REPORT ON THE GLOBAL PRECIOUS METALS MARKET FOR THE 1ST QUARTER 2020

2 April 2020, Prague – the first quarter of 2020 will certainly enter history. **March** was clearly a month that **precious metals** do not remember. Especially its second and third week were unique. On 6 March, the gold exceeded the threshold of USD 1,700 (such a high price was last recorded at the end of 2012, i.e. more than 8 years ago), then, within 10 days, its price fell to the threshold of USD 1,450 per ounce. Gold lost 17%, but by the end of the month it increased again by 10% to the limit of USD 1,600.

However, **volatility** of precious metals was **very low compared to the precious metal market**. Shares lost more than 30% during the week. Their price then slightly strengthened again, but still loses more than 20%.

The main reason for this storm in the markets is known to all of us. It is COVID-19. **Fear of the consequences of a pandemic**, which had hit the industrial area of China first, then spilled over to Europe, and at this moment, we can see the onset of the disease in the US, **provoked panic in the markets and the subsequent fall in stocks**. And finally, it reflected in the price of precious metals. **Investors tried to cover their losses on shares** by selling their profitable positions in gold. **We have experienced the similar situation in 2008** when all the investments – shares as well as precious metals – fell after the financial crisis in the US. However, the shares continued to fall, **gold**, on the other hand, has made its graceful **journey to a historic high** – value of USD **1,900** per troy ounce. Nowadays, the same scenario is likely. A certain slowdown in the economy has been expected for quite a long time, therefore, gold has already been strengthened by 19% during the last year, however, nobody expected the economy to stop completely.

Car makers, drivers of mainly European economy, stopped their production, and there are closed hotels and restaurants across countries. Planes fly sporadically, and all industries that have been associated with globalization are faced with great losses. Nobody can count how huge they will be. Real estate prices are expected to fall sharply. Especially owners who rented them only for a short time e.g. to tourists may end up in great trouble. If they have a mortgage while working in the automotive or aerospace industry, their situation will be even more difficult.

Shares of European banks are at very low levels, the risk of outstanding loans is enormous. Governments across continents are still declaring an unlimited supply of money to the economy. But it is the money covered only by faith that we will gain some value for it, nothing more. This faith is now severely shaken. Immediately after the fall of the markets, people around the world rushed into buying precious metals and mainly gold. German journals showed queues of people in front of the physical gold shops. The gold in the stores was disappearing before the eyes. And at the very moment when refineries were receiving orders in the usual monthly volumes, the regional government of the canton of Ticino, which is on the border with Italy‘s most affected area, decided on closing all the enterprises that do not provide vital production. At that moment, physical gold seemed to disappear. Most e-shops and other vendors shut down their stores while stopping to sell or even fix investment metals. At that time, it turned out what companies are really connected to the refineries and what companies only declare to be connected while buying from intermediaries.

IBIS InGold can be proud that **even in the most critical moments** they didn‘t **stop making payments to their clients** that were coming to regular savings and **fix them, and thus, they can continuously benefit from the averaging effect of the price** that is so important right now – in times of great price fluctuations. The PAMP Refinery was forced to temporarily close its production while leaving the opportunity to order and fix the price open. Their direct partners could thus continue to order and fix the price covered by physical gold, and they were able to pass that advantage over to their customers.

At this moment, it is very difficult to estimate the development of prices of investment metals. But one thing is clear. **These days, the difference between physical and paper gold** – i.e. gold which is traded primarily on stock exchanges and is covered only by promises of the companies emitting these papers – is being revealed. The price of an ounce investment coin on auction portals is above USD 2,000, however, the price of gold on the stock exchange is about USD 1,600. It means that **the benefit of holding the actual physical gold is valued at USD 400 per ounce**. It is almost 13,000 USD per kilogram – i.e. **25% mark-up for being the owner of the real gold. The price of gold on the stock exchange will be directed to these values**. The buyers just need to make it clear **that the real gold is just one and no paper can replace it**.

Precious metals in the first quarter 2020

	Gold	Silver	Platinum	Palladium
Highest price USD/oz	1,703.00	18.9675	1,110.00	2,872.50
Date	06-03-2020	24-02-2020	24-01-2020	27-02-2020
Lowest price USD/oz	1,451.50	11.8050	564.00	1,495.00
Date	16-03-2020	16-03-2020	16-03-2020	16-03-2020

Gold – it experienced a very turbulent quarter. 17% price fluctuations during one trading week are unique. For the further development, it is important that the gold prices would stay above USD 1,630 and subsequently would exceed USD 1,705. After breaking this technical barrier, the gold has an open way up. It is important, however, to monitor the price in the currency in which it is invested in gold. Gold records its peaks already in many world currencies.

Silver – was not able to recover so quickly from the steep decline in mid-March as gold, and it remains below USD 15 an ounce. However, the demand for physical metal is still large, and it could drag its prize up despite the concerns of massive outage of industrial production. However, we must keep in mind that the demand from industry accounts for 50% of the total demand for silver, which has an impact on its price.

Platinum – is very sensitive to the development of demand from the automotive industry. With its current outage, the prospects of platinum are not too rosy. Its further use in jewellery is now also threatened. In fact, the decline in demand for jewellery products that are residual goods is expected.

Palladium – despite a large decline – below USD 1,500 per ounce – was able to return to the price of USD 2,200 while managing to maintain the similar development as gold. Even here, it will be important how the situation in the automotive industry develops and whether all the big carmakers really open their production plants after Easter, as they declare now. The carmakers found stopping of production quite useful because at the end of 2019 they produced most of their cars for stock and sales were difficult to find. Almost a month's shut-down was quite convenient for them. The second question is how deep the slump of the economy will be, and if the sales of new cars start at all.

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