

PRECIOUS APPRAISAL



MARKET SPOTLIGHT

Cost-cutting is yet to slice into South Africa's platinum production

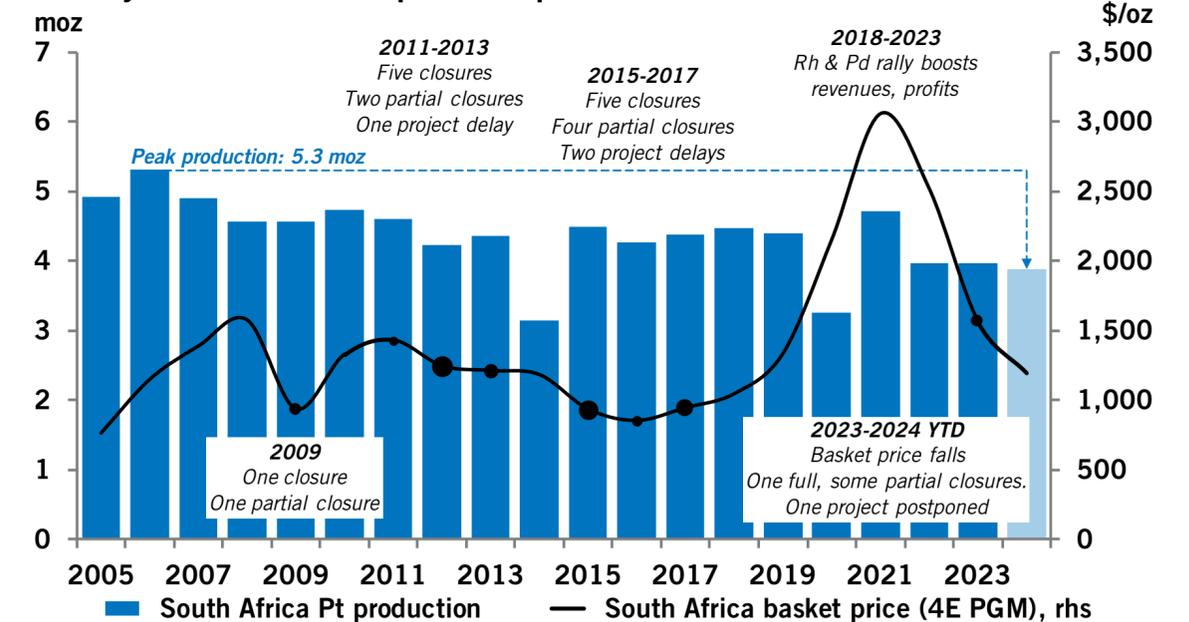
Low PGM prices are pressuring mining companies' balance sheets. Anglo American Platinum has announced the initiation of the Section 189 process for 17% of its South African workforce – most of which will be at the Amandelbult mine where production has been falling since 2019. The Section 189 process is a legal route to retrench workers based on operational requirements and includes a period of consultation, meaning headcount reduction will not be immediate. Sibanye-Stillwater has just concluded a round of retrenchments at its Rustenburg and Marikana operations.

Current production cuts are small in the context of the wider platinum market. However, they are an indicator of the direction of travel for PGM miners which may accelerate if low platinum, palladium and rhodium prices are sustained. South African platinum supply is forecast to fall slightly this year to 3.9 moz, including the minor reduction in output of 60 koz PGMs announced by Sibanye-Stillwater earlier this year and the closure of the Pilanesberg mine (~30 koz Pt) which are the only production cuts related to restructuring thus far. Despite the announced cutback in headcount, Anglo American Platinum forecasts no reduction in overall refined platinum production for 2024 and 2025 from its own operations.

Release of stockpiled PGMs may help to boost baseline mined production. Anglo American Platinum had 507 koz of 3E PGMs in concentrate stockpiles, part of which should be refined this year. Impala Platinum is also expected to process its stockpile of platinum, though this is likely to be later in the year owing to major smelter maintenance in Q1'24. In both cases, the severity of Eskom load-shedding this year will partially determine how much metal from these stocks reaches the market.

The rhodium price is unlikely to save marginal shafts in this price cycle. Major production cuts were avoided in 2016 and 2017 as the rhodium price began to rise before their implementation, and by 2018 the price had more than tripled over two years. Rhodium autocatalyst demand is forecast to decline in 2024 from gains made by BEVs in the auto market, a trend that looks likely to continue. Without bumper rhodium revenues, it is possible that cost-cutting could intensify, with cuts to production most likely to come from high-cost mines on the Western Limb of the Bushveld Complex. Last week the rand reached its weakest level against the dollar since October 2023, which will partially offset a fall in the platinum price. However, if PGM prices do not recover, then shaft closures may become inevitable.

History of South Africa's platinum production cuts

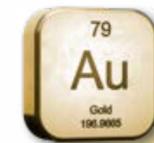


Source: SFA (Oxford), Bloomberg. Note: The size of bubble represents the scale of impact on primary platinum supply

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PRECIOUS METALS REVIEW

Gold



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	2,038	1.45%	2,039	23/02/2024	2,013	19/02/2024
€/oz	1,883	0.90%	1,883	23/02/2024	1,864	23/02/2024

Gold could fall as bond traders bet on higher US yields. Options traders were busy buying up contracts last week, betting that the 10-year Treasury yield will move above 4.5% by April (source: Bloomberg) following a fall in bond values linked to sticky US consumer inflation data and higher than expected producer price inflation for January. Higher yields on medium-term Treasuries could be a headwind for the gold price, particularly as hopes of support from a Fed rate cut are fading into late 2024. Additionally, the negative correlation between the gold price and the 10-year yield has strengthened significantly so far this year to -0.74, compared to a weak -0.14 for 2023 on an annual basis, suggesting the pressure on gold from 10-year Treasuries could be more apparent if yields were to rise above 4.5% again. The last time yields were that high was in November 2023 when gold sat at \$1,985/oz. As of Friday, the 10-year Treasury yield was 4.25%.

Chinese market participants re-entered the financial markets last week following the New Year holiday as gold continued its recent trend higher. In the 30 days following the return of traders from the holiday, the gold price has, on average, risen by 2% (10-year average).

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Silver



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	22.93	-1.64%	23.19	20/02/2024	22.56	23/02/2024
€/oz	21.18	-2.15%	21.50	19/02/2024	20.86	23/02/2024

Hecla, a major silver miner, grew its output last year to 14.3 moz. This is the second-highest level ever for the company which plans to ramp up production to more than 16.5 moz this year, representing at least 15% growth year-on-year. Global primary silver supply is forecast to rise by ~4% to 845 moz this year (source: The Silver Institute), which would be the highest level in six years. The largest new project expected to come online this year is Polymetal's Prognoz mine in Russia. Annual production is estimated to average 13.5 moz (~1.6% of 2024 supply forecast), and mine construction has been fast tracked since 2021 to reach production this year. Last week, Polymetal announced it intends to dispose of its Russian assets, including Prognoz, which raises some uncertainty over the timeline for the mine to come on stream.

The silver price softened by 1.64% last week, falling back into the high \$22s. Technical support lies at around \$22.00/oz which has held since November last year.

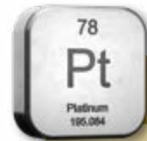
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Platinum



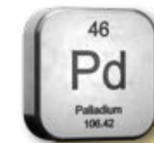
	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	905	-0.08%	917	20/02/2024	883	21/02/2024
€/oz	835	-0.64%	848	19/02/2024	817	21/02/2024

Platinum looking cheap against gold could trigger additional investment demand. The Pt:Au ratio has rarely been as low as it is at present – as of Friday it stood at 0.44. Only when gold gained a head start during the first stage of the pandemic was the ratio pushed lower. Platinum’s very large discount to gold of \$1,133/oz could be tempting for investors at present. Outflows from platinum ETFs narrowed in 2023 to -25.4 koz, from -561 koz in 2022. So far this year flows are marginally net positive, with 27 koz of inflows. A strong year of positive ETF flows could be a swing factor to the upside for the platinum price given the platinum market’s small size compared to gold.

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Palladium



	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
\$/oz	991	3.25%	999	23/02/2024	930	21/02/2024
€/oz	916	2.75%	923	23/02/2024	861	21/02/2024

Risks to the BEV adoption rate could shield palladium demand from some downside. Mercedes-Benz sold 2.04 million passenger cars last year, of which 11.8% were fully electric (7.9% were PHEVs). The company’s outlook for this year keeps overall vehicle production level, with an xEV (BEV + PHEV) share of sales at 19-21%. The company has also pushed out its longer-term electrification strategy. Having originally aimed for xEVs making up 50% of sales by 2025, it is now targeting the “second half of the decade” to reach this milestone. There is similar softness towards earlier EV targets among other OEMs in Europe and North America. A more protracted EV uptake is potentially positive for palladium autocatalyst demand, particularly in North America and the EU which in 2024 are forecast to represent 21% and 14%, respectively, of global palladium autocatalyst demand. The apparently growing preference for PHEVs among consumers as a ‘stepping stone’ towards electrification is also positive for palladium demand, partially as PHEVs tend to have slightly higher palladium loadings than pure ICE vehicles. However, global palladium autocatalyst demand is forecast to fall this year to below 8.2 moz, as on a global scale BEVs are forecast to gain more market share, albeit at a slower pace than in 2023.

Palladium was again the outperformer of the week, rising almost to \$1,000/oz again intraweek. Anticipation of the outcomes of the US’s new major Russian sanctions package may have helped palladium rise. Though, when announced on Friday Russian nickel and palladium as commodities, and Nornickel as an entity were not included, meaning any risk premium may fade.

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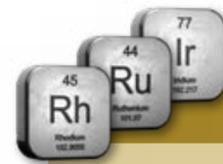
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Rhodium, Ruthenium, Iridium



	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	\$5,050/oz	\$455/oz	\$5,500/oz
Previous Edition	\$4,950/oz	\$455/oz	\$5,500/oz

Ruthenium electrical demand is forecast to decline this year. The hard-disk market weakened in 2023, as both consumers' and industrial data centre spending was cut back. Western Digital and Seagate, two of the largest hard-disk manufacturers, saw year-on-year declines in shipments last year. The slump in sales coincided with the normalisation of supply chains after the pandemic and thus it is thought that hard-disk manufacturers were left with an overhang of ruthenium for use on sputtering targets and other components. With inventory likely to be still high, restocking of ruthenium is expected to be subdued for most of 2024. Lower anticipated buying activity in the electrical sector contributes to the predicted market surplus in 2024, which is forecast to keep the ruthenium price relatively restrained with little upside risk in the short term.

The rhodium price rose steadily last week, reaching a new month-to-date high of \$5,050/oz. Meanwhile, the ruthenium and iridium prices stayed flat.

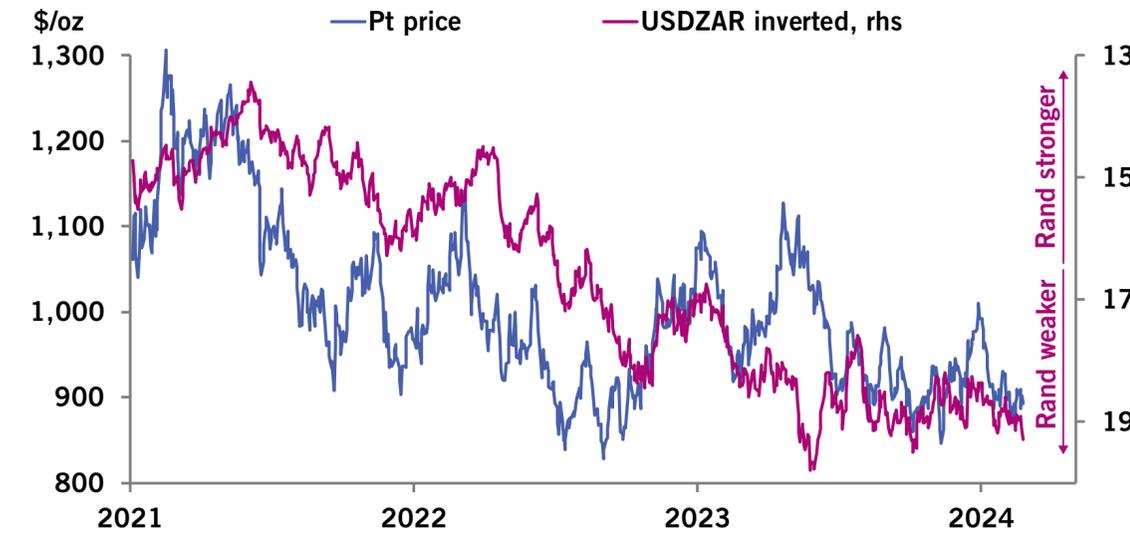
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TRENDS AND INVESTMENTS

Platinum price vs. USDZAR



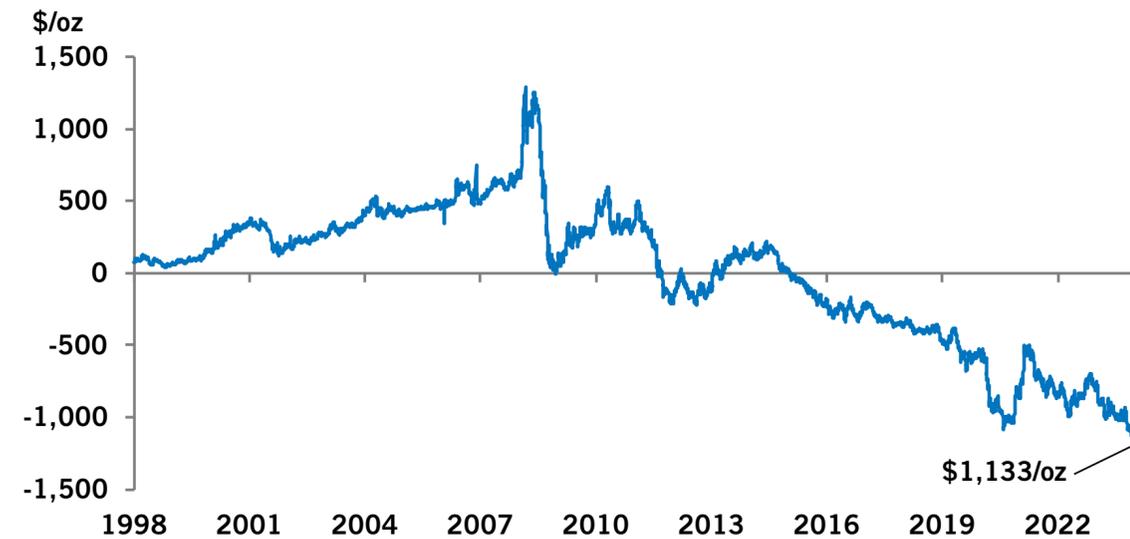
Source: SFA (Oxford), Bloomberg

Gold price vs. US 10-yr yields



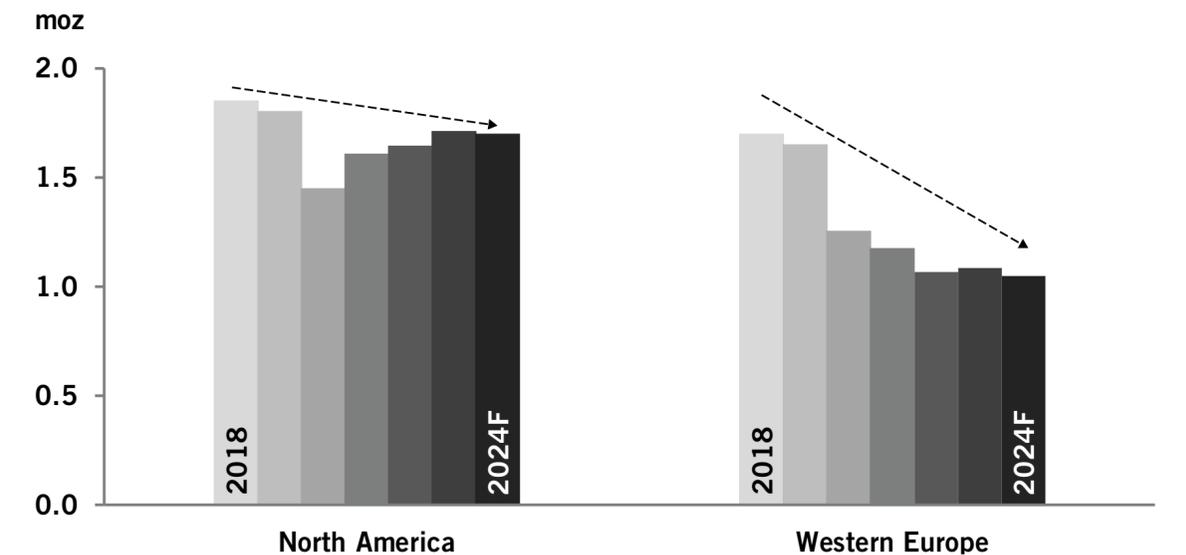
Source: SFA (Oxford), Bloomberg

Platinum premium/discount to gold



Source: SFA (Oxford), Bloomberg

Palladium autocatalyst demand



Source: SFA (Oxford)

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Heraeus Precious Metals

Europe, Middle East, Africa & other regions

Phone: +49 6181 35 2750

tradinghu@heraeus.com

South East Asia

Phone: +852 2773 1733

tradinghk@heraeus.com

USA

Phone: +1 212 752 2180

tradingny@heraeus.com

China

Phone: +86 21 3357 5658

tradingsh@heraeus.com



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The Heraeus Precious Appraisal is produced in collaboration with:

SFA (Oxford) Ltd

United Kingdom

Phone: +44 1865 784366

www.sfa-oxford.com

The Oxford Science Park,
Oxford, United Kingdom, OX4 4GA



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