



Precious Metals Update

15 June - 5 July 2012

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Highlights

- **The euro-crisis continues on its steady course** – Cyprus becomes the fifth European nation to draw on help from the ESM.
- **Gold already priced-in with an ECB rate-cut** – and falls, as this cut to an historic low of 0.75% is announced.
- **Silver moves disproportionately to gold** – the current silver-gold ratio moves to 57.45.
- **Platinum finds support from fundamentals** – Aquarius Platinum appeals to competition to curtail mine-production.
- **Palladium records a 6 month low** – price recovers somewhat since the low of \$ 556 end June.
- **Minor platinum-metals impulse-less** – no movement in either direction.

Platinum

All prices for the period from 15 June until 5 July 2012

PT	US\$/oz	€/oz	€/gram
High	1,500.00	1,187.70	38.19
Low	1,378.00	1,088.64	35.00
Latest	1,469.00	1,185.16	36.86

In addition to the gold price the weak euro, thanks to Spain's debt-crisis, also put pressure on the platinum price. As a consequence the metal fell from \$ 1,503.70 an ounce in middle June to \$ 1,385.30 by the month end.

Beside speculations about possible interest-rate cuts, which as it turned out were well justified, surprisingly good passenger vehicle sales figures from the USA supported the white metal in recent days. Sales, at 14.05 million units, were up 22 percent compared to the comparable period of previous year. Additionally India is currently giving a high subsidy on diesel

automobiles, which eventually should help platinum demand. Also the jewellery industry is utilising the relatively weak – compared to gold – platinum price to widen its profit margins.

From a fundamental point of view the struggle of the South African mining sector against further falling prices could provide some support. Consequently the mining company Aquarius Platinum Plc appealed for curtailing production. The cautiously positive mood was mirrored in the ETF stocks, which have meanwhile climbed up to ca. 1.45 million ounces.

Palladium

PD	US\$/oz	€/oz	€/gram
High	639.25	505.90	16.27
Low	556.00	442.43	14.22
Latest	589.00	475.19	15.28

Analogue to platinum, palladium rallied in both the first two months of this year. The cloudy Chinese economic outlook as well as the European debt-crisis then took its toll and at the end of June palladium had fallen down to a new six month low of \$ 556 an ounce.

On the fundamental side, industrial demand as well as demand from the automobile sector is robust. The outlook till the

end of the year is cautiously positive, which can, among others, be explained by more rigorous emission standards in the automobile industry.

In the past few days, palladium too saw a mild recovery to \$ 604 an ounce. Should the resistance at \$ 632 an ounce be breached, the next hurdle is then at the Fibonacci mark (mentioned in our previous report) of \$ 648 an ounce.

Rhodium, Iridium, Ruthenium

Though there was little movement in price, there was good Asian demand for rhodium. Due to the high liquidity available with dealers as well as from primary and secondary producers this demand had little effect on the price, which is currently fluctuating between \$ 1,200 and \$ 1,260 an ounce. Irid-

ium, which in recent days has traded in a tight band between \$ 1,015 and \$ 1,080 an ounce, as well as ruthenium (\$95 - \$ 115 an ounce) got no impulses from the market that could move the price in one or the other direction.

Silver

AG	US\$/oz	€/oz	€/kilo
High	28.99	23.05	741.07
Low	26.11	20.74	666.81
Latest	27.65	22.31	717.20

Relative to gold, silver continued to move disproportionately, which lead to a very high silver-gold ratio of 57.45. Due to weaker economic indicators, downgrading of various European banks as well as the weakness of the euro, the silver price finished lower at \$ 26.11 an ounce at the end June. This move is also reflected in the out-flows seen in ETF's as well as Open Interest; these were down to a 10 year low of 68 million ounces at the month-end. The next

support for the silver price is at the 2011 low of last September at \$ 26.07 an ounce.

Since the June low, silver has somewhat recovered to \$ 28.43 an ounce. The main reason behind this was the speculation about a possible interest-rate cut of 25 basis-points by the ECB; this happened on 05.07.12. For further gains, positive news is currently missing.

Gold

At first, once the new government was in place in Greece, it looked like the European market could breathe easier. But then Spain's cry for help to the ESM for recapitalising its banks was closely followed – on 25th June 2012 – by Cyprus's. It appears paradoxical that the latter simultaneously took over the revolving Chairmanship of the Council of the European Union and will mould Europe towards more efficiency, sustainability and new economic impulses.

And it was the meeting of this Council on 28th and 29th June that swayed the gold price the most in this reporting period. Initially at \$ 1,547.25 an ounce on 28th June gold touched a low on account of the pessimistic expectations that meeting would not achieve much. At that moment considered as a risk-asset, the yellow metal on the following day jumped 3.5 percent to \$ 1,606,80 an ounce and broke through the psychologically important mark of \$ 1,600 an ounce. Behind this was the unexpected European agreement to help out Spain and Italy as well as the banking-system, that not only affected the euro (+2%) but also the oil and equity markets.

Earlier the FED statement of 20th June had kept the market busy. The decision to “merely” continue with Operation Twist till the year end and forgo further easy-money policy (QE3) disappointed one or the other market observer. The market appeared to have been expecting a more drastic involvement and gold again weakened in reaction to the FED's announcement. However the decision was positive for the dollar as is strengthened again in its role as a safe-haven.

In the general confusion it appears that the problems that Germany has, among others as “paymasters”, have been forgotten. An indication is the recent safety-fund for the State of Hessen municipalities. EUR 3,2 billion have been set aside to help over 106 indebted communities get back on their feet. Public debt of Germany in the first Quarter of 2012 has gone over the EUR 2 trillion mark.

Gold imports by India, a nation known for its large appetite for the yellow metal, slowed down in the first two months of the new fiscal year April and May and were off \$ 6,2 billion compared to previous years' comparable period. Reason behind this appears to be the high price in the local

currency as well as the doubling of import duty to 4% since March of this year.

What sort of boom-year the precious metals in general have had is shown in GFMS's recently published primary-production figures. According to the research house, as in case of silver, record primary production was out-turned by the gold mines last year: an increase of 2.8 percent in 2011 to 2,818 tonnes.

The price-rally of both these metals – with silver peaking at \$ 49.51 an ounce and gold at \$ 1,929.30 – has overall lead to an increase in investment in this sector. China (371 tonnes), Australia (258.3 tonnes) and the USA (232.8 tonnes) were the top three gold producing nations, while South Africa with 197,9 tonnes dropped from 3rd place to 5th. The Chinese Ministry for Industry and Information Technology has already announced an increase in production for the period January-May 2012 of 6.6 percent as compared to the similar period of the previous year. With this China could well keep its leading position for a 5th straight year.

Already since May this year investors in bars and coins have been more active. The US Mint, manufacturer of the gold Eagle coin, reported a 150 percent increase in sales in May over April of their 1 ounce coin. In April the figures were “only” 20,000 ounces – a value last “achieved” in June 2008. If one wishes to consider this as a signal, then the enthusiasm for gold could again gain weight.

The Futures exchanges however show another picture: positions last week lost almost 15 percent. Even the ETF stocks, after weeks of continuous build-up, showed a drop.

Early July gold's upward trend continued. Economic data from the USA, Asia and Europe clearly point towards the Euro-crisis continuing to take its toll. Today's decision by the ECB to cut its prime rate to 0,75% unexpectedly put pressure on gold – clearly this measure was already priced in. Generally the interest-rate cut should be positive for the gold price.

AU	US\$/oz	€/oz	€/gram
High	1,633.20	1,296.00	41.66
Low	1,547.25	1,225.00	39.38
Latest	1,603.19	1,293.42	40.23



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