LBMA

Forecast 2014
An Overview

Metal	Average Price in 1st Week January 2014 (2-9 Jan incl)	Average 2014 Forecast	2013 Year Average
Gold	$1,230	$1,219	$1,411
Silver	$19.87	$19.95	$23.79
Platinum	$1,406	$1,490	$1,487
Palladium	$732.00	$774.81	$725.29

Forecast contributors are predicting gold and silver prices to remain broadly flat during 2014, but are more bullish about the prospects for PGMs, forecasting modest increases in price for both metals.

The gold price closed 2013 at $1,201.50/oz, 28% lower than in the first week of 2013, bringing to an end 12 years of consecutive price growth. On average, forecast contributors are expecting gold prices to remain broadly flat in 2014, which contrasts with a much more bullish outlook in earlier forecasts. Analysts are forecasting average gold prices to be $1,219/oz, 0.9% lower than the first week of 2014, and to trade in an average range of $1,067 to $1,379 during 2014.

Analysts cite the possible strengthening in the US dollar, the extension of US tapering of QE into 2014, weak global inflationary pressures, over supply of gold and further possible ETF liquidation as factors which could restrain gold prices. But the price could be supported by continued strong demand from China, a relaxation in India's import duties as well as the prospect that low prices could constrain mine output and supply of scrap. So an increase in price cannot be ruled out particularly if such "positive" influences take centre stage.

Of the four metals, silver was the worst performing in 2013, ending the year 36% lower. But analysts expect silver prices to follow the lead of gold and stabilise in 2014 to an average price of $19.95, broadly flat compared to its price at the start of the year. Contributors also think that silver will be the most volatile of the four metals, trading in an average range of $16.37 to $23.94. Prices could come under strain because of the large surplus supply in the silver market and industrial demand for silver could be hit if global GDP growth is weak. The added risk is that if prices weaken this might encourage silver ETF holders to liquidate their positions, which would depress prices further. But forecasters also think that prices could benefit from strong global industrial growth, particularly from the photovoltaic sector, which may also attract investor interest to offset some of the possible downside factors.

Analysts are more bullish about the prospects of the PGM metals, and expect both metals to finish the year above their average price in 2013, as well as their price at the start of 2014. Analysts predict that platinum prices will average $1,490 in 2014, 6% higher than its price at the start of the year, and to trade in the range $1,300 to $1,650. The prospect of disruption to supplies from strikes and industrial unrest combined with potential growth in photovoltaics and autocatalyst demand are cited as factors which could support prices.

Forecast contributors also expect the palladium price to benefit from shortage of supply, particularly given limited mine supply and waning exports from Russian state stocks. Coupled with anticipated strengthening from sales to the automotive gasoline sector, analysts are forecasting palladium prices to average $774.81 in 2014, up 5.8% from where it started the year and around $50 above its average price in 2013.

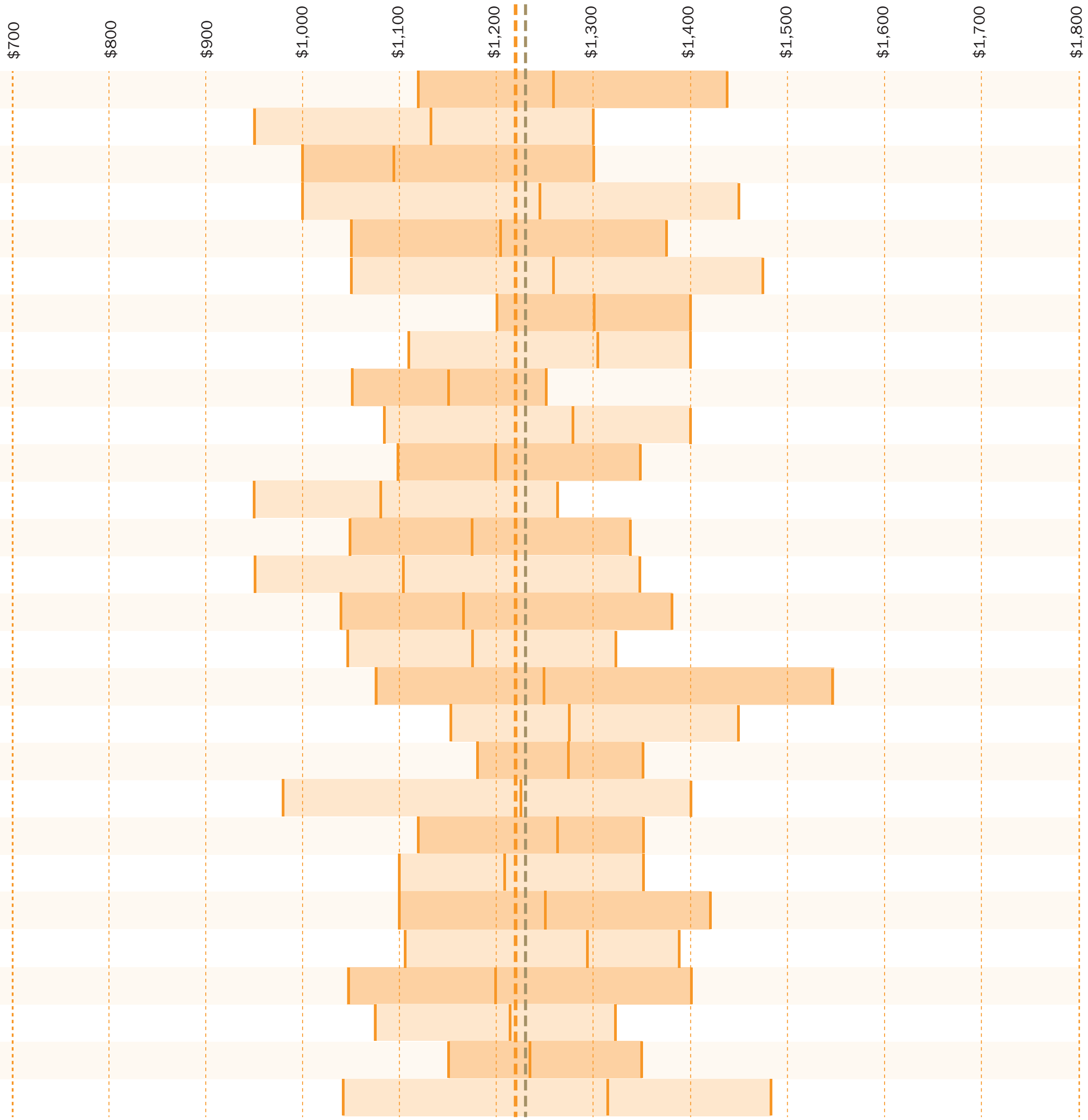
To find out more about what will happen to prices for precious metals this year, and what the factors are likely to affect their price, read the views of the experts. The tables for each metal follow, simply click on the names of the analysts to read their commentary.

Au

Average
Low High

Forecast Avg 2014 **$1,219**
1st week Jan 2014 $1,230

Name	Low	Average	High
Adams, William Fastmarkets Ltd	$1,120	**$1,260**	$1,440
Bhar, Robin Société Générale CIB	$950	**$1,135**	$1,300
Briggs, Stephen BNP Paribas	$1,000	**$1,095**	$1,300
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$1,000	**$1,245**	$1,450
Cooper, Suki Barclays	$1,050	**$1,205**	$1,375
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$1,050	**$1,260**	$1,475
Fritsch, Carsten Commerzbank	$1,200	**$1,300**	$1,400
Hellwig, Sonia Heraeus	$1,110	**$1,305**	$1,400
Hochreiter, René Allan Hochreiter (Pty) Ltd	$1,050	**$1,150**	$1,250
Jollie, David Dr Mitsui & Co Precious Metals, Inc.	$1,085	**$1,280**	$1,400
Kavalis, Nikos Metals Focus	$1,100	**$1,200**	$1,350
Kendall, Tom Credit Suisse	$950	**$1,080**	$1,265
Klapwijk, Philip Precious Metals Insights Limited	$1,050	**$1,176**	$1,340
Kotecha, Mitul Credit Agricole	$950	**$1,105**	$1,350
Meir, Edward INTL Commodities	$1,040	**$1,165**	$1,380
Melek, Bart TD Securities	$1,045	**$1,175**	$1,325
Murenbeeld, Martin Dundee Capital Markets	$1,075	**$1,250**	$1,550
Nagao, Eddie Sumitomo Corporation	$1,150	**$1,275**	$1,450
Norman, Ross Sharps Pixley	$1,180	**$1,274**	$1,350
O'Connell, Rhona Thomson Reuters GFMS	$980	**$1,225**	$1,400
Panizzutti, Frederic MKS Switzerland S.A.	$1,120	**$1,262**	$1,350
Proettel, Thorsten LBBW	$1,100	**$1,210**	$1,350
Savant, Rohit CPM Group	$1,100	**$1,250**	$1,420
Steel, James HSBC	$1,105	**$1,292**	$1,390
Tully, Edel UBS	$1,045	**$1,200**	$1,400
Turner, Matthew Macquarie Capital	$1,075	**$1,215**	$1,325
Vaidya, Bhargava B.N. Vaidya & Associates	$1,150	**$1,235**	$1,350
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$1,040	**$1,315**	$1,480
Averages	**$1,067**	**$1,219**	**$1,379**



Click on the name of a contributor and it will take you direct to the supporting commentary

Ag

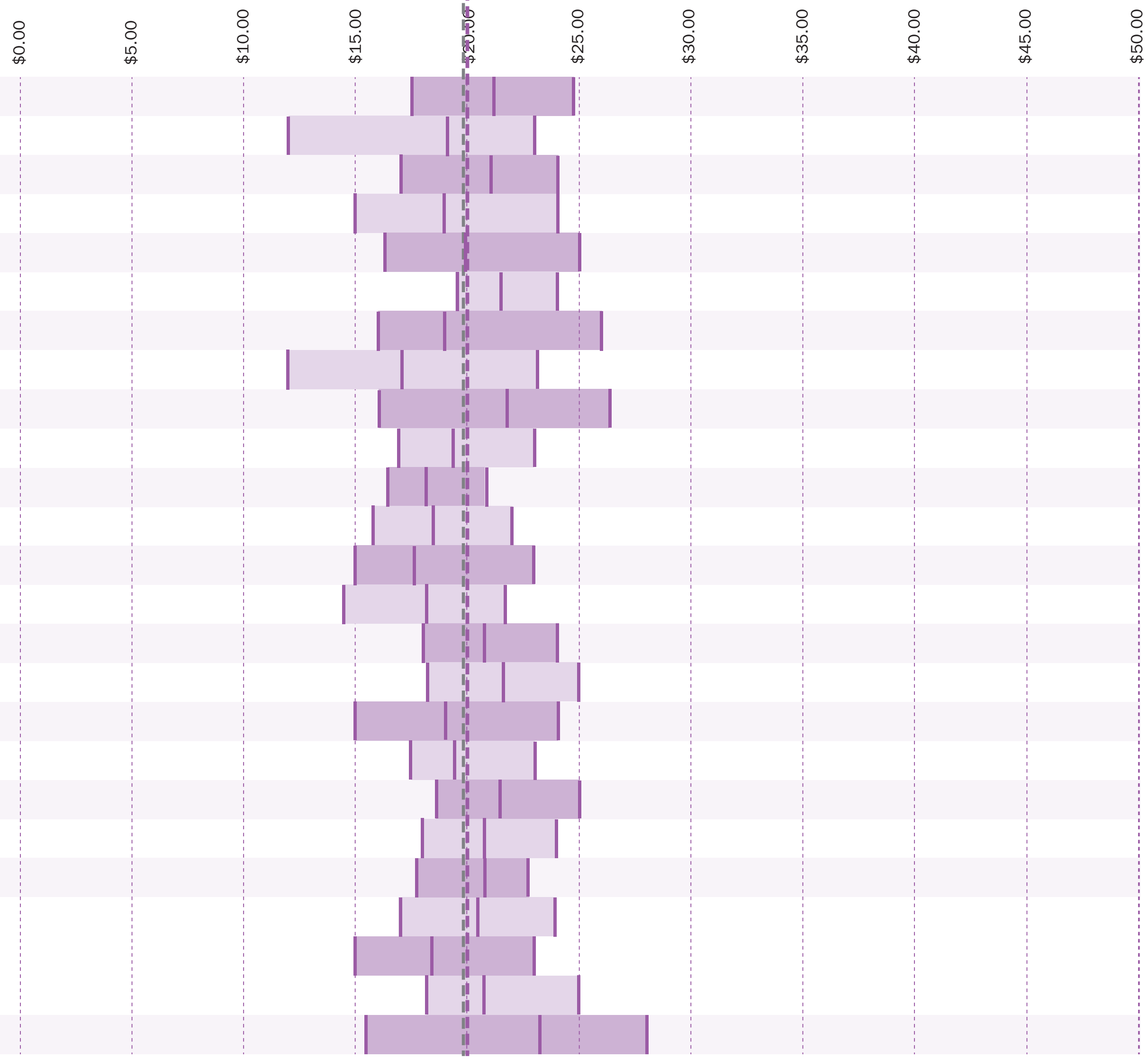
Average

Low High

1st week Jan 2014
$19.87

Forecast Avg 2014
19.95

Name	Low	Average	High
Adams, William Fastmarkets Ltd	$17.50	**$21.10**	$24.80
Bhar, Robin Société Générale CIB	$12.00	**$19.00**	$23.00
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$17.00	**$21.00**	$24.00
Cooper, Suki Barclays	$15.00	**$19.00**	$24.00
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$16.25	**$19.90**	$25.00
Fritsch, Carsten Commerzbank	$19.50	**$21.50**	$24.00
Hellwig, Sonia Heraeus	$16.00	**$19.00**	$26.00
Hochreiter, René Allan Hochreiter (Pty) Ltd	$12.00	**$17.00**	$23.00
Jollie, David Dr Mitsui & Co Precious Metals, Inc.	$16.00	**$21.80**	$26.35
Kavalis, Nikos Metals Focus	$17.00	**$19.50**	$23.00
Kendall, Tom Credit Suisse	$16.60	**$18.20**	$20.80
Klapwijk, Philip Precious Metals Insights Limited	$15.90	**$18.72**	$22.10
Meir, Edward INTL Commodities	$15.00	**$17.85**	$23.00
Melek, Bart TD Securities	$14.66	**$18.14**	$21.75
Nagao, Eddie Sumitomo Corporation	$18.00	**$20.75**	$24.00
Norman, Ross Sharps Pixley	$18.20	**$21.60**	$25.00
O'Connell, Rhona Thomson Reuters GFMS	$15.00	**$19.00**	$24.00
Panizzutti, Frederic MKS Switzerland S.A.	$17.50	**$19.50**	$23.00
Proettel, Thorsten LBBW	$18.70	**$21.50**	$25.00
Savant, Rohit CPM Group	$18.00	**$20.80**	$24.00
Steel, James HSBC	$17.75	**$20.80**	$22.75
Tully, Edel UBS	$17.00	**$20.50**	$24.00
Turner, Matthew Macquarie Capital	$15.00	**$18.50**	$23.00
Vaidya, Bhargava B.N. Vaidya & Associates	$18.25	**$20.75**	$25.00
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$15.50	**$23.25**	$28.00
Averages	**$16.37**	**$19.95**	**$23.94**



Click on the name of a contributor and it will take you direct to the supporting commentary

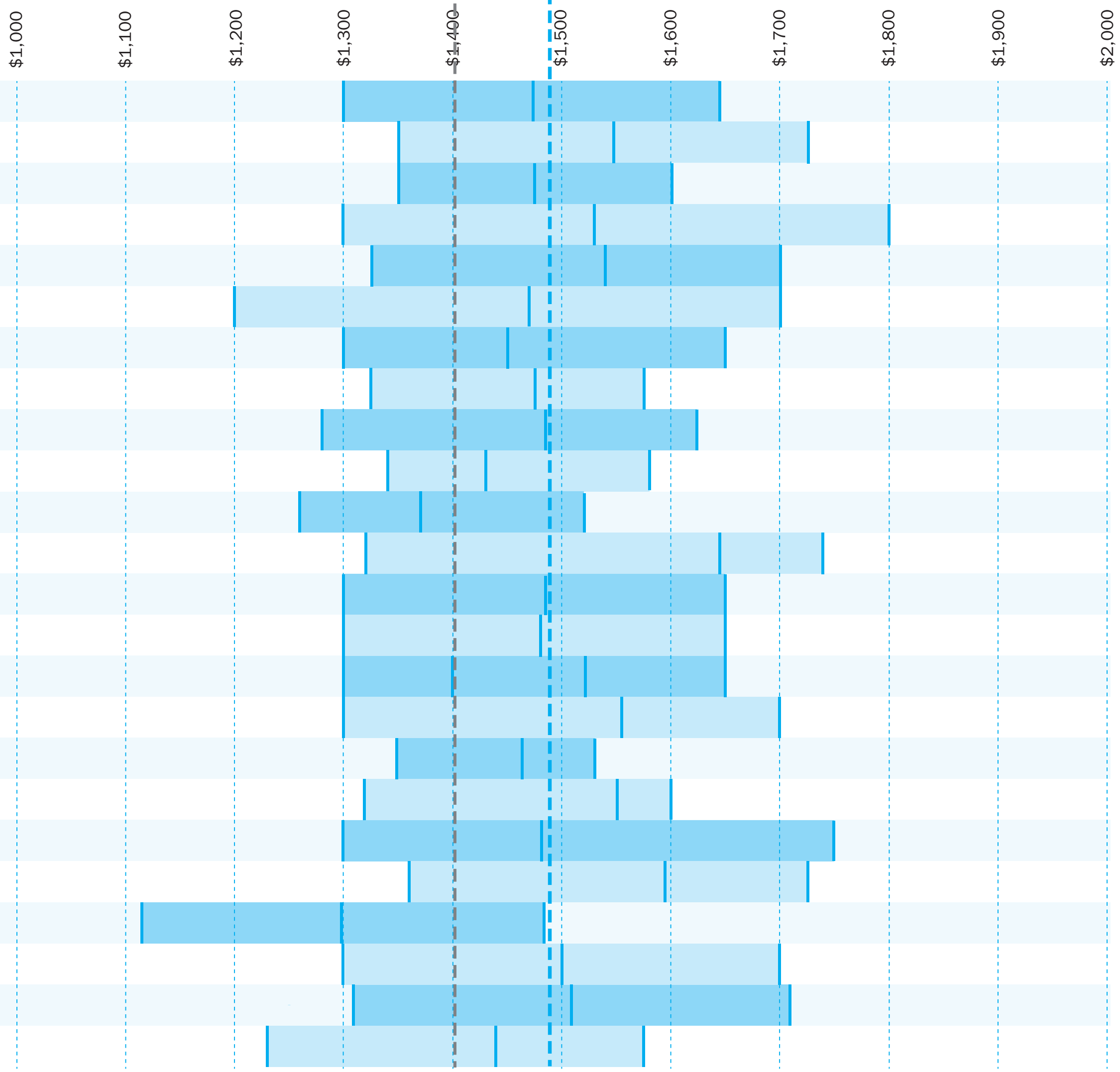
Pt

Average
Low High

1st week Jan 2014
$1,406

Forecast Avg 2014
$1,490

Name	Low	Average	High
Adams, William Fastmarkets Ltd	$1,300	**$1,475**	$1,650
Bhar, Robin Société Générale CIB	$1,350	**$1,550**	$1,725
Briesemann, Daniel Commerzbank	$1,350	**$1,475**	$1,600
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$1,300	**$1,530**	$1,800
Cooper, Suki Barclays	$1,325	**$1,539**	$1,700
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$1,200	**$1,470**	$1,700
Hellwig, Sonia Heraeus	$1,300	**$1,450**	$1,650
Hochreiter, René Allan Hochreiter (Pty) Ltd	$1,325	**$1,475**	$1,575
Jollie, David Dr Mitsui & Co Precious Metals, Inc.	$1,280	**$1,485**	$1,625
Kendall, Tom Credit Suisse	$1,340	**$1,430**	$1,580
Klapwijk, Philip Precious Metals Insights Limited	$1,260	**$1,369**	$1,520
Melek, Bart TD Securities	$1,320	**$1,645**	$1,740
Nagao, Eddie Sumitomo Corporation	$1,300	**$1,485**	$1,650
Newman, Philip Metals Focus	$1,300	**$1,480**	$1,650
Norman, Ross Sharps Pixley	$1,300	**$1,522**	$1,650
O'Connell, Rhona Thomson Reuters GFMS	$1,300	**$1,550**	$1,700
Panizzutti, Frederic MKS Switzerland S.A.	$1,350	**$1,467**	$1,530
Proettel, Thorsten LBBW	$1,320	**$1,550**	$1,600
Savant, Rohit CPM Group	$1,300	**$1,479**	$1,750
Steel, James HSBC	$1,360	**$1,595**	$1,725
Stevens, Glyn INTL Commodities	$1,176	**$1,298**	$1,484
Tully, Edel UBS	$1,300	**$1,500**	$1,700
Turner, Matthew Macquarie Capital	$1,312	**$1,512**	$1,712
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$1,230	**$1,440**	$1,575
Averages	**$1,300**	**$1,490**	**$1,650**

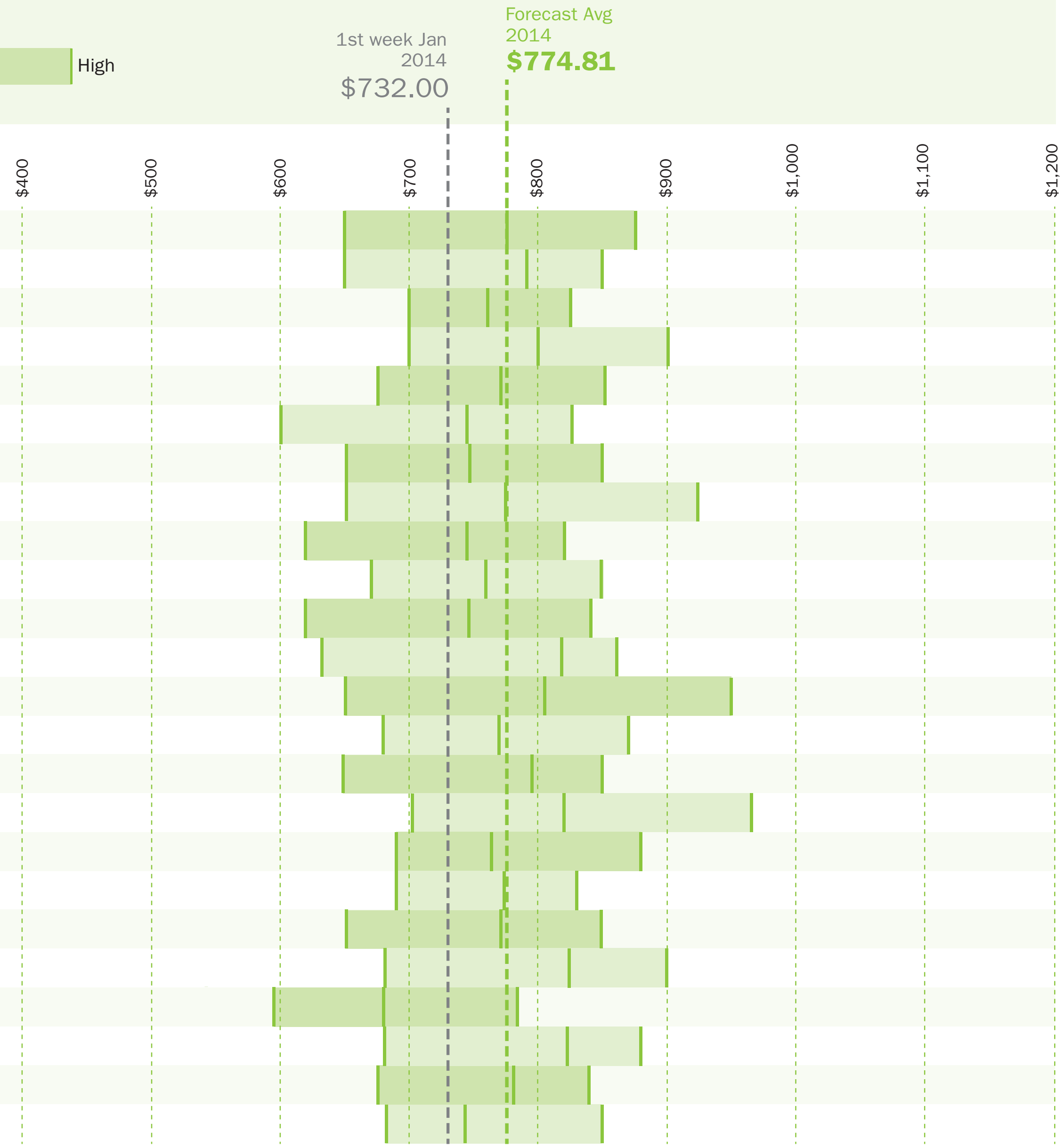


Click on the name of a contributor and it will take you direct to the supporting commentary

Pd

Average

Low | High



Name	Low	Average	High
Adams, William Fastmarkets Ltd	$650.00	**$775.00**	$875.00
Bhar, Robin Société Générale CIB	$650.00	**$790.00**	$850.00
Briesemann, Daniel Commerzbank	$700.00	**$760.00**	$825.00
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$700.00	**$800.00**	$900.00
Cooper, Suki Barclays	$675.00	**$768.00**	$850.00
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$600.00	**$747.50**	$825.00
Hellwig, Sonia Heraeus	$650.00	**$750.00**	$850.00
Hochreiter, René Allan Hochreiter (Pty) Ltd	$650.00	**$775.00**	$925.00
Jollie, David Dr Mitsui & Co Precious Metals, Inc.	$620.00	**$745.00**	$820.00
Kendall, Tom Credit Suisse	$670.00	**$760.00**	$850.00
Klapwijk, Philip Precious Metals Insights Limited	$620.00	**$747.00**	$840.00
Melek, Bart TD Securities	$632.00	**$819.00**	$860.00
Nagao, Eddie Sumitomo Corporation	$650.00	**$805.00**	$950.00
Newman, Philip Metals Focus	$680.00	**$770.00**	$870.00
Norman, Ross Sharps Pixley	$650.00	**$795.00**	$845.00
O'Connell, Rhona Thomson Reuters GFMS	$703.00	**$819.00**	$966.00
Panizzutti, Frederic MKS Switzerland S.A.	$690.00	**$765.00**	$880.00
Proettel, Thorsten LBBW	$690.00	**$775.00**	$830.00
Savant, Rohit CPM Group	$650.00	**$769.00**	$850.00
Steel, James HSBC	$680.00	**$825.00**	$900.00
Stevens, Glyn INTL Commodities	$594.00	**$679.00**	$786.00
Tully, Edel UBS	$680.00	**$825.00**	$880.00
Turner, Matthew Macquarie Capital	$675.00	**$787.00**	$840.00
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$680.00	**$745.00**	$850.00
Averages	**$659.96**	**$774.81**	**$863.21**

Click on the name of a contributor and it will take you direct to the supporting commentary

William ADAMS

Fastmarkets Ltd, London

Au Range: $1,120 - $1,440 Average: $1,260

It has been the case that the selling of ETFs and fund selling on futures have weighed on prices. But for every seller, there is a buyer. We find it most surprising that the buying and shipping of so much physical gold to Asia, notably China, has not been taken as more of a bullish development, which we think it is. Because China, Japan and the sovereign wealth funds are some of the largest owners of US debt, it may be that these creditors are indirectly monetising gold to diversify their exposure to fiat currencies. With so much debt denominated in fiat money, we expect gold to continue to be monetised, which should underpin a rebound in gold prices.

Ag Range: $17.50 - $24.80 Average: $21.10

We generally expect silver to follow gold's lead, but a sturdier economic climate may ultimately underpin silver prices, more so than gold in times of price weakness. The fact that the holdings in silver ETFs have dropped by just some 4% compared with around 33% in gold suggests investors remain confident about the metals' longer-term outlook. Although the net fund position is long, the gross short position is large so the market is vulnerable to short-covering rallies. Still, we expect producers of by-product silver to remain keen sellers into strength, which is likely to act as a cap on prices.

Pt Range: $1,300 - $1,650 Average: $1,475

We are surprised how weak platinum prices have been in 2013, but we expect the market has concluded that stockpiles are high enough to cover the supply deficit after the previous years of surplus. As well, the weaker rand will have alleviated some of the pressure felt by South African producers. Still, we would not be surprised by further bouts of supply disruptions in South Africa, which should be expected to underpin platinum prices in 2014. Demand should also recover once the European auto market starts a slow recovery in 2014.

Pd Range: $650.00 - $875.00 Average: $775.00

Out of all the precious metals, we are most bullish for palladium because we feel it has the strongest fundamentals. On the demand side, we expect continued strong demand from the auto industry via the continuing recovery in the US and organic growth for vehicles in emerging markets. Investment demand should also benefit from the launch of a new palladium ETF in South Africa. On the supply side, we fear there is a high risk of further disruptions in South Africa.

Robin BHAR

Société Générale CIB, London

Au Range: $950 - $1,300 Average: $1,135

Bearish gold fundamentals (low inflation and US tapering) combined with the fact that investors remain very long physical gold via ETFs suggests to us that investors are likely to remain big net sellers over the coming months and quarters. The occasional tightness in the physical gold market (as indicated by the occasional backwardation of the gold forward curve) is mainly the result of short-term mismatches between temporary surges in Asian demand and the time-consuming process of refining ETF-gold into smaller parcels. Furthermore, it is our impression that gold producers are increasingly looking to put on hedges, which would put gold prices under additional downward pressure.

Ag Range: $12.00 - $23.00 Average: $19.00

We are expecting silver to trade broadly in line with gold as a result of the impact of investor sentiment in a market that is consistently running a surplus. While there is likely to be some investor appetite for silver over this period, we would expect that much of this surplus will have to go into industry or dealer stocks. As such therefore, we are looking for a steady decline in average prices, both on a quarterly and an annual basis. We would, though, expect volatility within those periods as silver is notoriously volatile and prone to short covering rallies and heavy bouts of long liquidation.

Pt Range: $1,350 - $1,725 Average: $1,550

Price prospects are skewed to the upside, with the triumvirate of low prices, rising costs and continued bouts of disruption leading to a declining trend in South African mine output. At the same time, the combination of new emissions legislation in Europe and China, as well as an increase in underlying car sales in all major markets, will provide robust demand. Jewellery demand growth is likely to be slower as higher prices discourage some of the price-sensitive areas of the market, but the key, and largely price inelastic, bridal sector is likely to remain resilient even as prices recover.

Pd Range: $650.00 - $850.00 Average: $790.00

Underpinning our bullish call on palladium is the prospect of continued deficits as demand grows strongly while mine supply struggles even to maintain current levels. In addition, the irregular but sizeable flows of the metal from Russian stocks, which have been a significant source of supply to the terminal market for many years, have probably drawn to a close and overall supply next year will therefore fall to its lowest level since 2003. Furthermore, the likely launch of a new palladium ETF by Absa is also likely to provide a boost to investor purchases during the year.

Please click on the icons to return to relevant chart

Daniel BRIESEMANN

Commerzbank, Frankfurt

Pt Range: **$1,350 - $1,600** Average: **$1,475**

We do not expect the current situation on the global platinum market to change fundamentally in 2014. Global mining production is unlikely to increase significantly. Continuing risk factors are more strikes and potential power outages in South Africa. In contrast, industrial demand is set to increase further. The automobile sector will also contribute to this since it should benefit from new emission standards for diesel vehicles in Europe. Jewellery demand is likely to remain robust thanks to China. We expect to see another supply deficit in the global platinum market next year. The level of the deficit will be determined by investment demand.

Pd Range: **$700.00 - $825.00** Average: **$760.00**

This year's trends in the global palladium market will continue next year. Supply is set to contract further in the absence of sales of Russian reserves. Demand from the automobile industry should grow further, benefitting from robust car sales in the US and China. The supply deficit is likely to persist at a similar level next year. Provided the palladium ETF by Absa Capital achieves similar success as the platinum ETF, this would lead to strong growth in investment demand, which could even increase the supply deficit, supporting the price of palladium.

Stephen BRIGGS

BNP Paribas, London

Au Range: **$1,000 - $1,300** Average: **$1,095**

We expect the gold price to trend lower through most of 2014, albeit with rallies along the way. It could well test $1,000/oz, thereby reversing more than half of its bull-market gains. For us, the key developments have been the mounting expectations, and now the reality, of tapering of quantitative easing in the US. Any acceleration of the pace of tapering would create greater downside risk for gold. We expect an associated strengthening of the US dollar, and this combined with the current notable absence of inflationary pressures will add to gold's woes. Lower prices will no doubt boost jewellery demand, but there is still plenty of scope for further outflows from physically backed ETFs. The official sector will provide only limited support and there is a risk of sizeable producer forward selling.

Jonathan BUTLER

Mitsubishi Corporation International (Europe) Plc, London

Au Range: **$1,000 - $1,450** Average: **$1,245**

We anticipate that gold will struggle in 2014 against a backdrop of a stronger dollar, the scaling back of US monetary easing and an increase in the relative attractiveness of other asset classes as the global macroeconomic situation improves. Prices will remain at the mercy of the pace of QE withdrawal and speculation surrounding it, and there could be further ETF liquidation. However, our base scenario is that US QE tapering has already been largely priced in and gold is expected to hold firm above the psychologically important $1,000 level. The possibility of slower than expected tapering may give some short-term upside to gold, adding to the implied volatility. A sustained rally in world equity markets could continue to divert investors away from gold, although if equities start to look overvalued, gold may benefit from a flight to safety. Prices should be underpinned by strong physical demand in Asia, especially if Indian import restrictions are relaxed. If monetary policy normalises towards the end of 2014, gold could regain some of its appeal as an inflation hedge.

Ag Range: **$17.00 - $24.00** Average: **$21.00**

Silver prices will be determined by the direction of gold, but with more extreme price swings. Silver's partly industrial nature could mean that it starts to benefit from better macroeconomic conditions as the year goes on. The silver market is expected to remain fundamentally in surplus with little production discipline due to its by-product nature and low cost of extraction. A move lower for the price could result in distressed selling and repositioning among ETF investors, further depressing prices. Demand from the electrical sector may be limited by thrifting and substitution; however, we anticipate some bright spots such as automobile electronics. The solar industry, long seen as the saviour of silver demand, remains in overcapacity, but additional demand could result from the pursuit of aggressive renewable energy targets in China. The silver jewellery industry should see another strong year, but demand in India may be tempered by the increasing availability of gold once import restrictions are eased.

Pt Range: **$1,300 - $1,800** Average: **$1,530**

Platinum prices will be supported by the twin pillars of tight South African supplies and resurgent demand in autocatalysts during 2014. The ongoing restructuring of the South African pgm mining industry should keep platinum output subdued. We note that the possibility of co-ordinated labour disruption across South Africa's four biggest producers could result in more significant upwards pressure on prices than seen hitherto. A return to growth in the European car market should coincide with tighter light-duty emissions legislation from September 2014, which will generally require the fitting of extra platinum-containing emissions control components on diesels. It is difficult to see how ETF investment demand for platinum will exceed the exceptional levels of 2013 and although we anticipate continued inflows into the successful South Africa-based fund, the potential for profit-taking will rise as prices recover. Healthy consumer demand should once again prop up Chinese platinum jewellery offtake. Overall, tighter market conditions will mean that recycling and the drawdown of above-ground stocks will be increasingly important to the platinum market and will help keep a lid on prices.

Pd Range: **$700.00 - $900.00** Average: **$800.00**

The underlying fundamentals for palladium remain very strong – this was reflected in the metal's outperformance relative to its peers in 2013. This year, we expect the palladium market to be even tighter as a result of the anticipated launch of a South Africa-based ETF and lower primary supplies. Both Russia and South Africa, the two biggest producing countries, should see a decline in output related to falling ore grade and restructuring, respectively, while little if any material will be supplied from Russian state stocks. Global economic growth is expected to be positive for palladium demand in autocatalysts, particularly in the large Chinese and US markets. Overall, investors are expected to continue to favour palladium although this may not translate into any real physical tightness in the market due to the availability of the above-ground sources of metal emanating from previous years' surpluses and also stockpiles of recyclable material that could come back to the market, at a price.

Suki COOPER

Barclays, New York

Au Range: **$1,050 - $1,375** Average: **$1,205**

We expect gold prices to test fresh 2010 lows this year. From both macroeconomic and underlying fundamental perspectives, gold is likely to struggle to find supportive catalysts in 2014. Although the US balance sheet continues to expand, inflation has yet to materialise. Slower than expected tapering, weaker equity markets and a softer dollar could help to revive gold in the short term, but a more structural shift in market dynamics, including signs of inflation, delayed interest rate hikes or greater than expected demand from China, particularly from the official sector, would be required to turn the tide for gold. Absent a shift in sentiment, we believe risks are skewed to the downside given the potential for hedging, slowing physical demand and, most importantly, a macro backdrop of modest growth, fewer tail risks and a stronger dollar increasing the scope for further disinvestment. Indeed, despite the strong start to Chinese physical demand, Indian demand remains subdued: should trade restrictions be relaxed, prices are more likely to find a stronger floor.

Ag Range: **$15.00 - $24.00** Average: **$19.00**

Underlying silver market fundamentals are set to remain unaccommodating in 2014 given a projected bloated surplus. A key risk for the silver market is the lack of silver ETP liquidation. Although retail interest in silver has proved to be stickier than gold, our calculations show at least 5kt of current holdings are loss-making. If these losses are crystallised, prices could endure sizeable downside pressure, retesting levels last reached in 2010. Retail demand, in the form of coin sales, has bucked the trend, but the scale of buying is insufficient to draw down the surplus. Although we project mine supply to hit yet another record high in 2014 and industrial demand is also set to firm, we see growth rates as subdued. In the absence of much firmer industrial demand, silver is set to take its cue from its sister metal, gold, which looks to offer little by the way of price support: given the macro environment, it is unlikely to stimulate significant investor demand nor provide a substantial boost to industrial consumption.

Pt Range: **$1,325 - $1,700** Average: **$1,539**

We expect the platinum market to deliver another deficit this year, aiding firmer prices, albeit to a smaller extent y/y. We expect the pace of ETP inflows, which swung the market into a sizeable deficit last year, to slow in 2014 and, indeed, the launch of a South African listed product in palladium could result in outflows. The scope for sharp upside price moves is skewed towards the start of the year, given that wage negotiations were more placid than expected last year, but the major producers have yet to reach an agreement. As the year unfolds, we expect prices to be less weighed down by gold as the focus shifts to demand. In turn, as demand recovers across the auto sector, supported by tighter emissions legislation, prices are likely to find more solid support on the downside. The downside should also be limited by the rising cost pressures, despite the weaker ZAR providing a temporary respite.

Pd Range: **$675.00 - $850.00** Average: **$768.00**

The palladium market is likely to retain its crown as the best-performing precious metal this year, but absent a new catalyst, gains are likely to be modest, given stock levels. We expect the market to deliver yet another sizeable deficit, driven by reduced Russian state stock shipments, modest supply growth but robust underlying industrial demand. Upside risk for demand stems from the potential launch of a physically backed ETP in South Africa, which could deepen the deficit projected for 2014. Broader investor positioning remains supportive but has been scaled back. Palladium prices have been capped by the uncertainty of Russian state stocks. This year, we believe the focus will continue to shift away from this unknown as underlying demand remains firm, delivering sizeable deficits over the next few years. Auto demand from key markets, the US and China, are likely to continue to provide a solid backdrop given our auto analysts' projections for continued growth.

Peter FERTIG

QCR Quantitative Commodity Research Ltd., Hainburg

Au Range: **$1,050 - $1,475** Average: **$1,260**

Investment demand remains the decisive factor for the gold price also in 2014. Retail demand is expected to remain robust. However, institutional investors are the crucial players and their demand is likely to depend on stock market movements. The negative correlation between gold and major stock indices should prevail also in 2014. After a strong rally last year, it appears less likely that stock markets will rally again. We look for a consolidation, but not a severe correction. Nevertheless, volatility might increase. Thus, gold could see stronger moves to the up and down side. Fed tapering should be priced in. However, robust US GDP growth should be negative for gold, especially in second half, as the likelihood for a rate hike next year will increase. The outlook for the Fed policy should lead to higher opportunity costs for holding gold and to a firmer US dollar. Thus, gold might fall below last year's low.

Ag Range: **$16.25 - $25.00** Average: **$19.90**

A stronger global GDP growth should be positive for the industrial demand for silver. However, this is not sufficient to lead to a positive correlation between silver and major stock indices. Thus, silver might continue to profit from weakness in stocks but also to suffer from firmer stocks. Silver should remain more volatile than gold. We expect that robust US GDP growth leads to speculation of a Fed rate hike in early 2015. Thus, during the second half, short-term interest should edge up and also lead to rising US Treasury yields. This should be positive for the US dollar. As in the case of gold, these two factors should weigh on silver, which might fall to a new low within the downward trend that started in 2012.

Pt Range: **$1,200 - $1,700** Average: **$1,470**

Labour unrests remain one of the risk factors for the PGMs on the supply side. We expect that the market remains in a supply deficit. Demand from the automotive industry should increase stronger than supply. The robust economic growth in the US, China and other parts of Asia should more than compensate the only modest demand increase by car manufacturers in Europe. Thus, platinum demand is expected to increase. However, platinum is not immune to the development of the gold price. But platinum is expected to perform better than gold and the spread over gold should increase further.

Pd Range: **$600.00 - $825.00** Average: **$747.50**

Also for palladium, labor unrests remain a risk factor on the supply side. The outlook for global GDP growth remains positive. Many of the economies of eurozone member countries show signs of improvement and even Greece is expected to come out of the recession finally. This should lead to a stabilisation (or perhaps also a slight increase) of demand from the European automotive industry. However, demand from US and Asian car manufacturers is likely to strengthen. Thus, on balance, palladium should remain in a supply deficit in 2014, which would be positive for price development. But the movements of gold prices will also have an impact on palladium, which nevertheless is probably going to perform better than gold and silver also this year.

Carsten FRITSCH

Commerzbank, Frankfurt

Au Range: **$1,200 - $1,400** Average: **$1,300**

The high level of buying interest from Asia should counteract any further price decline. The gold price should recover in the second half, boosted by an upturn in investment demand, as US monetary policy will remain decidedly expansionary in 2014 under the new Chairman designate of the Fed, Janet Yellen. The ECB and the Bank of Japan will also keep the scope of monetary policy wide open. Gold is therefore likely to gain greater acceptance again from western investors as a means of hedging against a loss of purchasing power due to inflation and currency devaluation.

Ag Range: **$19.50 - $24.00** Average: **$21.50**

After a relatively weak 2013, we expect stronger industrial demand for silver again next year. The recovery in the global economy expected by our economists should provide impetus. Investment demand should increase by roughly the same extent in 2014 as this year. This is supported by the significantly lower price level, both in US dollar and relative to gold. The increase in the gold price that we expect should also provide momentum.

Sonia HELLWIG

Heraeus, Hanau

Au Range: **$1,110 - $1,400** Average: **$1,305**

Caught in a downward trend for the first time in 12 years, gold finds itself in a new environment as previous drivers of the metal subside. The US Quantitative Easing programmes gave strong support to the metal in the past and the Fed's decision to taper is a first step in reducing expansive monetary policy. The US budget as well as economic data will remain in focus as they influence the pace of tapering as well as the strength of the US dollar. A stronger US dollar would weigh on gold and, in times where other asset classes offer stronger returns, investors could shift funds away from gold. As inflation fears have not materialised also the safe-haven appeal has declined. However, chances are good that in 2013 we saw the majority of ETF liquidations. While physical investors are keen to use lower prices for fresh buying, they have been unable so far to reverse the trend. As India's imports remain restricted for the time being, China is likely to remain the biggest consumer of gold in 2014. While Chinese demand will continue to support the metal, it is not expected to be as strong as last year. Central Banks will likely remain net buyers of gold yet they may also look at alternative assets as the global economy improves. While supplies from recycling activities are likely to remain limited on current price levels, primary production may increase slightly, driven by greater exploration spending.

Ag Range: **$16.00 - $26.00** Average: **$19.00**

Silver saw the worst performance in 30 years in 2013 and still finds itself under some pressure. Yet, there are several factors that will provide support to the metal in the medium term. Economic recovery in the US suggests increasing industrial demand. Also the photovoltaic sector is improving, and on the lower price levels, the pressure to substitute silver or to reduce its content in pastes is subsiding. With demand for silver coins remaining strong, investors continue to show interest in the metal. Additional purchase volumes have come from India where the restrictions on gold imports led buyers to switch into silver. Previous interest by institutional investors – leading to record levels of silver-backed ETFs in 2013 – presents some risk. ETF demand is unlikely to remain at such levels and should outflows set in, they would further increase silver's surplus. While the metal's downward trend is still intact, we believe that the worst is now past in terms of the correction.

Pt Range: **$1,300 - $1,650** Average: **$1,450**

There are three main criteria that have influenced the price of platinum in 2013 and will continue do so in 2014. First, the situation in South Africa: in comparison to the violent strikes in 2012, the situation has eased to some extent. Hence, a sustained rise in prices due to prolonged strikes seems to be rather unlikely. Price support may also come through electricity price increases. The second factor is industrial demand: 2013 was a weak year for European car sales, but a recovery is expected in 2014. The demand for platinum will benefit further from stricter emission regulations. Demand from electronics, chemical and glass sectors should also improve. Consequently, the high stocks of platinum sponge at the end of 2013 should decrease this year. The third significant factor is investment demand. Demand from the new South-African platinum ETF exceeded expectations. It contributed to incremental demand of more than 900,000 ounces and proved very price supportive in 2013. Should this trend continue, prices will receive support again in 2014.

Pd Range: **$650.00 - $850.00** Average: **$750.00**

With a slight price increase, palladium was the most stable of all precious metals in 2013. Also the outlook is positive. The consensus view is for a continued supply deficit of between 740,000 and 850,000 ounces of metal. Palladium may receive support by the absence of Russian state stocks sales. Also the world's largest palladium producer, Norilsk Nickel, expects the Russian State not to act as a seller in 2014. However, increased recycling from catalytic converters may partially compensate for missing Russian stock sales. On the demand side, the automobile industry contributes approximately 70% to total consumption.

The outlook for the important markets in America and Asia is forecast to be robust and should therefore have a positive effect on the demand for palladium sponge. Investment demand for palladium in contrast to platinum is very low. However, should a new South African palladium ETF be launched with similar success to the platinum ETF, this would be highly beneficial to the price.

René HOCHREITER

Allan Hochreiter (Pty) Ltd, Johannesburg

Au Range: **$1,050 - $1,250** Average: **$1,150**

Gold will likely soften again this year as demand drops, although it should not experience the sharp falls of 2013. Global economies are likely to recover steadily, putting further downward pressure on the price. The US economy will likely continue to grow as evidenced by the relaxing of quantitative easing in January 2014. Europe is starting to recover although this will likely be at its usual snail's pace. Chinese growth is likely to increase closer to the 9% level as other economies suck up Chinese goods and building of its infrastructure continues. Supply of gold, although slowing, is unlikely to affect the price. Increased buying from the price-sensitive Chinese may see support for gold as it weakens through the year. There is good long-term support for the price at the $1,200/oz level.

Ag Range: **$12.00 - $23.00** Average: **$17.00**

Silver will likely track the gold price but with more exaggerated moves. Its main use today is in jewellery and silverware, coins, ETFs and a geared play on gold. Demand for jewellery is likely to remain flat whilst disinvestment may increase in 2014. With a further drop in the price, demand for industrial uses such as electronics and photography may increase, but is unlikely to be significant. The supply of silver could exceed demand by as much as 30% in 2014. This is likely to have a significant and negative effect its price.

Pt Range: **$1,325 - $1,575** Average: **$1,475**

Platinum demand will likely increase further in 2014, with recovering European diesel auto-sales and fuel-cell vehicle sales starting to pick up (e.g. Toyota's new FC vehicle). Its price premium over gold may increase significantly, which is a feature of the platinum price with rising economies.
The premium may be complemented by further annihilation of supply by South African labour unions and government. Anglo American may sell its interests in Anglo Platinum. Glencore is also selling its stake in Lonmin. New owners of these mines will likely see supply fall as non-profitable shafts are closed, exacerbating the shortage of the last two years further.

Pd Range: **$650.00 - $925.00** Average: **$775.00**

Palladium demand remains strong with global gasoline car sales rising to record highs in every year since 2009. Its use in electronics and as an ETF is also on the increase. On the supply side, South African supply will likely be muted in 2014 due to labour issues, and Russia recently announced its intention to hold back sales. The age-old Russian palladium metal-stocks-above-the-ground issue has kept the lid on prices rising and, with the new announcement, may continue to hold prices back in 2014.

Dr David JOLLIE

Mitsui & Co Precious Metals Inc., London

Au Range: **$1,085 - $1,400** Average: **$1,280**

Gold has a split personality. In many developed economies, it is a last resort to be bought when other assets do not look attractive. For these investors, gold is unlikely to be highly sought after this year, although the prospect of either higher inflation or a more immediate threat of deflation in the US might change this situation. In Asia, however, where gold is bought on its own merits rather than due to the shortcomings of other assets, demand looks set to be fairly strong throughout 2014. There are some prospects of India's gold import regime being relaxed and this could help support this metal. We do not see a strong case for investors to add to their holdings, but following last year's price decline, we also do not think that selling will continue at the same speed as in 2013. Overall, therefore, we find ourselves mildly bullish, expecting gold to trade between $1,085 and $1,400 this year, with an average of $1,280.

Ag Range: **$16.00 - $26.35** Average: **$21.80**

The general direction of the silver price can once again be expected to be derived from the gold market. Since we can imagine gold trading up to 15% below where it started the year, some weakness in the silver price may be seen. However, our base case for gold sees modest gains, and we feel that silver should trade between $16 and $26.35 this year. Mild economic growth is likely to be positive for silver although demand is still being negatively affected by price-driven thrifting, weakness in the plasma television market and slower growth in the photovoltaic industry. More positively, low gold prices should restrain any growth in mine supplies. This market is unlikely to be too exciting from an underlying fundamental perspective. Unless or until renewed investor interest surfaces, we are almost neutral. Our forecast is for silver to trade at an average price of $21.80 in 2014, below last year's average but above where it started the year.

Pt Range: **$1,280 - $1,625** Average: **$1,485**

The market has generally been bullish over platinum in recent years. Mine closures in South Africa and a recovering global economy mean that this metal's fundamentals should continue to improve too. However, the purchase of 900,000 ounces of platinum by South African investors was not enough to prevent the platinum price from falling in dollar terms in 2013. We do not expect investor purchasing to remain at the same level and the scale of any potential market deficit is likely to be lower than it was in 2013 as a result. The potential for slower Chinese demand is also a concern. Nonetheless, good levels of industrial purchasing will slowly erode above-ground stocks and should push the platinum price higher. We expect modest gains this year for this metal in dollar terms, with a trading range of $1,280 to $1,625 and an average price of $1,485 for the calendar year 2014.

Pd Range: **$620.00 - $820.00** Average: **$745.00**

The situation for palladium is little different from last year. Mine supply should decline slightly this year but this will be offset by additional recovery of recycled metal. Market expectations are that sales of metal from any remaining Russian state stocks will be negligible. A strengthening automotive sector will drive demand higher. Simplistically, this appears to be a clear bullish case for palladium, with $1,000 a potential target. This may be for the longer term though. The reality in the car market is that even 10% annual growth in automotive sales in China and North America combined would only contribute another 200,000 ounces of net palladium demand: the demand picture is positive but less so than many think. Above-ground stocks of metal are very large and holders of these stocks, including investors, have been keen to sell into this market above $700. We do expect palladium to break higher at some point but we maintain our average price forecast for 2014 at the same level as our 2013 forecast, $745, with a range of $620 to $820.

Nikos KAVALIS

Metals Focus, London

Au Range: **$1,100 - $1,350** Average: **$1,200**

After last year's bloodbath, we expect that 2014 will be a year of consolidation for the gold price. Declining bond purchases by the Fed, reduced US fiscal tensions, low inflation and improving, albeit slowly, employment conditions are all headwinds for the metal. Barring a risk event emerging, it is hard to see Western institutional investors become excited about the metal and without their 'bid', any upside prospects for the price are limited. Equally though, the recovery of physical demand is offering gold essential support. Even though Chinese demand is unlikely to repeat its 2013 record, it should remain elevated. The prospects for other key consuming markets, including India, also look promising. All this should result in range-bound conditions and a full-year average not far from levels seen early in the year.

Ag Range: **$17.00 - $23.00** Average: **$19.50**

We expect that silver will continue to respond to movements in the gold price during 2014. As such, we believe that macroeconomic factors will continue to be the main driver and that the price will remain under pressure. Some relief should be offered by the improving prospects for silver industrial demand against the backdrop of better economic conditions around the globe. Although the market is far from tight (in fact our projections see a surplus for 2014 overall), there are clear signs that these improvements are helping sentiment towards silver. As a result, we believe it is likely that silver will start to outperform gold over in the second half of the year, even if only at the margin. This counters historical norms, as silver's high-beta relationship with gold tends to see the white metal underperform in periods of weakness.

Tom KENDALL

Credit Suisse, London

Au Range: **$950 - $1,265** Average: **$1,080**

Has the floor been found in gold? No, is our unequivocal answer. We think US monetary policy and markets' anticipation of it remains key to gold. A strengthening US economy will likely see rates markets test the durability of the Fed's forward guidance – we expect the resulting rise in yields in a low inflation environment to see gold break down through the 2013 low. On its current trend, gold will trade below $1,000 before the end of the year.

Ag Range: **$16.60 - $20.80** Average: **$18.20**

It would be nice to think that silver could decouple from gold and outperform based on an improving global economy. We don't, however, believe that is likely to happen in 2014. The spike to almost $50 has left a lasting legacy of reduced unit consumption in key industrial applications. Investors have so far remained far more steadfastly long in silver than in gold – that represents a threat should many decide to throw in the towel.

Pt Range: **$1,340 - $1,580** Average: **$1,430**

We concur with the bullish consensus on platinum but feel that 'deficits' are often overstated and we think it will be a long road to recovery for both prices and demand. A much greater restructuring than seen to date of the South African platinum mining sector would be welcome but faces high barriers in the form of politics and an apparent focus on market share over profitability. The outlook may become brighter through the second half of the year.

Pd Range: **$670.00 - $850.00** Average: **$760.00**

The demand outlook for palladium is still robust, notwithstanding scattered efforts to restrict new car sales in larger Chinese conurbations. Questions remain about the size of above-ground inventories of refined metal and their holders (including the Russian state), and investors are already long. But with the global economy looking like it is set on a benign course this year, it probably makes sense to push those concerns aside for now.

Philip KLAPWIJK

Precious Metals Insights Limited, Hong Kong

Au **Range:** **$1,050 - $1,340**
Average: **$1,176**

Gold's 'negative' supply/demand fundamentals coupled with reduced investor interest will see prices trend lower in 2014. In spite of talk of lower mine production, prices actually need to fall further for marginal operations to bleed so much cash that they are forced to close. Likewise for scrap again to drop substantially, the price must fall. Similarly, although some growth in global jewellery demand can be counted on, gains would not match those in 2013 unless consumption is stimulated by lower prices. This is true both for China, where the bar is now at a very high level, and for India, where a weak currency and high import duties continue to depress offtake. The 'surplus' in the gold market between supply from mines plus scrap and fabrication demand can only be reduced to a level that is consistent with net bullion demand (from the private and public sectors) if prices decline. This is particularly so because the underlying appetite for bars and coins is waning, and there is a continued lack of interest from investors in other arenas. Even though sales by existing 'longs' out of ETFs and the OTC market will diminish, there is no convincing economic case for investors to buy gold, especially given the probability of a stronger dollar, higher equity prices and minimal inflation in the developed world.

Ag **Range:** **$15.90 - $22.10**
Average: **$18.72**

Like gold, the silver market is in a large 'surplus'. But silver supply is much less price elastic than gold's and the same holds true (in general) for silver fabrication demand. As such, if investors' demand were to wane then silver would be in trouble, particularly as unlike gold, there is no official sector buying to help support prices. It is unlikely, for example, that retail investors will maintain such a high level of coin purchases in 2014. Moreover, ETF holders, who have hitherto held tightly onto their silver, may start to exit their positions. The implication is that for supply to be squeezed, fabrication to be stimulated and for 'value investors' to be incentivised, the silver price will have to drop significantly.

Pt **Range:** **$1,260 - $1,520**
Average: **$1,369**

Platinum prices are unlikely to escape from the gravitational pull of the continued bear market in gold, although their downside should be more limited. Looking at supply from mines plus recycling against fabrication demand, the market is already close to 'balance' and could easily trip into a modest 'deficit' this year. This would be especially likely if South African supply is curtailed either through strike action or via production cuts. The demand side may be less positive for the price as a modest uptick in the European diesel market is likely to be offset by thrifting and substitution. Moreover, the outlook for platinum jewellery in China is for, at best, modest growth. In isolation, a tightening fundamental story would tend to give platinum some upward bias. However, given gold's troubles, it is more likely that prices will be under some pressure even though the platinum-gold spread should widen.

Pd **Range:** **$620.00 - $840.00**
Average: **$747.00**

Palladium's fundamental 'deficit' should continue this year as growth in fabrication demand largely cancels out higher supply. Autocatalyst demand will benefit from increased output of gasoline-powered vehicles and further, albeit moderate, substitution gains. On the supply side, an increase in autocatalyst recycling should be tempered by a modest decline in mine production. The implication is that prices will need to rise for holders of stocks to sell these to balance the market. This is particularly the case given the probable absence of Russian State sales. Of course, any swing to net purchases from this quarter would be extremely positive for palladium.

Mitul KOTECHA

Credit Agricole, Hong Kong

Au **Range:** **$950 - $1,350**
Average: **$1,105**

The downward trajectory for gold is set to continue over 2014. A further increase in US Treasury bond yields and a firmer dollar expected over coming months as the Fed tapers will act as a major headwind to gold prices. Indeed, our quantitative model highlights the prospects of further gold price weakness based on these factors. Additionally subdued inflation / disinflation pressures globally will limit demand for gold as an inflation hedge, while speculator / ETF investor appetite is set to remain weak as investors opt for other assets. Although strong consumer demand for gold from China will help to mitigate some weakness in prices, official constraints on Indian demand and weaker Indian growth will fuel more downward pressure. Finally, although Fed tapering may prompt some bouts of risk aversion, overall risk appetite is likely to remain firm. Therefore, gold is unlikely to benefit from safe-haven buying in the months ahead.

Edward MEIR

INTL Commodities, New York

Au **Range:** **$1,040 - $1,380**
Average: **$1,165**

We are not that upbeat about gold's prospects heading into 2014, as we think that the same set of headwinds that undermined the complex last year will be at work again this year. Specifically, the global macro economy looks to be in much better shape, and although China is slowing, the US, Japan and the eurozone are growing, thus undermining gold's role as a traditional safe haven in times of economic uncertainty. Moreover, there are scant signs of inflation on the horizon and, in fact, global central bankers are more concerned with deflation than inflation at this point. Third, the euro seems to have found its footing, courtesy of ECB chief Mario Draghi saying he would do "whatever it takes" to ensure that European credit markets do not seize up. Fourth, the Federal Reserve will be on a tapering ramp going into 2014, helping the dollar, while keeping gold prices under pressure. Finally, US equities will likely have another decent year in 2014, further diverting money away from various gold ETFs. Investment buying has been a key driver in pushing gold prices higher and while jewellery buying, coin sales and central bank buying are all important, they lack the punch that ETF buying delivers. For these reasons, we expect gold to have another down year in 2014, but if it is any consolation to the bulls, this will be only the second annual decline in the last 14 years.

Ag **Range:** **$15.00 - $23.00**
Average: **$17.85**

For the same reasons outlined in our gold commentary, we are not that bullish on silver either going into 2014. The complex metal was already down a whopping 36% in 2013 and we suspect that it will be under pressure again this year, pulled down by the expected weakness in gold, a stronger dollar and a more aggressive Fed. Although silver does benefit from an industrial component much more so than gold does, we do not think that this will be enough to increase its lure as an investment opportunity. In addition, the complex has been weak despite relatively good ETF buying in 2013 (considerably better than that of gold), telling us that prices could be vulnerable once this buying starts to decrease.

Bart MELEK

TD Securities, Toronto

Au Range: $1,045 - $1,325
Average: $1,175

Now that the FOMC has started to taper its QE asset purchasing programme and at the same time is committed to keeping short-term rates low for longer, we feel increasingly comfortable to say that the environment for gold is likely to get worse before it gets better. However, since much of the QE taper impact has been already priced in, only a modest additional decline is expected as long dated Treasury yields migrate higher. Higher real yields along with strong US equity markets and a firm US dollar should continue to increase the opportunity cost of holding zero-yielding assets such as gold. This will likely continue to prompt investors to reduce their gold ETF holdings in the early part of the year, while coin and bullion demand should also moderate. To offset some of this, gold will benefit from the positive impact of strong Chinese physical demand.

However, once the spec and physical investment markets stabilise in the aftermath of the end to the Fed's asset purchase programme, the outlook for the yellow metal should improve in the latter half of 2014. Under the market's consideration that the Fed's near-zero policy rates will continue for longer (possibly stretching well into 2016), gold should move slowly higher amid strong Asian demand and renewed investment demand in reaction to higher price expectations. We expect core inflation to increase along with the US economic recovery. The US Fed is likely to keep rates lower even as headline inflation moves higher.

Ag Range: $14.66 - $21.75
Average: $18.14

Silver should also record a less than stellar performance in the first half of the year, as investor interest in the metal remains subdued and the by-product driven supply growth outpaces total demand. TD Securities expects a surplus, which is likely to prompt traders to push the metal inside its cost curve. However, its quasi-money properties, stronger industrial production and an expected decline in mined output next year should help prices bounce from the lows. Given the metal's higher volatility, it should have a fairly robust move higher when markets start to slowly turn to precious metals as a hedge in the latter part of 2014.

Pt Range: $1,320 - $1,740
Average: $1,645

At the current platinum price of around $1,400/oz, the sector is unlikely to have sufficient cash flows in order to generate incentives necessary to grow sufficient supply to balance the market into the future. An improving European autocatalyst demand environment, increased global industrial activity and a steadfast China are likely to push the metal into a deep deficit over the next several years, as supply growth remains lacklustre. South African production growth is being stymied by ore body quality factors, wage pressures and electric power infrastructure problems. Meanwhile, a very poor nickel market environment—a source of significant PGM by-product – is also reducing mined production in other areas of the world.

As such, the price needs to rise materially in order to provide incentives to build new mine capacity. Strong investor interest in platinum-based ETFs will also serve as an upside price catalyst.

Pd Range: $632.00 - $860.00
Average: $819.00

TD Securities projects a deep deficit over the next several years, as Russian and South African supply growth remains under severe pressure, while industrial demand, particularly from autocatalysts, is showing continued strength. The resulting supply/demand tightening is projected to lift palladium prices sharply higher in 2014. The risk is on the upside of our forecast as we may enter 'auction' price territory (above the cost curve) to clear this market.

This has already made palladium the only precious metal to finish up higher year on year and will no doubt generate greater speculative and investor interest in the physical metal as has happened in the platinum ETF space.

Martin MURENBEELD

Dundee Capital Markets, Victoria

Au **Range:** **$1,075 - $1,550**
Average: **$1,250**

2013 proved to be a very difficult year for gold, and for gold forecasters! Indeed, it was difficult at the start of 2013 to forecast that over 800 tonnes of gold would flow out of the ETF sector over the course of the year and that the net-long position of the “speculators” on COMEX would decline by the equivalent of over 600 tonnes. Had it not been for surging demand in China, and Asia more generally, on the back of weaker gold prices, the gold market might well be digesting a sub-$1,000 price at this time.

The proximate reasons, in retrospect, included the magnetic pull of the surging US equity market, which caused many gold ETF holders to shift strategy. Europe did not fall apart, inflation remained noticeable by its absence and Fed tapering showed up in the FOMC minutes somewhat earlier than most had anticipated.

The good news going forward is that the gold ETF sector is extremely unlikely to disgorge another 800+ tonnes in 2014, nor are speculators likely to go net-short 600+ tonnes in 2014. With every central bank in developed economies hoping to boost inflation, there is sufficient room to speculate that the gold market will make a turn in 2014 and end the year higher than where it started. Debt servicing problems in the southern eurozone will become more acute in 2014 on the back of disinflation/deflation, which will then also make the European elections in May that much more important.

To be sure, the US dollar is likely to remain a headwind for gold in 2014, and to the degree equity markets remain attractive investment, interest in gold will be tempered. However, Indian consumers will find ways around their import tariffs, which hurt local demand in 2013, and specific central banks will likely take advantage of depressed gold prices to add gold to their reserves (with the People’s Bank of China the obvious central bank in this regard). Mine output will be stable in 2014 and hedging will be limited.

Eddie NAGAO

Sumitomo Corporation, Tokyo

Au **Range:** **$1,150 - $1,450**
Average: **$1,275**

Although QE3 tapering has started, the pace of trimming will not be steady (it will not be $10 billion for each FOMC meeting) and thus the US dollar interest rate will not move up as steadily and quickly as many people expect. As a result, gold will maintain its attraction as an asset class for some time. Gold may also benefit from safe-haven demand when geopolitical risks grow in places such as MENA or East Asia.

Ag **Range:** **$18.00 - $24.00**
Average: **$20.75**

Silver will continue to move in line with gold, but it will be more volatile than the yellow metal, as the market is less liquid. The photovoltaic sector remains the most promising area for silver’s industrial use and we expect this industry to grow further in 2014. We must bear in mind, however, that there are a growing number of technologies that would be able to reduce and replace silver in the case of an abrupt rise in price.

Pt **Range:** **$1,300 - $1,650**
Average: **$1,485**

We expect steady growth in autocatalyst demand for platinum while concerns over supply disruption remain critical, especially ahead of the South African general election (between April and July). Above-ground stockpiles must fulfil this demand/supply gap to prevent panic buying. Growth of jewellery demand in Asia also is a key driver of our forecast.

Pd **Range:** **$650.00 - $950.00**
Average: **$805.00**

The palladium price will be supported by expected supply reductions from South Africa, and an increase in investment demand caused by the ZAR-denominated ETF. It will further close the price gap with platinum but not to a great extent as pace of substitution to palladium in industrial application seems to be slowing down.

Philip NEWMAN

Metals Focus, London

Pt Range: $1,300 - $1,650
Average: $1,480

Platinum is still suffering, to an extent, from investor fatigue towards the risk of material labour-related disruptions to supply. However, the gap between unions' demands and what operators are prepared or even able to offer suggests that the issue cannot just disappear. With threats of imminent strikes at major operations looming, disruptions seem likely and should see the price spike up. Ultimately, we do not see events similar to those seen in 2012 being repeated and believe that an agreement would soon be reached. With a 'strike premium' removed, the still problematic European auto market and the weakness in the gold price are headwinds for platinum. Later in the year, as conditions start to improve in Europe and car sales begin to recover, platinum should enjoy a more sustainable recovery, settling comfortably in the $1,500s.

Pd Range: $680.00 - $870.00
Average: $770.00

Among the four major precious metals, we believe that palladium enjoys the strongest fundamentals. The continued growth in gasoline car production against the backdrop of limited mine supply gains and the expected lack of Russian stock sales points to a market in a structural deficit going forward. However, this is already partly reflected in the price – it outperformed the rest of the sector by a considerable margin last year. The lack of any imminent tightness is also a headwind. An upward sloping forward curve and anecdotal evidence all point to there being plenty of metal in the market. As such, barring short-lived spikes triggered by labour disruptions in South Africa or even the launch of the Absa ETF, our projections see the price rising gradually over the course of this year. However, recent comments from the Gokhran, suggesting a possible return to net purchases, pose a major wildcard.

Ross NORMAN
Sharps Pixley, London

Au **Range:** **$1,180 - $1,350**
Average: **$1,274**

It has been uncommon for gold to score single-digit percentage moves either way over the last decade – we see 2014 being an exception. Gold could be described as the 'Marmite' asset class – investors love it or hate it, giving rise to polarisation of opinion on price direction.

The two key features of 2013 were the migration of the metal East and the amelioration in economic conditions. As we see it, ongoing recovery, with further dollar strength and even an uptick in interest rates, explains the sharp correction lower last year but is factored into the current price. Looking ahead, we expect ongoing preference for physical over paper gold and an easing of high-impact and leveraged shorting of gold futures from record levels. Even ETF redemptions should abate.

In short, we see a weak first half as the western selling tide turns, followed by price strength in the second half as Asian buying increasingly dominates, giving rise to a 4% rise for the year. As such, we expect 2014 to be a 'Goldilocks' year – not too hot and not too cold. The biggest passion killers for gold are likely to remain prevailing US dollar strength plus rising interest rates. The consensus for gold at this time seems to be robustly bearish, which for contrarians is a positive sign.

Ag **Range:** **$18.20 - $25.00**
Average: **$21.60**

As the strongest-performing asset class over a decade and the worst over the last year, silver is looking very much like an investment unsuitable for widows and orphans. Its volatility scares. Investors will however be much encouraged by the way that investment demand within the ETFs has held up so well and this underscores silver's growing use in industrial applications. We expect silver to record a relatively modest 8% gain on the year – that is to say maintaining its double outperformance relative to gold. The key areas to watch in 2014 should be the growth in the photovoltaics market and new applications utilising silver's powerful anti-microbial qualities. A strong economic recovery should also boost silver demand within the electronics and brazing sectors.

If our modest forecast is correct, silver will be altogether better behaved in 2014 by scoring the lowest price change in over a decade. This will be positive for silver in the long run as industrial users become less fearful of price volatility.

Pt **Range:** **$1,300 - $1,650**
Average: **$1,522**

In 2013, global auto sales topped 80 million vehicles for the first time ever – that is 2.6 car sales every second. This news may be disappointing to platinum bulls, given that prices were relatively lacklustre in 2013. Expressed simply, despite the economic crisis, those industrial sectors that are intensive platinum consumers performed well – and yet the price did not seem to fully reflect it.

Looking ahead, we expect platinum to remain in supply deficit of about 500k ounces in 2014. As such, we are positive for the price in the medium term. Autocatalyst demand could better our forecast of 3.2 million ozs if demand for cars in Europe and India outperforms. The key issues for us in 2014 will be probable ongoing labour disputes in South Africa, on the price positive side. On the negative side, platinum needs to run quite fast just to stand still because of the ongoing erosion from substitution and thrifting in some mature applications.

Pd **Range:** **$650.00 - $845.00**
Average: **$795.00**

As the only positively performing precious metal, palladium must again be the bookies' choice for 2014. Its strong showing underscores supply issues (both South African labour issues as well as diminished Russian stocks), while on the demand side, it seems to be benefitting from good demand for gasoline cars in Asia (as opposed to high platinum diesel cars in Europe). If car sales in China continue to perform strongly again in 2014 as forecast then this could again be a bumper year for palladium demand. As with platinum, palladium does see both substitution and thrifting in some mature applications, such as the electronics sector, which could impact negatively upon investors' willingness to hold palladium ETFs.

Rhona O'CONNELL

Thomson Reuters GFMS, London

Au **Range:** **$980 - $1,400**
Average: **$1,225**

We expect gold to test $1,400 in the first quarter of 2014, before a decline to a mid-year low, some stabilisation and a slight recovery thereafter.

Total gold offtake plus official sector purchases are expected marginally to exceed total supply over 2014 as a whole. India will remain subdued following the regulatory changes of 2013 (subject to the May elections), but Asia and the Middle East have already helped to support prices more than once at around $1,200. The mining sector should just keep its head above water, but good husbandry will be key.

Investors are likely to prefer equities and bonds to gold, with US tapering extending over the full year. That said, with real interest rates likely to remain negative in many countries at least into late 2015 and inflationary pressures on the more distant horizon, there is scope for an investor-led rally on any political or financial tremors. We do not believe that there is enough appetite out there, however, to sustain higher prices for any length of time during the year.

Ag **Range:** **$15.00 - $24.00**
Average: **$19.00**

The majority of both supply and industrial silver demand is price-inelastic and silver remains in chronic oversupply. Primary silver producers are of course price-responsive, but prices are too high for any deliberate price-related cuts in output from this sector. Demand fundamentals remain unprepossessing, with continued substitution in the electronics and solar sectors partially offsetting improved demand in the oil and gas industry.

Silver did not suffer the attrition in investment in 2013 that afflicted gold, partly because silver ETF demand has a relatively high retail component. This is likely to persist, with the industrial component of silver's demand profile appealing to those investors in anticipation of economic improvements. Nonetheless silver's relationship with gold is generally the predominant price driver and we expect the gold:silver ratio to reach 67 by year-end, after an average of 60 in 2013.

Pt **Range:** **$1,300 - $1,700**
Average: **$1,550**

Supply-side developments will be key to the platinum market balance and price action this year. Given our expectation that widespread strike action will have developed in the South African mining sector by February, production stoppages will offer a boost to price through investor sentiment and, in due course, create a tighter physical market. We are cautious as to the prospects of a meaningful rebound in production post-strike resolution and expect electricity tightness and labour friction to remain as background themes.

Macro events could see softer prices in common with the broader precious metals complex mid-year. Platinum will post a deeper gross deficit in 2014, however, with modest improvements to demand bolstered by tightening automotive emission standards and a strengthening jewellery industry. With a more robust fundamental outlook and stock draw-down in 2015, the price is likely to make fresh, steady gains in late 2014.

Pd **Range:** **$703.00 - $966.00**
Average: **$819.00**

Palladium remains our favourite precious metal and we expect the price to test $900 early in the second quarter, boosted by platinum industry factors and the probable launch of a new palladium ETF. The precious sector's second-quarter retreat is likely also to embrace palladium, with the year's low thus posted in this period. Positive fundamentals, however, point to solid gains towards $1,000 in the second half year.

Although the market is still carrying heavy above-ground inventory, we believe that much of this is in firm hands and that it would take substantially higher prices to tease this metal out. Fresh shipments from Russian state inventories are thought unlikely although there is still the possibility of some metal coming out of bonded warehouses. Persistent strong demand growth from the auto sector is the key to this market as we are expecting minor retreats in the majority of other end uses this year.

Frederic PANIZZUTTI

MKS (Switzerland) S.A., Geneva

Au Range: **$1,120 - $1,350** Average: **$1,262**

On 31 December, gold closed at $1,201.50/oz, declining 28% in 2013. The price drop in Q2 2013 prompted strong physical demand, with large volumes moving from West to East. We expect this trend to continue in 2014. Chinese gold demand should in part compensate for the expected moderate gold imports into India. The market will no doubt focus on US QE tapering, but with the financial crisis finding some solid ground, a low interest rate environment and the US dollar likely strengthening in the second half, we are less optimistic this year. We expect gold to strengthen in the first half on the back of physical demand, but with limited upside potential – $1,350/oz is the target.

In Q4, gold shall weaken on the back of higher US interest rates talks and signs of global growth recovery. We shall keep an eye on the Central Bank agreement due for renewal in September: the official sector has been a net buyer for several years, the agreement may possibly not be renewed or the signatories may decide to reduce the selling quotas.

Ag Range: **$17.50 - $23.00** Average: **$19.50**

Silver closed $11/oz, or 36% lower at $19.50, after trading in a wide range of $13.60 in 2013. Despite the sharp price decline, silver ETFs, unlike gold, have seen over 13 million ounces of additional inflow. While the expected gold price decline and selling towards the end of the year could result in investors partially switching to silver, we still believe significant liquidation risk lies with large ETF positions if silver price action fails to convince investors. We expect silver to peak at $23/oz this year and its price average to be $19.50/oz. We would not be surprised to see more volatility in silver and erratic trading from time to time.

Pt Range: **$1,350 - $1,530** Average: **$1,467**

Fundamentals for Platinum remain positive. The expected global growth recovery toward the end of the year shall result in increased vehicle production and greater platinum demand for catalysts. We also take into consideration the ongoing union battles in South Africa, with several wildcat strikes expected throughout the year. Platinum ETFs could benefit from gold ETF outflows as a matter of diversification and repositioning. We expect platinum to trade as high as $1,530/oz.

Pd Range: **$690.00 - $880.00** Average: **$765.00**

Palladium has again outperformed the other precious metals this year (+0.57%) with a close at $711.00/oz – $4/oz higher than the opening price on 2 January 2013 despite trading in a wide $131/oz range throughout the year. We expect palladium to perform well in 2014 on the back of increased gasoline vehicle production as the global economy is expected to recover in Q4. The demand for palladium will remain industry driven and investment interest is set to remain marginal. We expect the palladium price average to be $765.00/oz in 2014.

Thorsten PROETTEL

LBBW, Stuttgart

Au Range: **$1,100 - $1,350** Average: **$1,210**

In 2014, the fluctuation of gold prices should be much lower than last year. Institutional investors with a main interest in performance have already sold the biggest part of their gold. That might reduce the influence of the group with the biggest impact on prices in 2013. Additionally, a possible decrease in Indian import tax after the US Feds tapering lost its threat for the rupee might spur gold demand there. But this might not be enough to reverse the trend of sinking prices. Overall investment demand in Western markets is low, central banks will not buy as much after having recorded losses in 2013, industrial demand is still diminishing and gold production is at an all-time high.

Ag Range: **$18.70 - $25.00** Average: **$21.50**

Pt Range: **$1,320 - $1,600** Average: **$1,550**

Pd Range: **$690.00 - $830.00** Average: **$775.00**

Rohit SAVANT

CPM Group, New York

Au Range: $1,100 - $1,420
Average: $1,250

Investment demand plays a critical role in gold's price action. It is our expectation that investors will enter 2014 somewhat optimistic about the economic outlook for the United States and the world, but exit the year less optimistic and more concerned about the state of the world. Investors may start the year by continuing to focus on the stock market, rising housing sales and prices, and lower unemployment. As the year progresses, they may start to worry about the stock market's strength. They also may start to realise that much of the strength in housing represents foreign buyers and hedge funds, and that the real US economy is not nearly as healthy as they had thought at the start of 2014. In this environment, they may start increasing the volumes and pace of their gold purchases. Gold may remain weak for much of 2014, but may not fall far from the lows touched in 2013.

Ag Range: $18.00 - $24.00
Average: $20.80

Silver market investors were divided in their view during 2013, with some investors selling large volumes of silver and others buying larger volumes. The price of silver fell in reaction to the first group selling. These competing trends are expected to continue in 2014. The direction of silver prices will be determined by the relative strength of each trend. The investors who were selling largely appeared to be making their decisions on shorter-term trends, cycling out of silver into US stocks, which were rising at the time. Those who were buying were doing so primarily as a hedge against economic problems. The longer-term structural problems with the global economy, such as trade and government budget imbalances, still remain unresolved. These could have significant consequences in the future. Investors are likely to refocus their attention on these issues, which should prevent silver prices from declining significantly from present levels and could see these begin to rise toward the end of this year.

Pt Range: $1,300 - $1,750
Average: $1,479

Platinum prices could benefit from a potential improvement in the European auto market during 2014. There also is the ongoing threat of platinum mine supply disruptions in South Africa, which could boost the price of the metal. There are sufficient above-ground stocks of the metal, however, which could dampen the upside potential of prices. Furthermore, if the European auto market fails to improve, this could also weigh on prices. Platinum prices may not decline substantially but the upside for prices may be limited as well.

Pd Range: $650.00 - $850.00
Average: $769.00

Palladium prices are forecast to rise during 2014. Weakness in the prices of other precious metals is likely to weigh on the price of palladium. Its own fundamentals are, however, expected to help prices rise. The greatest strength in prices is expected during the first and last quarter of the year. Ongoing strength in the US and Chinese auto markets coupled with some improvement in the European auto market is expected to help support fabrication demand for palladium. The potential for major mine supply disruptions in South Africa is expected to help keep palladium prices at elevated levels in 2014. These price supportive supply and demand fundamentals are expected to attract investors, which should help push palladium prices higher during the year. The launch of a palladium ETF by Absa Bank in 2014 is expected to further increase investment demand for the metal and help prices rise.

James STEEL

HSBC, New York

Au Range: $1,105 - $1,390
Average: $1,292

We expect monetary policy – especially as it influences the US dollar – will be key in helping to shape gold prices. Much will depend on the pace and timing of the tapering the Fed decides on and economic conditions going forward. Tapering combined with a potentially stronger US dollar will create a climate for lower prices in the near term.

Gold prices will not be entirely determined by US dollar direction and Fed policy. We expect emerging market demand in general and Chinese demand in particular will remain strong in 2014. There is also the possibility that high tariffs and regulations aimed at curbing India's imports will relax in 2014, thus boosting consumption. Low prices are also likely to constrain mine output and the availability of scrap. We expect the combination of tight supplies and buoyant physical demand to engineer a price recovery later this year as the market recovers from the negative impact of Fed tapering.

Ag Range: $17.75 - $22.75
Average: $20.80

Our relatively neutral outlook for silver is based on expectations of adequate but not ample mine supply increases, mostly as a by-product from polymetallic mines in Latin America. Primary silver mine production is also expected to be strong, with costs well below current prices. The market is well supplied with scrap in part due to environmental regulations, mandating the recycling of electronic and other goods that comprise silver. Industrial demand, notably for electronics, which comprises half of total silver consumption, is expected to be robust based on industrial production forecasts from HSBC macroeconomics. Additionally, exchange traded fund levels have been stable, despite steep declines in gold ETFs and coin demand generally good.

Pt Range: $1,360 - $1,725
Average: $1,595

We expect stronger platinum prices in 2014 based on anticipated steep production/consumption deficits, the financing of which will draw down above-ground stocks. Platinum may be supported directly by labour tensions in the mines in South Africa. This contributes to our view that mine supply is likely to be sluggish as prices are not high enough to encourage greater production. Low lease rates however imply that there is no immediate shortage of platinum.

Matched against tepid mine output is growing auto and other industrial demand, which we believe will act to propel prices higher. Based on projected demand for new vehicles globally, most notably in the US and China, platinum demand is set to increase as will auto scrap supply. Other industrial demand is generally strong as is jewellery demand, most of which is from China. Exchange traded fund demand has been strong despite liquidation in gold ETFs. Although influenced by gold prices, we expect platinum will gradually decouple from gold this year, based on underlying tight fundamentals.

Pd Range: $680.00 - $900.00
Average: $825.00

Like its sister metal platinum, palladium is also projected to run a steep production/consumption deficit this year. This is a key factor in our expectations of higher prices. The bulk of palladium is derived as a by-product from other metals, and declining ore grades in Russia and constrained platinum output in South Africa will limit palladium production this year.

Palladium will benefit notably from increased global auto demand. The drivers of global auto demand – China and the US – favour gasoline fired engines, which in turn require relatively more palladium than diesel fired engines. Recycled auto scrap supplies are also likely to rise this year. Other industrial sources of demand for palladium are also rising in line with the economic recovery. Palladium is likely to benefit from waning exports from Russian stockpiles, as well as the possible launch of a South African-based ETF.

Glyn STEVENS

INTL Commodities, London

Pt **Range:** $1,176 - $1,484 **Average:** $1,298

Pd **Range:** $594.00 - $786.00 **Average:** $679.00

The fortunes of the five big economic powers will exert differing pressures on PGM prices as 2014 unfolds. The bright light remains the US, where the economic growth seen building steadily throughout 2013 seems set to continue. However, elsewhere the future looks less rosy. The relatively new Chinese president wants to give greater play to market forces. This may well give rise to a bumpy road ahead as exemplified by the recent squeezes on money market liquidity. In Japan, fiscal and monetary stimulus will need to remain in place for recovery to continue. Growing budget deficits and inflationary pressures dampen prospects in emerging markets, several of which also face political upheaval. And whilst the eurozone seems to have avoided the much publicised and, in many quarters, expected ‘economic Armageddon’, recovery is fragile at best. Add to this blurred global economic picture the large longs already built up in platinum and palladium investment products and a very keen eye will also need to be kept on the fortunes of gold. If the yellow metal crumbles, it will be difficult for the white metals not to follow suit – all this against a backdrop of social unrest and unions battling for power in a South Africa coming to terms with PGM prices perhaps already below costs of production. Where does this confused picture lead PGMs in 2014? In my opinion, once the initial New Year euphoria dissipates, lower is the path of least resistance. Even palladium may falter, that much lauded market which is due to have a new ETF thrust upon it and a metal about which very few commentators have a bad word to say.

Edel TULLY

UBS, London

Au **Range:** $1,045 - $1,400 **Average:** $1,200

Amid an upbeat global macro backdrop, a stronger US dollar, higher US Treasury yields, Fed QE-tapering and a move towards normalisation, we expect a weaker gold price in 2014. While not foreseeing a repeat of the aggressive investor exodus of last year and in turn another extreme price hemorrhage, there is a lack of positive catalysts to encourage investors to return. Physical demand, while still quite evident, is unlikely to match 2013 levels; and difficulties in India are expected to linger. The key danger for gold lies with a market focus shifting from QE tapering to pricing in US interest rate hikes. A return to producer hedging also threatens. Upside potential could arrive from changes in inflation expectations. We expect a test of $1,050 this year, but we think this will prove a buying opportunity. We forecast an average gold price of $1,200 for 2014, within a $1,045 - $1,400 range.

Ag **Range:** $17.00 - $24.00 **Average:** $20.50

Silver’s lack of internal drivers means that it will continue looking to gold for direction; we expect any downward pressure on gold to weigh on silver. However, given silver’s link to industrial production, silver should start attracting investor interest, and outperform gold on a relative basis. As the global economic recovery continues, we anticipate the gold:silver ratio to trend lower. We forecast an average silver price of $20.50 for 2014, within a $17.00 - $24.00 range.

Pt **Range:** $1,300 - $1,700 **Average:** $1,500

We favour Platinum Group Metals to outperform their precious metal peers in 2014. The economic recovery should translate into stronger industrial demand, helping auto consumption. Positioning-wise, platinum has ample room for additional investor participation and gross shorts near record levels presents the possibility of a short squeeze. We see $1,300 as a price floor, although we still see greater price gains further out rather than in 2014. The industrial relations climate in the South African mining sector should be calmer this year, and while not ruling out strike action in the months ahead, we are not allowing for a sustained and protracted dispute. Despite industry expectation of a market deficit this year, above ground stocks, while difficult to quantify, are not in short supply. We forecast an average price of $1,500 for 2014, within a $1,300 - $1,700 range.

Pd **Range:** $680.00 - $880.00 **Average:** $825.00

Palladium’s compelling fundamental story remains intact, especially given positive developments in US and China auto markets. Sentiment will be further buoyed by continued global economic growth. Persistent expectations for lower Russian stock sales helps, but this is now largely priced in. Palladium has certainly shown resilience, but many investors have also been disappointed by its failure to break higher. Palladium’s crowded positioning and ample above ground stocks are currently obstacles to a higher price. Recycling remains a threat, given the more palladium-intensive autocatalyst loadings from the late 1990s are now coming back to the market as aging cars are scrapped. These factors will try to slow down palladium’s ascent, but the markets underpinnings are reasonably robust to push through $800 this year. We forecast an average price of $825 for 2014, within a $680 - $880 range.

Matthew TURNER

Macquarie Capital, London

Au **Range:** **$1,075 - $1,325**
Average: **$1,215**

After the *annus horribilis* of 2013, gold is likely to have a less tumultuous year in 2014, but the bears will still make the running and it's easier to think of downside risks than upside ones. ETF outflows look set to continue with an unfriendly macroeconomic backdrop of widespread growth, low inflation and lower tail risks, while the contribution of other elements of supply and demand will be mixed, with Indian demand still curtailed. A spike down seems quite possible, perhaps during a market scare that Fed tapering will be faster than expected. But we think this would be short-lived, and continued strong Asian demand, helped by a likely easing of India's import restrictions later in the year, should help prices recover to average only slightly below today's level. Any substantive recovery needs investors to change tack – perhaps on signs of inflation or any indication that tapering was a mistake.

Ag **Range:** **$15.00 - $23.00**
Average: **$18.50**

Silver's prospects in 2014 will depend largely on gold. There's a reasonable argument that a recovering global economy and strong industrial growth should boost silver demand, and allow it to decouple from gold, but this has to be seen in the context of a continued move away from silver in key industries such as solar and that silver tends to fall further when both are falling. Silver investment is a bit of wildcard – last year ETF investors remained loyal despite the huge price fall, but this can't be guaranteed in 2014.

Pt **Range:** **$1,312 - $1,712**
Average: **$1,512**

Is 2014 the year of platinum? It certainly looks like the most constructive in a while, mainly because the European economy is finally showing signs of life, in some areas even vigour, and tighter emission legislations there and elsewhere will counter 'thrifting' of metal (though platinum-friendly diesel is likely to lose market share). This should feed through to higher prices given the very best that can be hoped for in mine supply is modest growth. Short term, the weakness of the rand will remain a drag on the dollar price, and the build-up of investor positions in 2013 could dampen any sharp upside moves. Gold's weakness remains a downside risk, but one we think would be short-lived.

Pd **Range:** **$675.00 - $840.00**
Average: **$787.00**

Palladium's trading range in 2013 was just 21% of its average price – the most narrow such range it has seen since 2007. Sceptics might note that the 2007 calm was followed by a storm, with a trading range of 124% in 2008, but we think this time it is here to stay –reflective of a metal that enjoys strong demand yet ample supply. 2014 should be a positive year for palladium, with accelerating global economic growth and constrained mine supply allowing solid year-on-year gains in 2014, especially if the investor market broadens again. Curbs on car buying in Chinese cities are worth keeping an eye on, but we think won't prevent another year of double-digit percent growth for that market.

Bhargava N. VAIDYA

B.N. Vaidya & Associates, Mumbai

Au **Range:** **$1,150 - $1,350**
Average: **$1,235**

Gold should return to its old status as a 'store of value'. Gold has already been a poor performer in 2013. This downside should stop now. US fed tapering will have its negative effect on gold. Tapering will also have negative effect on Asian currency. Physical consumption from Asia will stop the price of gold falling any further.

Supply of scrap should increase.

In countries such as India, an attempt is being made to bring out old gold hoardings to reduce gold physical demand/imports. These factors should have a negative impact on the price of gold.

Gold will continue to be the most important store of value in all portfolios.

Ag **Range:** **$18.25 - $25.00**
Average: **$20.75**

Past volatility and last year's performance of silver have scared off many investors. This will reduce long-term committed funds for this metal.

Industrial demand for silver will continue to remain low. Fabrication demand for silver for silverware and jewellery is also reducing. But silver's relationship with gold will support some investment.

Wolfgang, WRZESNIOK-ROSSBACH

Degussa Goldhandel GmbH, Frankfurt

Au **Range:** $1,040 - $1,480 **Average:** $1,315

As far as the gold market is concerned, the definition of a ‘strong hand’ had to be rewritten in 2013, given that not many observers had expected such large outflows of gold ETF positions. And since Pandora’s Box was opened last year, there is not much reason to believe that the remaining ETF position of about 1,800 tons is not also under threat from additional redemptions. On the positive side for gold, the opportunity for further ‘black swan’ events within the economy remains, which will continue to prompt robust physical demand across Asia and also in parts of Europe. For the gold price, this is quite encouraging.

Lower prices have stimulated good jewellery demand, while the recent up-trend in primary mine production looks as if it is stalling. Furthermore, we see a reduction in secondary scrap supply at these lower levels, which suggests to us that gold should hold considerably north of the $1,000 mark, with the potential of reaching as high as $1,500 an ounce.

Ag **Range:** $15.50 - $28.00 **Average:** $23.25

As in past years, silver is unlikely to develop a life of its own in 2014. Instead, it will follow gold’s lead and, as usual, outperform the yellow metal percentage-wise in both directions.

On the downside, there is a danger that leveraged position holders in the futures market will decide to reduce their positions, much as they have done in gold. On the other hand, there are positive factors on the fundamental side: applications in the electronic sector stand out and are likely grow irrespective of the overall economic performance; the demise of the traditional silver halide photo sector is now largely complete; and mine production is expected to remain flat, while jewellery demand should benefit on lower prices. Physical investment demand might suffer in the first quarter, but a rise in product diversity coupled with lower prices is likely to attract not only investors, but increasingly bring collectors back onto the coin market.

Pt **Range:** $1,230 - $1,575 **Average:** $1,440

Unlike Asia, the large European car market remains in the doldrums, with diesel-engine vehicles making only modest penetration into other global markets. Meanwhile, we see no significant build-up in many traditional platinum-using technologies (such as the glass and oil sectors), while new technologies such as GTL and fuel cells seem to be failing to keep up on past promise. As such, the scene is not set for a considerable price rise in platinum. The uncertainty with respect to the South African political situation and the potential for further disruptions on the other hand is lending some support to prices; that aside, platinum prices look likely to be pared by limited new industrial plant growth and we see last year’s good growth in ETF investment as unsustainable.

Pd **Range:** $680.00 - $850.00 **Average:** $745.00

2013 was a banner year for palladium. It was the only one of the four major precious metals that gained value over the last 12 months. Palladium benefitted from good growth in those global car markets preferring gasoline-powered cars, primarily in Asia; meanwhile, there was said to be less physical metal availability from some official sources while investment demand remained solid. With all these aspects already factored into the current price, another year of strong outperformance seems rather unlikely. So long as there is not another killer storm to shake the global economy (and it could come from China (growth problems), the US (debt problems) or the eurozone (political problems), palladium just might stay relatively stable. Should any unexpected problems for demand arise, the star of 2013 could follow the fate of Ikarus and fall from the blue skies.

2013 Forecast Winners

The London Bullion Market Association is delighted to congratulate the winning analysts in the 2013 Precious Metals Forecast (see table below).

The aim of the Forecast Survey is for contributors to predict, as accurately as possible, the average price and range (low and high price) for the year ahead for the four main precious metals. The prediction closest to the average price wins (based on the average $ daily pm fixing price). In the event of a tie, the most accurate forecast range is taken into account.

Congratulations to the four winning analysts. The most impressive performance came from René Hochreiter who scooped two prizes for both gold and silver. Glyn Stevens claimed the prize for platinum and Tom Kendall picked up the winning prize for palladium. After many years of accurately forecasting the price direction for all metals, many contributors were caught out last year by the collapse in prices, with gold falling by 15%, silver by 22% and platinum by 5.5%. This meant that the average forecasts were significantly out of line with the actual average prices for the year, particularly gold which was astray by -$342. Only palladium ended the year higher than it started it (+5.2%).

So it certainly paid to err on the bearish side. But with most analysts adopting a bullish perspective, it was not surprising that the winning forecasts for gold, silver and platinum went to those analysts who had forecast the lowest average prices, even though they were still some way off the actual price for the year. By far the most accurate forecast came in the palladium category, with Tom Kendall forecasting the price within 29 cents of the actual average price.

Arguably the most unlucky analyst in this year's survey was Eddie Nagao, who finished runner up in three categories (gold, silver and palladium). Eddie even forecast the same price as Tom for palladium but lost out in a tie break because of a wider price range.

Many thanks to all the 2013 forecast contributors and best of luck in the 2014 Forecast.

The LBMA is grateful to Metalor Technologies SA for its generous donation of four 1 oz gold bars which will be awarded to each of the 2013 Forecast winners.

Metal	2012 Average Price	Average price in 1st week of January 2013 (a)	Average Forecast 2013	Actual 2013 Year Average	2013 Winning Forecast	2013 Forecast Winners	Company
Gold	$1,669	$1,665	$1,753	$1,411	$1,600	René Hochreiter	Allan Hochreiter (Pty) Ltd
Silver	$31.15	$30.36	$33.21	$23.79	$27.00	René Hochreiter	Allan Hochreiter (Pty) Ltd
Platinum	$1,552	$1,575	$1,682	$1,487	$1,538	Glyn Stevens	INTL Commodities
Palladium	$644.33	$689.64	$744.03	$725.29	$725.00	Tom Kendall	Credit Suisse

(a) 2nd to the 10th January 2013 inclusive.

Au

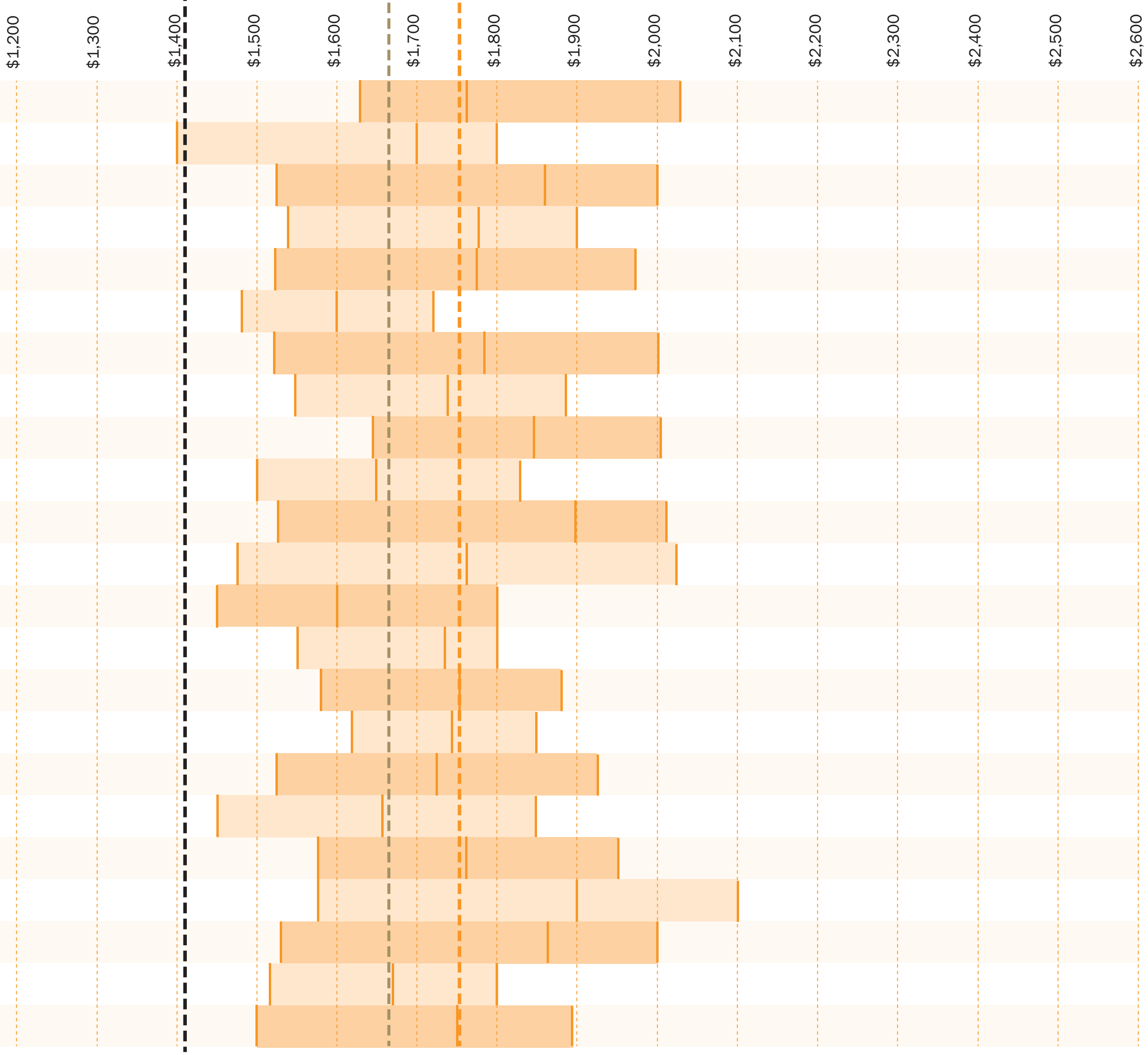
Low | Average | High

Avg Price 2013 **$1,411**

1st week Jan 2013 $1,665

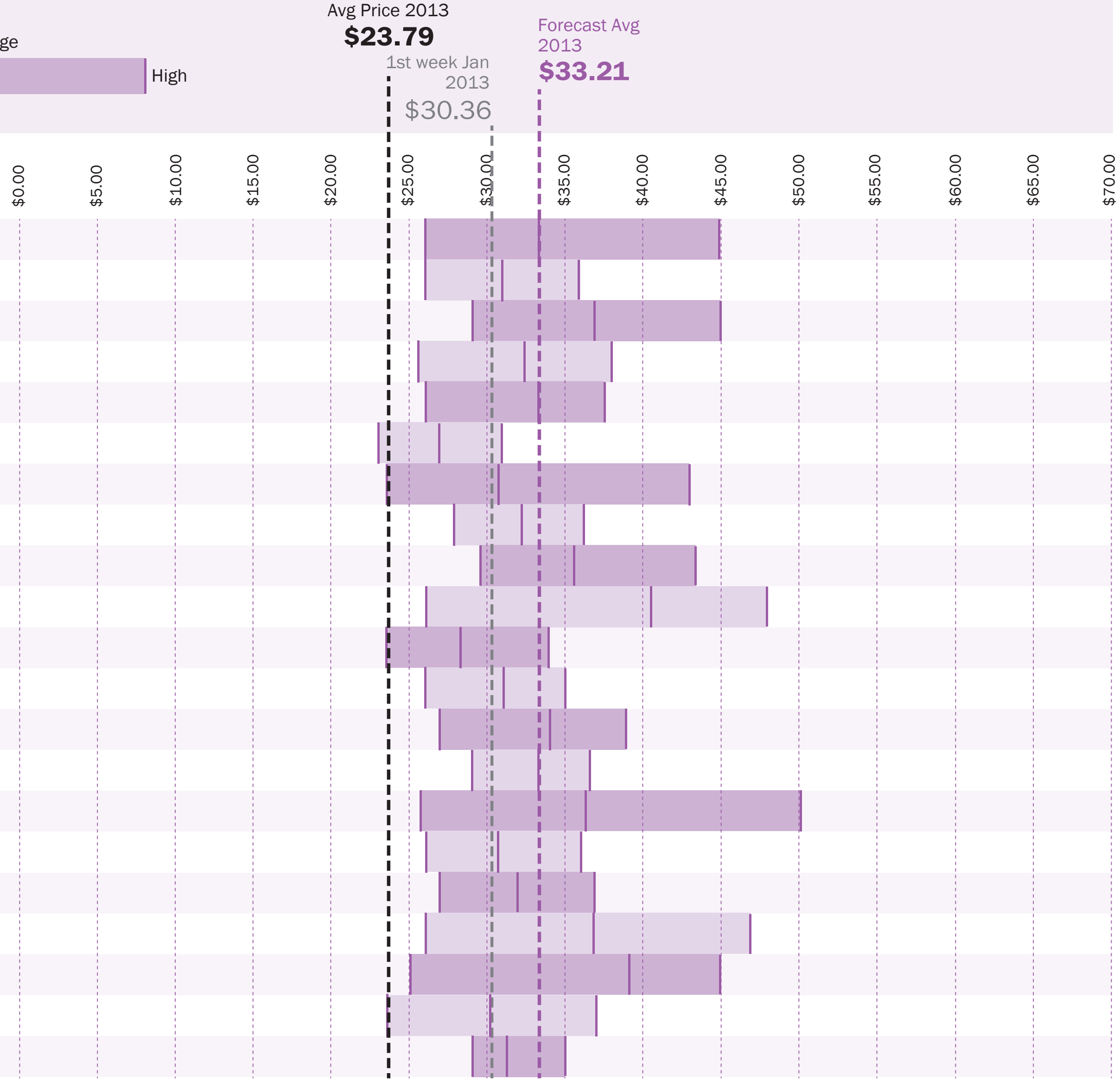
Forecast Avg 2013 **$1,753**

Name	Low	Average	High
Adams, William Fastmarkets	$1,620	**$1,765**	$2,020
Bhar, Robin Societe Generale	$1,400	**$1,700**	$1,800
Brebner, Daniel Deutsche Bank	$1,525	**$1,860**	$2,000
Cooper, Suki Barclays Capital	$1,540	**$1,778**	$1,900
Fertig, Peter QCR Quantitative Commodity Research Ltd	$1,525	**$1,775**	$1,975
Hochreiter, Réne Allan Hochreiter (Pty) Ltd	$1,480	**$1,600**	$1,720
Jollie, David Mitsui & Co Precious Metals	$1,520	**$1,785**	$2,000
Kendall, Tom Credit Suisse Securities Europe (Ltd)	$1,545	**$1,740**	$1,885
Klapwijk, Philip Thomson Reuters GFMS	$1,642	**$1,847**	$2,002
Kotecha, Mitul Credit Agricole	$1,500	**$1,650**	$1,830
Melek, Bart TD Securities	$1,527	**$1,895**	$2,012
Murenbeeld, Martin DundeeWealth Economics	$1,475	**$1,768**	$2,025
Nagao, Eddie Sumitomo Corporation	$1,450	**$1,600**	$1,800
Norman, Ross Sharps Pixley Ltd	$1,550	**$1,736**	$1,800
Panizzutti, Frederic MKS (Switzerland) S.A.	$1,580	**$1,753**	$1,880
Proettel, Thorsten LBBW	$1,620	**$1,745**	$1,850
Rhodes, Jeffrey INTL Commodities	$1,525	**$1,727**	$1,925
Savant, Rohit CPM Group	$1,450	**$1,658**	$1,850
Steel, James HSBC	$1,575	**$1,760**	$1,950
Teves, Joni UBS	$1,575	**$1,900**	$2,100
Tremblay, Anne-Laure BNP Paribas	$1,530	**$1,865**	$2,000
Vaidya, Bhargava BN Vaidya & Associates	$1,515	**$1,670**	$1,800
Zumpfe, Alexander Heraeus	$1,500	**$1,751**	$1,895
Averages	**$1,529**	**$1,753**	**$1,914**



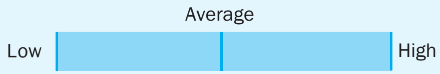
Ag

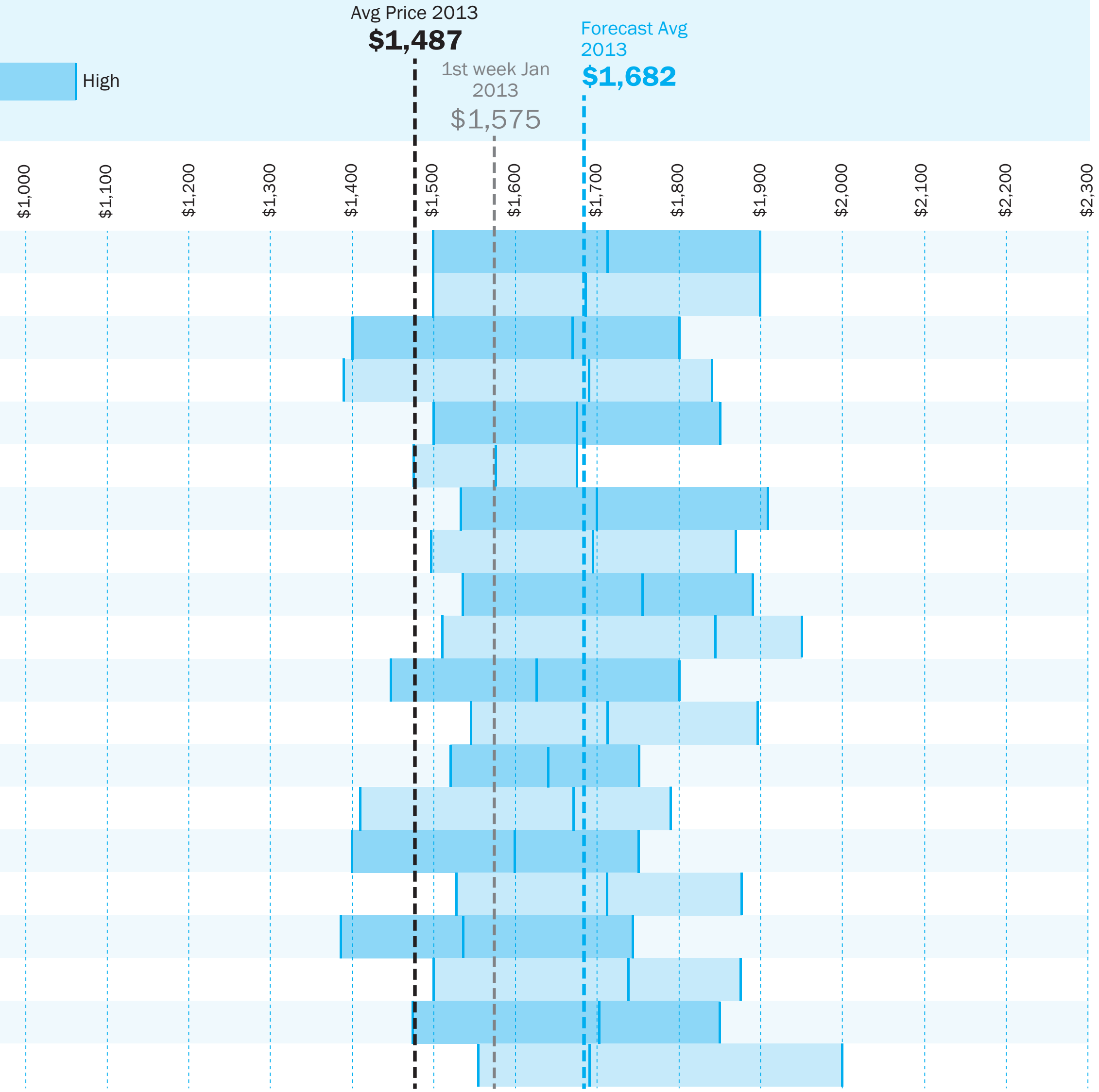
Low | Average | High



Name	Low	Average	High
Adams, William Fastmarkets	$26.00	**$33.30**	$45.00
Bhar, Robin Societe Generale	$26.00	**$31.00**	$36.00
Brebner, Daniel Deutsche Bank	$29.00	**$37.00**	$45.00
Cooper, Suki Barclays Capital	$25.50	**$32.50**	$38.00
Fertig, Peter QCR Quantitative Commodity Research Ltd	$26.00	**$33.25**	$37.50
Hochreiter, Réne Allan Hochreiter (Pty) Ltd	$23.00	**$27.00**	$31.00
Jollie, David Mitsui & Co Precious Metals	$23.45	**$31.85**	$43.00
Kendall, Tom Credit Suisse Securities Europe (Ltd)	$27.90	**$32.20**	$36.30
Klapwijk, Philip Thomson Reuters GFMS	$29.50	**$35.60**	$43.40
Melek, Bart TD Securities	$26.00	**$40.52**	$48.00
Nagao, Eddie Sumitomo Corporation	$23.50	**$28.25**	$34.00
Norman, Ross Sharps Pixley Ltd	$26.00	**$31.16**	$35.00
Panizzutti, Frederic MKS (Switzerland) S.A.	$27.00	**$34.00**	$39.00
Proettel, Thorsten LBBW	$29.00	**$33.20**	$36.40
Rhodes, Jeffrey INTL Commodities	$25.75	**$36.25**	$50.25
Savant, Rohit CPM Group	$26.00	**$30.70**	$36.00
Steel, James HSBC	$27.00	**$32.00**	$37.00
Teves, Joni UBS	$26.00	**$36.80**	$47.00
Tremblay, Anne-Laure BNP Paribas	$25.00	**$39.05**	$45.00
Vaidya, Bhargava BN Vaidya & Associates	$23.50	**$30.25**	$37.00
Zumpfe, Alexander Heraeus	$29.00	**$31.50**	$35.00
Averages	**$26.20**	**$33.21**	**$39.75**

Pt





Name	Low	Average	High
Adams, William Fastmarkets	$1,500	**$1,715**	$1,900
Bhar, Robin Societe Generale	$1,500	**$1,688**	$1,900
Brebner, Daniel Deutsche Bank	$1,400	**$1,670**	$1,800
Cooper, Suki Barclays Capital	$1,390	**$1,690**	$1,840
Fertig, Peter QCR Quantitative Commodity Research Ltd	$1,500	**$1,675**	$1,850
Hochreiter, Réne Allan Hochreiter (Pty) Ltd	$1,475	**$1,575**	$1,675
Jollie, David Mitsui & Co Precious Metals	$1,530	**$1,700**	$1,905
Kendall, Tom Credit Suisse Securities Europe (Ltd)	$1,495	**$1,695**	$1,870
Klapwijk, Philip Thomson Reuters GFMS	$1,535	**$1,755**	$1,890
Melek, Bart TD Securities	$1,510	**$1,844**	$1,950
Nagao, Eddie Sumitomo Corporation	$1,450	**$1,625**	$1,800
Norman, Ross Sharps Pixley Ltd	$1,545	**$1,711**	$1,895
Panizzutti, Frederic MKS (Switzerland) S.A.	$1,520	**$1,640**	$1,750
Proettel, Thorsten LBBW	$1,410	**$1,670**	$1,790
Savant, Rohit CPM Group	$1,400	**$1,600**	$1,750
Steel, James HSBC	$1,525	**$1,710**	$1,875
Stevens, Glyn INTL Commodities	$1,386	**$1,538**	$1,744
Teves, Joni UBS	$1,500	**$1,740**	$1,875
Tremblay, Anne-Laure BNP Paribas	$1,475	**$1,705**	$1,850
Zumpfe, Alexander Heraeus	$1,550	**$1,690**	$2,000
Averages	**$1,480**	**$1,682**	**$1,845**

Pd

Average

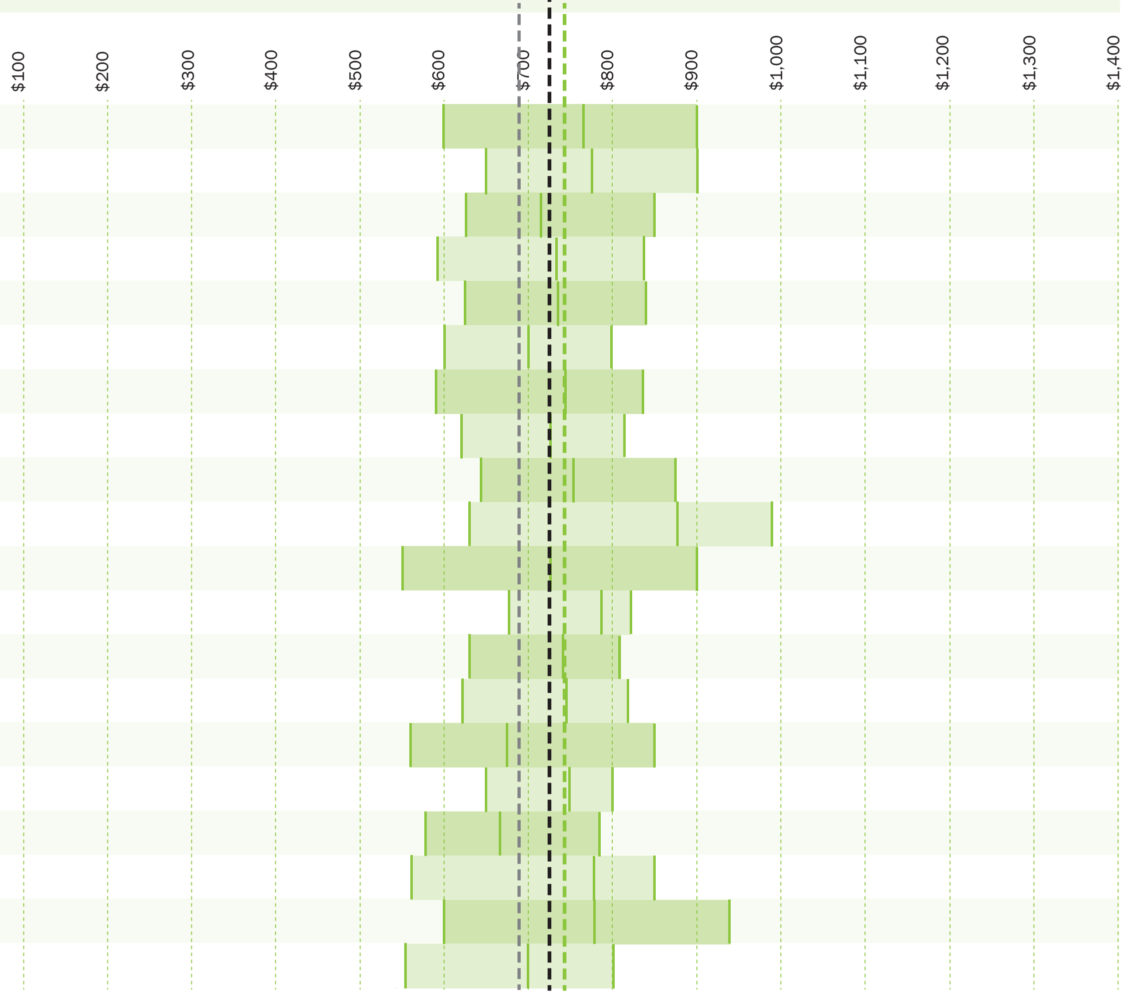
Low High

Avg Price 2013
$725.29

1st week Jan 2013
$689.64

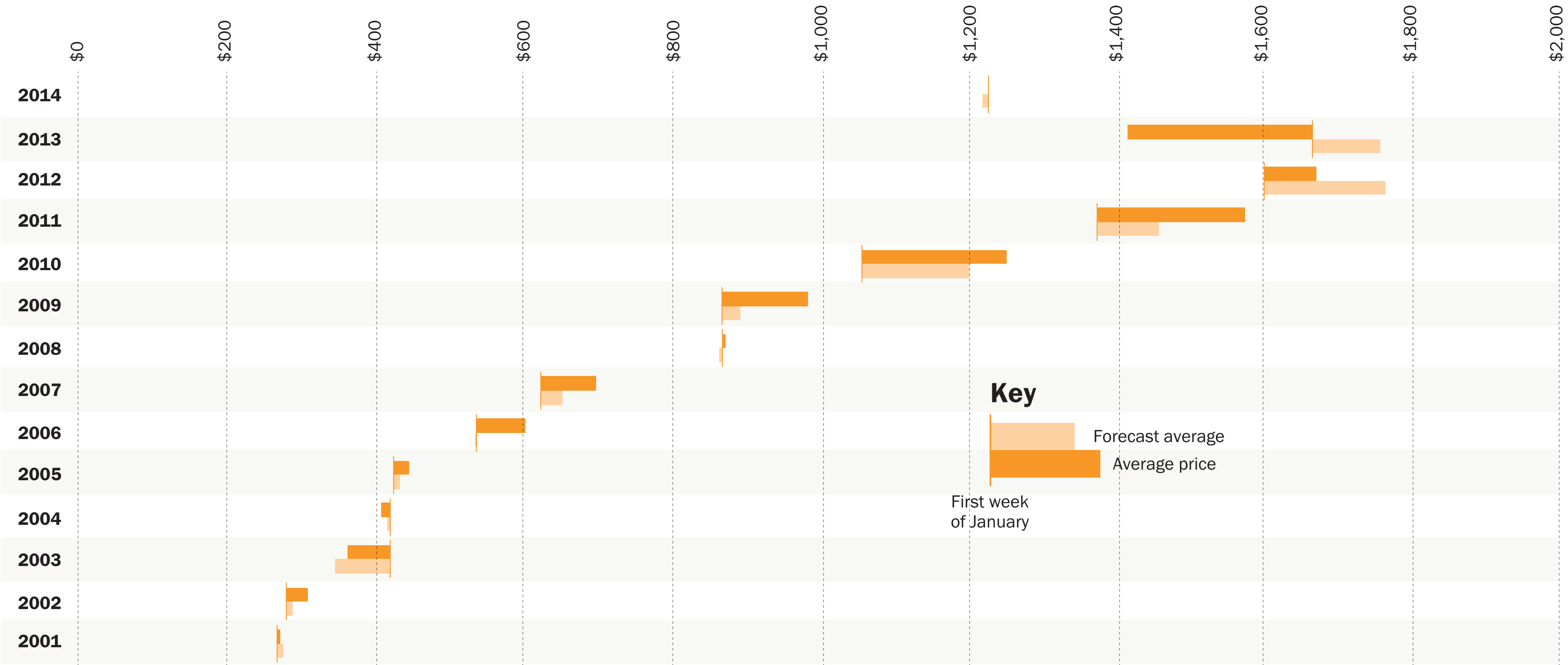
Forecast Avg 2013
$744.03

Name	Low	Average	High
Adams, William Fastmarkets	$600.00	**$765.00**	$900.00
Bhar, Robin Societe Generale	$650.00	**$775.00**	$900.00
Brebner, Daniel Deutsche Bank	$625.00	**$715.00**	$850.00
Cooper, Suki Barclays Capital	$590.00	**$736.00**	$835.00
Fertig, Peter QCR Quantitative Commodity Research Ltd	$625.00	**$737.50**	$840.00
Hochreiter, Réne Allan Hochreiter (Pty) Ltd	$600.00	**$700.00**	$800.00
Jollie, David Mitsui & Co Precious Metals	$590.00	**$745.00**	$835.00
Kendall, Tom Credit Suisse Securities Europe (Ltd)	$620.00	**$725.00**	$815.00
Klapwijk, Philip Thomson Reuters GFMS	$646.00	**$753.00**	$875.00
Melek, Bart TD Securities	$632.00	**$874.00**	$990.00
Nagao, Eddie Sumitomo Corporation	$550.00	**$725.00**	$900.00
Norman, Ross Sharps Pixley Ltd	$675.00	**$787.00**	$820.00
Panizzutti, Frederic MKS (Switzerland) S.A.	$630.00	**$740.00**	$810.00
Proettel, Thorsten LBBW	$620.00	**$745.00**	$820.00
Savant, Rohit CPM Group	$560.00	**$682.00**	$850.00
Steel, James HSBC	$650.00	**$750.00**	$800.00
Stevens, Glyn INTL Commodities	$576.00	**$666.00**	$782.00
Teves, Joni UBS	$560.00	**$780.00**	$850.00
Tremblay, Anne-Laure BNP Paribas	$600.00	**$780.00**	$940.00
Zumpfe, Alexander Heraeus	$550.00	**$700.00**	$800.00
Averages	**$607.45**	**$744.03**	**$850.60**



Forecast 2001-2014
Review

As the chart below illustrates, analysts participating in the LBMA Forecast have traditionally had an excellent record in predicting the direction of the gold price movement. But 2013 was the exception to the rule, as forecasters predicted a price increase of 5.3% (from the first week of January 2013) to $1,753, but the actual average price outturned $342 lower at $1,411. Prior to 2013, analysts had correctly predicted the direction of the gold price every year (with the exception of 2004) since the Forecast Survey began in 2001. Hopefully, analysts in the 2014 forecast will get back on track with their predictions. They are forecasting a price of $1,219, 0.9% lower than the opening price in the first week of January 2014.



Forecast 2014 is published by the LBMA. For further information please contact Aelred Connelly, London Bullion Market Association, 1-2 Royal Exchange Buildings, Royal Exchange, London EC3V 3LF, Telephone: 020 7796 3067 Fax: 020 7283 0030 Email: alchemist@lbma.org.uk www.lbma.org.uk