Metals Daily

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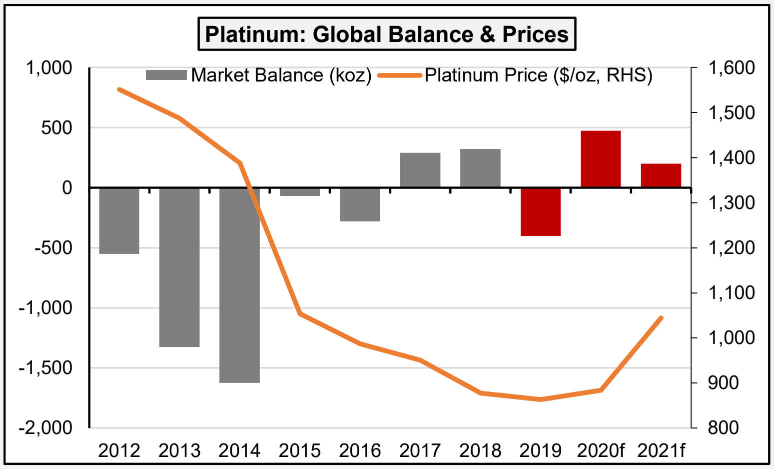
RBMC

What's moving markets?

- With investors pricing in a strong economic recovery and Treasury yields rising, this week's **Fed** meeting will be closely watched for any hints of an earlier-than-forecast rate increase. Economists surveyed by Bloomberg see two quarter-point hikes in 2023, while also expecting that the updated dot plot published on Wednesday will not indicate a policy change that year. As well as the Fed this week, investors have the **Bank of England** on Thursday and the **Bank of Japan** on Friday.
- **China's fixed asset investment**, **industrial production**, and **retail sales** jumped above 30% YoY YTD. All in all, this set of data shows the Chinese economy is recovering from Covid-19, especially in terms of consumption. But the very low base also masked the degree to which these strong figures are driven by underlying growth. These low base-effects could last until April as economic activity started to pick up in May last year Feb **autos** sales at 1.46mn, were up 365% YoY, the 11th straight month of gains.
- Precious metals remain under pressure amid rising borrowing costs. Holdings in ETFs backed by **gold** continue to dwindle, recording their fifth straight weekly decline. Gold prices found some support below $1,700/oz, if investors become more nervous about inflation and higher bond yields spook equity markets, then with gold prices down by some $350/oz from their highs, gold may start looking like a cheap safe-haven. However, with global growth recovering, autos production rebounding and amid stricter emissions regulations, then **platinum** might be a better investment – see *Theme of the Day*, below.
- The **base metals** complex was moderately higher on the day. **Aluminum** was particularly strong, benefiting from confirmation of production restrictions announced by China's Inner Mongolia province. The Chinese city of Baotou in Inner Mongolia formally ordered some industrial production and power plants to shut down in a bid to meet energy consumption targets for Q1. Although *CRU* expects these cuts to be fairly modest (at about 100kt), the "psychological impact" on the market is significant CRU notes. **Copper** was supported by a strike threat at Antofagasta's Los Pelambres copper mine, where two unions entered mediation talks with management, after failing to reach agreement on a new wage deal. If they fail to find any common ground, they could strike as soon as 18 March. *Trafigura* warned a global copper supply deficit is looming if major new mines are not brought online as expected. Despite high prices, companies remain cautious following huge cost blowouts during the last cycle.

Theme of the Day: Platinum in 2021 to see third consecutive annual deficit

- Some view **platinum** as a precious metal, while others believe it is an industrial metal. Investors are increasingly appreciating platinum's market value and its ability to straddle these two categories simultaneously. In reality, platinum is both a precious metal and an industrial metal – over 65% of platinum consumption is expected to come from automotive and other industrial uses this year, according to the *World Platinum Investment Council* (*WPIC*).
- WPIC published its Platinum Quarterly for Q420, which also includes a revised forecast for 2021. For the third consecutive quarter, platinum posted a **deficit** in Q420 of -170koz, as strong demand in automotive, industrial and jewellery sectors and sustained strong investment demand for platinum outstripped constrained supply.
- Overall, despite a year that saw the global economy contracting by 3.5%, the platinum market deficit in **2020** was -932koz, the largest on record. While total demand dropped by 7% (-569koz), the sharp decline in mining supply of 20% (-1,203koz) and the fall in recycling of 10% (-210koz) contributed to total supply being down 17% (-1,413koz).
- Against a backdrop of widespread vaccine programmes seeing economies return towards normal activity, platinum demand is forecast to increase by 3% (+254koz) to 7,992koz, while supply will recover 17% (+1,126koz) to 7,932koz resulting in a deficit of -60koz in **2021**, the third consecutive annual deficit (see Chart). The demand growth in 2021 is expected to be driven predominantly by strong recoveries in automotive, jewellery and industrial demand, offsetting reduced yet very strong investment demand.



Source: WPIC, RBMC