MKS PAMP
Precious Metals Outlook 2024 – Revised Forecasts

Original 2024 outlook & forecast [here](#) for reference

Scorecard in Q1’24: Precious Original Forecasts vs Actual Averages and Macro Thinking..

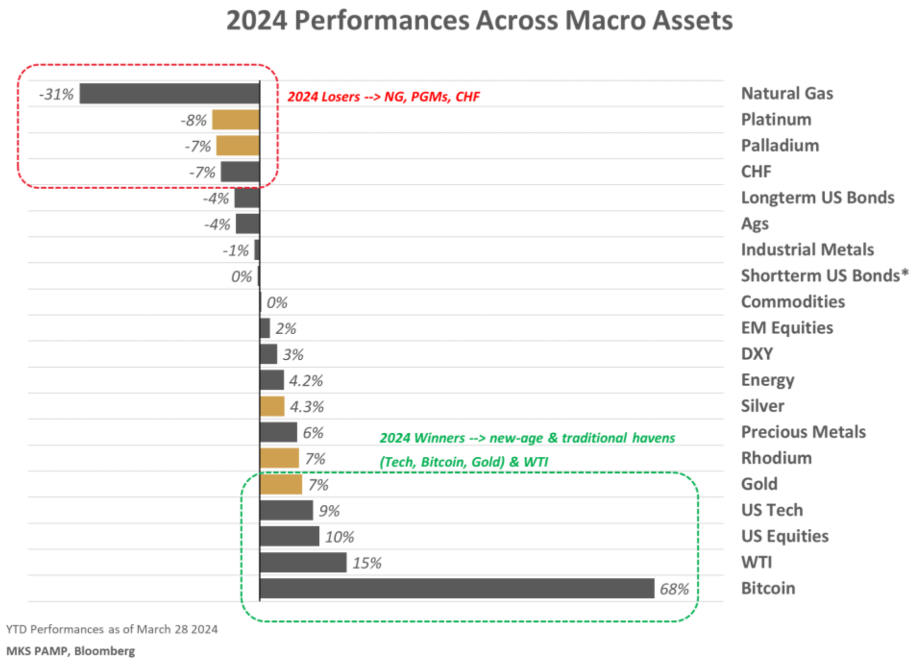
- We were not bullish enough Gold in Q1’24 and were too bullish Silver and Platinum. Palladium & Rhodium average Q1’24 prices have aligned somewhat with our FY forecasts.
- We were too bearish the US economy and expected a soft landing with the associated data & policy reaction to already start playing out. The US$ thus has remained too strong vs our expectations.
- We were right about inflation remaining a struggle in “the last mile” & disinflation slowing; we were wrong about the Fed tolerating higher for long inflation. We were right about DM CBs entering a collective rate cutting cycle but wrong about the rationale behind it (UE has not materially risen).
- Geopolitics has continued to play out as expected with underlying war risk increasing sanction risk and thus driving ongoing dedollarization; headline risk, though, has not been as market-moving as expected.
- Q1’24 was still “All About Gold” but the relative outperformance between Gold and the white metals (Silver & PGMs) should compress in Q2’24 & Q3’24 as lower interest rates feed through into real economy, restocking occurs, and investment demand rotates into these laggards

MKS PAMP Group Original 2024 Forecasts				MKS PAMP Group Revised 2024 Forecasts		
$ / oz	**Average 2024 Price forecast (Jan '24)***	**High - Low Price Range**	***Actual YTD (Q1'24) Average***	**Forecast Revisions (March '24)**	**New High-Low Range**	**Rationale**
Gold	$2,050	$1900 - $2200	*$2,070*	**$2200/oz (upgrade)**	$2000 - $2475	Mildly bullish original forecast now upgraded to $2200/oz (outright bullish) as Gold sniffs out a collective turn in major CB policy willing to accept higher for long inflation, amidst solid physical demand
Silver	$25.00	$21.50 - $30.00	*$23.33*	**$25.50/oz (upgrade)**	$23.00 - $32.00	Silver continues to lag Gold, hence the mild forecast upgrade (it was quite bullish to begin with); the high-low range is shifted up with growing & unappreciated upside risks
Platinum	$1,050	$800 - $1200	*$910*	**$1075/oz (upgrade)**	$850 - $1250	A sympathy/small upgrade to PGMs given 1) the tailwinds from Gold on potential investment demand in Platinum & Palladium and 2) mildly tighter than expected S&Ds on lower primary + secondary supply while demand recovers. Still Above Ground Stocks have proved plentiful
Palladium	$1,000	$800 - $1350	*$990*	**$1050/oz (upgrade)**	$850 - $1400	
Rhodium	$4,500	$3000 - $8000	*$4,490*	**$5000/oz (upgrade)**	$3000 - $8000	

**forecast submitted to LBMA analysts survey*

Source: MKS PAMP

Disclaimer



Gold: Sniffs Out a 'Higher for Longer' Inflation Regime That Central Banks Are Tolerating..

Gold: Original Forecast $2050/oz (mildly bullish vs the street) is now upgraded to $2200/oz (outright bullish) as Gold sniffs out a collective turn in major CB policy willing to accept higher for long inflation, amidst solid physical demand.

What has played out as expected (so far) → new ATHS & timing:

- Our original 2024 forecast published in January was $2050/oz (high-low range of $1900-$2200/oz), hinging on the Fed cutting rates as the global economy slowed. We also expected new all-time-highs. So far Gold has already taken out our high price forecast of $2200/oz with the timing as expected as Golds *preempts* a Fed rate cutting cycle, while Central Bank and physical demand remains relentless.
- One of our bull case (not our base case**) drivers was Asian or CB physical demand being stronger than expected & responding to higher floors quicker than expected. That has played out (earlier than expected) and is the game changing development behind higher floors.

What has not played out as expected → our rationale, the persistency of the rally, participation mix.

- A US soft landing is currently *not* playing out as we expected (net worth/US stock prices/housing prices/economic activity/air travel are all at all-time-highs); the US economy is grinding on *and* the Fed easing, which is Goldilocks for risk. They're favoring growth over price stability (due to 'constraints' from US elections) and lower interest rates (due to 'constraints' by the combination of the size of US debt/GDP & deficit/GDP). The expected Fed cuts are not occurring sooner (Q1'24) but likely at the end of Q2, but notably are also aligned with dovish pivots from other major global CBs including the ECB & BOE.
- We also expected an underinvested investor community to subscribe in a meaningful way and drive the price rerating which has not been the case (so far); collective ETF + COT holdings remain well below their 2020 peak. The one expected bearish driver (*stickier inflation leading to a "Higher for Longer" Fed inducing further large-scale deleveraging in precious metals especially through ETFs*) has not turned out to be bearish. In fact, there is further acceptance and analysis showing that part of Gold ETF outflows is simply holders taking metal off exchange and into private ownership.
- We did not expect the emergence of an accelerated physical purchasing program; increasingly price-insensitive physical buying (especially from China in which SGE premiums remain elevated) has propelled shallower dips and a persistent rally that has not been short-lived as in the past 4 peaks seen post-COVID.
- Also notably, both producer-related and secondary supply has not reengaged (as expected) at price peaks, and that lack of structural selling has allowed Gold to float higher.

New Forecast & Rational:

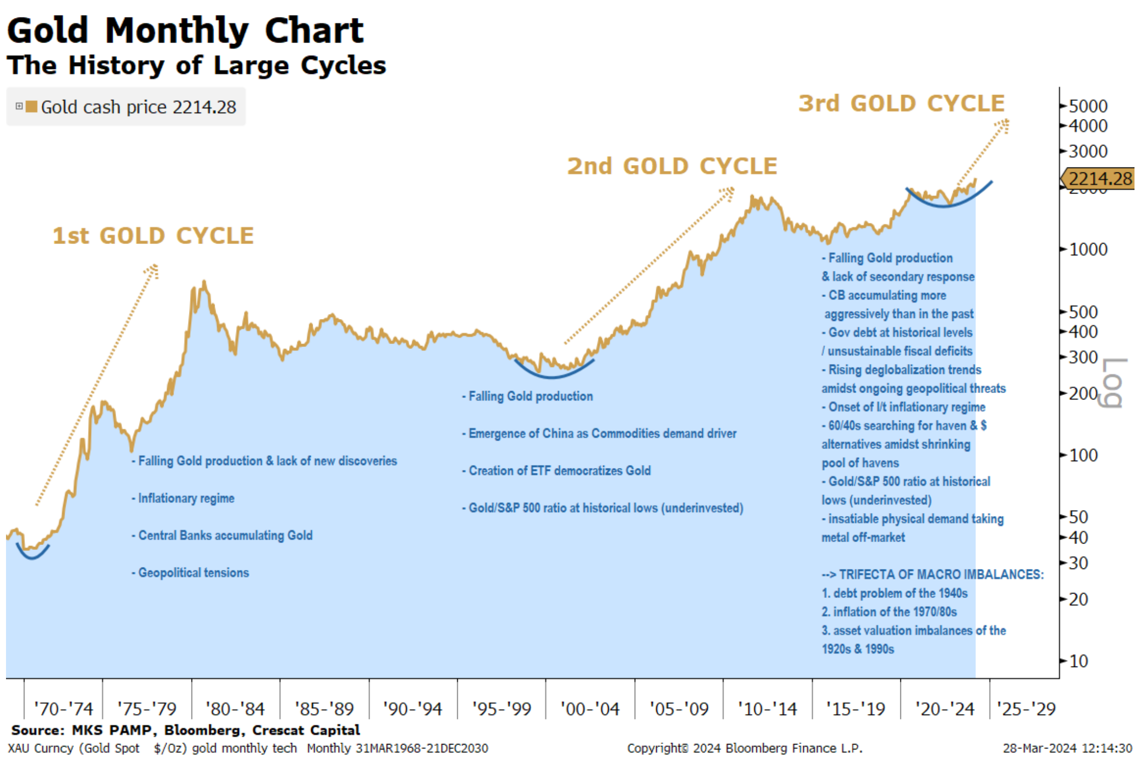
- The average price forecast is $2200/oz. Gold is a scorecard on the Fed and other major Central Banks ability (and credibility) to contain inflation, and they're dropping the ball.
- The new & higher Gold floor is $2000/oz which is symbolic of this new macro regime – Central Banks are tolerating 'higher for longer' inflation (but not necessarily HFL interest rates). We also now expect Gold to print bull market gains in 2024 that is emblematic of past rate cutting cycles; that equates to $2475/oz *(and almost $2600/oz if one accounts for the annual cost of carry*)*.
- While a $200+ straight line rally within the Precious Metals market is headline news for active specialists, its less than a $20 move in ETF-terms (GLD) and minimalist in the minds of multi-asset or generalist investors who are sidelined. The resubscription of Western investor demand (retail, fast money and ETFs) is a critical element between a Gold being a ~$2200 asset or a $2400+ asset; that hinges on mild equity market volatility and capital rotation out of overweight sectors like tech and/or a sustained depreciation in the overpriced US$ given the unsustainable levels of debt.
- The narrative around the dire US debt/deficit into elections is gaining traction, given that both Joe Biden & Donald Trump are not fiscally responsible centrist candidates. The persistent Bitcoin ETF inflows (as portfolios diversify some holdings away from the US$) and the divergence between Gold with US rates (that has occurred the last few years) is a preview that the US debt & deficit

situation is likely to force the Fed to 'fold' soon enough. Regardless of the US economy, financial conditions, or inflation. We are there.

Forecast risks we're concerned about:

- 'Everyone is bullish'. Banks are revising up forecasts and consensus for Gold has shifted in one direction. Expectations for commodities as an asset class into the Feds rate cutting cycle is also thawing. But while Gold sentiment is consensual bullish, positioning is not; Western investor positioning still remains underweight on a long-term historical Gold basis, vs the liquidity & holdings in other asset classes and commodities remain undersubscribed as an asset class.
- The threat of large Gold holders (including Central Banks) monetizing Gold if 1) they are forced to (eg: the financing of hot & cold wars), 2) Gold loses appeal as a geopolitical or inflation hedge and/or 3) Gold comes under direct sanction and policy risk.
- The emergence of strong secondary physical sales from retail coin & bar holders, globally, which has not been ignited.

**it costs approximately $120 to hold Gold for one year (using ~$20 for 2months as indicated by the April/June futures switch).*
***Please revisit pages 28 (bull case) and 29 (bear case) as reference and which are still relevant in the original Outlook here*



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Silver: Sweet Spot Is Emerging But Investor Demand Needs To Be Unlocked

Silver continues to have an attractive micro/fundamental story heading into a collective Central Bank rate cutting cycle (as is the case with Copper and to a lesser degree Platinum). The market understands the structural supply challenges in these cyclical transition metals, but the demand story isn't materializing the way bulls think it should, including investment demand which remains static. In a high interest rate regime and one in which investors are benchmarked, investors are very apprehensive to be patiently long, taking on heavy M2M losses on the erratic price drawdowns & volatility and hence why these cyclical metals remain so under owned. Silver moved into a structural deficit in 2021 driven largely by energy-related industry demand (PV, auto etc) and has posted deficits averaging ~250mn oz the past 3 years including 2024. While above ground stocks have managed to fulfill those annual deficits, known inventories – the free float - is back down near cyclical lows. The case for a 'gradually then suddenly' setup is developing and thus we marginally hike our already quite bullish forecast ($25/oz) to $25.50 and expect the Gold/Silver ratio to trade toward the lower end (~86) of its YTD range.

Silver Monthly Chart

compression into longterm downtrend convincingly broken this time around

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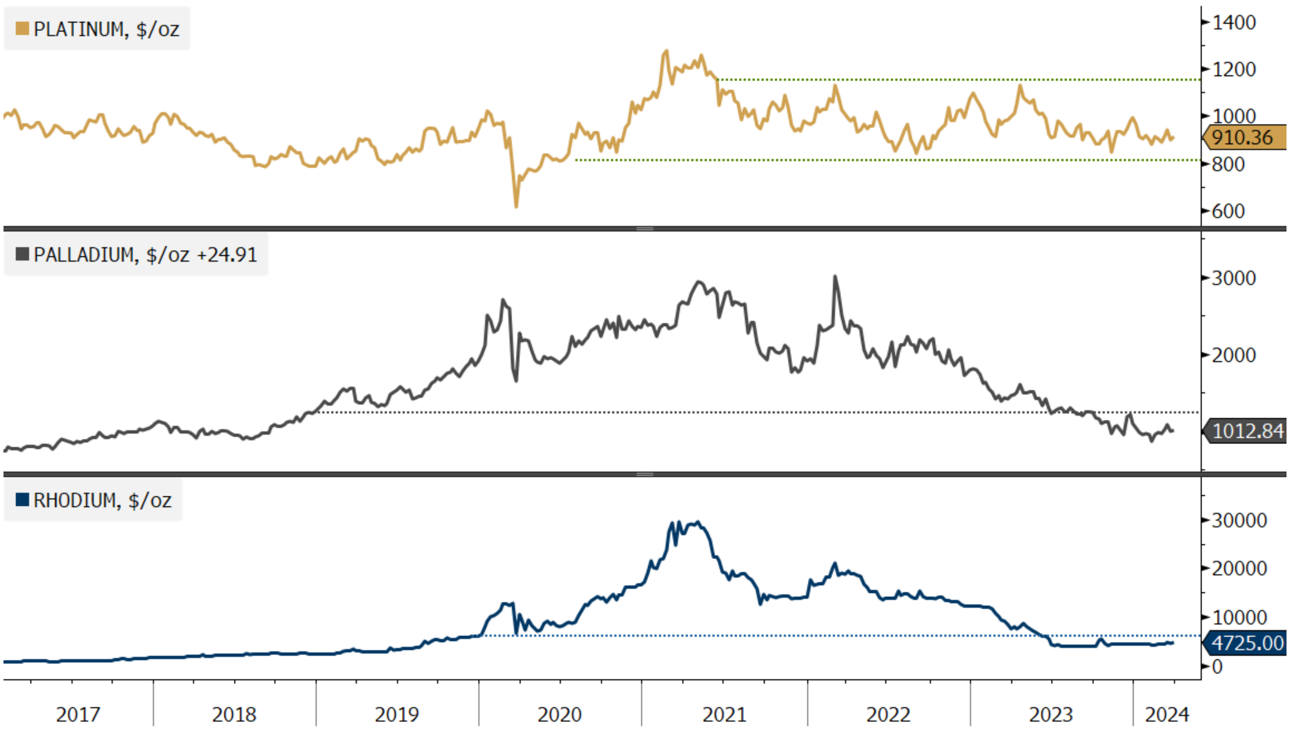
PGMs: Still Waiting For Fundamentals to Play Out

Despite around 50% of South African & North American PGM production underwater at current spot prices, the past reporting season from South African producers didn't yield any material nor immediate supply cuts, with a focus on restructuring & project delays. Despite some green shoots from OEM/consumer demand as macroeconomic growth defies recession-calls with a fall in global EV market share (as sales in US and Europe slow against robust Chinese growth), above ground stocks have proved plentiful enough to tide over any deficit (especially in Platinum). The lack of consistent investor interest has also kept prices subdued and at relatively steep discounts vs Gold. We have given a 'sympathy' upgrade to PGM forecasts as we expect the return of investment demand in Platinum and a reduced appetite from from paper shorts in Palladium. Mildly tighter than expected S&Ds on structurally lower primary supply while secondary supply will continue to struggle, at a time when demand recovers into a Central Bank cutting cycle, is only supportive in the very near-term.

PGM pricing remains contained-lower

investor interest & consumers remain relatively sidelined vs Gold/Silver



Source: Bloomberg, MKS PAMP

PLAT Comdty (PLATINUM SPOT $/OZ) Plat Pall Rhod comp2 Weekly 11OCT2013-28MAR2024 Copyright© 2024 Bloomberg Finance L.P. 28-Mar-2024 12:23:00