

PRECIOUS APPRAISAL

MARKET SPOTLIGHT

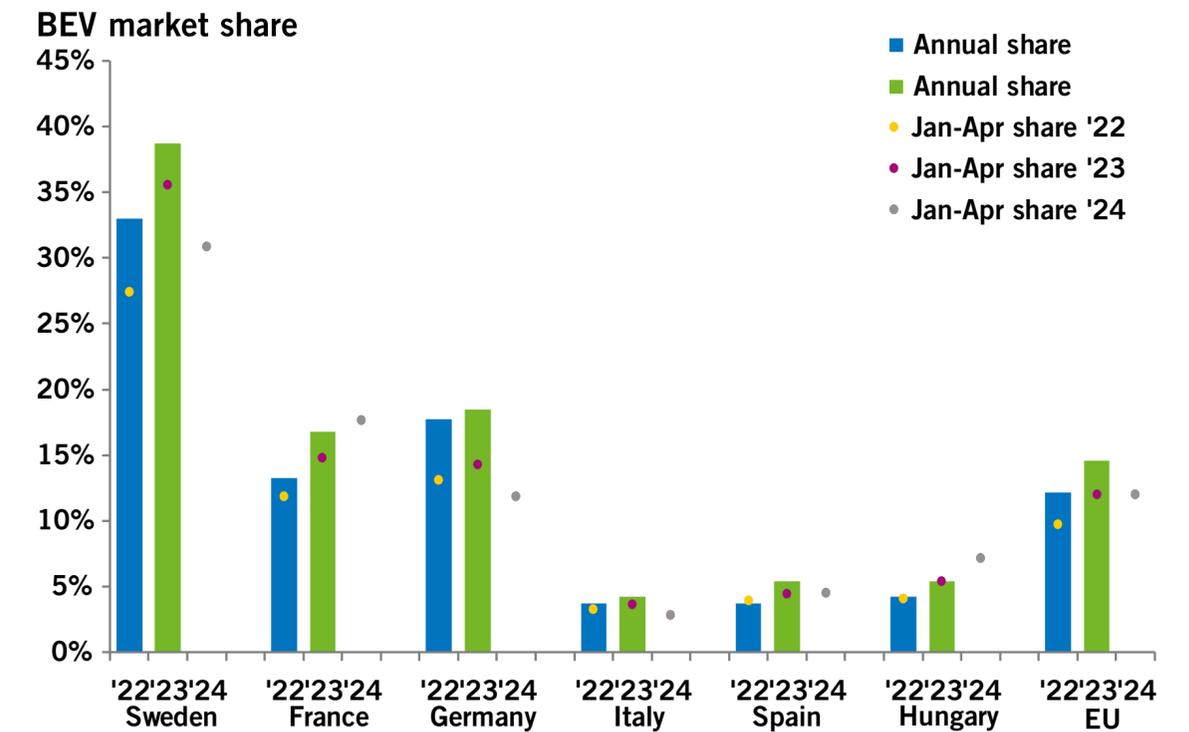
Stalling BEV market share and political shifts put the EU’s ICE vehicle ban at risk

The EU currently plans to ban the sales of ICE vehicles in 2035. The European Green Party and Renew Europe – two leftist parties and the most vocal party groups on climate issues – are staunchly in favour of the ICE ban, in addition to the central-left Socialists and Democrats. The European People’s Party (EPP), the European Parliament’s largest party, previously campaigned against the ban and is divided on the issue. The German parties within the EPP, the Christian Democratic Union (CDU) and the Christian Social Union (CSU), favour removing the ban, but this was not included in the EPP manifesto.

A shift to the right in the European Parliament may change the dialogue on green targets. The European Green Party and Renew Europe lost almost 40 seats in the European Parliamentary Election. These seats were largely replaced by representatives of populist or right-wing political groups, including Identity and Democracy, and European Conservatives and Reformists. Most centrist and right-wing parties campaigned on repealing or postponing the ban. The European Commission is due to review the ban in 2026 which would provide an opportunity to modify the target.

BEV sales may fail to align with headline climate targets as the growth in the share of BEVs sold in the EU has stalled. With the removal of subsidies the market share of BEVs sold in the first four months of the year was 11.8% in Germany, just below the 12.0% for the EU as a whole. Progress towards higher sales of BEVs varies geographically, with sales in wealthier Northern and Western European economies significantly outpacing those of their Eastern and Southern European peers. In 2023, 14 out of the 27 EU Member States had a BEV sales share below 10%. These are mostly concentrated in Southern and Eastern Europe and include Italy and Spain, the third and fourth largest auto markets in the EU. These countries had a combined 37% market share of total EU vehicle sales in 2023. It is questionable whether these countries can catch up to Germany’s sales share let alone reach 100% BEV sales in a little more than 10 years.

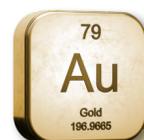
A slower transition would sustain PGM demand from ICE vehicles over the longer term. Based on the current policy, PGM demand is forecast to shrink rapidly as 2035 approaches but a target readjustment would delay the decline of PGM demand in autocatalysts. Western Europe currently has stringent emissions standards and used 2.26 moz of PGMs on autocatalysts in 2023, representing 18% of global autocatalyst demand. In 2030, with the current policy these numbers are forecast to be 1.19 moz and 11%, respectively.



Source: SFA (Oxford), ACEA, National statistic agencies

PRECIOUS METALS REVIEW

Gold



| | CLOSE | WEEKLY CHANGE | HIGH | DATE | LOW | DATE |
|-------|-------|---------------|-------|-----------|-------|-----------|
| \$/oz | 2,326 | 0.92% | 2,342 | 6/12/2024 | 2,291 | 6/10/2024 |
| €/oz | 2,174 | 1.93% | 2,187 | 6/14/2024 | 2,131 | 6/10/2024 |

Gold edges up despite the Fed’s continued hawkishness. On 12 June, the US reported a relatively flat headline CPI – a 3.3% year-on-year increase and unchanged on a seasonally adjusted basis – the lowest numbers in three years. This provided some support for the gold price, although Fed Chairman Jerome Powell’s subsequent signalling of cautiousness on rate-cutting after a Federal Open Market Committee (FOMC) meeting made it temporary. Currently, members of the FOMC remain divided on whether to support one or two rate cuts this year. The swap market also changed little as it still priced in a 42% chance of 50 bp of rate cuts this year. The gold price is still consolidating its gains, with support around \$2,280/oz holding.

Cyclones disrupted Australia’s Q1’24 gold production. Cyclones and heavy rain that led to floods resulted in a drop in gold output in Australia to 70 t in Q1’24 from 77 t in Q4’23 (source: Surbiton Associates). In 2023, Australia was the world’s second-largest gold producer (310 t), second only to China (source: Statista). However, buoyed by high prices, most miners are maintaining production forecasts for the year.

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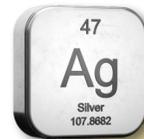
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Silver



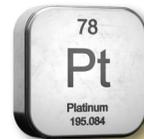
| | CLOSE | WEEKLY CHANGE | HIGH | DATE | LOW | DATE |
|-------|-------|---------------|-------|-----------|-------|-----------|
| \$/oz | 29.16 | -0.43% | 30.26 | 6/12/2024 | 28.66 | 6/13/2024 |
| €/oz | 27.25 | 0.57% | 28.10 | 6/12/2024 | 26.58 | 6/13/2024 |

Silver fluctuated around \$29/oz after the Fed meeting. After dipping below \$30/oz on 7 June, the silver price bounced between \$29 and \$30/oz this week, testing a key support line. The gold:silver ratio rebounded to 79 from early June's low of 73 as silver has underperformed gold, with both metals' prices falling.

Silver coin sales from the Perth and US Mints have diverged so far in 2024. Perth Mint silver coin sales remained weak, as the May sales of 796,934 oz significantly trailed previous years. May sales data represented a 58% decrease year-on-year and the lowest May figure in five years. Year-to-date sales reached 4.12 moz, a 51% drop year-on-year. Perth Mint silver coin sales have been notably weaker during 2024 which suggests that higher prices have diminished consumer demand. The US Mint sales, in contrast, appeared much more robust than in previous years. During May, sales of 1.75 moz were recorded, a 9.7% year-on-year rise. Year-to-date sales reached 12.6 moz, a 52% increase year-on-year.

PRECIOUS METALS REVIEW

Platinum



| | CLOSE | WEEKLY CHANGE | HIGH | DATE | LOW | DATE |
|-------|-------|---------------|------|-----------|-----|-----------|
| \$/oz | 955 | -1.26% | 979 | 6/10/2024 | 944 | 6/13/2024 |
| €/oz | 892 | -0.26% | 910 | 6/10/2024 | 876 | 6/13/2024 |

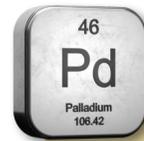
Japan takes a long-term view of its hydrogen supply. Japan has passed the Hydrogen Society Promotion Act, a law that will subsidise hydrogen production and imports with ¥3 trn (\$19.24 bn) over the next 15 years. The subsidy will be carried out in a contract-for-difference programme that bridges the difference between “low-carbon hydrogen” and hydrogen produced from fossil fuels. Moreover, owing to Japan’s production capacity constraints, the programme is also open to hydrogen imports that already receive subsidies from other countries. While the programme still awaits further rules to clarify its unit subsidy amount, \$19 billion already represents a significant amount that will help to stimulate the international industry and market development.

Japan aims for 3 mt of hydrogen consumption by 2030, 12 mt by 2040 and 20 mt by 2050. The IEA forecasts that Japan will be the world’s second-largest hydrogen importer after the EU by 2050, importing ~2 EJ of hydrogen and ammonia in 2050. Only modest amounts of platinum are used in the hydrogen economy today. However, it is predicted to become an increasingly important source of demand for platinum which is used in PEM electrolyzers and fuel cells.

The platinum price also fell last week, putting it back in the middle of its trading range but well above support at around \$850/oz.

PRECIOUS METALS REVIEW

Palladium



| | CLOSE | WEEKLY CHANGE | HIGH | DATE | LOW | DATE |
|-------|-------|---------------|------|-----------|-----|-----------|
| \$/oz | 894 | -1.82% | 933 | 6/12/2024 | 881 | 6/13/2024 |
| €/oz | 836 | -0.83% | 862 | 6/12/2024 | 818 | 6/13/2024 |

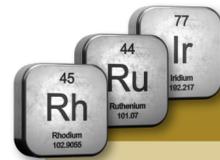
EU tariffs on Chinese BEV imports will likely support ICE vehicle sales. BEVs are still more expensive than equivalent ICE vehicles and the EU’s newly announced tariffs on Chinese BEVs will inflate their costs and disincentivise BEV purchasing in Europe. On 12 June, after months of anti-subsidy investigations, the European Commission imposed additional tariffs, ranging from 17.4% to 38.1%, on Chinese BEV imports. While BEVs made by Chinese brands made up a relatively low ~8% of total EU BEV sales in 2023, Chinese-made foreign brand imports constitute a more significant ~11%. Tesla and BMW, Europe’s top BEV brands by market share, both rely on Chinese-manufactured imports.

Although Chinese BEV manufacturers are expected to open factories in the EU to avoid the tariffs over the coming years, in the short term these tariffs are set to inflate BEV costs at a time when consumers’ living costs have risen sharply. This could reduce consumers’ willingness to switch to a BEV, especially price-sensitive customers who could favour cheaper Chinese BEVs. As a result, the trade barriers are expected to sustain some palladium demand for autocatalysts used in gasoline-powered vehicles.

Palladium has fallen below \$900/oz and could test the year’s low at \$854/oz, which was the lowest price since 2018.

PRECIOUS METALS REVIEW

Rhodium, Ruthenium, Iridium



| | RHODIUM | RUTHENIUM | IRIDIUM |
|------------------|------------|-----------|------------|
| Reporting Week | \$5,025/oz | \$430/oz | \$5,200/oz |
| Previous Edition | \$5,125/oz | \$430/oz | \$5,200/oz |

Developments in Europe help to secure long-term PGM demand for electrolyzers. On 7 June, TotalEnergies and Air Products signed a 15-year agreement for the annual supply in Europe of 70,000 t of green hydrogen starting in 2030. The hydrogen will be used in TotalEnergies’ refineries in Europe. Air Products uses proton exchange membrane (PEM) or potassium hydroxide (KOH) technology to produce green hydrogen. Europe currently sets a target of producing 10 mt and importing another 10 mt of green hydrogen by 2030. Plans put in place at the present time to develop the hydrogen economy will secure long-term demand for iridium.

The rhodium price dipped last week to \$5,025/oz, while iridium and ruthenium held steady.

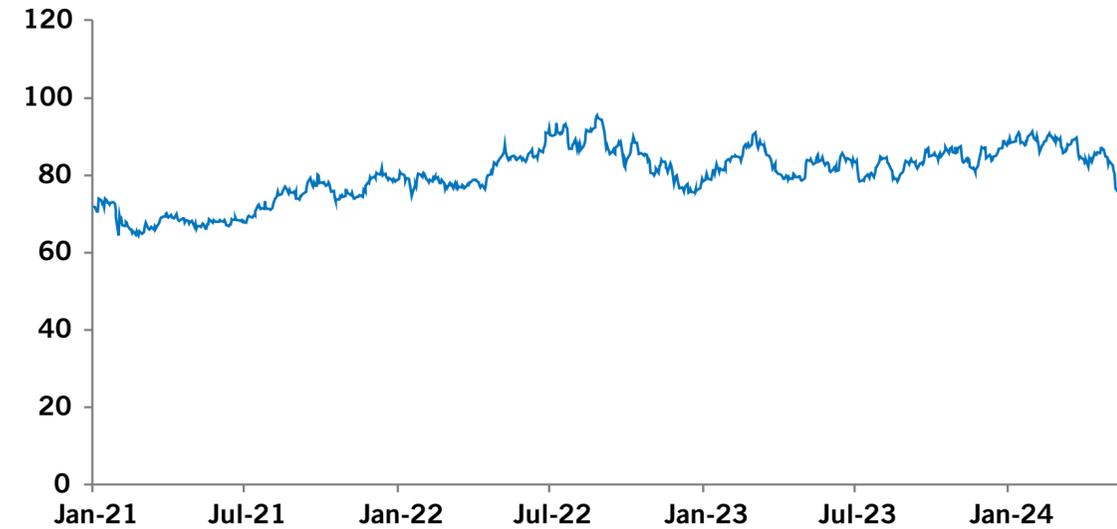
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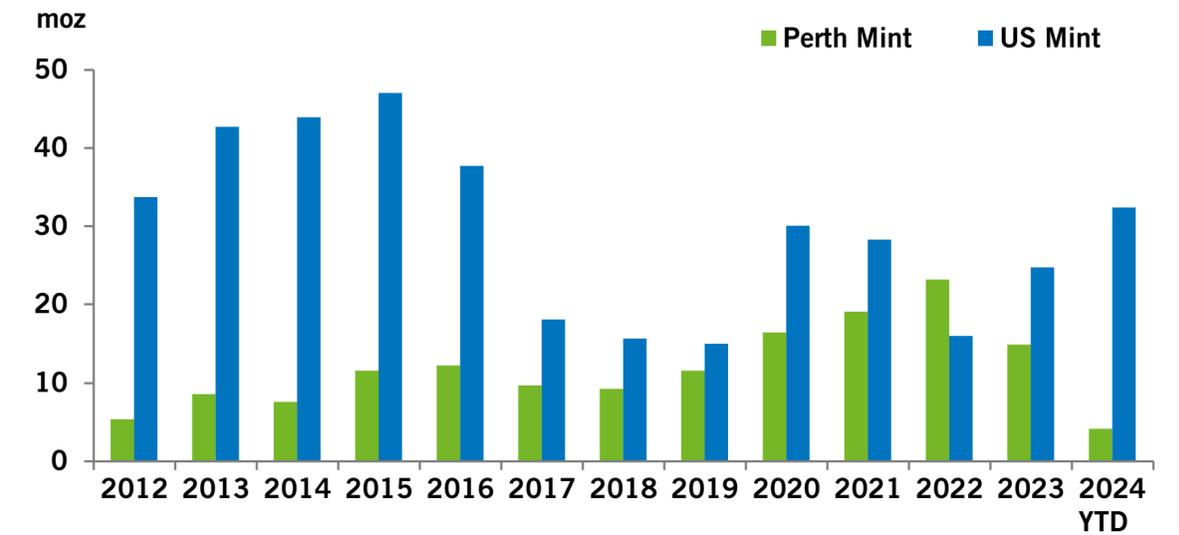
TRENDS AND INVESTMENTS

Gold:silver ratio



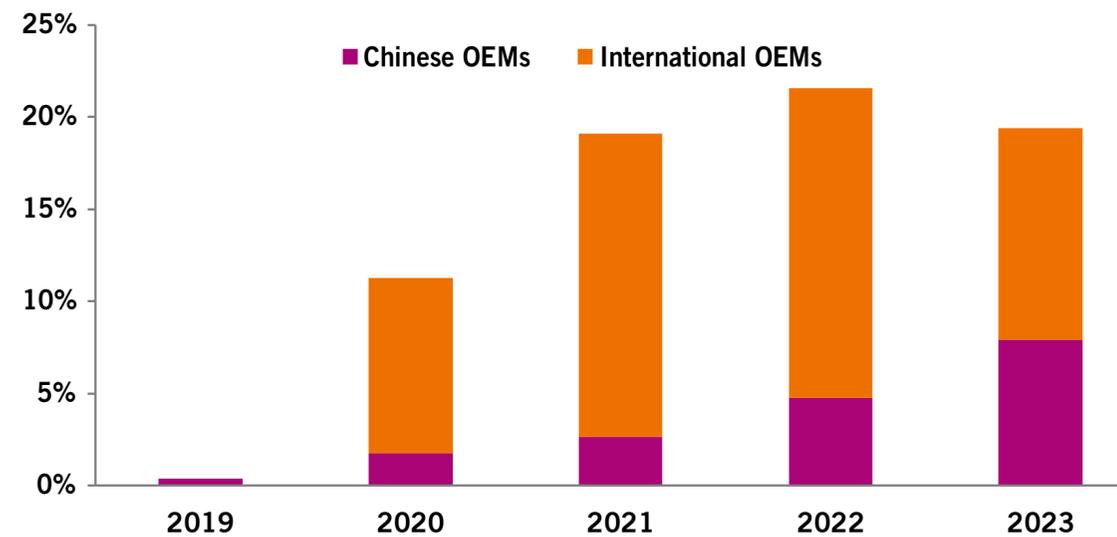
Source: SFA (Oxford), Bloomberg

US and Perth Mint sales



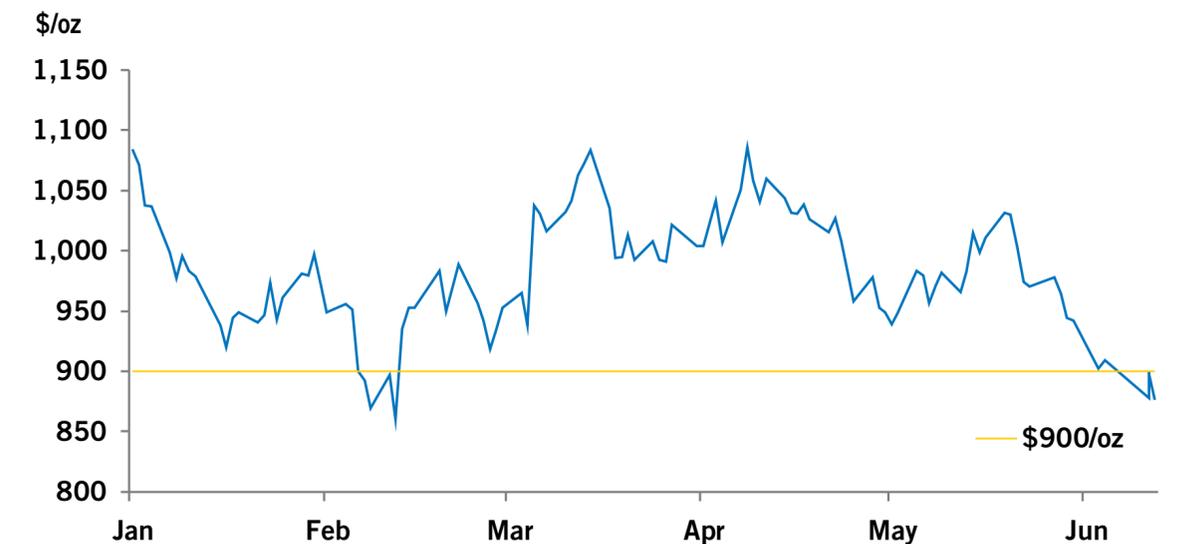
Source: SFA (Oxford), US Mint, Perth Mint

Market share of Chinese-imported EVs in EU



Source: SFA (Oxford), T&E

Palladium price YTD



Source: SFA (Oxford), Bloomberg

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Heraeus Precious Metals

Europe, Middle East, Africa & other regions

Phone: +49 6181 35 2750
tradinghu@heraeus.com

South East Asia

Phone: +852 2773 1733
tradinghk@heraeus.com

USA

Phone: +1 212 752 2180
tradingny@heraeus.com

China

Phone: +86 21 3357 5658
tradingsh@heraeus.com



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The Heraeus Precious Appraisal is produced in collaboration with:

SFA (Oxford) Ltd

United Kingdom
Phone: +44 1865 784366
www.sfa-oxford.com
The Oxford Science Park,
Oxford, United Kingdom, OX4 4GA



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