

In the first couple of days of the new year; bulls raising their heads...



Precious Metals Update

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Highlights

- **Profit taking in gold and weak euro defined price moves in precious metals till year-end –** But since beginning of the New Year the prices have again recovered well.
- **Gold broke below the long-term support point –** The ECB flooded the market with liquidity; Germany, for the first time ever, could finance itself at zero percent.
- **Silver remained volatile -** Speculators sold in the old year; industrials did not want to hold stocks over the year-end and as such missed a good opportunity to re-enter the market.
- **Platinum fell below \$ 1,340 –** And with it marked its new 24 month low. German industrials made best of the lower price and despite a weaker euro covered some of their demand.
- **Palladium followed platinum –** But could decouple itself in time from the generally weak phase of the other precious metals to find itself in a new trading range between \$ 600 and \$ 700 an ounce.
- **Minor platinum metals remained unchanged, save rhodium –** Rhodium fell below \$ 1,300 an ounce as missing demand from the industry met large selling by trading houses.

Platinum

All prices for the period from 13th Dec. until 11th Jan. 2012

PT	US\$/oz	€/oz	€/gram
High	1,499.25	1,170.08	37.62
Low	1,338.60	1,039.00	33.40
Latest	1,485.00	1,161.46	37.34

Platinum's price fall in the last weeks appears to be somewhat exaggerated. The selling wave, that brought the white metal down to \$ 1,343 an ounce at the year-end, came on the back of profit-taking in other precious metals – especially gold – in time for the year-end balance-sheet (2011). Liquidations on the Futures exchanges and in ETFs that had accelerated since middle December slowed down appreciable as the year-end approached and in the first week of January came to a complete stop. In the end the Futures exchanges

had lost almost 15 percent of their total positions during this reporting period.

More and more market experts are moving towards the opinion that platinum falling significantly below the \$ 1,400 an ounce mark would lead to massive capacity cuts on the production side.

The German industry, by-and-large, made good the opportunity provided by the exaggerated price fall – after all the metal had touched a new 24 month low in US-dollar terms.

Palladium

PD	US\$/oz	€/oz	€/gram
High	671.25	511.98	16.46
Low	595.80	459.40	14.77
Latest	634.00	496.40	15.96

Initially Palladium followed its elder brother and with lows of around \$ 600 an ounce was somewhat weaker. However just before Christmas it managed to completely decouple itself from platinum and within 4 days gained slightly more than 10 percent.

It was mainly the speculators on the North American Futures exchange who lost their nerves and liquidated almost 13 percent of their future contracts; in contrast the ETF positions showed only minor changes.

In the short-term resistance has built up on the chart around the \$ 645 an ounce level, however there is a much stronger resistance-line at the \$ 700 an ounce mark. Good support on the other is in the range between \$ 590 and \$ 600 an ounce. In general, for the moment palladium seems to have found a trading range between \$ 600 and \$ 700 an ounce.

Rhodium, Iridium, Ruthenium

The minor platinum metals reflect a very inconsistent picture.

While ruthenium has currently paused around \$ 100, iridium is slightly stronger, trading at \$ 1,035 - \$1,085 an ounce.

Rhodium was the only real loser as it shed almost \$ 200 in this reporting period and is now quoted at \$ 1,275 – \$ 1,375 an ounce.

Here there are some traders who are on the seller-side, with apparently much larger volumes to sell than the few, mainly Asian, industrial buyers currently in the market are willing to buy.

Silver

AG	US\$/oz	€/oz	€/kilo
High	31.04	24.25	779.65
Low	26.14	20.29	652.34
Latest	29.86	23.50	755.55

The percent share in the liquidation of positions on the Futures exchanges was by far the largest in silver-contracts. Between 13th December and the year-end almost 30 percent of the total long-positions were liquidated. Despite this strong sell-off, the price of the very volatile precious metal has remained relatively calm; the metal fell from \$ 30 an ounce (on 13th December) to \$ 26.14 an ounce on 28th December.

The beginning of the New Year seems to have turned the mood of the investors quite strongly. The speculative investors came back to the market and with the first week of January had added a good 10 percent to

the longs on the Futures exchanges.

While demand for silver bars has now been restrained for some time, one noticed that industrial end-users were reluctant, despite the relatively cheap price, to add to inventory (probably for balancing reasons) at the year-end.

With silver now at a slightly higher level the industrial users appear to be holding back with their price-hedging and demand for granules continues to remain very marginal. Should the price again fall to \$ 27 – \$ 28 an ounce, the industrial end-users should certainly be active again.

Gold

In the week before Christmas the ECB came up with a much controversial first. In order to re-finance the banks in view of the large maturities in 2012 and to ease the risk of a credit-squeeze in the economy, the banks could borrow an unlimited amount of money for a mere 1 percent, fixed for periods up to 3 years. And as collateral, the ECB accepted securities that were considered to be almost unsellable in the market. Furthermore, the banks had the facility to opt to pay back before maturity, after one year; but this latter is to be expected only if the interest-rates are below 1 percent a year from now.

Another hope of the ECB would have been that the banks use this “cheaply” borrowed money, among others, to invest in Sovereign bonds that bring a profit of considerably more than 1 percent. However the confidence of the banks in most of the Euro-States has sunk massively. The market for crisis-hit Sovereign-paper is practically dead.

The 500 European credit institutes that participated in the ECB offer picked up a formidable 489 billion USD from the ECB. Thereupon the metals could book small gains, even if for only a short while. Critics fear, as before, that the lax money-policy of the ECB could further fuel inflation.

The sell-off in gold at the year-end had two main reasons:

For one, the continuing loss of trust in the political capabilities of the Euro-States led to further weakening of the euro against the USD. The common-currency dropped to 1.2686 against the USD; its' lowest since September 2010.

Secondly, there was a significant amount of profit-taking by the so-called “professional long-term oriented investors” around the financial year-end 2011, especially on the Futures exchanges. Here over 20 percent of the long-positions were liquidated; considerably lesser was liquidation in ETFs. As a consequence, the yellow metal weakened down to a low of \$ 1,522 an ounce on 29th December.

Not only did the smaller investors push up there purchasing of gold-bars, especially before Christmas, the banks too were look-

ing for quality investments. As the risk of banks going bankrupt has gone up significantly due to the Sovereign debt-crisis and the banks are extremely concerned about their assets, the inter-bank money-market has more-or-less dried out. The banks prefer the ECB as a safe address to park their cash or are opting for short-dated German bonds.

According to analysts, Indian gold-consumers for the moment have become more-and-more price-sensitive. At current levels of \$ 1,630 an ounce and with the presently weak Indian Rupee, the Indian's usually high affinity for gold has become cloudy. The price of gold in Rupee terms had gone up 25 percent in 2011 (see graph on the right), whilst the rate against the US-dollar in the same period of 2011 has gone up 12 percent.

Yesterday the market broke through upwards over the 200 day moving average of \$ 1,632 an ounce. It is not only the Indians who now have to wait a while for cheaper prices to re-enter the market.

Even more striking at this point, as far as the financial crisis is concerned, is that at the start of the New Year, for the first time ever, the German State could finance itself from the market at negative interest rates. According to a debt-management financial agency, the State sold 3.9 billion euro worth of six-month bonds with an average rate of interest of minus 0,0122 percent. “This has never happened before” said a speaker to Reuters. “The investors are paying a sort-of premium, so that they can lend to the German State”. In December the interest rate was a mini plus 0,001 percent.

AU	US\$/oz	€/oz	€/gram
High	1,677.70	1,291.25	41.51
Low	1,522.00	1,179.20	37.91
Latest	1,637.00	1,287.55	41.40





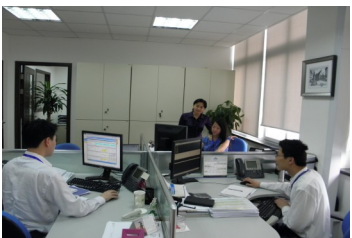
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