



## Precious Metals Weekly

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Wolfgang Wrzesniok-Rossbach - +49 (0) 61 81 35 50 01  
Oliver Heuschuch - +49 (0) 61 81 35 42 32

### Highlights

- **Precious metals rally strongly** – And later fall back.
- **Gold above \$ 1,900 for a short while** – Debt crisis: Central banks buy, as do private and institutional investor. Still, present situation reminds of silver-bubble of May and a setback looks possible. One thing is clear: a fundamental change in trend is not in sight.
- **Silver (as usual) more volatile than gold ....** – .... but stays coupled to it. At times trades above \$ 44.
- **Platinum with initial losses** – Followed by a three-year high and despite this temporarily cheaper than gold. Demand from automobile sector presently of not much help.
- **Palladium loser of the month** – Investors and speculators bail out. Here too pressure from the latest reports from automobile markets in the USA and China.
- **“Minor” platinum metals relatively calm** – Rhodium with some buying at lower levels; iridium very calm and ruthenium somewhat weaker.

## Platinum

All prices for the period from 28th Jul until 24th Aug 2011

PT	US\$/oz	€/oz	€/gram
High	1,912.00	1,331.20	42.80
Low	1,674.95	1,182.50	38.02
Latest	1,844.00	1,281.10	41.19

Some of gold's glitter washed onto platinum in recent weeks. That it would go so far was initially not foreseeable. At first platinum fell above -average together with silver as negative fundamental economic news from the USA and equity markets came out.

The rush out of higher risk investments by investors was the main driver for the slide as the metal fell from \$ 1,790 to \$ 1,680 an ounce at one stage. But, as now seen in retrospect, this was a cheap entry-level as the white metal then continually climbed back this week and on Monday traded up above the \$ 1,900 an ounce mark – its highest in three years. The rally was less on its own fundamentals as recent global economic growth expectations are again somewhat dismal. It was more the investors who, in view of gold's rally, felt that platinum was a good buy. Despite the recovery, it was not all sunny and platinum had its shadowy side too: At times the white metal was trading below the price of gold; last time this happened for a short period was in 2008. Given the present very positive environment for gold, we cannot rule out that gold will remain more expensive than platinum for a longer period of time, even though yesterdays strong fall in the gold price has again "normalised" the price relationship.

As far as automobile sales are concerned, reports from the international automobile markets in recent weeks point to haziness for coming

weeks and months.

In Europe new registrations in July fell slightly by 2 percent to 1.056 million vehicles. The period January to July also recorded a minus of 2 percent, whereby the German market somewhat balanced out some of the massive losses in other countries (Spain -24%, Italy -13%, UK -6.7%).

Also in the USA the fundamental economic situation and the struggle over the increase of their debt-limits told on automobile sales. Total sales of 1.06 million vehicles last month were up a mere 1 percent compared to July 2010. Still the US-market has recorded a plus of almost 11 percent year-to-date.

A similar plus, however this compared month-on-month to July of last year, was reported by China. In the first eight months of this year Chinese new vehicle sales were up 10 percent, showing that growth was lower than that of previous boom-year. Industry representatives cited the falling away of premium-programmes and restrictions on registrations in order to get a grip on the traffic chaos as the reasons behind.

PD	US\$/oz	€/oz	€/gram
High	846.75	592.82	19.06
Low	705.50	494.37	15.89
Latest	756.00	524.60	16.87

## Palladium

The loser of the month is clearly palladium. It could not make good on its gains of July and early August, when it had for a short while traded up to \$ 840 an ounce – its high since middle February.

Driven by profit-taking it fell down to \$ 710 an ounce on 9th August. The slowdown in the international automobile markets mentioned earlier certainly played a role here, as outside Europe the market is palladium-biased as far as auto-catalysts are concerned.

Analogue to other metals, palladium did manage to recover somewhat in the past two weeks, however it is limping way behind Gold & Co. Eventually the relatively mild recovery stabilised either side of the \$ 760 mark. Should automobile sales in the USA and China in the coming months flatten out or slow down, palladium could again be a loser. The first technical warn-

ing signal would be if it breaks below \$ 720 an ounce.

Longer-term the metal certainly has chance to perform percentually better than platinum, but for this the auto-markets in China and the USA will again need to brighten up.

Investors too do not find palladium very positive at the moment. In the past four weeks almost four tonnes of ETFs were sold. The positions on the futures exchange were also in minus – by almost seven tonnes. However, week-on-week, the behaviour of investors varied considerably.

In recent weeks investment bars were more in demand, but overall volume was relatively low.

## Rhodium, Iridium, Ruthenium

Trading in the "minor" platinum metals continued to remain relatively calm. Iridium is unchanged at \$ 1,025 – \$ 1,075 an ounce, ruthenium slightly weaker at \$ 155 – \$ 170 an ounce.

Only rhodium saw some demand in the recent days from investors and industrial users in Asia so that the metal could stabilise around the \$ 1,800 an ounce level and is currently trading at \$ 1,800 – \$ 1,900 an ounce.

## Gold

Last few weeks' were very bright for gold, though with a few shadows. The metal started August either side of the \$ 1,620 an ounce mark. The end of the struggle to raise the debt-limit in the USA then saw the yellow metal taking a breather. What then followed was an unparalleled gold rally. First, news from South Korea gave the metal a push. The S. Korean central bank announced that in the past two months it had spent 1.2 billion dollars to buy 25 tonnes of the yellow metal. This was their first gold purchase in over a decade. With now 39.4 tonnes in gold reserves, the S. Koreans are still well below average, even by Asian standards. For example, after recent purchases China now has 1,054 tonnes, Japan 765 and India 558 tonnes. Reason given behind the S. Korean purchase was that though as an investment the high price level does not make it look very lucrative, given the increase in currency reserves by almost \$ 300 billion make it the right decision. The Koreans announced that the newly purchased gold would be stored in the vaults of the Bank of England and, if required, could be used undertake financial market transactions, e.g. like gold loans.

The World Gold Council (WGC) announced in their newly published figures for gold sales that it was not just the S. Koreans who were on the buying side. According to the WGC, central banks bought 180 tonnes in total in the first seven months of this year; more than double that in the full year 2010.

The Bank of England as one of the most important vaults for central bank gold was for a second time in the limelight in recent weeks: The President of Venezuela Chávez, announced that he would be nationalising the country's gold mining and that Venezuelan gold stocks held in vaults of European and US-banks worth 11 billion dollars would be repatriated back to Venezuela. The reason he gave for the repatriation was to protect Venezuela from the economic problems being faced in the USA and Europe.

Venezuela holds a total of 366 tonnes of gold reserves (15th in the "World Ranking"), of which around 60 percent are stored outside Venezuela. As per Venezuelan Finance Minister, almost half of this gold is stored at the Bank of England, and further quantities by various banks in North America and Europe (here presumably means

## Silver

Naturally gains in gold coloured silver too, however – as almost always – the volatility in silver was significantly higher. The month began with the price level just under the \$ 40 an ounce mark and the first rally lasted just four days and ended abruptly at \$ 42.25 an ounce.

Then, within a mere two hours the metal fell by almost 7 percent. Traders held speculators responsible for the slide, who in view of the falling equity markets had to liquidate other positions, among others silver, to cater to their cash requirements for margin calls. Additionally silver suffered due to its role as an industrial metal once bad news about the USA economy came out. This latter was in turn one reason for the fall in equity markets.

gold that has been leased out).

When the central banks start buying or at least repatriating their own gold back to their countries, and citing the debt and currency crisis as a reason, then it is difficult to convince private and institutional investors not to invest some of their assets in the yellow metal.

And that is what happened in recent weeks: Both in the physical segment, i.e. coins and bars, as well as exchange-traded products, at one stage there was a run for gold. Here almost 100 tonnes were bought in the form of ETFs in the past four weeks; and it was only yesterday, in view of the extreme price rise, that saw the first serious selling and profit taking. The speculators, on the other hand, partly missed out on the recent massive rally; in total their positions sank by about 15 tonnes on the COMEX, NY in the past four weeks, albeit with very strong daily volatility. However they are still holding almost 1,000 tonnes of gold, and together with global ETFs stocks of about 2,200 tonnes, these holdings are at a record level.

The broad-based interest in gold pushed the metal from one record price to another – though subjected to high volatility – in the past four weeks before peaking out on 22nd August at \$ 1,911.85 an ounce. Of course this was a new historic all-time high.

A gain of almost \$ 300 an ounce in one month, of which \$ 100 over last weekend alone, was eventually too-much of good. At this point the certainly justified fear of a bubble building increased and got to the investors in recent days.

Accordingly profit-taking increased, with demand simultaneously going into the minus. Dealers reported that meanwhile there were as many sellers of bars and coins as buyers who came to them.

The gold price could not hold up to this severe pressure from investors and within a mere 24 hours gave up almost \$ 100, whereby in the last hours it has stabilised just under the \$ 1,850 an ounce mark.

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AU	US\$/oz	€/oz	€/gram
High	1,911.85	1,331.41	42.80
Low	1,602.56	1,117.44	35.92
Latest	1,784.00	1,238.90	39.83

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Is the rally thereby fundamentally over? Given the grounds for gold's rise in the past months, this would appear not be the case – fundamentally nothing has really changed. For example, the agreement between the President and the Congress does not mean that the debt crisis in the USA is over; in fact its worsening has now been legalised. Additionally the US-Fed's Chairman has promised to keep interest rates at their present historic lows for coming years. And Europe does not look any better, as far as the debt-crisis is concerned; not to mention Japan, in view of its budget-deficit and debt situation, was today downgraded a notch by Moody's. At the same time, more and more reports are coming from China about its increasing inflation and this is also one reason why the Indians are again heavily buying gold.

As such the momentary calming of the market is more a temporary episode, which however, before it is over, may at first lead to lower prices. Technically a short-term setback down to \$ 1,750 would not be too dramatic; the upward trend would still be very much intact.

Due to shortage of space, please refer to links for further news on the gold market; e.g. Minister von der Leyen's remarks about sale of gold by European debt-burdened nations (this happened at the same time as yesterday's collapse in price, but should not have had much effect on the market), summary of market data in the most recent publication by the World Gold Council.

AG	US\$/oz	€/oz	€/kilo
High	44.20	30.78	989.60
Low	36.96	25.82	830.15
Latest	40.48	28.11	904.00

During the further course of this reporting period silver than recorded massive gains; fundamental economic factors fell into the background as stability of the financial systems again became a major concern. Eventually the white metal traded up to slightly above \$ 44 an ounce, but as quickly as it had shot up - together with gold – it equally quickly collapsed in the past hours.

Currently at \$ 42 an ounce, the metal is again at a high level and as the climb in the last weeks was considerably more mannerly than that of May, in our opinion the danger of a massive setback is rather limited. Prices below \$ 37, if reached at all in the coming days, will be seen by silver bulls as buy-opportunities rather than reason for panic.



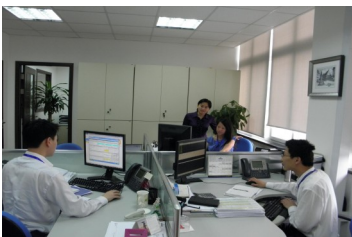
**Heraeus Metallhandelsgesellschaft mbh**  
**Heraeusstr. 12 – 14**  
**63450 Hanau, Germany**  
Telefon: + 49 (0) 61 81 / 35-2750  
Fax + 49 (0) 61 81 / 35-94 44  
E-Mail: [tradinghu@heraeus.com](mailto:tradinghu@heraeus.com)  
Web: [www.heraeus-trading.com](http://www.heraeus-trading.com)  
Reuters Page: HERH; Dealing: HERA



**Heraeus Precious Metals Management LLC**  
**540 Madison Avenue**  
**New York, NY 10022**  
Tel: + 1 212 / 752 2180  
Fax: + 1 212 752 7141  
E-Mail: [tradingus@heraeus.com](mailto:tradingus@heraeus.com)  
Reuters Dealing: HPMM



**Heraeus Ltd**  
**Room 2112 - 2113, Peninsula Square**  
**18 Sung On Street**  
**Hunghom, Kowloon (Hong Kong)**  
Tel.: + 852 2773 1733  
Fax: + 852 2773 1090  
E-Mail: [tradinghk@heraeus.com](mailto:tradinghk@heraeus.com)  
Web: [www.heraeus.com.hk](http://www.heraeus.com.hk)  
Reuters Dealing: HLHK



**Heraeus Materials (Shanghai) Co., Ltd.**  
**1 Guang Zhong Road**  
**Zhuangqiao Town Minhang District**  
**201108 Shanghai**  
Tel.: + 86 21 3357 5675  
Fax: + 86 21 3357 5210  
E-Mail: [tradingsh@heraeus.com](mailto:tradingsh@heraeus.com)  
Web: [www.heraeus.com](http://www.heraeus.com)

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