

PRECIOUS APPRAISAL

No. 8

24th February 2025

MARKET SPOTLIGHT

Gold's bull run is looking stretched

Gold's price performance over the last 18 months has been remarkable – but is the price reaching a peak? As the price nears \$3,000/oz, signs of excess frothiness are becoming clearer, despite what appear to be firm fundamental drivers.

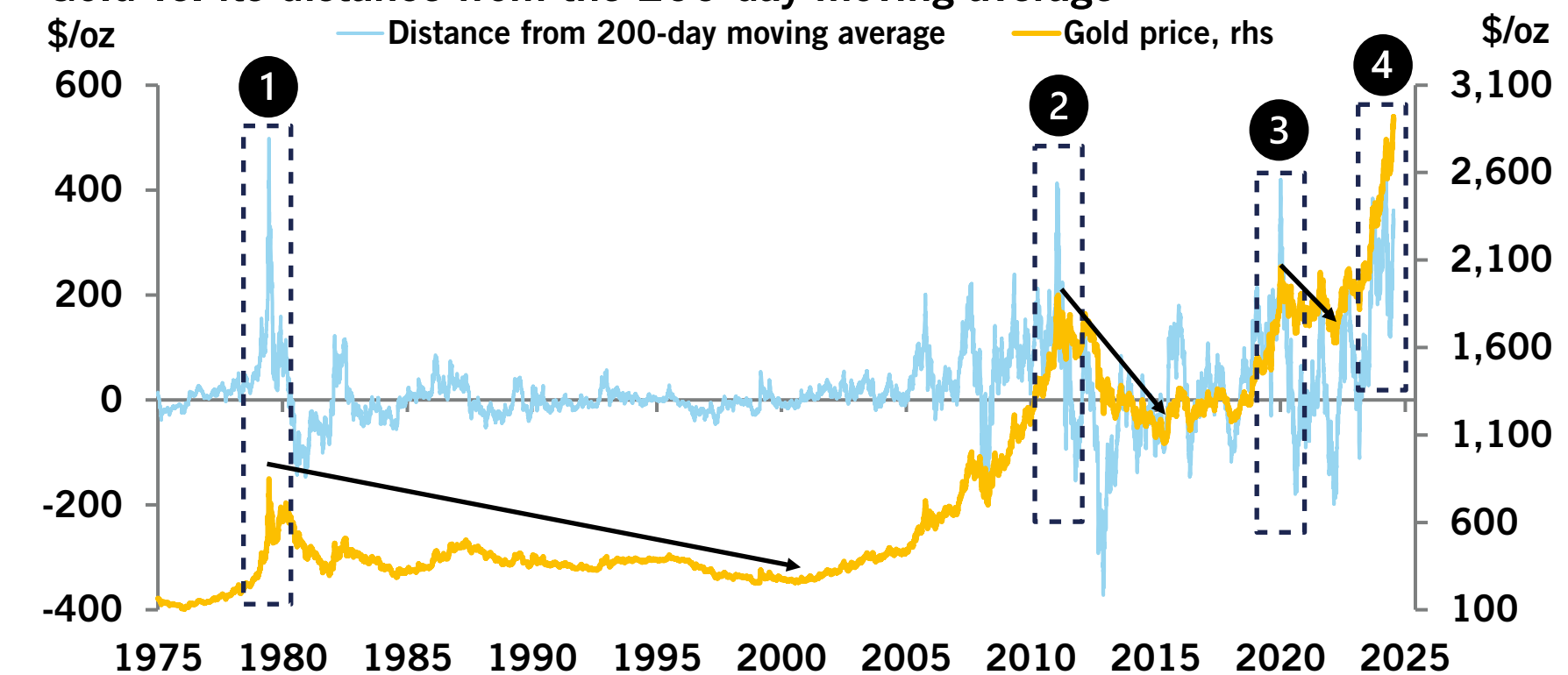
In favour of the gold price receiving continued support is strong central bank and investor buying. Central banks look set to continue to accumulate gold this year, though perhaps at a slower pace than last year. The PBOC added another 5 tonnes to its reserves in January. Investor ETF inflows have been robust since the start of the year, netting 34.5 tonnes of inflows year-to-date, versus 6.8 tonnes of net outflows in 2024.

However, not all fundamental drivers are positive. A high gold price has eroded jewellery demand in many countries, most significantly in China, the largest market, where demand fell by 24% last year while recycling increased. A ceasefire in the Middle East and tentative steps to a ceasefire in Ukraine may ease safe-haven flows, although uncertainty around US tariffs could shift the focus. The flows of metal to the US ahead of potential tariffs have been notable, but it is unclear how much is new demand and how much is just a reorganisation of the location of storage for the bars.

Technical indicators are also a cause for concern, and suggest that the gold price may be due a correction. With an eighth consecutive weekly price gain following on from a 29% gain (in US\$) in 2024, gold's weekly price momentum has exceeded the levels seen in October 2024 and August 2020 ahead of 9% and 19% declines, respectively. At the same time, divergences have emerged between the relative strength index and the gold price on both a daily and a weekly price range.

Most notably, the gold price is well above its long-term moving average. Looking back as far as the 1970s, the spread between the gold price and its 200-day moving average has rarely been as large as it is currently, in nominal dollar terms. Each time it occurred – in 1980, 2011 and 2020 – the large spread was the result of an explosive rally, and preceded a multi-year bear market for gold.

Gold vs. its distance from the 200-day moving average



- 1 Au rises on high inflation and safe-haven buying following Iranian oil crisis and is ended as Volcker raises interest rates to nearly 20% in 1981.
- 2 2000s commodity super cycle takes gold with it. Eurozone debt crisis at peak.
- 3 Negative real-yields made gold attractive, coupled with safe-haven bid owing to Trump's first trade war.
- 4 High inflation followed by interest rate cuts, resurgence of significant central bank buying, geopolitical uncertainty.

Source: SFA (Oxford), Bloomberg

While investor and safe-haven buying continues so can the price rally, but a correction is looking increasingly likely. In the short term, the \$2,800/oz level could offer support and on a deeper pull-back the price could reach the \$2,450-\$2,550/oz range.

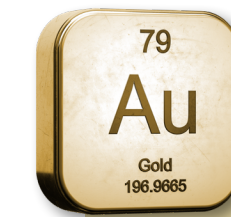
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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,937	1.40%	2,955	20/02/2025	2,892	18/02/2025
€/oz	2,809	1.82%	2,833	20/02/2025	2,762	17/02/2025

Gold could face downside risk as speculators unwind long positions.

The gold price could see its eighth consecutive week of gains, which is the longest streak since August 2020 when gold also had an eight-week rally. However, in recent weeks the speculative net long futures position has fallen to under 31 moz, compared to nearly 33 moz at the start of February, as speculators take profits despite the price of gold continuing to rally. This suggests that at least some market participants think the rally could be nearly done.

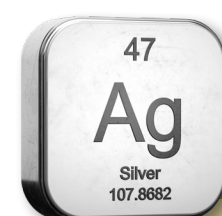
Peace in Ukraine could shape the evolution of gold's safe-haven demand.

Senior US and Russian officials held extensive talks last Tuesday in Saudi Arabia, covering various topics including the potential end to the war in Ukraine. Gold safe-haven demand has been underpinned by escalating global trade tensions and the wars in Gaza and Ukraine. Even if peace were achieved in Ukraine and the cease fire in Gaza upheld, President Trump's campaign of tariffs still persists as a risk that would fuel safe-haven demand.

The price of gold hit yet another all time high on Thursday of \$2,955/oz before cooling slightly to close at \$2,937/oz on Friday.

PRECIOUS METALS REVIEW

Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	32.65	0.75%	33.21	20/02/2025	32.08	18/02/2025
€/oz	31.23	1.17%	31.80	20/02/2025	30.65	18/02/2025

Growth in mined silver supply is robust. Hecla Mining Company, the largest US silver producer, mined 16.2 moz of silver in 2024 – a 13% year-on-year increase and the second-highest output in its 134-year history. With 2025 production guidance of 15.5 moz -17.0 moz and strong reserves, Hecla is positioned to sustain output in the coming years. In 2023, Hecla accounted for ~45% of total US silver production, which stood at 32 moz (4% of global mine supply) (source: The Silver Institute). However, global mined silver production is expected to grow by 2% year-on-year to 844 moz in 2025, supported by Hecla’s Keno Hill expansion in Canada and increased output from Gold Fields’ Salares Norte mine in Chile. Salares Norte, which began operations in 2024, was forecast to produce 0.25 moz in its first year before more than doubling to 0.5 moz in 2025. However, this accounts for less than 2% of the expected global supply increase, and growth is distributed across multiple operations. This diversification reduces downside risk to overall mined supply growth, as potential disruptions at any single facility are offset by continued production elsewhere.

January is usually a strong month for silver coin sales for the US Mint, but last month American Silver Eagle coin sales fell 27% year-on-year to a little over 3.5 moz. This is the lowest level of January demand from the US Mint since 2018, and more than 1 moz below the 10-year average of 4.6 moz. Any investor who purchased silver from the US Mint in 2020 to early-2024 is likely to be in profit at current prices, and therefore buying momentum could be slowing if investors are selling coins back to lock in profits. Similarly, sales of silver investment products from the Perth Mint saw a decline of 46% year-on-year in January to 415 koz – the lowest since April 2017. Sales from the Perth Mint show less seasonal variation and therefore may not be an indicator of annual investment demand in 2025 but, as with the US Mint, sales are continuing to trend lower.

The price of silver climbed steadily last week, encroaching on the spike seen at the end of the previous week of \$33.33/oz. The price closed at \$32.65/oz having lost some of its gains on Friday.

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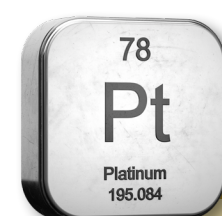
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Platinum



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	974	-1.58%	992	17/02/2025	967	21/02/2025
€/oz	932	-1.18%	948	18/02/2025	924	21/02/2025

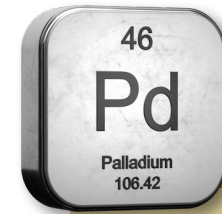
Sibanye-Stillwater managed to improve refined platinum production year-on-year in 2024, despite the restructuring and closure of some shafts. Total PGM production (including third-party feed) totalled 1,835 koz 4E PGMs (Pt, Pd, Rh, Au), equal to growth of 4% versus 2023 and including 1.09 moz of platinum (+3.4% year-on-year). Guidance given for 2025 PGM production is relatively soft, placing this year's production at 1.75-1.85 moz 4E. Some of Sibanye-Stillwater's South African operations were restructured in H1'24 in order to reduce costs and improve margins as the PGM basket price has declined. Across the South African PGM industry, platinum, palladium and rhodium made up a smaller portion of total revenue than ever before in 2024. More than 15% of Anglo American Platinum's 2024 revenue came from non-PGM metals, including 3.6% from chrome. The importance of non-PGM revenue to miners' bottom lines is exemplified by the deal announced last week between Sibanye-Stillwater and Glencore, which will allow the former to eventually capture more value from its UG2 (chrome-rich PGM ore) production in South Africa, which the company currently receives less than market value for and had record production of in 2024.

The price of platinum fell last week to break a four week streak of increases. By the close of markets on Friday, the price of platinum was 1.58% percent lower week-on-week at \$974/oz. underperforming the other major precious metals, particularly gold which made yet another new all-time high, and is within touching distance of \$3,000/oz. Thanks to gold's continued rally, platinum's discount to gold in dollar terms reached a new record of \$1,963/oz.

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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	977	-1.08%	994	19/02/2025	968	19/02/2025
€/oz	934	-0.74%	953	19/02/2025	925	21/02/2025

Auto tariffs could shift supply chains and dent palladium demand.

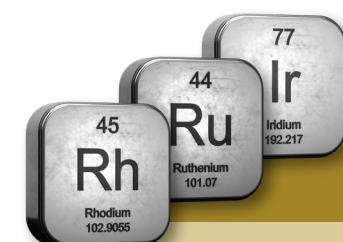
President Trump has widened his tariff threats to include auto imports. The rate mentioned was 25%, yet no details are confirmed. Imports made up ~50% of the US auto market in 2024. Most major automakers manufacture in Mexico and Canada to supply US demand. Trump said he wants companies to “come back” to the US, but the lack of clarity on implementation is fuelling uncertainty, with multiple possible outcomes. If a 25% tariff were imposed the impact could be higher prices for cars, leading to reduced sales and hence lower palladium demand in the short term. Over time, this could lead to a reorganisation of supply chains and a relocation of production which also adds costs and may not help to improve palladium demand in the longer term either.

US automakers have the capacity to lift production. US capacity utilisation for automobile and light-duty vehicle manufacturing fell to 66% in Q4’24, the lowest level since Q1’22. Last year saw an annual average capacity utilisation of 69% (source: St. Louis Fed). This utilisation rate is lower than 84% of historical observations since 1972, with the long-term average standing at 76%.

The price of palladium remained relatively flat throughout the week but fell slightly throughout Thursday and Friday to close just over 1% down at \$977/oz on Friday.

PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$5,150/oz	\$530/oz	\$4,850/oz
Previous Edition	\$5,150/oz	\$530/oz	\$4,850/oz

Hydrogen fuel cells could challenge BEV dominance in heavy-duty transport.

Toyota unveiled its third-generation hydrogen fuel cell last week, boasting a 20% range increase, double the durability (“1 million km problem-free”), and significant cost reductions. Unlike previous systems that stacked multiple fuel cells to meet different vehicle power demands, the new design expands a single stack, improving scalability for different vehicle applications. Despite Toyota selling only 30,700 fuel cell systems since 2014 and fuel cell electric vehicle (FCEV) sales falling 56% year-on-year to 1,778 units in 2024, the company sees long-term potential. Toyota aims to scale up annual production to 100,000 fuel cell systems by 2030, with heavy-duty vehicles making up ~35%. Heavy-duty trucks represent a strategic entry point for hydrogen adoption, as they can operate on fixed routes, allowing hydrogen refuelling stations to be established for high-demand hubs. This infrastructure could, in turn, support a broader FCEV ecosystem, including passenger vehicles.

However, battery electric trucks (BEVs) already have a foothold. In China, the only market with commercial heavy-duty FCEV adoption, hydrogen fuel cell truck sales fell by 2% in 2024 to ~2,900 units (0.1% market share). In contrast, heavy-duty BEV sales surged by 27% to 490,000 units (16% share). A key advantage for heavy-duty BEVs is battery swapping, which 42% of Chinese BEV trucks used in 2023 (source: Fordonsstrategisk), thereby competing with diesel for refuelling efficiency. FCEVs have had the benefit of quicker refuelling times, though this advantage over BEV trucks is being negated by battery swapping, particularly as swapping stations become more prevalent. However, heavy-duty wBEVs contain heavy battery packs that can add as much as 2,000 kg to the overall weight of the vehicle, reducing the payload capacity relative to this (source: National Waste and Recycling Association). In comparison, FCEVs utilise smaller battery systems and may lose only ~500 kg of cargo capacity (source: Clean Air Task Force).

While improving range, durability and cost makes fuel cells more viable, the growing BEV infrastructure and widespread adoption of battery swapping pose a significant barrier to FCEV market expansion. BEVs currently dominate, but if fuel cell adoption scales up through heavy-duty applications, aided by preferential cargo capacities, that could establish the infrastructure needed for broader FCEV growth.

All three metal prices remained unchanged last week.

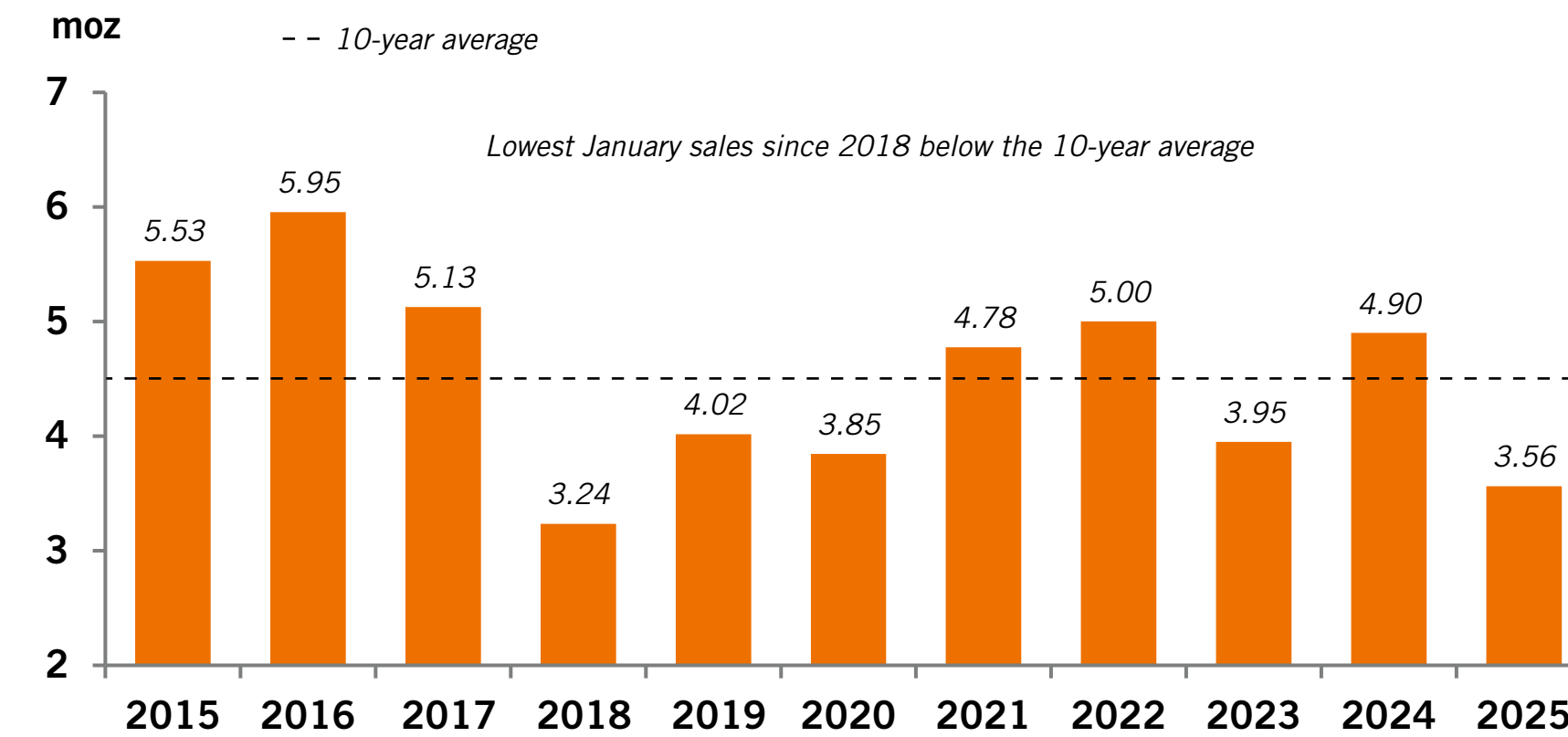
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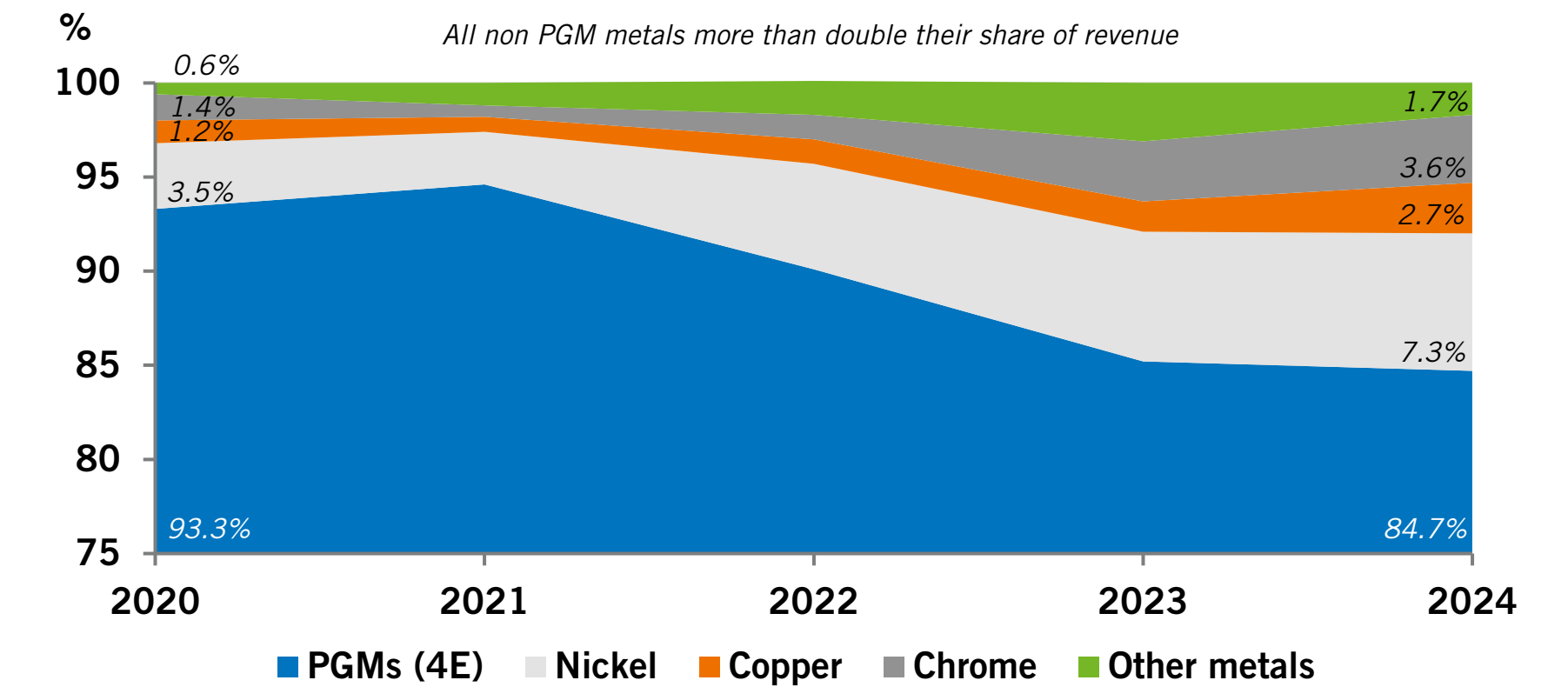
TRENDS AND INVESTMENTS

US Mint January silver coin sales



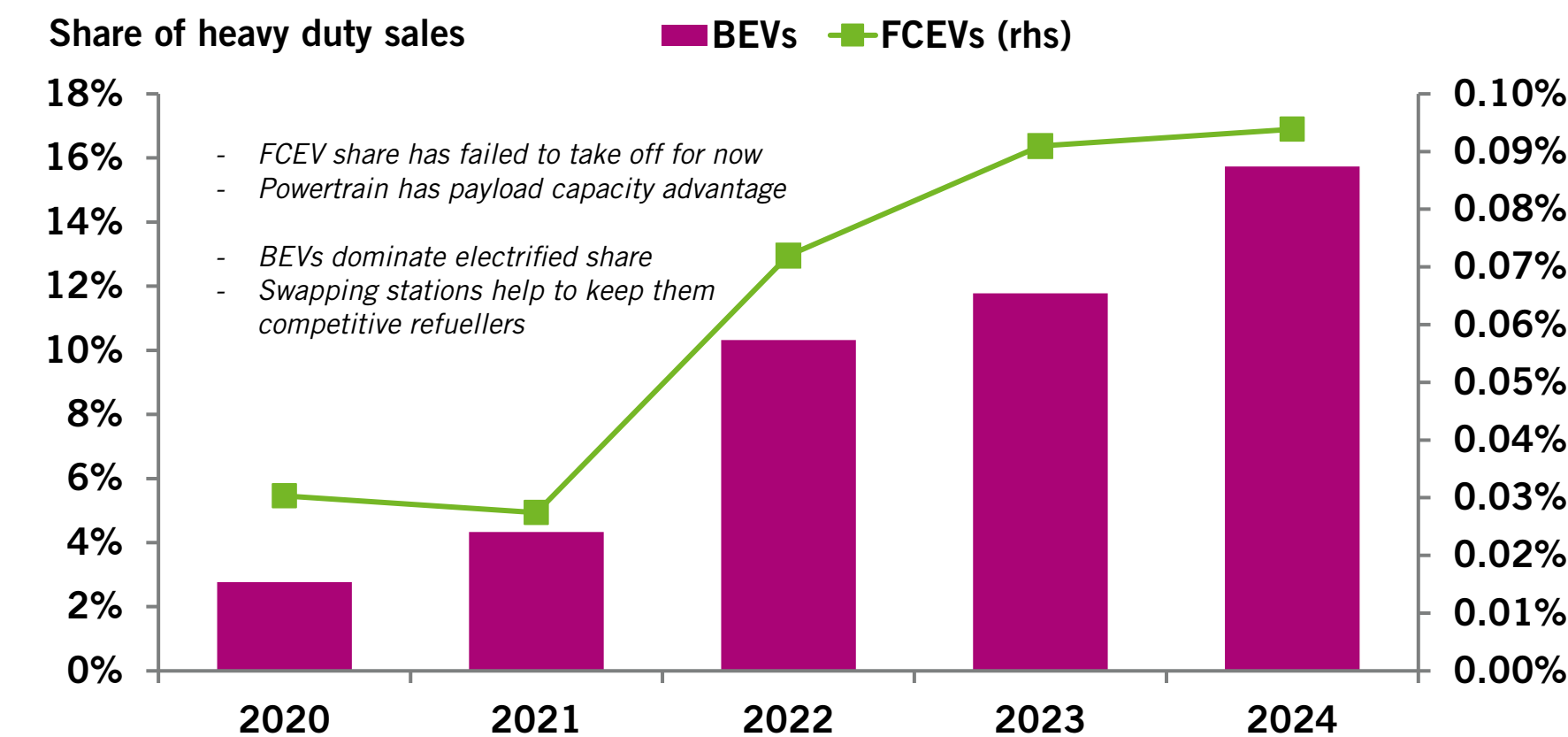
Source: SFA (Oxford), US Mint.

Anglo American Platinum revenue source



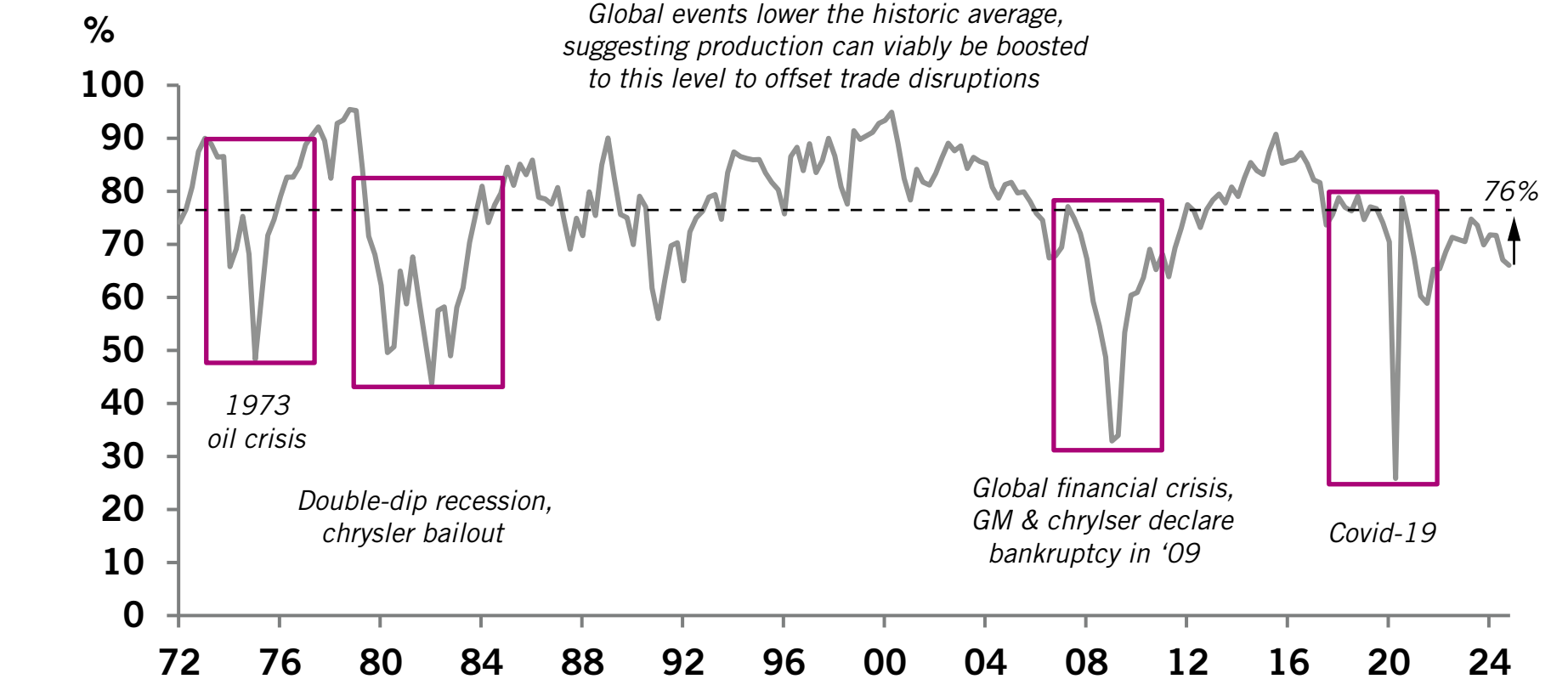
Source: SFA (Oxford), Anglo American Platinum

Heavy duty powertrain market share in China



Source: SFA (Oxford), China Association of Automobile Manufacturers.

US auto and LV manufacturing capacity usage



Source: SFA (Oxford), St. Louis Fed. Note: LV = light-vehicle.

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