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Gold
After a fall to the $1,670s on a stronger-than-expected US payroll report, gold has since regained the $1,700 mark. Elsewhere, Indian imports in May collapsed to just 1.3t, against 134t a year ago.

Silver
Gold and silver coins & minted bar sales by the Perth Mint more than halved m/m in May to 63koz and 997koz respectively.

Platinum
Implats forecast a 14% decline for 2020 production, the market impact of which will be mitigated by the release of 175koz of excess inventory.

Palladium
Chinese passenger vehicle retail sales rose by 1.9% y/y to 1.64 million units in May according to the CPCA.

Do European automotive incentives mean a cold start for PGMs?
The 2009 automotive incentives schemes in Europe offered several benefits. They enabled some consumers to buy their first vehicle, accelerated the car parc renewal and drove reductions in average fleet CO₂ emissions. Perhaps most importantly, they added fuel to the economic recovery in general, through boosting consumer activity. Driven by past success and given the devastating impact of the pandemic on the European automotive sector over the past two months, stimulus packages have been accelerated.

Compared to previous stimulus plans, the initiatives released recently favour electric and hybrid powertrains. France has set aside €1.3bn of a €8.0bn relief package for the car industry, to fund a two-pronged plan to reduce the number of older more polluting vehicles and drive behaviour towards electric and plug-in-electric vehicles. Germany has been even more specific in allocating part of the €130bn overall economic recovery package to the auto industry, doubling incentives for purchases of BEVs and plug-in hybrids. However, industry bodies have expressed disappointment in the restricted stimulus offerings, which do not cover traditional internal combustion engine vehicles, and so Metals Focus caution that they will have a limited impact on demand for PGMs.

Increasing secondary PGM streams
As outlined in our Platinum and Palladium Focus 2020 report, released in May, most recyclers were able to continue some degree of operation during the lockdown period. This offered an opportunity for the industry to address some of the bottlenecks experienced in the pipeline during 2019, processing some of the material that had been stockpiled at that time. Additional rhodium from spent
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catalysts will be particularly welcome, given the uncertainties surrounding South African miners’ ability to fully resume deep level operations under the new hygiene regimes. In addition, Anglo Platinum’s converter plant shutdown could further disrupt supply from South Africa, placing upward pressure on prices and increasing incentives for the spent catalyst value chain. That said, even in secondary supply circuits rhodium tends to have a long pipeline. For 2020, a reduction in vehicles sales will limit availability of end-of-life vehicles, and so we accordingly see global scrap supply of PGMs down by 6.5% to 4.4Moz. However, as we look to 2021 and beyond, our 5-Year Forecast, that will be released mid-June, sees a strong recovery, partly the result of the stimulus packages currently being deployed.

Hybridisation of the vehicle parc is PGM neutral
According to the ACEA, EV and PHEV vehicle registrations in Q1.20 doubled y/y. We believe that the new more aggressive stimulus packages will continue to support parc electrification. However, this does not radically change our view for PGM demand in the European automotive sector. It is not that easy to switch production capacity from ICE to BEV and hybrids. The product lines and component supply chains are structured for maximum cost efficiency and do not have significant spare capacity. This has been further exacerbated by the pandemic. Given these factors, as outlined in our report, we see the reduction in overall European car sales of 17% in 2020 as the biggest driver for the drop in PGM demand. Sales of electric vehicles and the increase in demand for hybrid vehicles are already factored in. In 2020, we expect to see a dramatic rise in hybrid (mainly mild hybrid) powertrains’ share of European production, from 6% in 2019 to 15%. However, as previously mentioned, this remains for the most part PGM neutral and in some instances PGM positive. Looking further out, our 5-Year Forecast shows how the shift in powertrain mix will impact European automotive PGM demand and also global trends.

European PGM Automotive Demand (koz)
DSG APP LAUNCHING IN INDIA SOON

PHYSICAL GOLD OWNERSHIP
FREE STORAGE IN SWISS VAULTS
24K LBMA CERTIFIED SWISS GOLD

TRANSPARENT & COMPETITIVE PRICING
BLOCKCHAIN TECHNOLOGY

FOR BUSINESS ENQUIRIES PLEASE CONTACT US AT ENQUIRIES@DIGITALSWISSGOLD.COM
Swiss Watch Data - Early Indications for a Post-COVID Recovery

The hallmarking data for Swiss watches for May has just been published. This is of particular use now as it provides a general guide to sentiment among both consumers and retailers (too often the willingness and ability of the latter to build stocks is overlooked). It also acts as a guide to actual precious metals demand in watches (this is modest but not trivial, comprising the bulk of Switzerland’s gold jewellery demand of 34t).

As indicated in the graph opposite, there was a clear improvement in May from April (hallmarking rose by almost a factor of 5), but May’s levels remained a hefty 60% down y/y, generating a year-to-date drop of 37%. There was also a similar partial recovery for platinum watch hallmarking; May’s hallmarking was more than 25 times April’s but that still left the cumulative total down 33% y/y.

Our research contacts advise us that the data on Swiss watch sales act as a better indicator of demand trends. These are not available for gold alone, only for “precious metals”. However, as gold usually accounts for over 95% of the total (of hallmarked pieces), this combined sales category is still of value (although it will also not capture any gold in the “bimetallic” sales category). Those caveats aside, the sales trend this year is similar to hallmarking, with April (in Swiss franc terms) down a brutal 82% y/y and cumulative sales to end-April 25% weaker (data for May is yet to be published).

It is fair to expect a continuation of this month-on-month recovery in watch hallmarking (and most likely sales) as the year progresses. However, it seems unlikely that the full year will achieve 2019’s level for four main reasons. First, there is the general macroeconomic backdrop of falling incomes, weak consumer sentiment and probably higher levels of saving. Second, watches will be hit by consumer reticence towards discretionary goods, especially purchases that could be seen as inappropriate or ostentatious. Third, a decent number of watches are bought by tourists (typically Chinese visitors to Europe, where taxes on watches are lower than in China) and it is unrealistic to expect a rebound in tourism, especially long haul. Lastly and linked to tourism, Hong Kong is a major market for watch sales and its political unrest counts as an additional negative. It is too soon to say that unrest in US cities will have a long-term impact on high end watches (and jewellery) but it is of note that reports have just emerged of LVMH questioning its acquisition of Tiffany’s.

Positives are thin on the ground. Some speculate that lower expenditure on travel, a key discretionary competitor, will benefit watches but our expectations at present are that this boost will be small. More importantly, industry sources advise us that many of the high-end brands began the year with low stocks due to trade war caution and so there should be little mismatch between sales to consumers and fabrication of new watch cases. Despite that, we still expect precious metals use in watches (and high-end jewellery) to fall by a figure well into double-digits in 2020.
AWG - Upcoming Listing on CBX

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AURUS - Making Gold as Easy as Money

The Most Decentralized Gold-Backed Digital Currency
Charts - Precious Metal Prices, US$/oz

Gold

Source: Bloomberg

Silver

Source: Bloomberg

Platinum

Source: Bloomberg

Palladium

Source: Bloomberg
Charts - Ratios & Spreads

Gold:Silver Ratio

Source: Bloomberg

Gold:Oil (Brent) Ratio

Source: Bloomberg

Platinum-Gold Discount, US$/oz

Source: Bloomberg

Platinum-Palladium Discount, US$/oz

Source: Bloomberg
Charts - CME Futures Net Positions*

**Gold**

Managed money positions; Source: Bloomberg

**Silver**

Managed money positions; Source: Bloomberg

**Platinum**

Managed money positions; Source: Bloomberg

**Palladium**

Managed money positions; Source: Bloomberg
Charts - ETP Holdings

Gold

Source: Bloomberg

Silver

Source: Bloomberg

Platinum

Source: Bloomberg

Palladium

Source: Bloomberg