Silver closed below \$32/oz last week having failed to push through resistance for the third time. Intra-week, the silver price did reach an 11-year high of \$32.71/oz, however, it subsequently fell back. If the price can hold above \$32/oz then there is potential for more upside.

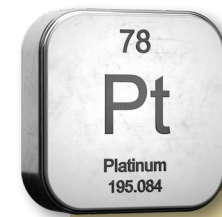
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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,011	3.38%	1,019	26/09/2024	955	23/09/2024
€/oz	906	3.34%	914	26/09/2024	861	23/09/2024

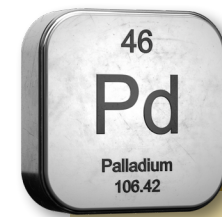
Could gold jewellery's loss in China be a win for platinum? According to the latest report from Platinum Guild International (PGI), Chinese jewellery fabricators are beginning to add to platinum inventory because of its discount to gold and the fall in gold demand as the price has risen. It seems, however, that the decline in gold jewellery demand is not only a symptom of high prices squeezing out some consumers, but also of a wider decline in demand for precious metal jewellery, as retail sales of platinum jewellery are also falling. The PGI notes that in Q2'24, affiliate partners recorded a drop of 17% in platinum sales year-on-year, and though this is less of a reduction than in Q1 (-27%), it continues a long series of deterioration in demand. So, while platinum fabrication may receive a small boost while the competition from gold wanes, the outlook is relatively bleak. Chinese jewellery accounted for approximately 450 koz of platinum last year, 6% of global consumption. It has fallen from a peak of 2 moz in 2014 when it made up a quarter of total global platinum demand. Based on the current trend, platinum jewellery demand in China is forecast to fall this year as well.

The platinum price had a relatively good week last week, rising by >3% to \$1,011/oz. Part of this could be down to the rand, which firmed to a 20-month high against the dollar of 17.22 intra-week. A relatively improved economic outlook for the South African economy and positive sentiment towards the new government are supporting the rand.

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PRECIOUS METALS REVIEW

Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,023	-5.00%	1,075	26/09/2024	1,023	27/09/2024
€/oz	917	-4.98%	963	26/09/2024	917	27/09/2024

Do not expect interest rate cuts to translate to a boost in palladium demand right away. Falling interest rates should help to stimulate new car sales in the US (second-largest light-vehicle market), considering that in Q2'24 80.11% of new cars were purchased with finance (source: Experian). However, a 50 bp cut to benchmark interest rates is not going to provide the impetus needed to supercharge sales. Affordability challenges will not be solved by the new path for rate cuts (based on the dot plot), as the terminal rate is forecast to be 2-3%. Auto loan rates in the US have seen a marginal decline since the Fed made its cut, but it will take some time before loans reflect a 'more affordable' car-buying environment, particularly as year-to-date average monthly new car loan payments of \$734 are near record highs. US light-vehicle sales are forecast to reach 15.7 million this year (+1.3% year-on-year) (source: Cox Automotive). In North America as a whole, with automakers beginning to make a U-turn on electrification targets, BEV sales remaining relatively stagnant, and a surge in plug-in hybrid sales, automotive palladium demand is now expected to rise slightly in 2024 to 1.8 moz. If ICE-based powertrains hold on to market share for longer, palladium demand should also be sustained for longer.

Palladium's net specs' net short position has nearly halved. The latest data shows that the net short position on NYMEX has fallen from 1.3 moz at the beginning of July to ~675 koz as of mid-September. The reduction has been the result of a drop in the gross short position rather than traders initiating more longs. This indicates that the shift is a product of short covering rather than a bullish reassessment of the fundamental picture for palladium. The palladium price spent last week retracing some of its gains made in mid-September. By Friday's close, the palladium price was 8.7% off its recent peak at \$1,023/oz.

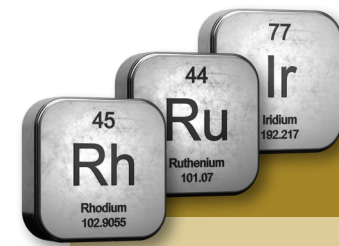
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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$5,200/oz	\$480/oz	\$5,100/oz
Previous Edition	\$5,175/oz	\$400/oz	\$5,100/oz

The ruthenium price moved up 20%, or \$80, last week, reversing most of the decline in the price since July 2023. As previously noted, electrical demand for ruthenium is beginning to recover, particularly in the data storage sector where it is used in hard drives. The ruthenium price tends to be highly volatile during shifts in the market fundamentals, thanks to the small size of the market and usually thin liquidity, as was seen in 2021 when the price escalated by >220% in just five months. The ruthenium market is forecast to be in a surplus this year and possibly the next, and so the price may not have too much further upside risk. The risk of recession in 2025, and associated decline in demand, is also lingering which is bearish.

Last week, the rhodium price also moved slightly higher and iridium prices remained stable.

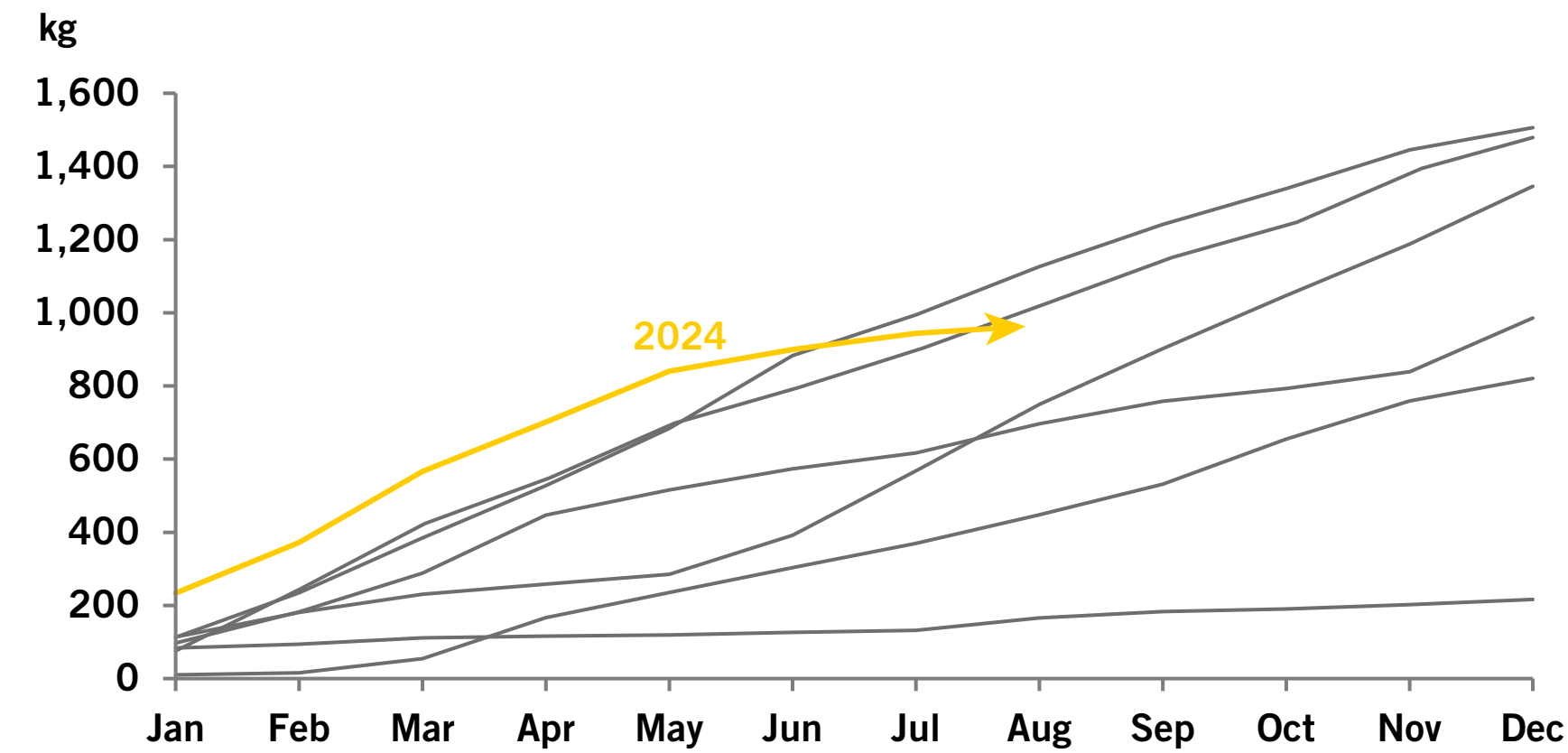
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TRENDS AND INVESTMENTS

Cumulative mainland China Au imports, 2018-2024



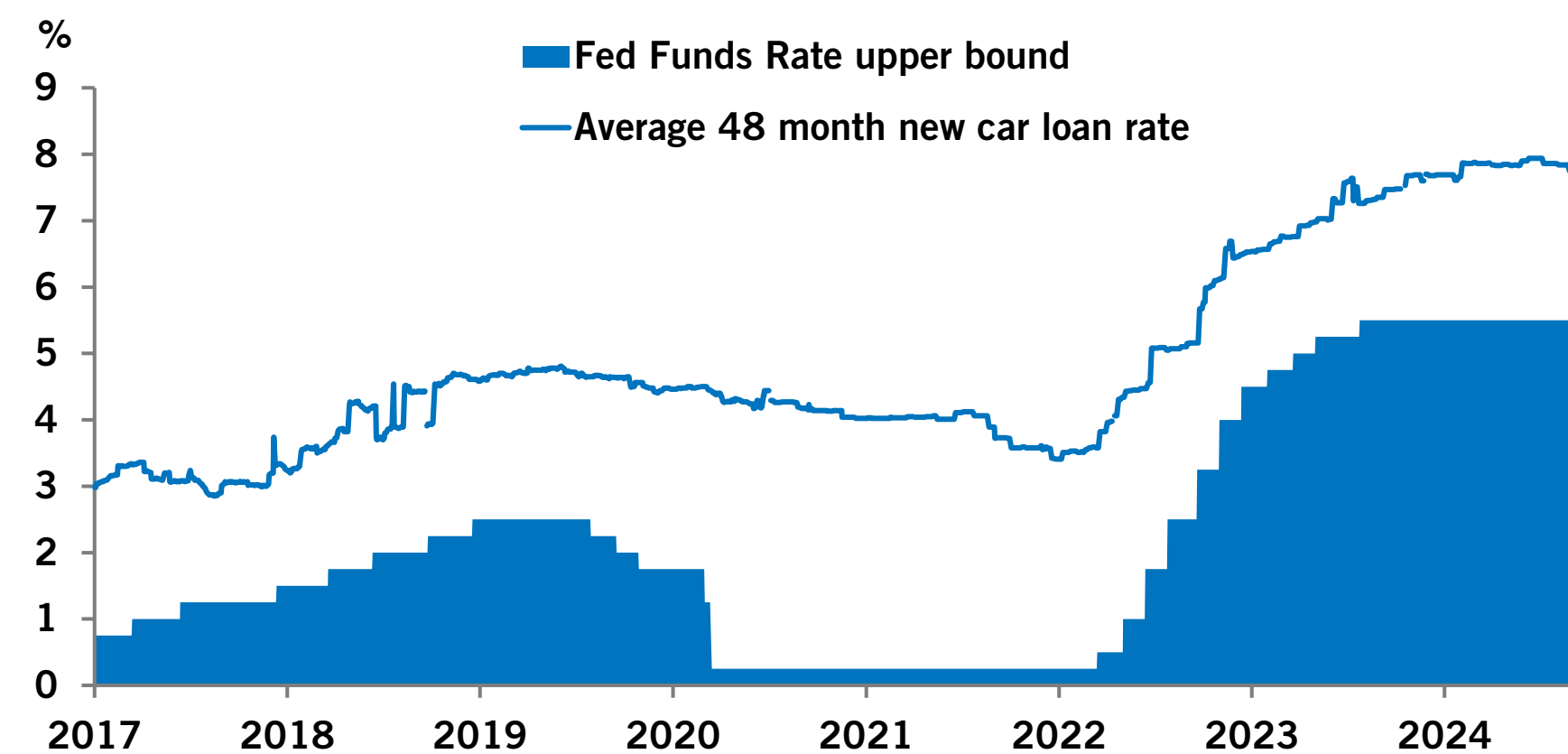
Source: SFA (Oxford), China Customs

Silver ETF holdings



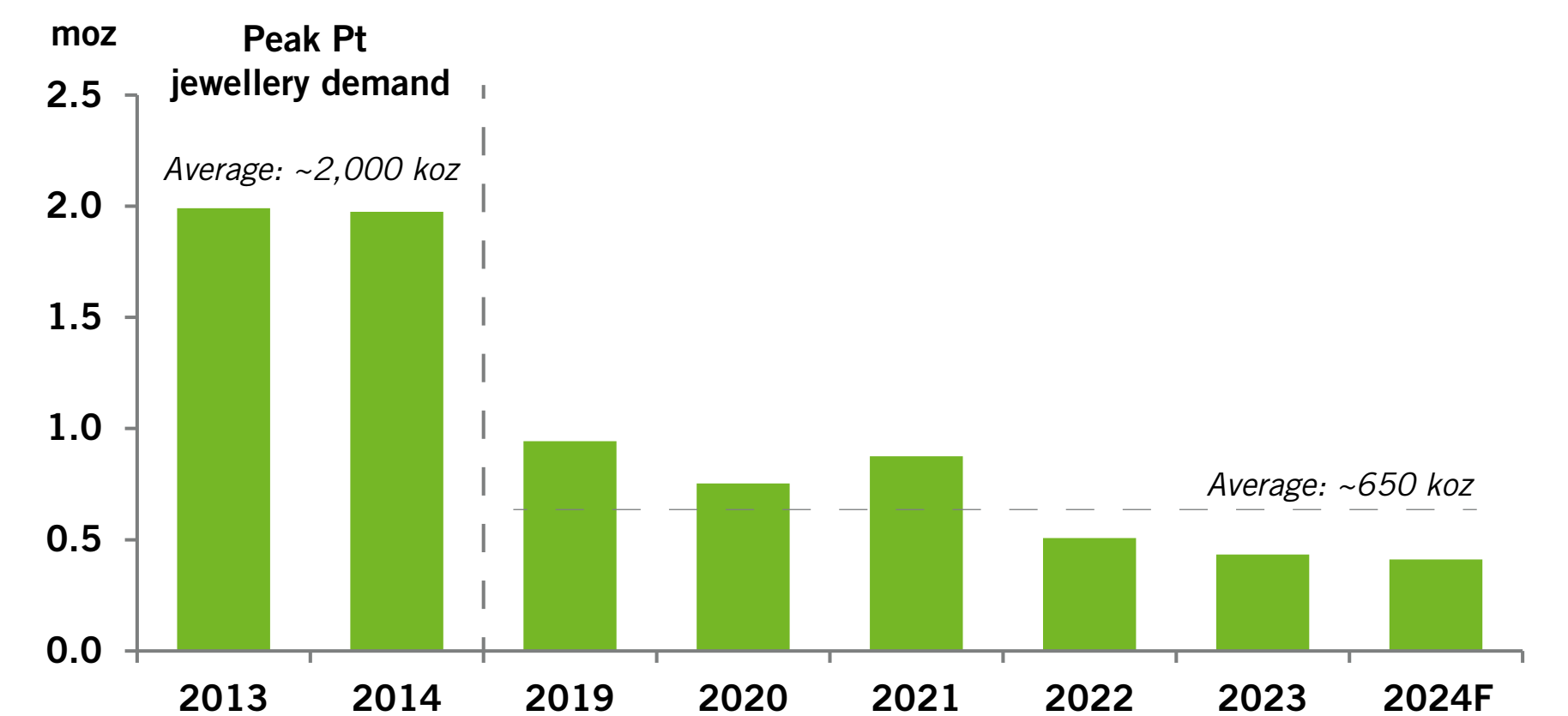
Source: SFA (Oxford), Bloomberg

US new car loans vs. Federal Funds Rate



Source: SFA (Oxford), Bloomberg

China platinum jewellery demand



Source: SFA (Oxford)

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