

Precious Metals Watch

Georgette Boele, Senior Precious Metals Strategist
georgette.boele@nl.abnamro.com

The outlook for Platinum & Palladium remains positive

- ▶ **We have changed our views for the US economy, the Fed, US rates, the US dollar and gold**
- ▶ **We have downgraded silver**
- ▶ **But we remain positive for platinum and palladium**

Introduction

Recently we have changed our views:

1. We have substantially upgraded our outlook for the US economy,
2. We now forecast a slight rise in US treasury yields and 10y US real yields (we had a decline)
3. We have changed our Fed view. We think that the Fed will be less dovish than we had. We expect tapering to start in 2022.
4. We expect the US dollar to rise at a moderate pace (we had a decline)
5. We think that gold prices have peaked and will decline going forward (see our gold outlook here)

What effect have these view changes on our outlook for silver, platinum and palladium?

Silver to decline with gold but to be more resilient

We expect silver prices to decline with gold prices because slightly higher US nominal and real yields and a higher US dollar are also negative for silver prices. Moreover, long silver is a crowded trade as well (as gold is). But we expect silver prices to be more resilient than gold and to outperform gold. This is because silver has a substantial industrial demand component. We expect a further recovery in the industrial sector so this will support silver prices.

The outlook for platinum remains positive ...

We continue to think that platinum prices have the largest upside potential this year despite our changes in views mentioned above. The stronger outlook for the US economy is positive for platinum, while slightly higher US yields, a less dovish Fed and a modest rise in the dollar are negative for platinum. These factors will make the price outlook for platinum less bullish than we had.

But we still expect higher platinum prices for the following reasons. First, a strong Chinese economy will probably also result in higher demand for platinum jewellery. Second, we expect an ongoing recovery in the industrial sector that will probably result in higher industrial demand for platinum. Third, we expect higher consumer demand for cars this year. Meanwhile, more stringent car emission regulation results in more platinum content for car catalysts. So we expect platinum demand for car catalysts to rise. Fourth, fuel cell technology for cars will continue to get more attention. Platinum is used in hydrogen cars and the content needed exceeds what is needed in regular diesel car converters. Last but not least, platinum is the cheapest precious metal. The ratios of platinum to gold, silver and palladium are still at very low levels. In short, we are positive on platinum as we expect

demand to outpace supply. But the total ETF positions are high and some profit taking could result in temporary price weakness.

...and also a modest upside in palladium prices

Despite the changes in our views we still expect higher palladium prices this year. Palladium is the most cyclical precious metal and therefore the stronger economic outlook in the US will support palladium prices. Palladium prices are less sensitive to developments in US rates and the dollar, but these factors still have some impact. As a result, we expect higher prices because of higher demand for palladium from car catalysts and the industrial sector, but the rise will probably be more modest. In addition we now have a lower outperformance of platinum versus palladium because platinum is more sensitive to slightly higher US yields and a higher dollar.

ABN AMRO Precious metals price forecasts

Changes in bold and red

New										
End period	20-Jan	Dec 20	Mar 21	Jun21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Gold	1,862	1,894	1,800	1,750	1,725	1,700	1,650	1,600	1,550	1,500
Silver	25.6	26.4	25.0	24.5	24.0	23.5	23.0	22.5	22.3	22.0
Platinum	1,108	1,070	1,050	1,100	1,150	1,200	1,225	1,250	1,275	1,300
Palladium	2,381	2,450	2,300	2,400	2,450	2,500	2,525	2,550	2,575	2,600
Gold/silver ratio	72.6	71.9	72.0	71.4	71.9	72.3	71.7	71.1	69.5	68.2
Gold/platinum	1.68	1.77	1.71	1.59	1.50	1.42	1.35	1.28	1.22	1.15
Palladium /platinum	2.15	2.29	2.19	2.18	2.13	2.08	2.06	2.04	2.02	2.00
Average	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022
Gold	1,857	1,775	1,738	1,713	1,771	1,675	1,625	1,575	1,525	1,600
Silver	25.7	24.8	24.3	23.8	24.6	23.3	22.8	22.4	22.2	22.6
Platinum	1,067	1,075	1,125	1,175	1,111	1,213	1,238	1,263	1,288	1,250
Palladium	2,398	2,350	2,425	2,475	2,412	2,513	2,538	2,563	2,588	2,550
Old										
End period	19-Jan	Dec 20	Mar 21	Jun21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22
Gold	1,845	1,894	1,925	1,950	1,975	2,000	2,025	2,050	2,075	2,100
Silver	25.38	26.35	26.00	27.00	28.00	29.00	30.00	31.00	31.50	32.00
Platinum	1,104	1,070	1,050	1,100	1,200	1,300	1,350	1,400	1,450	1,500
Palladium	2,380	2,450	2,300	2,400	2,500	2,600	2,650	2,700	2,750	2,800
Average	Q1 21	Q2 21	Q3 21	Q4 21	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022
Gold	1,918	1,938	1,963	1,988	1,951	2,013	2,038	2,063	2,088	2,050
Silver	26.2	26.5	27.5	28.5	27.2	29.5	30.5	31.3	31.8	30.8
Platinum	1,067	1,075	1,150	1,250	1,135.5	1,325	1,375	1,425	1,475	1,400
Palladium	2,398	2,350	2,450	2,550	2,437	2,625	2,675	2,725	2,775	2,700

Source: ABN AMRO Group Economics

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