Heraeus

Precious Metals

PRECIOUS APPRAISAL

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PRECIOUS METALS REVIEW

Gold

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
$/oz	2,716	0.73%	2,725	16/01/2025	2,657	13/01/2025
€/oz	2,641	0.26%	2,646	16/01/2025	2,590	14/01/2025

Signet slumps: US gold jewellery demand faces a fourth year of decline. The world's largest retailer of diamond jewellery has reported a year-on-year fall in sales. Signet Jewelers reported Q4 sales of $2.34 billion, down 12% year-on-year. This results in annual sales of just over $7 billion, an 11% year-on-year decrease. Gold jewellery demand in the US is typically strongest in the fourth quarter, with Q4 demand since 2010 averaging 39% higher quarter-on-quarter (source: World Gold Council). Consequently, year-on-year declines in Q4 sales disproportionately affect the region's ability to match the previous year's total gold jewellery demand. By the end of Q3, demand was already 3% lower year-on-year, sitting at 85.1 tonnes. Signet's Q4 performance could therefore serve as an early indicator of a likely fourth consecutive year of contraction in US gold jewellery demand, brought about by the consistently high gold price causing consumers in the US to shift to lower price point products, including lower-carat gold. This trend aligns with the global gold jewellery market, which continues to struggle just below the 2021 level of 2,145 tonnes. Available data (up to Q3'24) shows that global gold jewellery demand in 2024 is down over 10% year-to-date. Therefore, if Q4 is down year-on-year the implication is that the year-end total could be more than 10% lower year-on-year.

Speculators are the most bullish on the dollar for five years. With net long speculative futures dollar positions at multi-year highs, an overcrowded trade suggests a potential reversal. The consensus is shifting to fewer Federal Reserve rate cuts in 2025, supporting the dollar. If the yield curve un-inversion is an accurate predictor of a recession, which it has been, that could result in a more dovish Fed helping to weaken the dollar and lift the gold price.

Market unease around impending tariffs continues into inauguration week. As noted in last week's silver commentary, tariff concerns have proved contagious in the precious metals markets as gold, silver and platinum have all been affected. Both gold and silver EFP premia remain elevated, and gold is flowing into COMEX inventories from other locations at record levels to take advantage of these premia. Gold inventories on COMEX have swelled by more than 6 moz since the beginning of December, including additions of 676 koz last Wednesday which was the largest one-day addition of all time. Implied lease rates for very short-term gold lending are also very high, implying that liquidity on a less than one-month delivery is very tight.

The dollar gold price rallied last week but needs to push through resistance at around $2,725/oz to suggest that the uptrend has resumed. If not, a retest of support at $2,600/oz is possible. In euro terms, the gold price hit a new all-time high of €2,645.80/oz.

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Silver

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
$/oz	30.44	-0.29%	30.97	16/01/2025	29.51	13/01/2025
€/oz	29.59	-0.75%	30.05	16/01/2025	28.79	14/01/2025

Global solar expansion drives rising PV silver demand into 2025.
Many nations are forging ahead with numerous solar project plans that attempt to match regions' distinct targets. Abu Dhabi's Emirates Water and Electricity Company (EWEC) has opened the bidding for a 1.5 GW solar project near Abu Dhabi, with responses expected by Q2. This marks progress towards EWEC's target of 10 GW of solar capacity by 2030. As of 2023, the UAE's total solar capacity stood at 6 GW (source: Energy Institute), with four planned projects adding a further 4.85 GW. Therefore, reaching this goal remains ambitious, as contracts must be finalised and construction completed before this capacity becomes available. Meanwhile, in China where a record 230-260 GW of capacity is estimated to have been installed in 2024, the Three Gorges Corporation has launched bidding for 2.5 GW of n-type TOPCon solar modules. Unlike traditional monofacial cells, these bifacial modules require additional silver metallisation on both sides, enhancing efficiency but increasing silver consumption.

While these projects vary in scale and impact on PV silver demand, the global trend remains one of ambitious solar expansion, with newer technologies requiring greater silver loadings. Given that global PV silver demand rose 64% year-on-year in 2023 (source: The Silver Institute), it is likely to have remained elevated in 2024, with growth potentially continuing into 2025 as the impact of other countries, such as the UAE, increasingly contributes to global totals. Additionally, larger contributors are expected to increase their installations throughout 2025.

Furthermore, in 2024 India marked its highest annual additions to solar PV capacity to date (24.5 GW) and doubled its installed capacity (source: PV magazine). India is forecast to increase its installed capacity to 131 GW by March 2026 while Europe is expected to install 110 GW across the 2025 calendar year. This lends weight to the likelihood that PV silver demand will grow again in 2025 instead of beginning to plateau following strong gains over the last few years.

Silver fell on Monday to $29.51/oz, however following this silver has had a strong bullish run followed by a correction, with $30.15 acting as key short-term support.

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Platinum

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
$/oz	945	-1.66%	968	13/01/2025	933	16/01/2025
€/oz	919	-2.10%	946	13/01/2025	905	16/01/2025

Northam is pushing ahead with production ramp-up. Northam has reported growth in PGM production in H2'24 of 3.7% year-on-year to more than 451 koz 4E (equal to approximately 263 koz of platinum), in part due to the continued ramp-up of the Eland operation. Chrome production also saw a significant 7.5% rise year-on-year, largely due to targeting of more chrome-rich UG2 ore tonnes at Eland which more than doubled chrome concentrate production. Additional chrome by-product credits contribute to the shoring-up of revenues at the operation, which during this ramp-up phase will be operating with a higher unit cost compared to steady state. However, chrome concentrate prices have fallen by 36% since the start of H2'24, and so these revenues will also have fallen. Northam has reiterated its FY'25 (June-June) production guidance of 880-910 koz 4E. Keeping PGM output steady over the next six months would mean Northam achieves production at the upper-end of guidance – apart from any additional ramp-up volumes from Eland. Excluding any potential supply curtailment from marginal operations, South African platinum supply is expected to rise by a modest 3% to 4.1 moz in 2025, in part owing to the processing of stockpiles.

Lease rates suggest physical tightness. Like gold and silver, tariff concerns may be the root cause. The recent spike in implied platinum lease rates to >10% was short-lived. However, they have averaged just a fifth of this since mid-December, and lower over the rest of H2'24, indicating falling liquidity in the physical market. As has been seen in the silver and gold markets, it is likely that a drop in physical liquidity is related to concerns around implementation of tariffs on imports by the US. After this week's presidential inauguration, we should gain some clarity over how, where and when these will be put in place. The last time lease rates jumped to this level was in May 2022, immediately following the Russian invasion of Ukraine, which prompted supply concerns for the PGMs.

The tightness represented by the elevated lease rates may be synthetic and related to elevated flows into the US exchanges rather than a real net shrinkage of physical platinum stocks. Industrial and jewellery fabricators, who tend to lease platinum to control price risk, are possibly the most impacted by the rise in lease rates, as their short-term borrowing costs have increased more than tenfold.

After rallying sharply in the first two weeks of the year, platinum has given back half of its gain.

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Palladium

	CLOSE	WEEKLY CHANGE	HIGH	DATE	LOW	DATE
$/oz	951	-0.03%	975	15/01/2025	929	13/01/2025
€/oz	925	-0.49%	941	15/01/2025	909	14/01/2025

BEV sales growth was outpaced by PHEVs in China last year.
In 2024, China's passenger car production and sales grew by 5% and 6% year-on-year, respectively (source: CAAM). Growth was particularly strong in Q4'24, with both production and sales rising over 30% quarter-on-quarter and more than 10% year-on-year. This expansion was primarily driven by PHEVs, as sales surged by 84% year-on-year. BEV sales increased by a smaller amount (15%) but also reached a record of 7.2 million units, according to official data. Meanwhile, pure internal combustion engine (ICE) vehicle sales continued to decline. Over 14 million pure-ICE gasoline cars were sold in China in 2024 – nearly 2 million fewer than in 2023. Despite sales of 1.5 million pure-ICE gasoline passenger cars in December, market share fell from 63% in January to 47% by year-end, marking a 16% drop in just 12 months – the steepest decline the Chinese market has ever seen.

China is estimated to have accounted for ~15% of global palladium autocatalyst demand in 2024, consuming nearly 1,100 koz. This represents a drop of 21% year-on-year, despite growth in overall sales, due to the ongoing shift towards non-catalysed cars. Chinese palladium autocatalyst demand is forecast to fall by another 8% this year as BEVs are expected to gain even more market share, particularly as the government has announced it will continue its NEV trade-in scheme for 2025.

After a strong week previously, the palladium price saw a small decline last week, closing trading at $951/oz.

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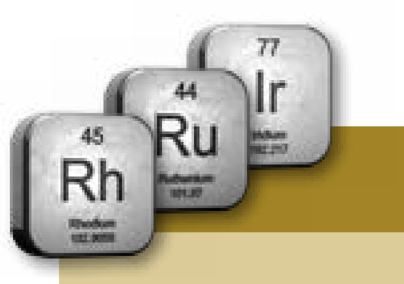
Rhodium, Ruthenium, Iridium



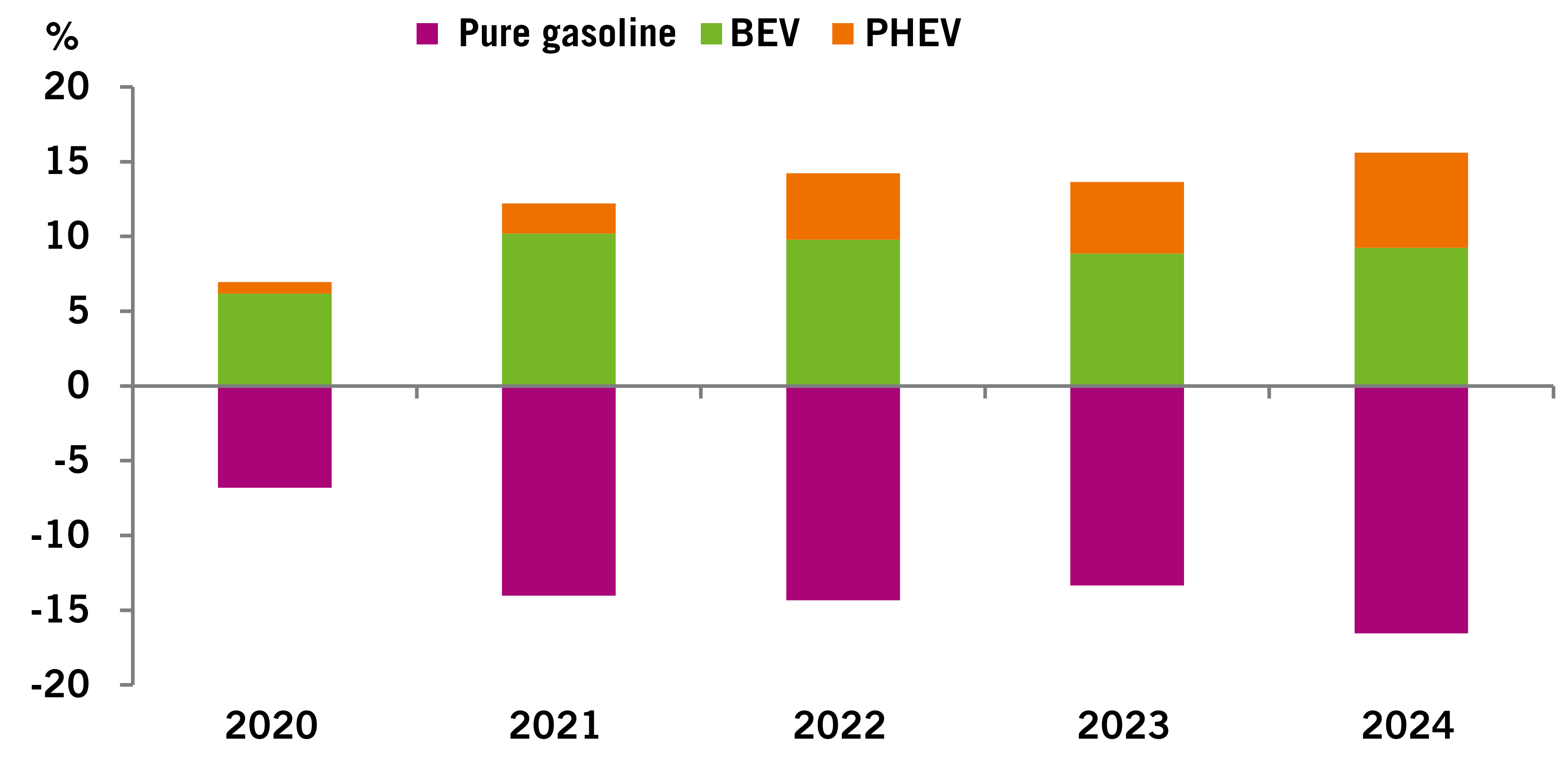
	RHODIUM	RUTHENIUM	IRIDIUM
Reporting Week	5,250/oz	505/oz	5,000/oz
Previous Edition	5,300/oz	505/oz	5,000/oz

Hydrogen trucking has lost a key area of support as California retreats from its diesel truck ban proposal. Owing to the assumption that President Trump would be unlikely to approve a proposal to ban heavy-duty diesel sales in California from 2036, the state has withdrawn the bill. Under the proposed legislation, large trucking companies would have been required to convert their fleets to either hydrogen or electric powertrains fully by 2042. This development may be a disincentive for investment in the North American heavy-duty FCEV truck and infrastructure development in the short to medium term. The legislation would have acted as the ‘stick’ to the US Department of Energy’s ongoing green hydrogen subsidy and funding ‘carrot’. On the consumer side, California’s FCEV passenger car sales slumped by 84% year-on-year in 2024 to just 471 units (source: Baum and Associates). In terms of hydrogen demand for PGMs, both ruthenium (mostly fuel cells) and iridium (mostly electrolysers) are forecast to see modest growth year-on-year in 2025. However, delays to project execution and waning interest in FCEVs are delaying the ramp-up in demand that could be expected once green hydrogen, and its associated PGM-containing technology, reaches the mainstream.

Last week, both the iridium and ruthenium prices were unchanged. Meanwhile, rhodium gave up some its gains from early in the month to settle at $5,250/oz.

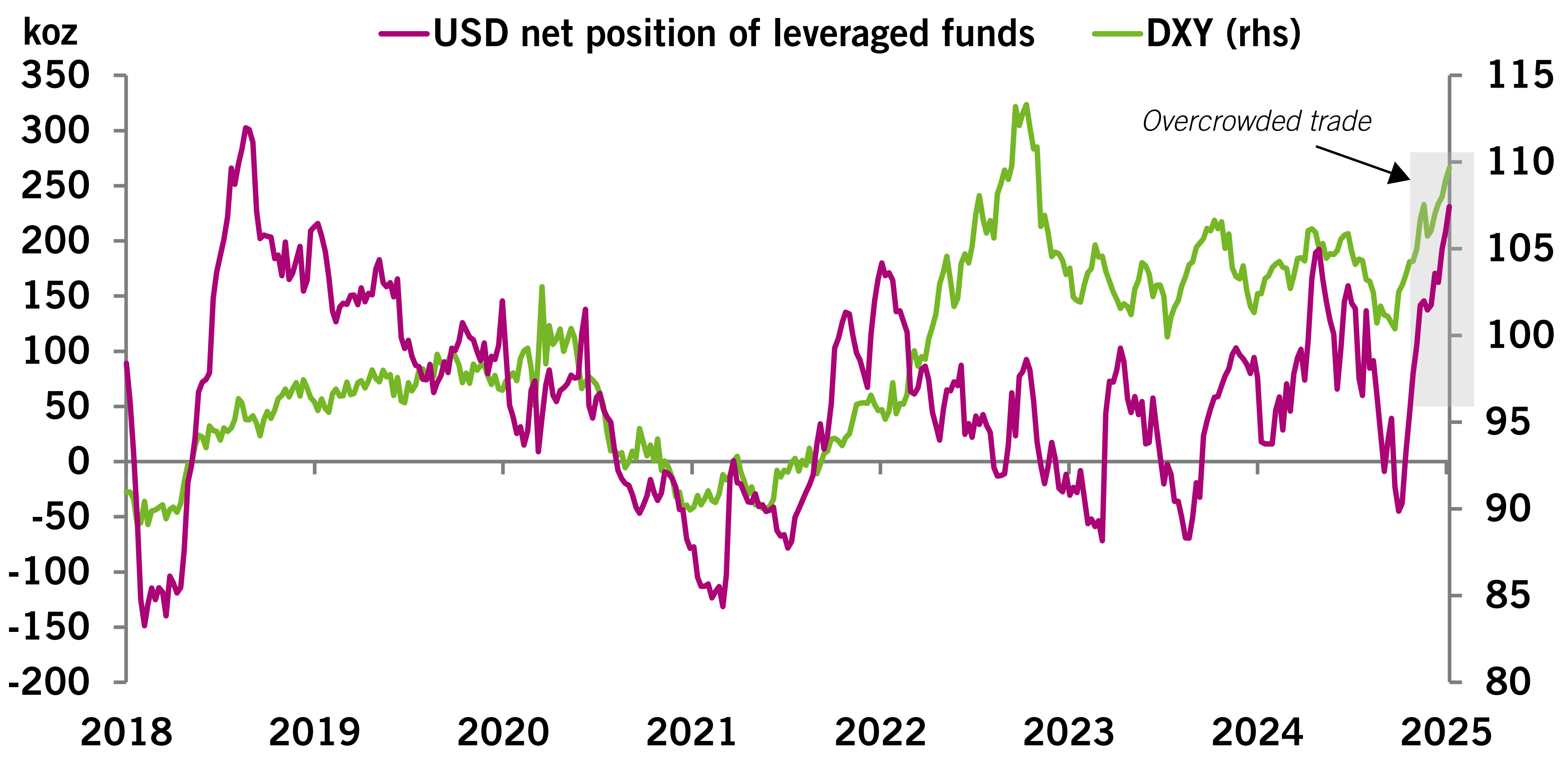
TRENDS AND INVESTMENTS

Annual PV sales market share change, China



Source: Chinese Association of Automobile Manufacturers, Bloomberg

Dollar index and net position of leveraged funds

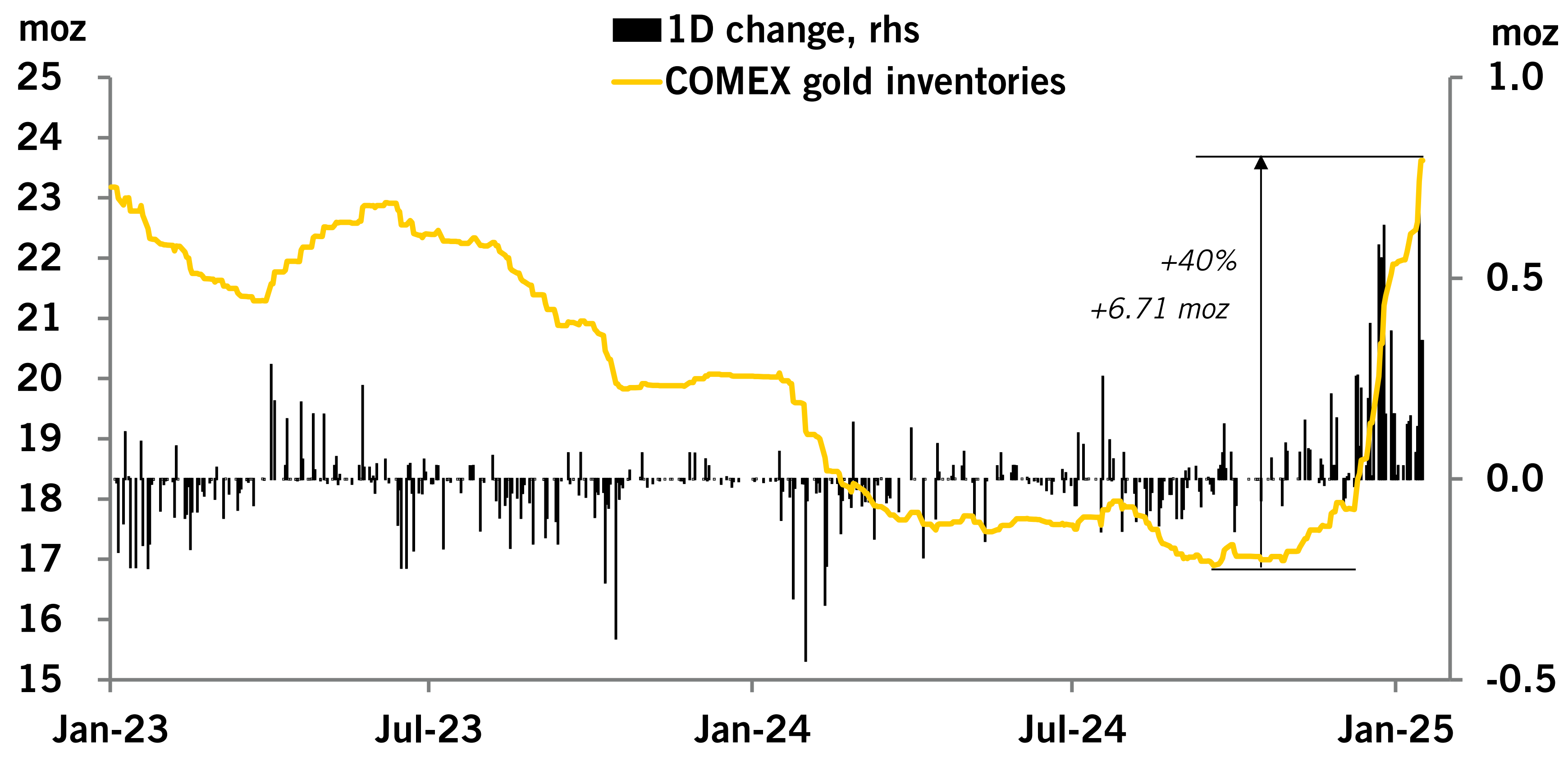


Source: SFA (Oxford), Bloomberg. Note: derived from net positions on JPY, EUR, AUD, CHF, CAD, GBP, MXN & NZD.

One month implied platinum lease rates

Source: SFA (Oxford), Bloomberg

COMEX gold inventories with one day change



Source: SFA (Oxford), Bloomberg

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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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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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