

# Precious Metals Weekly

## A later start?

Group Economics  
Macro & Financial Markets Research

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- **Gold prices rebound because of expectations of a later Fed start...**
- **...but we disagree with financial markets...**
- **...therefore we see gold price weakness to resume**
- **Lower oil prices push down cash costs**

### Gold prices rebound because of expectations of a later Fed start...

The sentiment in the gold market is improving. The recent shift in China's FX policy marked a turnaround last week. This week gold prices have continued to rally. A lower dollar certainly helped. However, the main trigger was the release of yesterday's US inflation report. This showed a smaller increase month-on-month than financial markets had anticipated. Consequently markets now believe that it is less likely that the Fed will raise official rates in September. The FOMC minutes that were released later that day also gave financial markets ammunition to believe that the rate hike will come later. They have resulted in lower Treasury yields, lower expectations about rate hikes and a lower US dollar. This a very positive combination for gold. As long as these expectations dominate in financial markets gold and other precious metals will probably move higher.

### ...but we disagree with financial markets...

We disagree with the conclusion in financial markets that a Fed rate hike will come later. Since the last FOMC meeting the economy has been showing signs of strong fundamentals. The last labour market report was strong. As a result, slack is diminishing. The impact of the labour market is slowly filtering through to the economy. Retail sales rebounded strongly in July, with upward revisions to June's sales. Demand for housing is increasing and as a result the US housing market is picking up momentum. This all adds to the picture of an economy growing at above trend rates. We expect "some" further improvement ahead as the gains in the job market continue to support the economy. This is what the Fed wants to see before a rate hike.

### ...therefore we see gold price weakness to resume

The recent developments have not altered our outlook for precious metal prices. With financial markets now attaching a lower probability to a Fed rate hike in September, the market impact will be more substantial if the Fed decides to hike that month. Then, financial markets will adjust upwards their interest rate hiking expectations for this year and next year.

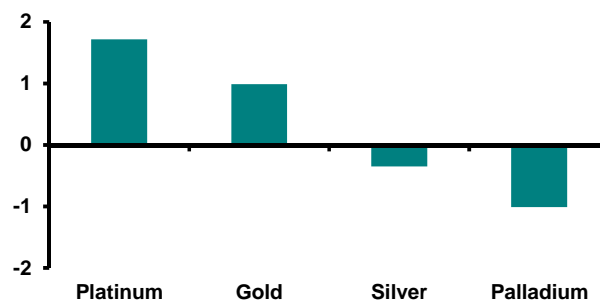
This will spur the US dollar and result in lower gold and other precious metal prices. So we remain confident about our forecasts.

### Lower oil prices push down cash costs...

Mining precious metals is very energy intensive. The substantial drop in oil prices (again) will push total cash costs to mine precious metals lower. The quarterly data including Q2 2015 show that total cash costs appear to have peaked and have started to move lower in general. Weakness in oil prices will probably make this trend more pronounced. Lower total cash costs are positive for mining companies. But they also signal that the floor in precious metal prices could be lower, before supply is reduced.

### Performance

In % with US dollar as basis



Source: Bloomberg

### ABN AMRO forecasts

End period	20-Aug	Close 14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Gold	1,139	1,185	1,184	1,172	1,050	1,000	950	900	850	800
Silver	15.4	15.7	16.6	15.7	14.5	15.0	15.5	16.0	16.5	17.0
Platinum	1,021	1,216	1,141	1,081	950	1,000	1,050	1,100	1,150	1,200
Palladium	619	798	736	674	600	600	625	625	650	650

Average	Q1 15	Q2 15	Q3 15	Q4 15	2015	Q1 16	Q2 16	Q3 16	Q4 16	2016
Gold	1,218	1,193	1,111	1,025	1,137	975	925	875	825	900
Silver	16.7	16.4	15.1	14.8	16.0	15.3	15.8	16.3	16.8	16.0
Platinum	1,194	1,129	1,015	975	1,078	1,025	1,075	1,125	1,175	1,100
Palladium	786	759	637	600	700	613	625	638	650	631

Source: ABN AMRO Group Economics

Precious metals	Close	Change 1 Day in %	Change 5 days in %	Change YTD in %
<b>Gold prices per troy ounces</b>				
Gold price in USD	1,139	0.46	2.14	-3.87
Gold price in EUR	1,023	0.18	2.02	4.18
Gold price in JPY	141,230	0.83	1.66	-0.81
Gold price in CHF	1,099	0.35	0.61	-6.96
Gold price in GBP	727	0.69	1.55	-4.72
Gold price in INR	74,299	0.91	1.84	-1.04
Gold price in CNY	7,284	0.82	1.96	-1.27
Gold price in BRL	3,976	0.52	1.46	26.41
Gold price in RUB	76,393	1.77	5.82	15.18
Gold price in TRY	3,376	2.14	7.43	21.56
<b>Silver prices per troy ounces</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
Silver price in USD	15	0.57	-0.61	-2.05
Silver price in EUR	14	-0.13	-0.63	6.43
<b>Platinum prices per troy ounces</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
Platinum price in USD	1,021	0.89	2.65	-16.06
Platinum price in EUR	917	0.20	2.65	-8.67
Platinum price in JPY	126,596	0.85	2.32	-13.04
Platinum price in CNY	6,530	0.85	2.58	-13.44
<b>Palladium prices per troy ounces</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
Palladium price in USD	619	1.06	0.17	-22.47
Palladium price in EUR	556	0.65	0.30	-15.81
Palladium price in JPY	76,817	1.29	-0.02	-19.89
Palladium price in CNY	3,961	1.32	0.15	-20.66
Palladium price in BRL	2,162	0.96	-0.23	1.91
Palladium price in INR	40,402	1.40	-0.03	-20.07
Palladium price in RUB	41,483	2.18	3.81	-10.93
<b>Gold forward rates</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
LBMA 1 Month Gold Forward Offer rate	0.07	-27.78	-13.33	252.94
BBA LIBOR USD 1 Month	0.20	-0.90	4.81	18.39
Gold 1 Month Lease rate	0.14			
LBMA 3 Month Gold Forward Offer rate	0.10	-13.64	5.56	0.00
BBA LIBOR USD 3 Month	0.33	0.00	5.89	30.22
Gold 3 Month Lease rate	0.24			
<b>Volatility</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
1 month gold option volatility	13.80	3.90	2.20	-20.07
1 month silver option volatility	25.51	-1.55	-0.86	-14.07
1 month platinum option volatility	20.05	0.49	-5.43	22.65
1 month palladium option volatility	25.78	0.03	-7.15	19.16
<b>COMEX &amp; NYMEX positions</b>				
	Last	Change net 5 days	Change net 1 Month	Change net YTD
NET LONGS - GOLD (COMEX)	24,458	9,638	-24,011	-80,767
NET LONG ON SILVER (COMEX)	22,227	8,471	6,638	-11,505
NET LONG ON PLATINUM (NYMEX)	22,035	1,580	-296	-7,915
NET LONG ON PALLADIUM (NYMEX)	4,567	361	-2,199	-17,451
<b>Total ETF positions</b>				
	Last	Change net 5 days	Change net 1 Month	Change net YTD
Total Known ETF Holdings of Gold	48,697,094	39,174	-1,843,296	-2,741,586
Total Known ETF Holdings of Silver	620,973,934	-390,542	-5,287,067	-2,136,914
Total Known ETF Holdings of Platinum	2,849,637	-4,473	144,653	125,743
Total Known ETF Holdings of Palladium	2,983,101	-40,864	22,338	-83,789
<b>Relative</b>				
	Last	Change 1 Day in %	Change 5 days in %	Change YTD in %
Gold/Silver ratio	74.05	0.30	2.62	-2.12
Gold/Platinum ratio	1.12	-0.02	-0.61	14.14
Platinum/Palladium ratio	1.65	-0.43	2.44	8.39

Source: Bloomberg

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