Precious Metals Weekly

8 April 2009

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Highlights

- **Precious metals choose different paths –** Platinum and palladium with strong gains, gold and silver loose ground.
- **Gold falls below $ 900 –** Record sales in ETFs and still strong buying of physical metal not enough to support the market. We change our forecast: $ 1,100 price target no longer expected to be reached this quarter. GFMS publishes 2009 Gold Survey.
- **Silver taken along (by gold) –** Metals falls as far as $ 12. Here the decline stopped; for technical reasons, but also because of industrial buying interest.
- **Platinum marches higher –** Good sales reported from German and Chinese car markets. And not so bad ones from other countries. ETFs listing planned in the USA. Is the tide already turning?
- **Palladium so far only follows platinum –** But Achtung, when the economy turns around.
- **“Minor PGMs“ again calm –** Rhodium and Co. unchanged.

The next edition of our Precious Metals Weekly is planned for the 22th April.

Platinum

All prices for the period from 31 March to 8 April

PT	US$/oz	€/oz	€/gram
High	1,167.00	888.00	28.55
Low	1,111.00	837.00	26.91
Latest	1,155.00	883.00	28.39

Gold traders and investors would have certainly wished for a similar development as seen with platinum in the past ten days. Instead the metals moved in contrary directions and while gold recorded significant losses, platinum shone to a plus of almost three per cent.

There was a range of factors that supported the white metal. It started with the publication of the March automobile sales figures. Though in various nations once again much lower sales were recorded, compared to the previous year period these were often by far less alarming than those in January and February. In some countries, e.g. in Germany, the extraordinary success of the now even extended "wreckage premium" actually lead to an increase in new registrations last month as compared to the similar period of 2008.

China looked even better: last month, though still officially unconfirmed, might have seen an all-time monthly record for automobile sales, overshadowing the till now best month of March 2008 standing at 1.06 million vehicles. Market observers say that, should this trend continue, then China is headed for a new annual record this year. As in Germany, the Chinese government's massive support package has been the main factor behind this change in trend.

Another plus for platinum was the news that investment company ETF Securities is now planning the listing of platinum and palladium ETFs also in the USA. So far these products were available only in Europe.

According to a report released earlier this week, the existing ETF Securities products recorded a significant boost in the first quarter. The platinum ETF was up 87 per cent and is now standing at 10 tonnes (palladium recorded a 64 per cent plus).

In view of the positive development in some of the automobile markets, and the thereby stirred investor-interest, it could come to an earlier-than-expected enduring stabilisation of the platinum price. The stronger Rand is also having a positive effect as it makes cost of production in South Africa more expensive and therefore has indirectly a stabilising effect on the price of the metal. For the moment we maintain the $ 1,030 an ounce level to be a good level for industrial end-users to consider buying, however perhaps it would not harm to cover some future metal requirements already near the present levels too.

Palladium

PD	US$/oz	€/oz	€/gram
High	225.00	170.00	5.47
Low	209.00	158.50	4508
Latest	223.00	169.00	5.43

In recent days palladium followed its sister metal and starting at $ 213 an ounce at times went up as high as $ 230 an ounce. The reasons for these gains were more or less exactly the same as for platinum. For reasons already mentioned here before, longer-term we see considerable price-potential for this metal and advise industrial end-users to position themselves accordingly.

Rhodium, Iridium, Ruthenium

Rhodium turnover fell in the past few days. However the two-way interest in the metal continues with both sellers and buyers present in the market. As such the price has not moved and the metal continues to trade at $ 1,100 - $ 1,200 an ounce.

Once again there was no change in the other two "minor" platinum metals. Ruthenium is trading at $ 50 - $ 80 an ounce and iridium at $ 375 – $ 425 an ounce.

Silver

AG	US$/oz	€/oz	€/kilo
High	13.24	9.94	319.60
Low	12.02	8.97	288.40
Latest	12.29	9.25	297.40

Noticeable in case of silver was the significant rekindling of industrial demand in Europe as soon as the metal fell below the € 300 a kilogram mark.

This demand factor has certainly contributed to the support for the silver price and is keeping it at levels above the $ 12 an ounce mark. The white metal had fallen to this level in reaction to the heavy losses that had been booked by gold. In addition to falling gold, silver also had to cope with (chart-) technical selling as two important support levels were breached on the way down and speculative trading addresses got out of the metal. The mentioned $ 12 an ounce mark, that in the end held, was then the next support level. Alongside the aforementioned industrial end-users the longer-term oriented investors also took benefit of fallen prices to add to their silver inventories. In case of the most popular silver ETF records were broken afresh with 8,413 tonnes of silver now being bound to this product. Also demand from private investors in Germany for silver bars with weights from 1 to 5 kilogram continued to remain robust.

For the coming days we do not anticipate any serious move in one or the other direction. Overall the gold price will give the impetus to silver and initially the white metal should trade in the $ 12 and $ 12.70 an ounce range.

Gold

In the past ten days gold lost significantly more ground than was expected. Starting from a level of $ 918 an ounce the metal actually gained some in the early days of this reporting period and reached $ 932.50 an ounce last Wednesday, but it did not make it beyond this.

The initial positive influence to the gold market came from the reports of success of various ETFs. The Zuercher Kantonalbank announced that total gold-investments in its Gold-ETF in the first quarter had gone up by 37.5 per cent to almost 136 tonnes. Julius Baer Bank's ETF had tripled in this period to over 30 tonnes and the by-far largest Gold-ETF, the SPDR Gold Trust, touched a new record on 29th March of 1,127.44 tonnes.

Also the demand for physical gold in the form of bars and coins, at least in Middle Europe, has remained strongly stable. We still have long delivery periods for most bar denominations (for coins they remain anyway) even though production at the manufacturers is running at its highest. We estimate that in 2008 up to 100 tonnes of physical gold (excluding local ETFs and ETCs) were sold in Germany, of this around 2/3rd in the form of bars. This tonnage is probably a new historic high in Germany, even well above the one caused by the gold buying-wave of the late Seventies (the Krügerrand having been the preferred form then). And average sales in the first three months of this year were even higher than the comparable average of the full year 2008.

Such investment volumes have so far compensated well for the globally missing jewellery demand. In context to this latter last week it was reported that Italian jewellery exports last year fell by 13 per cent to 212 tonnes. And Turkey, for many years a dependable source of physical demand, after two complete washout months of January and February, did report March net gold imports to the order of 40 kg (still minus 94 per cent compared to March 2008), but these were not even the proverbial drop in the ocean.

In such situations the market inevitably reacts negatively to any bad news concerning gold. The latest ETF buying-spree petered out by the middle of the previous week; the ECB announced that it had sold 35.5 tonnes of gold (for details see link on page 4) and the G20 Conference in London agreed formally on the not so newly discussed sale 403 tonnes of IMF gold (see link).

At a different occasion, the ECB did provide the groundwork for a possible push for gold as it cut its interest rates by less-than-expected percentage points. That lead to the Euro gaining against the US-dollar – at times up to 1,36 – usually this would have meant higher gold prices, but the positive effect on gold remained absent.

Instead the yellow metal nose-dived last Thursday and by Monday was trading as low as $ 865 an ounce; it's lowest since end January. In addition to the aforementioned announcements, further selling-pressure came from falling oil prices (temporarily below $ 50 a barrel), a later re-strengthening of the US-dollar and the breach of an important chart-point.

At the low levels buying-interest came in and quickly moved the metal up to $ 880 an ounce by today morning. Dealers reasoned that some of this reaction had to do with the fear related to the Q1 reporting period as many corporations will now be announcing their most recent results. It is expected that not much good news will come from this corner. With prices now off by about 10 per cent in two weeks, jewellery demand should also crank up, partly due to the late April holiday season in India where traditionally gold is bought to give as a present.

Also some reports of lower production might help: last week AngloGold announced that outturn in the first quarter would be slightly less than originally planned.

Based on the aforesaid, in the coming days we do not expect the yellow metal to sustainably fall below the lows of Monday. On the other side, gold will find it difficult to break through the strong resistance at $ 940 an ounce.

As such we have to defer our earlier forecast that the metal might record a new all-time high of $ 1,100 an ounce in this second quarter. For the moment it looks more like the metal for the next 10 weeks will remain in a trading range between $ 800 and $ 1,000 an ounce.

Looking forward into the second half of the year we continue to see a chance for new record prices. An important factor here will be to see if any signs of increasing inflation appear as a consequence of the enormous amount of money that is being pumped into global markets. Also important will be the developments in the financial sector and the health of the economies. More dismal than already expected corporate results (mentioned earlier) could certainly have an effect on the price of gold as well.

In our expectations the still missing idea of having gold as an asset-class in the overall portfolio by a wide range of investors (locally as well as world-wide) also plays a fundamental role. For example if each German buys only one ounce of gold per year – currently that would cost about EUR 55 per month – then the global annual production would vanish in private basements between the North Sea and the Alps with not a gram left for the rest of the world.

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AU	US$/oz	€/oz	€/gram
High	*932,50*	*703.00*	*22.60*
Low	*864.00*	*644.00*	*20.71*
Latest	*888.00*	*667.00*	*21.44*

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Well-renowned precious metals consultancy GFMS published their annual report "Gold Survey 2009" yesterday. In their report, certainly the best researched one on the gold market, the London based company says that industrial demand in 2008 fell by 7 per cent, mainly due to missing jewellery demand.

On the other side supply from scrap-gold was up by 27 per cent to over 1,200 tonnes.

Buy-backs of "old" forward positions (de-hedging) by producers sank by 19 per cent last year and GFMS expects further reductions in 2009. At the end of 2008 the mines had open forward (sales) positions of only 500 tonnes left; at the end of the 1990's these were above 3,000 tonnes.

According to GFMS new production in 2008 had again dropped – by 3 per cent – to its lowest level since 1996 and sales by Central Banks had also reduced: a minus of 20 per cent to 246 tonnes.

In this scenario investment in gold was an essential element on the demand side as well as a price-supporter; the buying from that side was up 76 per cent compared to previous year.

All-in-all GFMS expect a generally positive environment for gold and does not rule out the metal testing the $ 1,100 an ounce mark.

Priced at EUR 440, the very detailed, 120 page report "Gold Survey 2009" can be ordered via the GFMS website www.gfms.co.uk.

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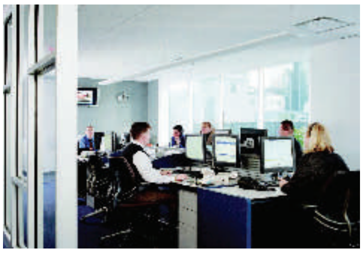

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