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REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 3RD QUARTER 2019

1 October 2019, Prague – The third quarter 2019 was **one of the highlights** for the precious metals market **over the last decade**. The metal, which played a major role, was again gold. Our expectations that **this year as well as the following years** shall be the years of gold are being fulfilled.

Gold reached its highest value at the beginning of September by exceeding the limit of 1,550 USD per ounce troy. **But there is still enough space for its further strengthening**. Let us not forget that its highest price was hovering around 1,900 USD per ounce troy, which corresponds to the price from 2011. It is clear that during the next gold rally, which may occur very soon, the dollar **peak from 2011 shall be exceeded**.

What brings gold to the forefront?

Low government bond yields. Government bonds are one of safe harbours. Currently, however, they bear no yields; or more precisely, creditors pay the state for borrowing their money by a growing number of bonds. Nowadays, the bonds worth nearly 17 trillion US dollars, i.e. nearly a third of the global debt market, have negative returns.

Low interest rates. The US Federal Reserve began again to lower its interest rates in an attempt to avoid recession. However, there is not much space left, interest rates amount to one percentage. But this is no longer a US story. Other central banks – European Central Bank, Bank of England, Bank of Japan, Australia, New Zealand, Brazil, Russia, India, China, Hong Kong, South Korea, Indonesia, South Africa and Turkey – also release their monetary policy.

Trade war between the US and China. Currently, gold benefits from ongoing skirmishes between the US and China. There is a very real threat of introduction of trade tariffs against European car makers which would harm mainly the strongest EU economy – Germany. It would drag smaller economies in Europe into recession.

Above all, these three reasons resulted in **accelerating purchases of gold** by central banks. They are trying to get rid of dollar reserves while replacing them with gold. Russia and China participate massively in purchases while being joined by Hungary and Poland. Central banks bought almost 400 tons of yellow metal for the first quarter and they are supposed to buy more than 700 tons for the whole year. **The last year**, characterized as a year in which central banks realized **the largest purchases in the last 50 years, will be probably overcome**.

All of the above-mentioned reasons speak for gold. And neither of them seems to be solved or over soon; quite the contrary. The United States presidential election is to be held in one year, and it is clear that in the shadow of the election campaign, reckless actions and statements of Donald Trump will escalate rather than moderate. **There is nothing normal about the situation when a creditor must pay for lending money to someone**. It has never happened before, and **it certainly does not prove normality of the current financial system. Central banks should set an example**. They ensure themselves by increasing purchases of gold.

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Precious metals in the third quarter 2019

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,557.25	19.62	996.00	1,702.00
Date	04-09-2019	04-09-2019	04-09-2019	30-09-2019
Lowest price USD/oz	1,381.75	14.875	805.00	1,375.20
Date	01-07-2019	05-07-2019	09-07-2019	02-08-2019

Gold – it followed its growth trajectory. The metal had been strengthening for the entire quarter while overcoming the limit of 1,557 USD per troy ounce. The main price accelerator at the beginning of September was a fall in the stock market – Dow Jones index was near the limit of 26,000 points. This limit had not been broken, therefore the price of gold stabilized around the level of 1,500 USD per troy ounce. We are still far away from maximum prices and it means that there is significant room for additional growth. Our recommendation is to keep and buy gold.

Silver – the silver, which exceeded the limit of 19,50 USD per ounce, while failing to break a psychological barrier of 20 USD, moved hand in hand with gold. Silver is caught in a vice. On the one hand, it is pushed by the rising price of gold, and on the other hand, it is inhibited by fears of the onset of the recession of the world economy. Our recommendation for the next quarter is to keep it, not to sell.

Platinum – it responded to the announcement of Sibanye-Stillwater, one of the biggest platinum miners in South Africa, that due to optimization of mining, they are going to lay off up to 5,000 employees and limit the mining in unprofitable mines. However, this loss on the supply side did not contribute to breaking the boundary of 1,000 USD per ounce. Jewellery is the current hope for platinum. Chow Tai Fook, one of the biggest sellers of jewellery in China, is to present its pure platinum collection. Its success could trigger the growth in popularity of platinum jewellery throughout Asia, which would subsequently affect the demand for this metal. Our recommendation is to keep the platinum.

Palladium – it keeps on benefiting from the decline of diesel engines and their replacement by petrol engines. It benefits from hesitations of traditional car makers the future course of the industry – whether towards electric or hydrogen-powered motor vehicles. Even here, however, the price will be influenced by fears of a global economic recession followed by the decline of car sales. China, which had tightened its emission limits, helped the price of palladium in September. Therefore, a greater demand for metal is expected. Despite this legislative pressure, we expect that the price will no longer sharply strengthen. Therefore, our recommendation is to sell the palladium.

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