


Precious Metals Weekly

14 September 2010



A strike at the Northam mine entered on Monday the second week. (Details under the links on page 4).

(Photo: Northam)

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Highlights

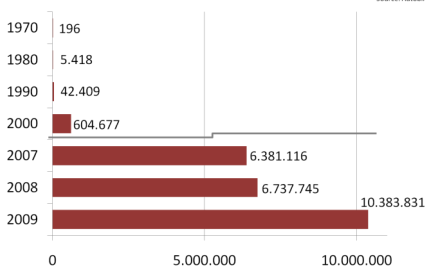
- **Metals climb considerably** – Mainly speculator driven-rally. Conservative investors and the industry, by-and-large, sceptical.
- **Gold a hairs breadth from its all-time high** – Speculators add almost 80 tonnes on the COMEX in two weeks. South Africa produces more gold than in 1st Quarter, but less than 2009. Surprise: Bangladesh buys gold from IMF. Bars and ETF buyers stay on sideline.
- **Silver above \$20** – Here also speculators at work; 1,835 tonnes bought up in only two weeks; almost 10 per cent of a years' global production. This is not healthy long-term.
- **Platinum record gains** – Mixed reports from the international automobile markets. Strike at Northam should, at first, not affect the price.
- **Palladium jumps to above \$540** – Over 10 per cent plus in just two weeks. No fundamentals backing this, making metal vulnerable.
- **“Minor” platinum metals calm** – Rhodium and iridium unchanged, ruthenium a tick weaker.

Next market report scheduled for 5th October, after the LBMA precious metals conference in Berlin, taking place from 25 - 29 September.

All prices for the period from 25 Aug. to 14 Sep. 2010

PT	US\$/oz	€/oz	€/gram
High	1,572.00	1,231.47	39.59
Low	1,502.50	1,183.64	38.06
Latest	1,570.00	1,219.88	39.28

China: since 2009 the biggest car market worldwide
Cars produced locally in the Country
Source: Autobid



Platinum

As is usual after every month-end, in the last two weeks the global automobile sales figures were again a point of focus for platinum metals dealers. Reports from individual markets were very different.

China, the world's largest automobile market, recorded a massive plus of 56 per cent (1.21 million new registrations) last month compared to the previous year. State subsidies for especially fuel-efficient vehicles played there part according to news agencies. Other than this the strong Yuan helped, making import of vehicles cheaper. Before the strong increase in August, the growth of automobile sales in China had slowed down for many months; July sales were a "mere" 17 per cent plus.

In the USA too the sales swings have been in double-digits, only here things have moved in the other direction: compared to previous year, August sales were a minus 21 per cent – and the worst in 27 years. Market-observers blamed the missing "wreckage premium" as being responsible for the fewer sales of just under 1 million units. Meanwhile Citibank has revised downwards its sales prognosis for 2011. According to this, instead of the earlier 14 million automobiles, only 13.1 million are expected to be newly registered next year in the USA. This still would be a considerable plus compared to the current year; after the August relapse, market-analysts expect total 2010 sales to be only 11.5 million units.

Good news for August, albeit at lower levels, came from the other side of what was once the iron-curtain. Thanks to State subsidies, August automobile sales in Russia jumped to 170,000 vehicles; a strong plus of 51 per cent. This year so far, with sales of 1.14 million units, they are 14 per cent above their previous year's figures. A new record was written in India, where new models, low interest rates and coming holiday season had automobile sales booming. With 160,000 new vehicles sold in August – a plus of 33 per cent compared to last year – this sector has developed strongly. As far as platinum metals demand is concerned, with its preference for on-average relatively small engines, this market

will continue to limp behind others.

Incidentally, the USA was not alone with its negative growth. In percent terms the minus in Germany was in fact larger: at 201,000 units, 27 per cent fewer new vehicles were registered in August; in terms of volume, as seen above, the Russian and Indian markets are not far off. In Germany the share of diesel was still 39 per cent and helped platinum as much as the fact the minus was on account of small vehicles, while the sports and off-roads as well as the middle and upper class sectors showed considerable growth.

Though not extraordinary, however, globally seen the somewhat satisfactory automobile sales figures were most likely the main reason for industrial demand for platinum and palladium going up slightly in the last two weeks. Also the end of the holiday season at one or the other manufacturer's factory should have helped too.

The mild increase in industrial demand surely did not help the price of platinum as much as speculative buying in the past two weeks. Almost three tonnes of metal were added to the long positions on the New York and Tokyo forward exchanges. On the other hand, ETFs investors, usually more longer-term oriented, were cautious; in fact they were mildly net sellers.

The buying, mainly on the exchanges, pulled the price of platinum up from two weeks ago by almost 3 per cent to \$1,572 an ounce. This level was reached today morning. A setback in the very near future is not to be expected, but should this happen, the first chart-support is not too far off at \$1,540 an ounce.

The strike by 8,000 mine workers at Northam should not have had any positive effect on the price of platinum; the position of the mining company in context to global production is not large enough for this. More information on the background of the strike is available via the link on page 4 of this report. It could become a problem if the strike-movement overflows to the larger producers, but at the moment there are no signs of this happening.

Palladium

Palladium held its own in the past two weeks and was not to be outdone by the other two important white metals. Especially around the end of last month it gained considerably and went on to add over \$50 (or 10 per cent!) without a serious break to trade up to \$543.50 an ounce.

This was its highest since May and good growth in the Chinese automobile market helped this as much as the strong demand for

forward contracts on the New York exchange. Here almost 7 tonnes of palladium were added in the past two weeks by predominantly speculative market participants. ETF buying and selling, on the other hand, was more balanced.

Short-term it cannot be ruled out that the upward trend will continue, however we do not see any sustainable fundamental reasons for the recent strong rally and as such the metal is carrying a decent setback potential.

Rhodium, Iridium, Ruthenium

There was hardly any change in the "minor" platinum metals in the last two weeks. Rhodium saw some buying as well as selling interest but the volumes for each were low leaving the price unchanged. The metal continues to trade at \$2,050 - \$2,150 an ounce and a change in the short-term is not in sight. On the lower side the metal is in

any case well-supported so that in the event of a setback in other metals, the downside for rhodium is limited.

Ruthenium continued to be effected by low demand and the price is now mildly lower than two weeks ago at \$165 - \$90 an ounce. Iridium has remained unchanged at \$690 an ounce.

PD	US\$/oz	€/oz	€/gram
High	543.50	422.32	13.58
Low	483.80	381.50	12.26
Latest	540.00	419.20	13.48

Gold

In the past two weeks gold has rallied almost up to its all-time high. The recent surge brought gold last Wednesday to \$1,262 an ounce, a mere \$2.90 away from its historic high of 21st June.

The main driver here appears to have been the rather speculation-oriented addresses with their new engagements on New York's COMEX. Their total plus positions in the last two weeks added almost 80 tonnes. Investors in ETFs, on the other hand, were somewhat subdued. Though this segment saw some light selling, all-together it was hardly 2 tonnes.

In general this, together with buyers of physical gold on continental Europe (see below) holding back, seems to reflect that the needs of conservative investors, after the series of buying-waves earlier this year, are currently taken care of. To some extent this is probably due to a more secure feeling about the global financial and economical situation but also due to the again extremely high price which makes the entry-level very expensive.

Two gold producing nations announced their figures in this reporting. South Africa said that 2nd Quarter production was up significantly – by 12 per cent compared to the 1st Quarter. Compared to previous year's comparable period, April to June was again lower; by 2 per cent. Actual 2nd Quarter South African production was 49.4 tonnes of gold. Till 2006 South Africa had been the world's largest gold producing nation; a position it held for almost a hundred years. Since then the gold-content in ore has gone down and strikes and mine-closures due to accidents have taken their toll, leaving it battling for position No. 4, behind Australia and the USA.

The world's largest gold producing country this year, without doubt, is again going to be China. The responsible ministry in Peking announced that this year's July production alone was 31 tonnes of gold and output January-July 190 tonnes.

The market got a surprise just before last week-end on the central banks front. Bangladesh announced that it had bought 10 tonnes of gold from the IMF and had paid last Tuesday's spot price of slightly over \$1,250 an ounce. For the IMF it was the first sale to a central bank in ten months. Last year it had sold gold thrice to central banks; Sri Lanka (10 tonnes), Mauritius (2) and India (200). After that the IMF had also started selling gold in the open market, however under the conditions outlined in the European

Silver

Silver was also primarily driven up by speculators on the New York forwards exchange. In the past two weeks they added over 1,835 tonnes to their open positions bringing these to the highest since end 2009. In contrast to gold, the silver-ETFs added to their stocks, however by a much lesser volume of about 125 tonnes. Still, the investor's stocks (in ETFs) currently total around 13,150 tonnes; a record level.

The price gave the buying-wave on the COMEX a considerable upwards-push in the past two weeks, while industrial demand – even if not at its record high of previous months – remained

Central Banks Gold Agreement. Till end of July such IMF sales had amounted to 88.3 tonnes and thereby the Fund had disposed of 3/4th of its planned quantity. Totally the IMF wants to sell 403.3 tonnes of gold and with the proceeds support its programmes to assist poorer nations.

In addition to Bangladesh, Russia also added to its gold reserves recently. In July the gold stocks of the Russian central bank increased by almost 16 tonnes to 724.7 tonnes. This now puts it in 7th place on the world's largest gold holders list and it is slowly-but-surely creeping up on Japan which has about 5 per cent more gold lying in its cellars. Please see pertinent link on page 4 for the list of the 50 largest gold holding central banks (however the most recent changes in the holdings of Russia and the IMF have not yet been incorporated in these figures).

Differing news came from the physical gold market in the last two weeks. Dubai and Abu Dhabi reported lowers sales by 15 per cent for August (as compared to previous year) and Turkey reported a significant fall in imports last month to 7.57 tonnes. In July more than 20 tonnes of gold were imported by Turkey. A small plus of 0.2 per cent compared to previous year was reported by India however this pertains to the full 2nd Quarter. During this period Indians bought 164.5 tonnes of the yellow metal. A decisive share of this demand came not from the jewellery sector (which reported a minus of 1.8 per cent) but from buyers of investment gold. For more information on this please see link on page 4.

Demand for physical investment gold in Germany in the past two weeks was again very low. Instead – in view of the overall high price of gold – some of the German investors again cashed out. Such metal received by dealers and banks – mainly again in the form of Kruggerand coins – found no new buyers and ended up in melting pots at the refineries. And as industrial demand is also not very convincing, the excess metal eventually landed in the (bullion banks) safes in London in the form of standard bars.

Increased supplies of scrap gold have been noticed not only in Germany but also in Hong Kong. Our colleagues from Hong Kong report that there also local demand is not adequate and such gold is also finding its way to London in the form of 12.5 kg bars.

robust. The metal eventually traded up to above \$20 an ounce. This morning it was quoted at \$20.40 and at its highest level since March 2008.

On the charts there doesn't seem to be any resistance for further gains and prices well above the \$20.50 an ounce mark could well be possible in the short-term. Medium and long term the high investor stocks do give cause for concern. Despite a generally positive mood due to relative high industrial demand, profit taking could considerably dent the white metal.

AU	US\$/oz	€/oz	€/gram
High	1,262.00	995.47	32.00
Low	1,230.25	962.76	30.95
Latest	1,257.00	978.58	31.45

AG	US\$/oz	€/oz	€/kilo
High	20.40	15.88	510.66
Low	18.30	14.46	464.80
Latest	20.32	15.80	508.28



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