SHARPS PIXLEY A MEMBER OF Degussa GROUP

# THE SHARP PERSPECTIVE

#12 MONTHLY COMMENTARY
FEBRUARY 2025

## Gold continued to set new highs in February, and the price dip was both limited and short-lived – sentiment remains robust

More factors that tend to influence gold prices have turned bullish, including the US dollar and US treasury yields that have both weakened...

– ...these have joined the already bullish trends in investment and central bank buying

– Geopolitical risks have increased as it seems US foreign policy is siding more with Russia than it is with Europe and it has turned decidedly anti-Ukraine

– While Trump's tariffs and his desire to cut taxes and increase the federal deficit are likely inflationary, the market is still betting that the Federal Reserve will cut interest rates this year – does this mean investors think Trump's policies will lead to a recession?

– While market sentiment remains bullish for gold, there is a risk that Trump's policies prompt a broad market correction. Such a development could prompt gold prices to sell off as investors look to raise money for margin calls...

– ...the secondary reaction could be bullish for gold as more investors then move into safe-havens

### Silver continues to follow gold's lead, but it has yet to set fresh record highs

The medium-term outlook for silver is stronger, but it needs either more investors to get on board, or for industrial demand to pick-up

### PGM prices weakened in February as tariffs look set to raise the cost of vehicles in the US, which is likely to weaken demand for auto-catalysts

Low PGM prices increase the chances of production cuts which would support the fundamentals

## KEY TAKEAWAYS

Gold's rally continued into February and bullish sentiment seems robust given the price pullback in late-February was short-lived

Indeed some of the previous bearish factors that were present earlier in the year have become supporting factors for gold, mainly the dollar and US treasury yields have weakened

Trump's unpredictable nature and policy decisions are creating increasing uncertainty, which are worrying foreign governments and investors alike...

...this is likely to encourage further diversification away from the US, the dollar and treasuries, which should increase demand for gold

Trump is in danger of trying to do too much in too short a space of time as he only focuses on trying to Make America Great Again – there is a risk this backfires on the US

Most of the bullish factors supporting gold are unlikely to go away any time soon, indeed they are likely to increase, such as high global debt, de-dollarisation and heightened geopolitical risks

Silver is well placed to outperform gold, especially if industrial production starts to increase, which it may do as China stimulates its economy and Europe boosts military spending. The gold / silver ratio is high at 1:90, a drop in the ratio would favour silver

PGM prices have weakened as US tariffs look set to be another headwind for the US auto demand, but low PGM prices may prompt production cuts

# Gold strength continued into February, with dips being bought into

London gold prices set a fresh record high in February at $2,956.15 per oz, a rise of 12.6% from the end of 2024, while April gold prices on the CME climbed to a high of $2,974 per oz, but showed the same percentage rise as London gold.

**The CME premium comprises the contango to the forward date, (the CME April contract against London spot price) as well as the premium that has emerged on the back of the worry that broad based tariffs on gold imports may be introduced by the US.**

After spot prices peaked on February 24, they fell to a low of $2,832.70 per oz on February 28, but were on the rise again in early March, suggesting dips are being well supported.

CHART 1

**Gold ETFs – AUM**

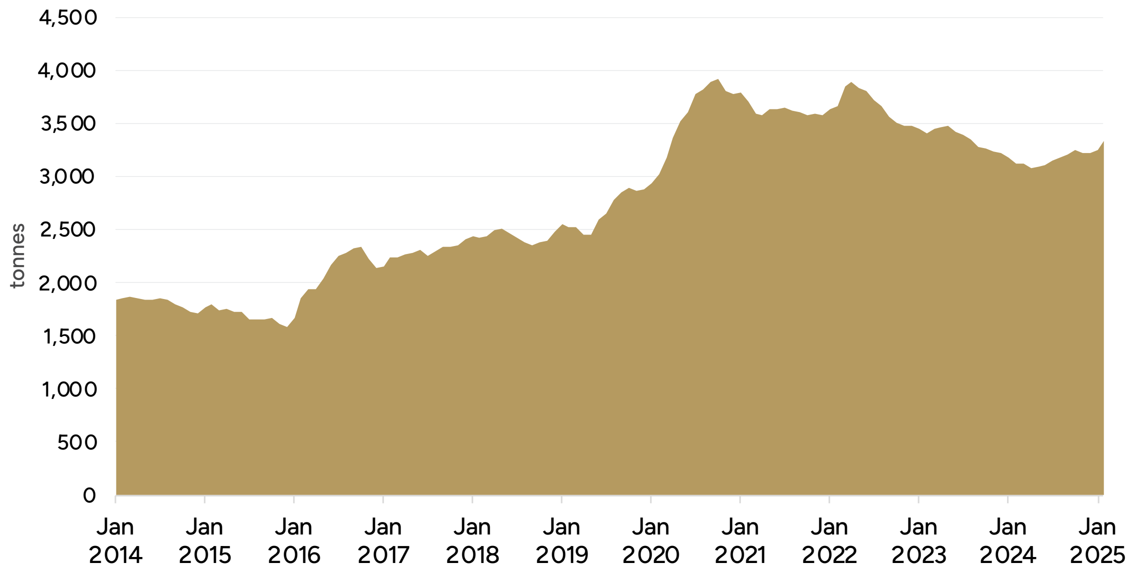
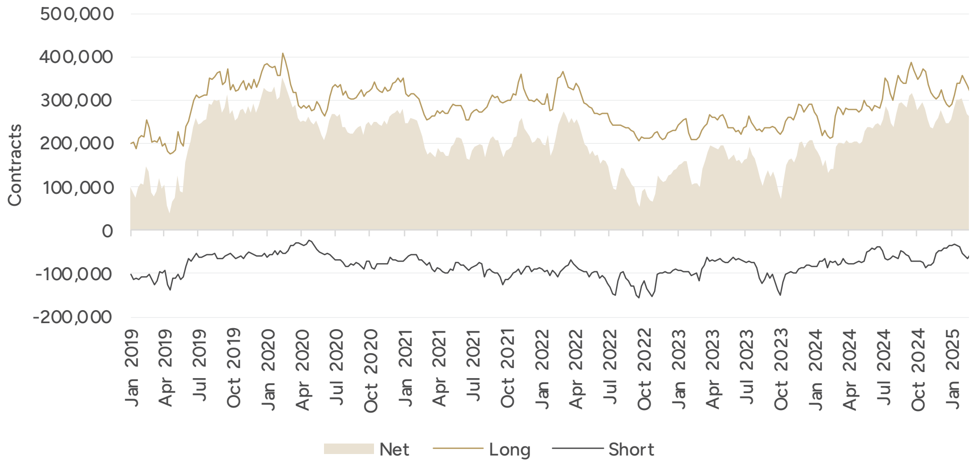


CHART 2

**Gold – Fund long, short and net position on Comex**




## Apart from funds most factors still bullish

The main bullish factor in the market is the uncertainty that comes with US President Donald Trump's leadership and policies. Unsurprisingly, this uncertainty increases the risks the world now faces, and that has to varying degrees unnerved some markets. This in turn has increased demand for safe-havens, which is benefiting gold, but for gold bulls it may be a case of 'be careful what you wish for'. Indeed, US equity markets have already turned lower, with the Dow Jones Industrial Average down by 5.7% from its December high, while investors have increased their buying of gold ETFs, suggesting some possible rotation out of equities into gold.

THIS IN TURN HAS INCREASED DEMAND FOR SAFE-HAVENS, WHICH IS BENEFITING GOLD, BUT FOR GOLD BULLS IT MAY BE A CASE OF 'BE CAREFUL WHAT YOU WISH FOR'.

In addition, the US dollar and US treasury yields have started to weaken, both probably due to weaker US economic data that has led investors to factor in the Federal Reserve cutting interest rates by 50 basis points this year, compared with earlier expectations for 40 basis points. The Dollar Index had fallen to 105 by early-March, down from December's peak around 110 and US ten-year treasury yields had fallen to 4.16% in early-March, from a high of 4.79% in January. Interestingly, Trump's tariffs and tax cut policies are thought likely to be inflationary, but the market still expects the Fed to cut interest rates! This suggests that investors are more worried about the tariffs causing a recession, which would negate the need to raise interest rates to counter inflation.

## Investors and central banks buying

ETF investors continued to buy gold in February, indeed they accelerated the rate at which they bought gold, adding 73 tonnes in February, up until February 21, compared with 31 tonnes in January and an average monthly gain of 18 tonnes between May and December. Central banks also continued their purchases in January, buying a net 18 tonnes, with Uzbekistan, China, Kazakhstan, Poland and India buyers, with Russia, Jordan and Kyrgyzstan selling.

## Funds have turned sellers

The funds trading Comex gold turned sellers in the week ending February 11, with the net long fund position falling to 261,625 contracts by February 25, from 299,409 contracts at the end of January. This 37,784 drop in the net long position comprised of 21,423 contracts of long liquidation and 16,361 contracts of fresh short selling. But with the gross long position at 316,948 contracts and the gross short position at 55,323 contracts, the net long position is still significant.

## Trump is shaking-up the world order

In an effort to Make America Great Again (MAGA) and the fact Trump only has four years to do it, as this is his second term in office, Trump is in a hurry to shake-up the world order. The risk is he is opening up so many battle fronts, both domestically and abroad, that he loses control, or triggers unintentional consequences. While he might be one of the most powerful men in the world, he is no superhuman.

There is a high risk that he oversteps his mark and is punished for it by foreign leaders, sovereign wealth funds, institutional investors and possibly parts of the US population. The latter, being more likely if his policies on tariffs, cutting the size of the federal government, cutting taxes and raising the national debt, creates a situation of stagflation. This could end up being disastrous for the US economy, which could encourage foreign entities to diversify away from US treasuries and the US dollar. If nothing else, by forcing Europe to rearm, which will require a massive fiscal expansion, Europe's economy is likely to enter its own super-cycle. Year-to-date, the German Dax is already up 16%. Given all this uncertainty, gold is expected to remain sought after by investors and central banks alike.

## Gold stocks soar on Comex

Gold stocks had climbed to 39.5 million ounces (Moz) by the end of February, up from 32.3 Moz at the end of January and average level of around 17.7 Moz across 2024. The rise has happened as traders, especially shorts, were concerned that gold imports could be included in Trump's US tariffs, which fuelled a rush to import gold into the US ahead of any import tariffs. While stocks are still rising, the arbitrage opportunity has died down, with Comex April gold price trading at around a $12 per oz premium to the spot price.

At the peak, the premium had reached around $60 per oz. The cost of borrowing gold in London has also dropped as the distortions in the market faded. So far there is no news on whether gold will be subject to US import tariffs, if it is, then the price distortions could return.

**THE COST OF BORROWING GOLD IN LONDON HAS ALSO DROPPED AS THE DISTORTIONS IN THE MARKET FADED.**

CHART 3

**Spot Gold ($ per oz)**

## Gold Statistics

| | 2021 | 2022 | 2023 | 2024 | Q3 2024 | Q4 2024 | Jan-25 | Feb-25 |
|---|---|---|---|---|---|---|---|---|
| **London prices** | | | | | | | | |
| $/oz | 1,799.87 | 1,801.17 | 1,942.99 | 2,386.42 | 2,476.21 | 2,662.47 | 2,708.64 | 2,895.71 |
| £/oz | 1,308.41 | 1,457.43 | 1,562.57 | 1,866.06 | 1,904.12 | 2,077.17 | 2,194.11 | 2,310.03 |
| €/oz | 1,308.41 | 1,457.43 | 1,796.32 | 2,206.46 | 2,253.43 | 2,495.63 | 2,615.22 | 2,780.67 |
| **Parity prices** | | | | | | | | |
| Australian - A$/oz | 2,393 | 2,590 | 2,924 | 3,619 | 3,697 | 4,081 | 4,352 | 4,596 |
| South Africa Rand/kg | 26,519 | 29,139 | 35,952 | 43,505 | 44,455 | 47,643 | 50,751 | 53,536 |
| Japan Y/g | 197,644 | 241,248 | 273,806 | 361,653 | 368,858 | 405,537 | 424,416 | 439,742 |
| India Rupee/oz | 133,434 | 142,184 | 160,596 | 199,820 | 207,405 | 224,866 | 233,565 | 251,813 |
| **COMEX - futures contracts** | | | | | | | | |
| Stocks ('000oz)# | 33,805 | 23,180 | 19,191 | 21,908 | 17,112 | 21,908 | 32,290 | 39,454 |
| Vol (million contracts)* | | | | 60.24 | 14.84 | 13.77 | 5.33 | 3.88 |
| OI ('000 contracts)# | | | | 459.42 | 528 | 459 | 549 | 490 |
| **CFTC (Futures Only Data) non-commercial** | | | | | | | | |
| Net Positions# | 268,872 | 213,157 | 136,880 | 247,629 | 315,390 | 247,629 | 299,409 | 261,625 |

Figures are period averages unless marked by *, indicating total in the period, or #, indicating value at the end of the period.
~ = data not available yet, italics = estimates, OI= Open Interest on the exchange

## SUMMARY

Sentiment in the gold market remains bullish and given everything that is going on, that is not surprising. The fact gold prices only managed a brief pull back in late-February, that saw prices drop 4.2% over a four-day period, but have since bounced back, also suggests underlying sentiment is strong. In addition, the market has managed to absorb 37,784 contracts of selling on Comex. While more profit-taking could come about due to the significant price gains, the market does not feel in any hurry to profit-take, especially as gold holdings are often part of a hedge against wobbles in other markets. One potential risk is that if Trump's policies trigger concerns about the overall health of markets, especially equities, then a broad-based liquidation sell-off could drag gold prices down with it as investors look to sell liquid assets to raise money to pay for margin calls in less liquid investments.

# Silver still struggling to catch-up with gold, but has a lot of potential

While silver prices have generally put in a strong performance since the start of the year and have followed gold's lead, they are still struggling to set fresh recent highs.

**Prices peaked at $33.40 per oz on February 14, showing a 15.5% gain from end of 2024 levels, but this was still 4.2% below last October's high at $34.86 per oz**

And, some 33% below the all-time high set in January 1980 when prices peaked at $49.95 per oz. The nearest prices have got to the record high was in 2011, when they peaked at $49.81 per oz. Like gold, concerns about potential tariffs on US imports saw Comex silver prices trade at a premium to spot London prices and led to a surge in imports that took Comex stocks to 413 million ounces (Moz), from 359 Moz at the end of January and an average level of around 286 Moz across 2024.

## Silver not firing on all cylinders

For now, it seems that demand weakness from industrial applications is holding silver prices back. While the industrial demand outlook is strong going forward, there is some temporary weakness due to the subdued state of economic growth in China and Europe. This is especially the case in China, where the solar panel industry is going through a phase of destocking following the rapid build out of capacity in 2023, that led to the build-up of solar panel inventories. Once destocking has run its course, then solar panel production is expected to pick-up again and with it, demand for the silver paste used in the panels. Outside the solar panel industry, fast growth in high tech electronics, the internet-of-things and AI, are expected to be strong drivers of industrial silver demand.

## Funds increase exposure to silver

Unlike in gold, the funds trading Comex silver have increased their exposure to the metal, with the net long fund position rising 19% to 52,862 contracts on February 25, up from 44,368 contracts at the end of January. The longs added 3,813 contracts and the shorts cut their exposure by 4,681 contracts. As the chart shows, the overall long position remains relatively high, the peak over the past six years being 77,877 contracts.

CHART 4

**Silver - Fund long, short and net position on Comex**

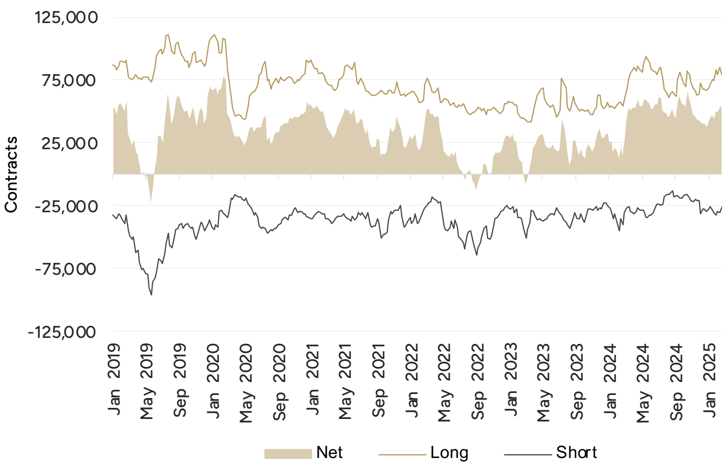



CHART 5

**Spot Silver ($ per oz)**

## Silver Statistics

| | 2021 | 2022 | 2023 | 2024 | Q3 2024 | Q4 2024 | Jan-25 | Feb-25 |
|---|---|---|---|---|---|---|---|---|
| **London prices (US$/oz)** | | | | | | | | |
| Spot London price | 25.14 | 21.73 | 23.39 | 28.24 | 29.42 | 31.34 | 30.37 | 32.18 |
| **Parity (London) Prices** | | | | | | | | |
| Japan (Y/g) | 2,761 | 2,911 | 3,296 | 4,283 | 4,389 | 4,772 | 4,759 | 4,887 |
| India (Rupee/oz) | 1,864 | 1,715 | 1,933 | 2,365 | 2,464 | 2,646 | 2,619 | 2,799 |
| **COMEX - futures contracts** | | | | | | | | |
| Stocks ('000oz)# | 355.7 | 299 | 253.9 | 318.9 | 305.1 | 318.9 | 359.1 | 413.8 |
| Vol (million contracts)* | | | | 21.6 | 5.09 | 4.74 | 1.22 | 1.67 |
| OI ('000 contracts)# | | | | 151.1 | 144.7 | 151.1 | 167.6 | 146.3 |
| **CFTC (Futures Only Data) non-commercial** | | | | | | | | |
| Net Positions# | 26,458 | 31,027 | 31,863 | 40,163 | 62,188 | 40,163 | 44,368 | 52,862 |
| **Other Indicators** | | | | | | | | |
| Gold/Silver ratio# | 1:78 | 1:76 | 1:86 | 1.9 | 1:82 | 1:90 | 1:88 | 1:90 |

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### Does silver have catch-up potential?

Silver's struggle to catch-up with gold is highlighted by the gold/silver ratio reaching 1:92 in February, the highest it had been since September 2022. Last year's low in the ratio was around 1:73.

With gold at $2,915 per oz, a return to a ratio of 1:73 would put silver prices around $40 per oz. This does show the potential silver has to outshine gold should the already strong gold price enter consolidation phase.

### SUMMARY

With global tensions on the increase as Trump rattles many cages, it is conceivable that demand for safe-havens will increase. If investors either find buying physical gold too expensive, or feel the gold trade is overcrowded then their attention may turn to silver, especially given where the gold/silver ratio is.

# PGMs put in a weak performance as tariffs threaten the auto market

The PGM prices have generally been under pressure in recent years due to weak industrial demand and excess inventories, but there is now risk of demand getting even worse.

**US tariffs on the likes of aluminium and all goods imported from China, Canada and Mexico, will raise the cost of imported vehicles in the US, as well as raise the cost of making some vehicles in the US, where parts need to be imported.**

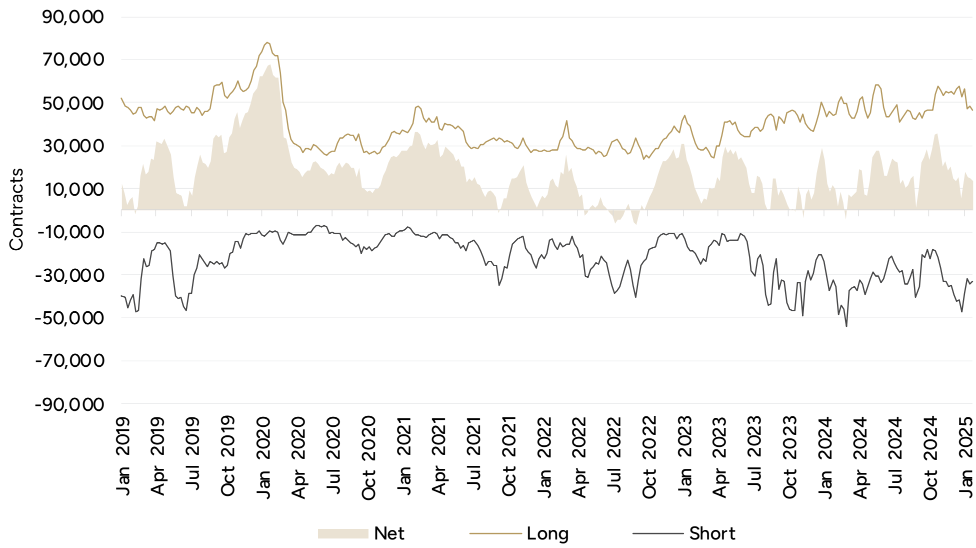
In turn, this is likely to weaken demand for vehicles in the US, which will hit demand for auto-catalysts and therefore demand for PGMs. As a result of this, platinum prices dropped to a low of $939.70 per oz in February, from a mid-month high of $1,011.30 per oz, while palladium prices dropped to a low of $911 per oz, having started the month at $1,104 per oz. The low prices last year were at $868.50 per oz and $835.20 per oz respectively.

## PGMs fundamentals to improve slowly

Another year of supply deficits are now forecast for platinum and palladium in 2025, but that does not necessarily mean prices will rise, as inventories that had been built up in 2021 and 2022, still need to be worked down. But, the low price environment, combined with energy shortages in South Africa and reduced investment in existing and new mines, due to low prices, are expected to rein in supply, which will help support the fundamentals. In line with this, Impala Platinum announced in February that it may wind down its palladium mine in Canada if prices do not improve and other PGM producers have been restructuring and could decide to reduce production or close mines too. As such, the PGMs look set to hold in low price ranges until the fundamentals improve.

CHART 6

**Platinum – Fund long, short and net position on Nymex**



## Funds increase exposure in February

The funds trading Nymex platinum remain quite polarised with longs holding 52,850 contracts and shorts holding 36,674 contracts. During February, the net long position increased 21% to 16,176 contracts. The palladium funds remain net short 8,134 contracts, this was up from net short 7,084 contracts at the end of January.

THE PGMS LOOK SET TO HOLD IN LOW PRICE RANGES UNTIL THE FUNDAMENTALS IMPROVE.

CHART 7

**Palladium – Fund long, short and net position on Nymex**

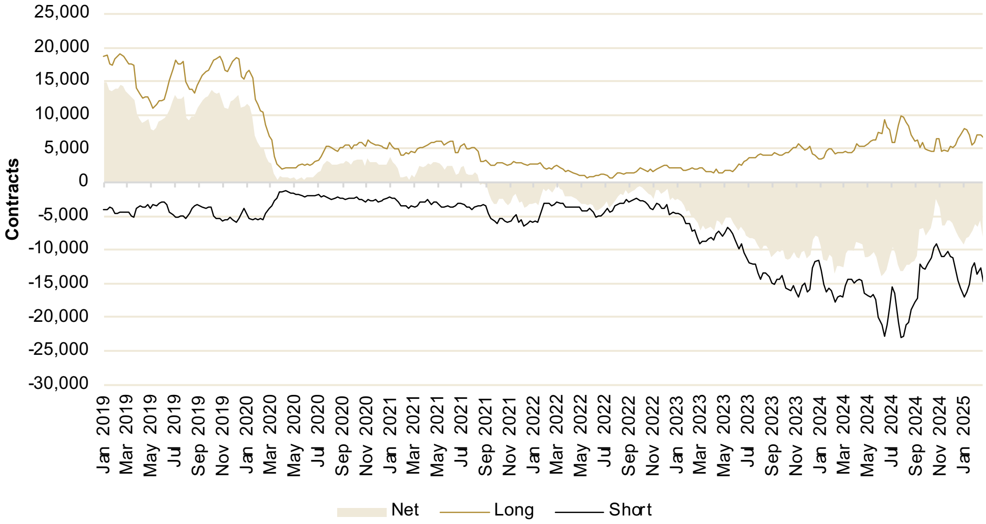
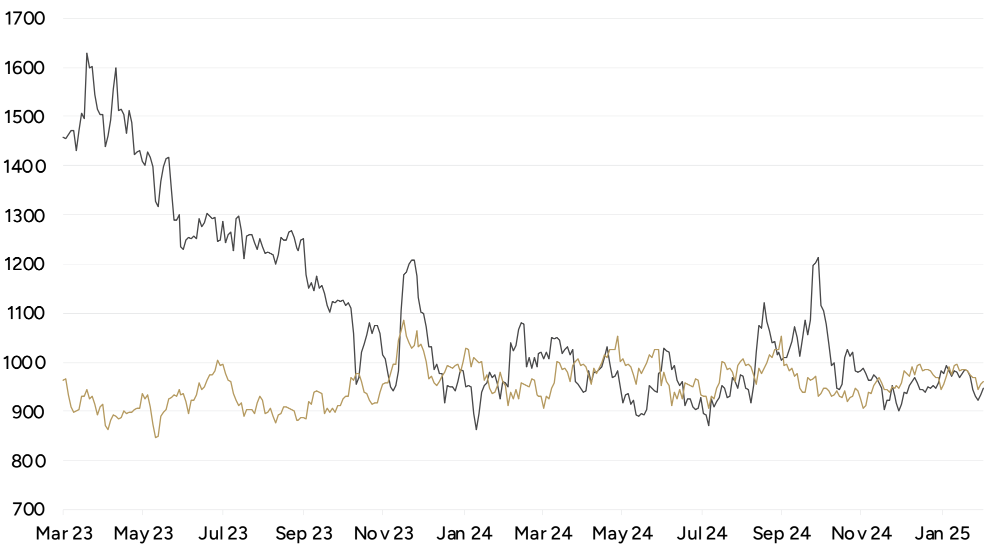



CHART 8

**Spot Platinum and Palladium ($ per oz)**



## PGM Statistics

| | 2021 | 2022 | 2023 | 2024 | Q3 2024 | Q4 2024 | Jan-25 | Feb-25 |
|---|---|---|---|---|---|---|---|---|
| **London prices (US$/oz)** | | | | | | | | |
| Platinum | 1091.24 | 961.24 | 966.88 | 955.205 | 963.32 | 965.98 | 948.89 | 979.38 |
| Palladium | 2398.86 | 2108.33 | 1338.69 | 983.20 | 970.39 | 1010.77 | 952.66 | 974.03 |
| **Japanese Parity Prices (Y/g)** | | | | | | | | |
| Platinum | 119,829 | 128,748 | 136,253 | 144,787 | 143,728 | 147,102 | 148,682 | 148,728 |
| Palladium | 263,419 | 282,390 | 188,648 | 148,911 | 144,626 | 153,891 | 149,272 | 147,915 |
| **South African Parity Prices (Rand/kg)** | | | | | | | | |
| Platinum | 16,078 | 15,551 | 17,891 | 17,438 | 17,302 | 17,280 | 17,779 | 18,107 |
| **NYMEX Stocks (‘000oz)** | | | | | | | | |
| Platinum | 482.00 | 167.20 | 206.20 | 269.97 | 144.97 | 269.97 | 416.02 | 552.04 |
| Palladium | 95.2 | 53.4 | 36.7 | 38.5 | 39.3 | 38.5 | 38.5 | 79.2 |
| **CFTC (Futures Only Data) non-commercial#** | | | | | | | | |
| Platinum | 4,469 | 24,666 | 23,662 | 15,648 | 24,401 | 16 | 13,373 | 16,176 |
| Palladium | -3,109 | -2,206 | -7,801 | -8,089 | -6,733 | -8,089 | -7,084 | -7,134 |
| **Other Indicators (US$/oz)#** | | | | | | | | |
| Pt-Au spread | -858 | -747 | -1,056 | -1,703 | -1,666 | -1,703 | -1,888 | -1,935 |
| Pt-Pd spread | -966 | -723 | -113 | 12 | -12 | 12 | -15 | 27 |

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## SUMMARY

PGM prices remain depressed and as a result a supply response is likely to be accelerated, which should help improve the fundamentals. On the demand side platinum seems better placed to grow, as platinum has potential to gain market share in the jewellery market given prices are $1,935 per oz cheaper than gold, which is a significant difference. Palladium’s outlook does not look that bright, save for the net short fund position. With the downside likely to be fairly limited in PGM prices, as further price weakness is likely to prompt production cutbacks, the fund shorts may be inclined to take profits, which could give prices some lift.


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