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**Gold**
Chow Tai Fook reported a sharp drop, of 54% and 67%, in same store gold sales in Mainland China and Hong Kong & Macau respectively in Q1.2020.

**Silver**
ETP holdings hit new all-time highs, led by strong inflows into US-listed products.

**Platinum**
Factory shutdowns have resulted in production losses of almost 1.5m units to-date for European automakers, according to the ACEA.

**Palladium**
Impala Canada placed its Lac des Iles mine into temporary care & maintenance after a positive COVID-19 case emerged.

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**US PGM autocatalyst recycling: contending with the COVID-19 pandemic**

The deepening COVID-19 crisis in the US is being felt increasingly across the country’s PGM supply chain. The closure of vehicle production facilities has been well documented, while a sharp fall in US platinum jewellery consumption this year appears all-but certain. Meanwhile, last week, news emerged of growing fault lines in the US car loan market. In addition to weighing on car sales, these are also likely to negatively impact the country’s PGM autocatalyst recycling.

To put this into perspective, in 2019 the US generated an estimated 0.52Moz and 1.37Moz of platinum and palladium respectively from autocatalyst recycling. These totals accounted for one-third and one-half of global autocatalyst scrap supply respectively for the two metals. This large share that the US accounts for reflects the mature nature of the domestic market, with the fitment of PGM-bearing autocatalysts dating from the 1970s, roughly 15 years before they were widely used in Europe.

Returning to the current state of the US economy, according to a recent report from the New York Fed covering Q4.19, roughly 7 million individuals with outstanding car loans had achieved delinquency status, defined as auto loan payments that are at least 90 days overdue. Importantly, this covers a period when US employment stood at historic highs, well before the COVID-19 outbreak gripped much of the country. However, over the three weeks to 3rd April alone, more than 15 million people filed for unemployment benefits in the country. This suggests there are risks for a far larger number of US auto loans falling into delinquency.
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In terms of US PGM recycling, there are two key ways in which a troubled car loan market could affect volumes. First, if default rates jump on vehicle loans, this could see the number of cars offered at auction rise considerably (a common way for aggregators to buy end-of-life models), as vehicles are sold off by owners or lenders (in cases of repossession). Against this backdrop, as the second hand market potentially faces over-supply, driving down vehicle prices, this could create some opportunities for autocatalyst recyclers in the US to boost their intake.

The second, and in our view more significant, impact of bad car loans on scrap volumes could come through its effect on vehicle sales. Rising car loan delinquencies will no doubt result in lenders having to reassess borrowers’ risk profiles, ultimately resulting in less approvals. With the majority of car sales in the US funded by credit, this will have a profound effect on the market. This, of course, will come in addition to the direct impact that weaker confidence and lower disposable income will have on the consumers’ appetite to buy cars. This, in turn, will result in fewer vehicles being scrapped, as people use their existing vehicles for longer. The average age of the US vehicle parc should edge higher and, by extension, PGM autocatalyst scrap supply will weaken.

The industry will likely face other challenges. These include trends in commodity prices, access to finance, available smelting and refining capacity and the ability to collect spent autocatalysts in the middle of a lockdown.

Taking each point in turn, although palladium and rhodium prices still remain attractive, this also continues to create financing headaches for collectors, especially in the face of broken credit markets. Meanwhile, if steel prices fall further as a result of the global economic slowdown, this could discourage scrap yards from buying end-of-life vehicles. In terms of the lockdown, this has already made it difficult to deliver spent PGM-bearing material to some smelters and refiners. That said, one outcome of this reduced supply has been to relieve some of the capacity constraints that some smelters and refiners had faced. As far as we understand most of the processing capacity around the world for now remains operational. Furthermore, the volume of PGM-bearing material being processed still remains high by historical standards.

In terms of the 2020 outlook, in our latest 5-Year PGM Forecast, published in late March, we had expected global platinum and palladium autocatalyst recycling to edge lower this year, albeit to still the second highest total on record. This reflected a fall in destocking by scrap yards, which had been quite notable in 2019. The COVID-19 pandemic has introduced considerable downside risks to this forecast.
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Western Jewellery Markets: The Calm Before the Storm

One key message received during Metals Focus’ research trip to the US in the last week of January was that most players in the country’s jewellery industry were expecting modest gains in 2020, even if growth might not prove as robust as in 2019. Those forecasts have clearly been torn up in the wake of the COVID-19 outbreak.

That said, it is still worth gauging the health of the US market before the virus began to wreak havoc as this helps in the understanding of our assessments of the impact of the disease on precious metals demand in the country. These results will be published in the World Gold Council’s upcoming Gold Demand Trends reports, in the World Silver Survey (launched in Washington D.C. next Wednesday) and in our Platinum & Palladium Focus (to be released on 18th May).

There is some hard data to support the above noted early optimism in the US. The US Department of Commerce for example reported that all jewellery and watch sales in January rose 4.1% y/y. In a similar vein, the leading jewellery retailer, Signet, reported same store sales growth in the 13 weeks to 1st February of 2.9%. The trade data does not contain such buoyant numbers, with our analysis of the fine weight in gold jewellery imports pointing to a double-digit y/y drop in January-February. However, these months can be highly unrepresentative as they are sensitive to stock levels after the key holiday season sales period. In addition, industry sources feel they also represent short-term importer caution stemming from the run up in the gold price.

A similar story of initial optimism can be found in Europe. Société 5 report that French gold and silver jewellery sales in value terms for January-February rose by 6% and 2% y/y respectively. Early feedback from industry sources in Italy also points to modest export growth in January, although February looks less healthy (partly through a slump in shipments to the key hub of Hong Kong). The picture for UK hallmarking over January and February is more mixed; platinum was up 8%, gold was down 6%, silver had slid by 19%, while palladium had slumped a hefty 71%. As hallmarking is an imperfect measure, the figures can sometimes not accurately represent the fate of total UK sales, but they match our expectations of relative performance there.

This question of relative performance across western markets could change notably looking ahead. After all, platinum is the most susceptible to the postponement/cancellation of engagements/weddings. Silver, on the other hand, could prove relatively resilient as its lower sales price is advantageous in economically challenging times and, of the four, it is the best suited to online sales. Gold jewellery could benefit from its quasi-investment properties but, in a western context, we would expect this to be marginal.
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