

PRECIOUS APPRAISAL

No. 36

7th October 2024

MARKET SPOTLIGHT

Chinese heavy-duty vehicle platinum demand could be ready for a rise

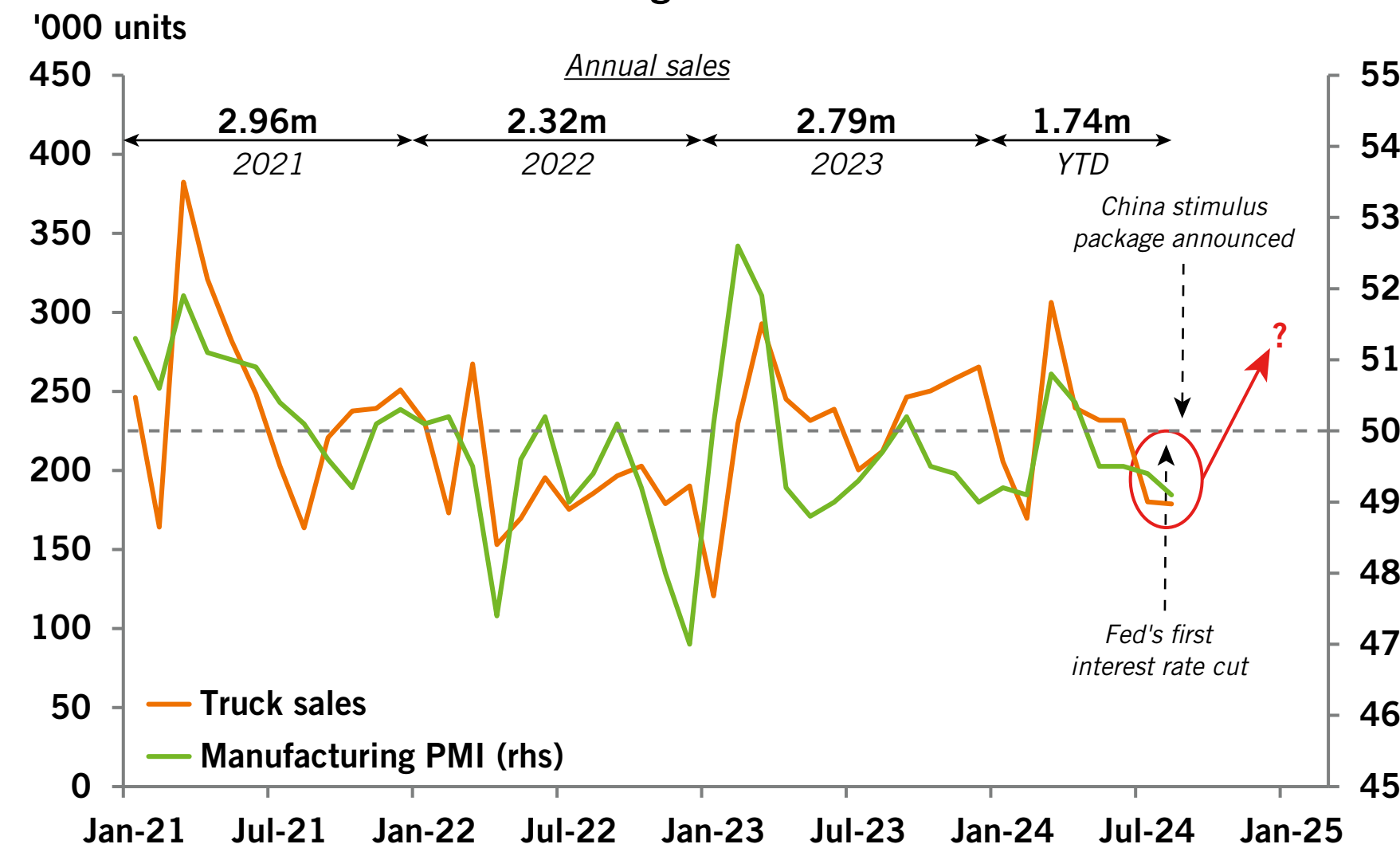
Momentum in Chinese manufacturing has waned. The rate of growth in industrial production in China is weak, and the official manufacturing PMI has been in contraction territory now for a quarter. These trends tend to correlate well with truck sales, and point to downside risk.

This is reflected in sales of Chinese heavy-duty vehicles. Sales were strong in January this year but have slowed since then. Cumulative sales year-to-date are slightly lower than in 2023, having fallen by 2% between January and August. On a monthly basis, sales were 23% below the five-year average at 180,000 in July and 178,000 in August. In July, Volvo, one of the largest truck manufacturers in Western markets, downgraded its forecast for Chinese medium- and heavy-duty sales this year by 50,000 units to 750,000.

China is predicted to be the largest market for heavy-duty autocatalyst platinum demand this year, taking the top spot from Western Europe. Diesel engines used in heavy-duty applications require more platinum-heavy emissions treatment systems than for gasoline light vehicles. The Chinese heavy-duty autocatalyst market is expected to require 170 koz of platinum this year, including trucks and buses.

Stimulus measures could drive a rebound in manufacturing and platinum demand next year. China is the largest manufacturing economy in the world. Therefore, Chinese industrial production and economic growth are key indicators for heavy-duty truck sales in China. The country's Q2'24 GDP growth was below target, and PMIs suggest that Q3 may be no better. Beijing appears to have reached a pain point, compelling the government to introduce stimulus measures in order to reach its 5% annual GDP growth goal. As a result, a recovery in Chinese – and, by proxy, global – industrial production could be possible next year. This would be a driver for increasing Chinese heavy-duty vehicle sales and PGM autocatalyst demand, skewed towards platinum, and could push demand from this sector towards 200 koz in 2025.

China truck sales vs. manufacturing PMI

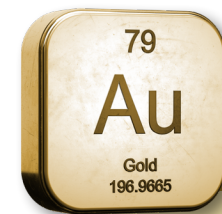


Source: SFA (Oxford), Bloomberg

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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,654	0.14%	2,673	01/10/2024	2,625	30/09/2024
€/oz	2,421	1.94%	2,434	04/10/2024	2,354	30/09/2024

India's gold imports hit a three-and-a-half year high. Strength in consumer demand and industry restocking ahead of Diwali and the rest of the festive season in Q4 saw India's gold imports surge to a more than three-year high of 125 tonnes in August. This marks an increase of 58% year-on-year and 212% month-on-month. Imports were supported by cuts in import tariffs on precious metals in July. Consumers who were delaying purchases of jewellery and bullion owing to the rising gold price in H1'24 likely took the lowering of tariffs as an opportunity to spend. The local price of gold in India averaged a discount of \$8.2/oz during August, though following a big swing from discount to premium in late July, the market appears to be more normalised, with steady demand above the pre-tariff reduction levels (source: World Gold Council). Any correction in the gold price is likely to lead to restocking by retailers, which will keep import volumes elevated. India is the second-largest consumer gold market and accounted for 761 tonnes of consumer demand last year. Based on year-to-date import figures, demand could rise by ~10% this year, taking demand above 800 tonnes for the first time since 2015.

Despite tensions in the Middle East boiling over in the last week, the gold price was little changed and continued to consolidate at around \$2,650/oz.

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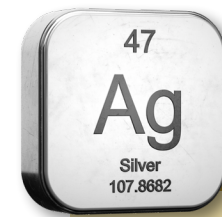
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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	32.48	2.55%	32.96	04/10/2024	30.89	30/09/2024
€/oz	29.63	4.40%	30.05	04/10/2024	27.38	30/09/2024

Silver bullion sales from the Perth Mint were up in September. Coin and bar sales improved by 49% month-on-month to 963 koz in September, driven by new product releases and a strong silver price performance. The silver price in Australian dollar terms (+7.46%) outperformed the US dollar price (+5.27%) last month, which helped domestic sentiment, though it should be noted that a large portion of the Perth Mint's sales comes from overseas. However, year-to-date Perth's sales are down more than 40% year-on-year, as sales have been on a downward trend, bottoming in June this year. Likewise, sales of silver coins from the Canadian Mint are 52% lower year-to-date, based on the latest data.

Friday saw silver reach another cycle high, but again failed to breakout above the high \$32s. By Friday, after four days of incremental gains, the silver price closed 2.55% higher at \$32.48/oz. Once silver does close above resistance at \$32.94/oz, a further rapid movement higher may be possible.

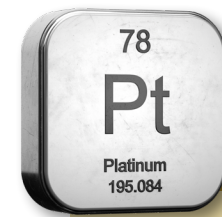
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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	998	-1.25%	1,014	02/10/2024	973	30/09/2024
€/oz	911	0.59%	919	04/10/2024	872	30/09/2024

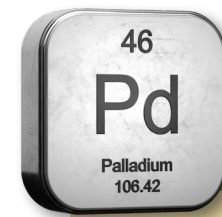
Primary platinum supply is forecast to fall this year. South Africa is responsible for the largest share of global primary platinum output at ~75%, and is predicted to see a relatively small decline in refined production year-on-year to 3.9 moz. Implats will work down excess stocks slower than expected, which spreads the release of this currently work-in-progress metal out to H1'27. The largest decline in ounce terms is likely to come from Russia, where smelter maintenance by Nornickel is forecast to result in platinum production falling by 9% to 608 koz, based on company guidance. Owing to the timing of the smelter downtime and long processing timeline, the effect on the physical market of the contraction in Russian supply is expected in Q4'24. The incremental decrease in primary supply is estimated to widen the platinum market deficit year-on-year in 2024 to 380 koz. The risk is that Nornickel's production surprises to the upside this year, as has been the case in recent years.

The platinum price dropped back below \$1,000/oz last week.

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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	1,006	-1.61%	1,027	30/09/2024	983	30/09/2024
€/oz	918	0.14%	929	04/10/2024	883	30/09/2024

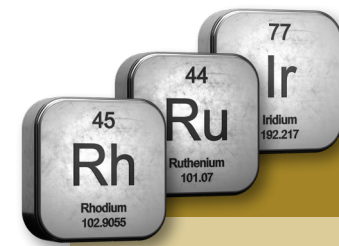
China’s ‘cash-for-clunkers’ scheme is convincing consumers to cash in. Although Chinese passenger vehicle sales were down 19% in August, following the first full month of the new scrappage scheme, sales of powertrains encouraged by the government were up. The scheme introduced in July gives consumers cash to trade in older vehicles when they buy a new replacement – with larger amounts given out when trading an ICE vehicle for an NEV (plug-ins + BEVs). After one month, the news is positive for palladium demand. Plug-in hybrids saw the most growth (56%) in August and BEV sales saw a more modest improvement year-on-year (+8%). The data supports the idea that car buyers are increasingly keen to rotate into catalysed NEVs when changing cars. Year-to-date total passenger vehicle sales in China are just marginally higher at 15.8 million units (source: Bloomberg). In China, passenger car sales tend to rise towards the end of the year, though based on the current trend it may be hard to match last year’s numbers even if sales do improve. A decline in sales and maintenance of the level of BEV penetration is forecast to contribute to a modest contraction in Chinese autocatalyst demand this year to 1.7 moz.

The palladium price has continued to retrace the gains made in the first half of September, closing last week more than 9% down from the recent high at \$1,006/oz.

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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$5,175/oz	\$525/oz	\$5,100/oz
Previous Edition	\$5,200/oz	\$480/oz	\$5,100/oz

Hydrogen electrolysis capacity is set to grow but the future is not all green. Hydrogen electrolysis capacity is expected to reach 4 GW by the end of 2024, up from 1.4 GW at the end of 2023 (source: IEA). In the latest Global Hydrogen Review, the IEA notes that hydrogen electrolysis capacity has expanded significantly in the last year, though it has missed expectations for growth. Proton exchange membrane (PEM) electrolyzers using iridium-based electrodes make up 22% of installed capacity. Europe is one of the laggards in building out new capacity, which is a threat to electrolytic iridium demand as it is one of the regions where the technology is most popular. If all projects meet expected timelines, the EU could have 0.7 GW of installed electrolyser capacity (PEM + others) by the end of the year. This is far short of the interim target of 6 GW set out in 2020 as part of the EU Hydrogen Strategy. Delays to PEM electrolysis rollout will slow the anticipated growth in iridium demand from the sector, and potentially allow time for additional R&D into reducing the intensity of metal usage per GW. At present, hydrogen electrolysis demand for iridium accounts for less than 5% of total demand, though in time it is forecast to grow in importance for the smallest of the PGM markets.

Last week, the ruthenium price continued to rise amid firm demand. Meanwhile, rhodium slipped back to \$5,175/oz and iridium stayed flat for another week.

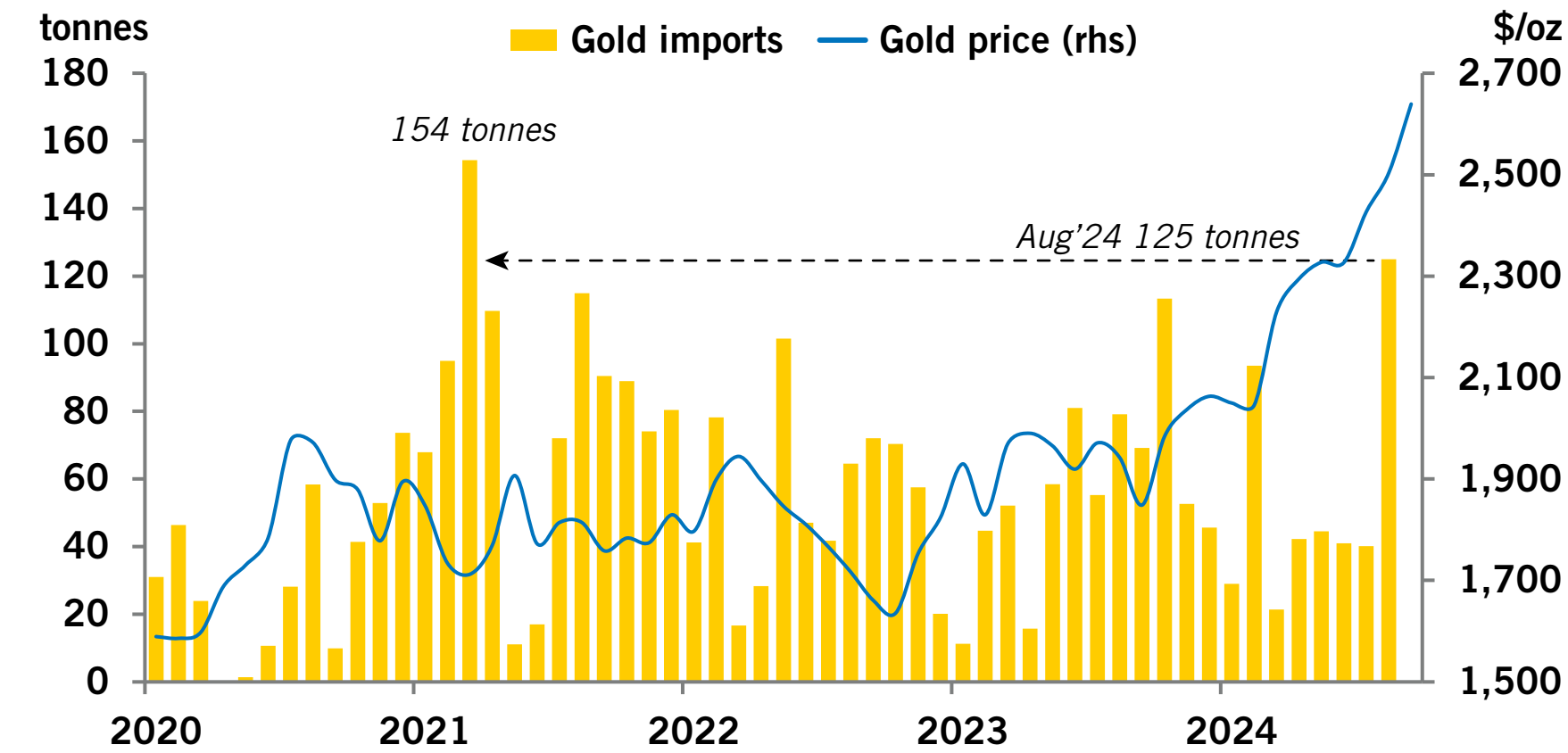
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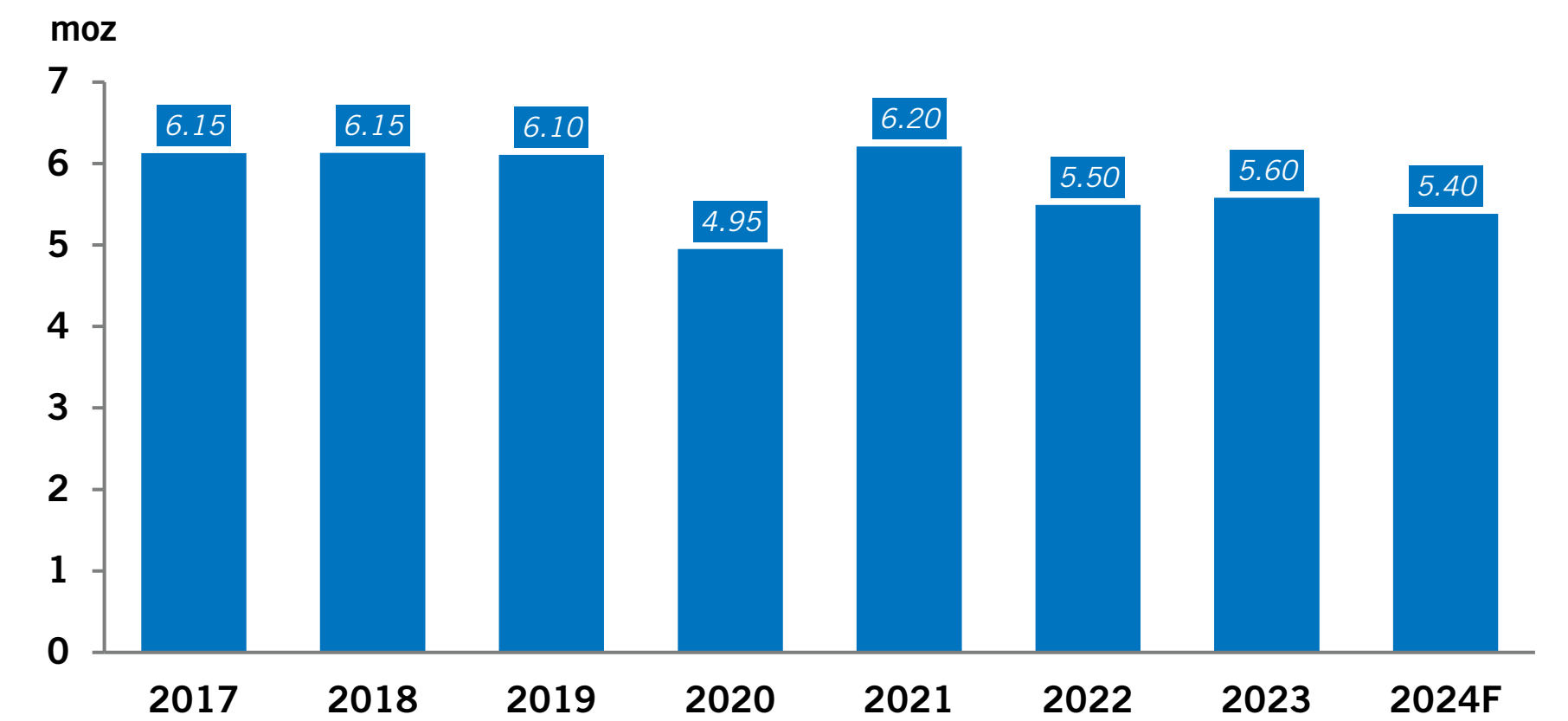
TRENDS AND INVESTMENTS

India gold imports



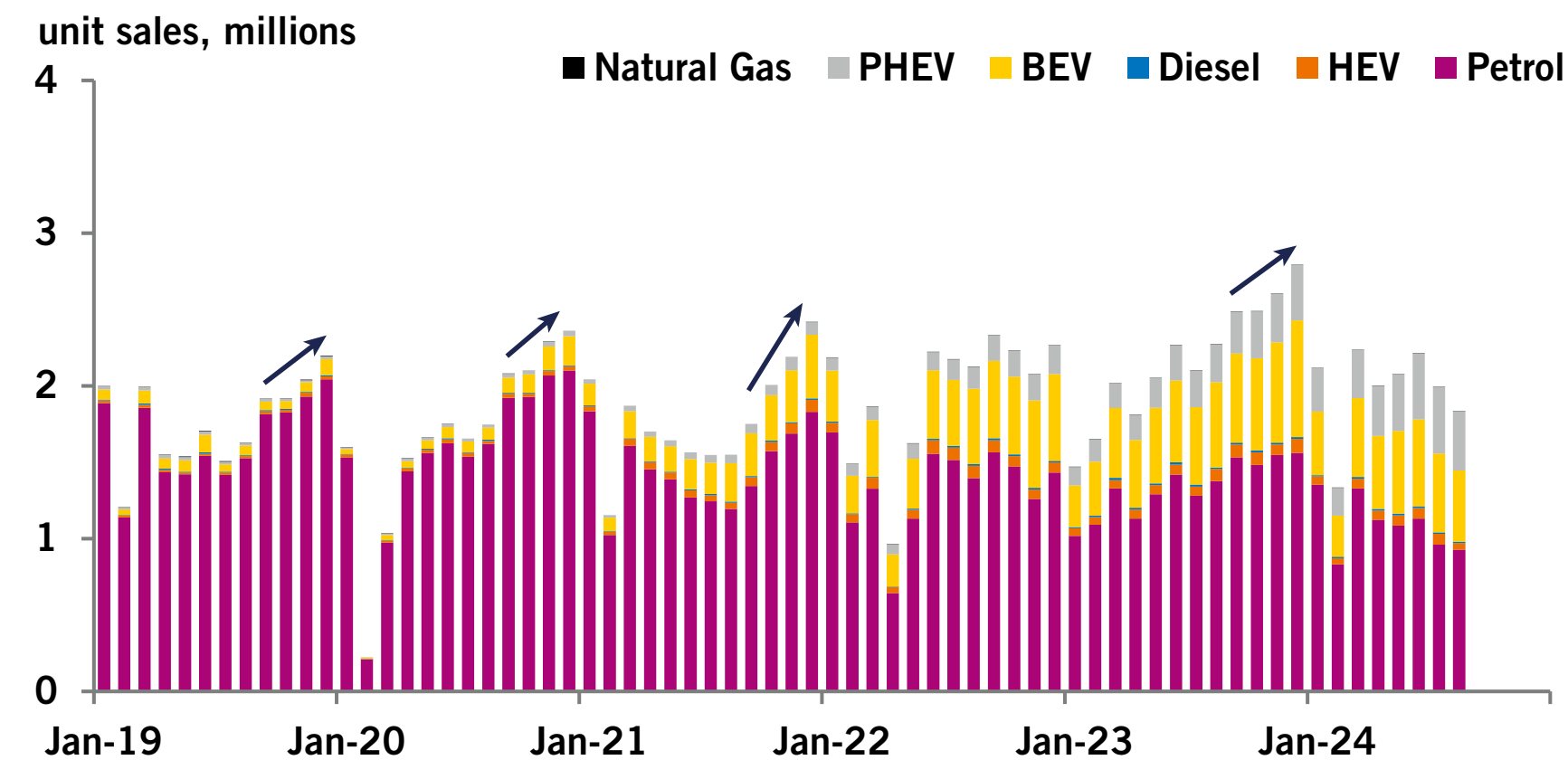
Source: SFA (Oxford), Bloomberg

Global primary platinum supply



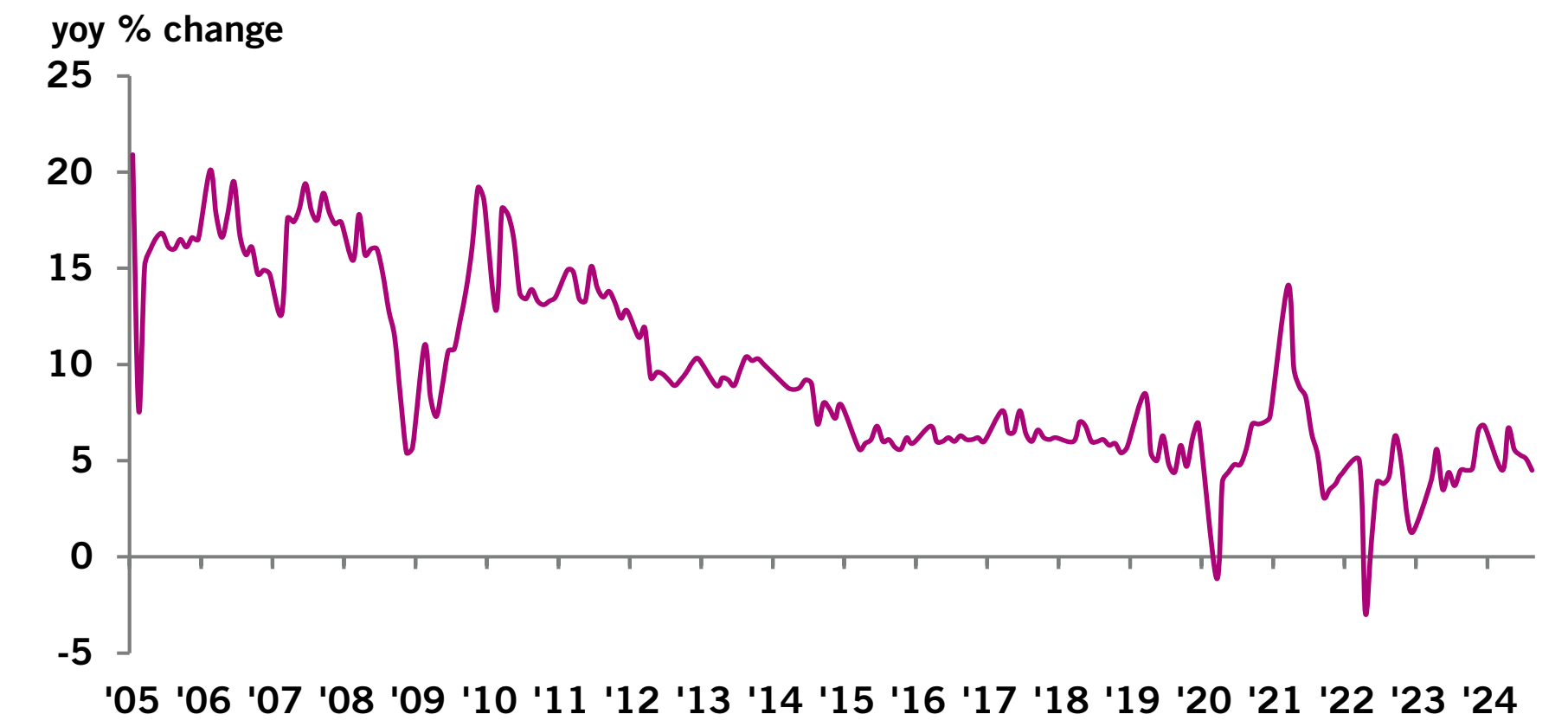
Source: SFA (Oxford)

China passenger vehicle sales



Source: SFA (Oxford), Bloomberg

China industrial production growth



Source: SFA (Oxford), Bloomberg

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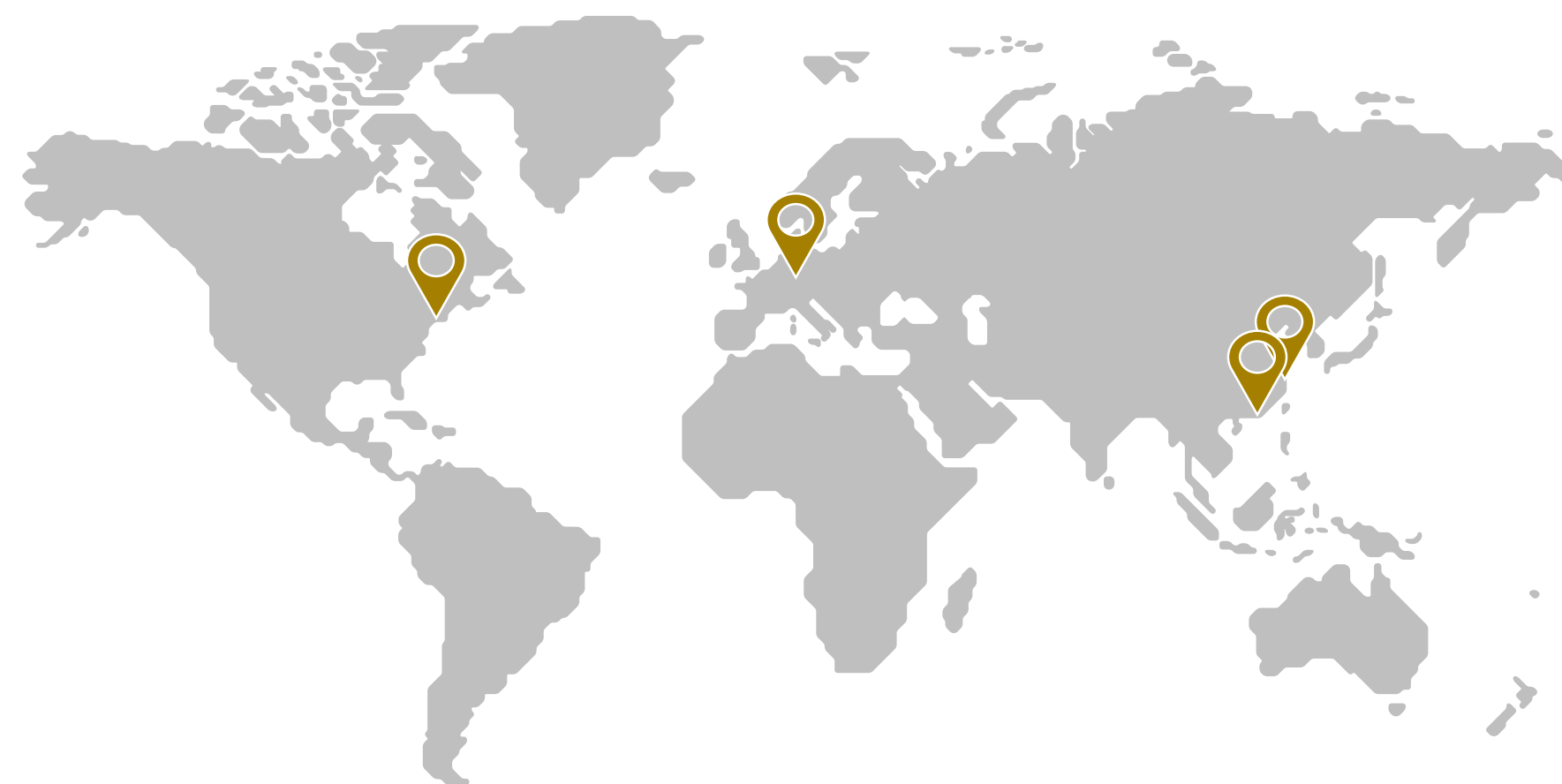
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