ICBC Standard Bank

ICBCS Precious Metal Market Outlook

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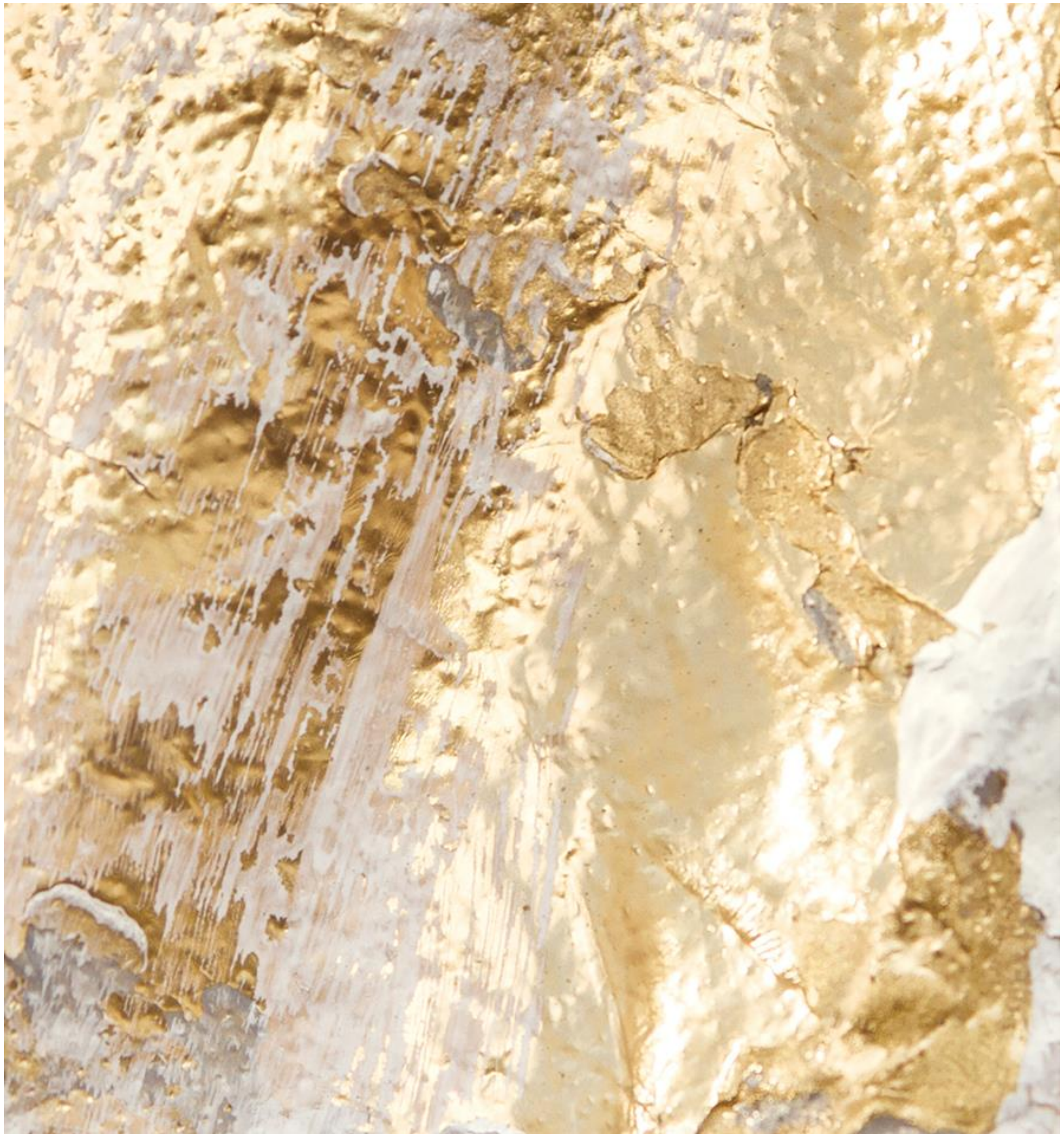
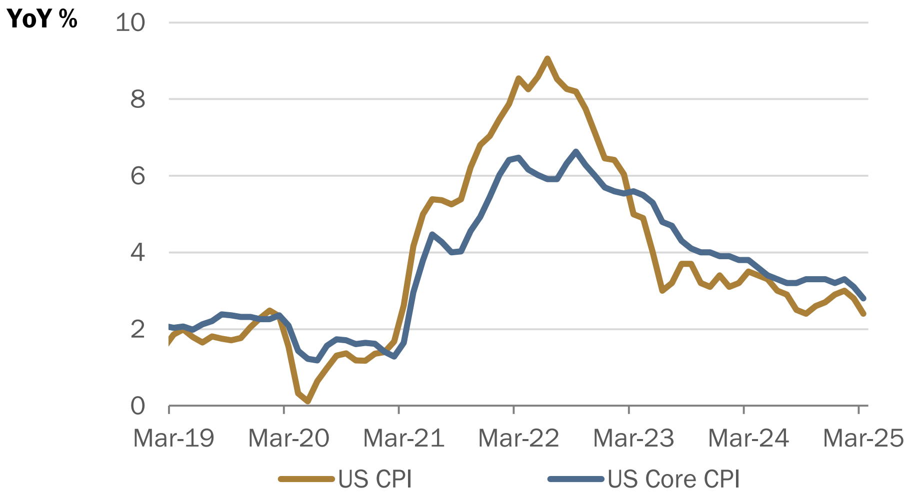
May 2025



Global Economic Outlook

PUBLIC

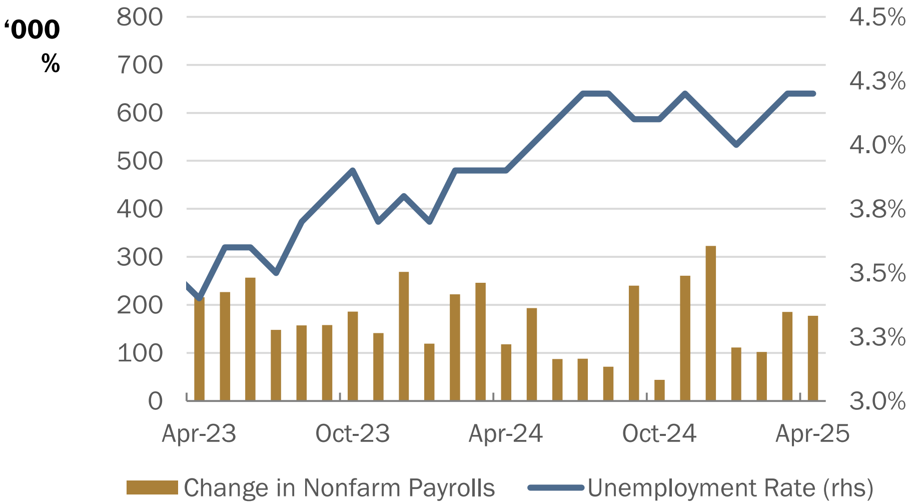
Trump's tariff uncertainties have not yet had a big impact on hiring plans



Source: Bureau of Labour Statistics

US CPI

- The US inflation slowed sharply in March, reflecting the inflationary pressures are gradually easing ahead of Trump's aggressive trade moves.
  - The CPI for March 2025 increased by 2.4% year-on-year, down from 2.8% in February. This easing of inflation was driven by a significant drop in energy prices, particularly gasoline. Month-to-month, the CPI fell by 0.1%.
  - Core CPI increased by 2.8% year-on-year in March, marking the smallest annual rise since March 2021. On a month-to-month basis, the core CPI rose by 0.1% in March, following a 0.2% increase in February.



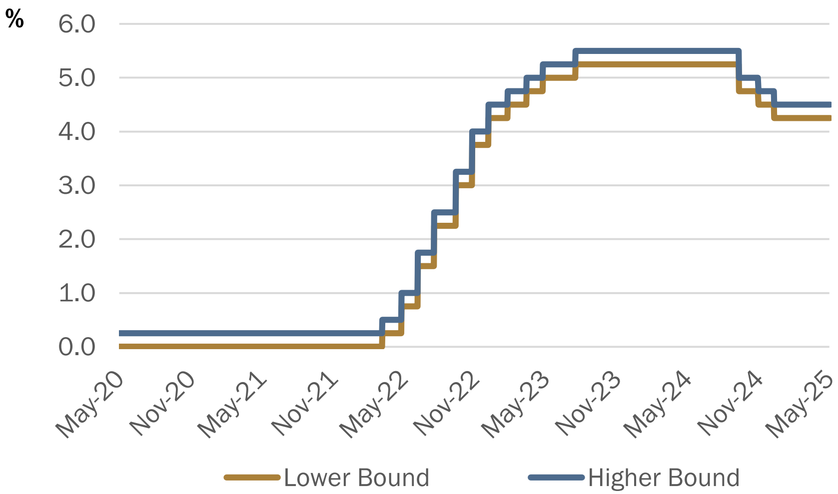
Source: Bureau of Labour Statistics

NFP and the Unemployment Rate

- In April, the US saw relatively strong job growth and a stable unemployment rate, indicating that the labour market remains robust and the uncertainty surrounding Trump's trade policies has not yet had a substantial impact on hiring.
  - The US added a better-than-expected 177,000 jobs in April, down slightly from a revised 185,000 in March and came in above economists' expectations for a modest 138,000. The unemployment rate held steady at 4.2%.
  - Average hourly earnings saw a year-over-year increase of 3.9%, while month-over-month growth was at 0.2%, which is lower than both the expected and previous value of 0.3%.

PUBLIC

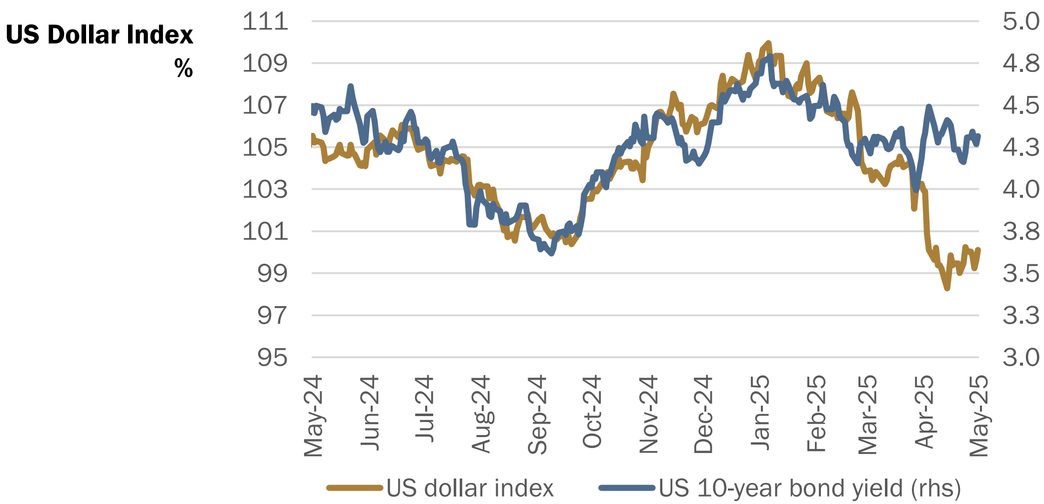
Trump's reciprocal tariffs led to US dollar index dropping to three-year low



Source: Federal Reserve

US Interest rate

- In early April, Trump indicated that he wanted to replace the Fed Chair for not cutting interest rates as quickly as he desired, which threatened the independence of the US central bank. However, a week later, Trump backed away from his criticism of Fed Chair Powell, stating that he had no intention of dismissing Powell.
- The US central bank kept interest rates steady (4.25-4.5%) at the May FOMC meeting but warned about rising economic uncertainties due to US tariffs. The US interest rates have been unchanged since a 25 bp rate cut in December last year. The Fed holds a hawkish stance towards future interest rate decisions and signalled the rate will likely remain unchanged until the impact of tariffs becomes clearer.



Source: Bloomberg

US Treasury yield and dollar

- On April 2, Trump ordered 10% global tariffs and higher reciprocal tariffs on certain countries, causing the US dollar to drop sharply. Investors feared that the tariffs would weaken US economic growth, increase inflation, and escalate global trade tensions, reducing the appeal of dollar assets. Later, the US postponed tariffs on countries other than China for 90 days and began negotiations, leading to a partial rebound in the dollar.
- Meanwhile, US 10-year bond yields remained relatively stable. Investors seek safe-haven assets amid trade tensions, which increased demand for Treasuries and lowered yields. Conversely, higher inflation from tariffs and expectations that the Fed would not rush to cut rates pushed yields higher. These opposing forces balanced each other, resulting in only minor yield fluctuations.

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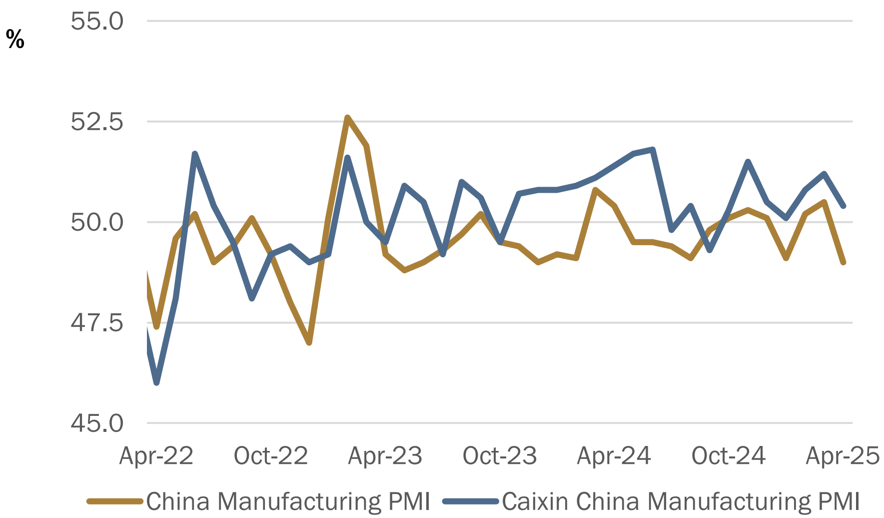
Tariffs lead to slowdown in China's manufacturing activity in April

Source: National Bureau of Statistics of China



Source: China Federation of Logistics and Purchasing

China's industrial production and retail sales

- Chinese industrial production grew much more than expected in March as continued economic support from Beijing helped local producers amid an escalating trade war with the US.
  - China's industrial output in March rose 7.7% from a year earlier, quickening from 5.9% growth in the January-February period. Retail sales grew 5.9% in March, up from 4.0% growth in the first two months, surpassing the 4.3% expectations.
  - Fixed asset investment expanded by 4.2%, compared with a 4.1% growth forecast. It grew 4.1% in the first two months of the year.

China's manufacturing PMI

- China's manufacturing PMI data for April shows the country's factory activity slipped into the worst contraction since December 2023 due to early damage from Trump's tariffs and prompting calls for further economic stimulus.
  - The official manufacturing PMI fell more than expected to 49 from 50.5 a month ago. Non-manufacturing activity, including construction and services, also grew less than anticipated.
  - China's Caixin Manufacturing PMI fell from 51.2 in March to 50.4 in April, beating an expected drop to 49.7. New orders rose only slightly; export orders dropped at the fastest pace since July 2023 due to US tariffs.

US-China tariff talks unlikely to achieve quick, mutually satisfactory deal

United States

VS

China

Tariff Situation

- On April 9, the US President announced a 90-day suspension of high reciprocal tariffs, imposing only a 10% base tariff, but increasing tariffs on Chinese exports to a maximum of 145%.

Negotiation Stance

- On April 22, the US President announced plans to reduce tariffs on Chinese goods, but not to zero. That week, the US repeatedly claimed to have engaged in tariff negotiations with China, which China denied.
- On April 30, the US Trade Representative stated that preliminary tariff agreements with some trade partners are expected within weeks, but no formal negotiations have been held with China.
- On May 7, US President Trump suggested China initiated the talk talks, adding his unwillingness to cut US tariffs on China.
- On May 12, The US and China issued a joint statement announcing a significant reduction in tariffs on both sides during a 90-day cooling-off period.

Tariff Situation

- On April 11, China's Ministry of Finance announced retaliatory measures, imposing a total tariff rate of 125% on US imports starting April 12.

Negotiation Stance

- On April 29, China's Ministry of Foreign Affairs released a video titled "Not Kneeling" on WeChat, indicating China would not compromise in the tariff dispute with the US
- On May 1, China stated that the US had reached out through multiple channels to discuss tariffs.
- On May 7, China's Ministry of Foreign Affairs announced upcoming talks with the US in Switzerland, initiated at the US's request. China reiterated its firm stance against the misuse of tariffs while expressing openness to negotiations.
- On May 12, the US and China issued a joint statement announcing a significant reduction in tariffs on both sides during a 90-day cooling-off period.

Source: ICBCS

Why China and other countries are unlikely to compromise with the US

- The US initiated the trade war by imposing steep tariffs-up to 145%, on Chinese imports, aiming to maximise leverage and force China to make concessions
- China responded with reciprocal tariffs of up to 125% on US goods, showing a firmer and more united stance.
- On May 12, the US and China slashed tariffs for 90 days after the two countries held talks in Switzerland.

- The US signals that China is eager to negotiate, creating time pressure to push other countries into quicker concessions.
- The agreement reached with China will set a precedent for subsequent negotiations with other countries, shaping expectations and limiting the bargaining room

US Tariffs

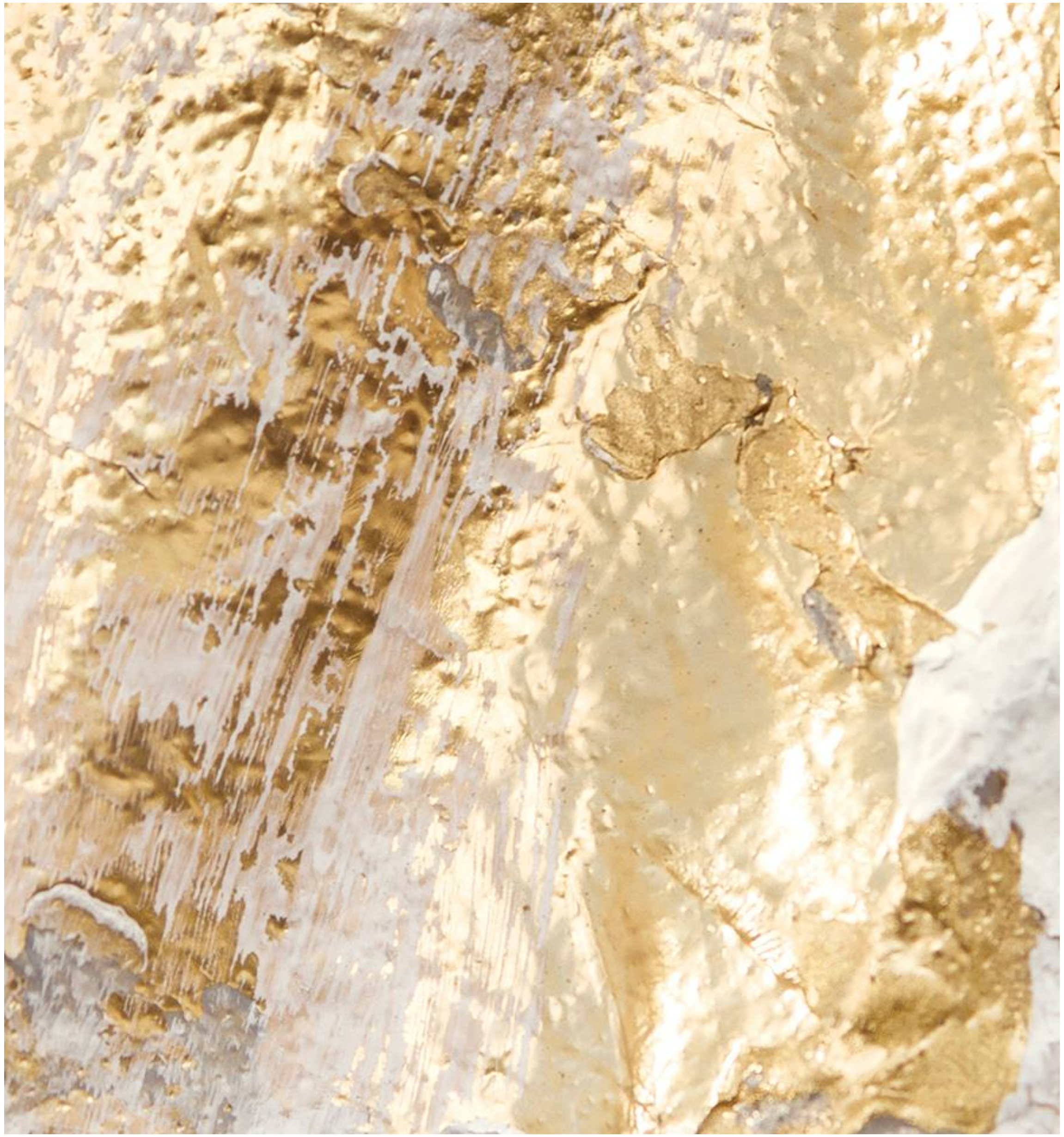
- If China were to make significant concessions, other countries would face less room to negotiate with the US
- The trade war has fuelled Chinese nationalism, strengthened social unity under "external threat," and increased public support for leadership.
- China is diversifying export markets, adjusting policies, and reducing reliance on the US to enhance resilience

- For other smaller economies, historical experience shows that even under strong pressure, they often resist rather than simply compromise (e.g., Sino-Japanese War, Vietnam War, Ukraine War).
- US-China trade negotiations will be prolonged and difficult, with little chance of a mutually satisfactory deal in the short term.

"If you want to fight, we will fight to the end; if you want to talk, our door is always open."

—— China

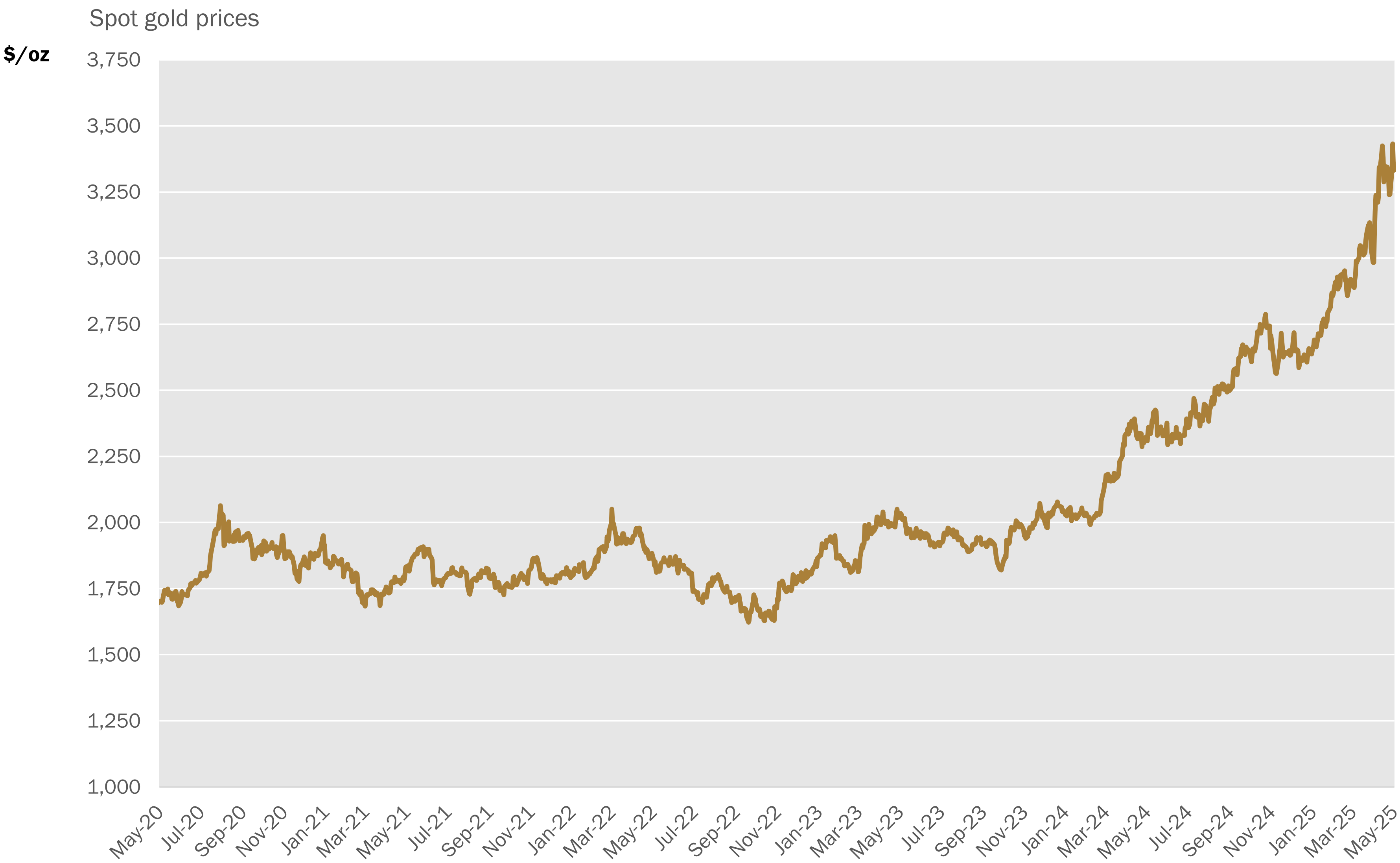
Source: ICBCS



Gold Market Analysis

PUBLIC

Gold prices hit new highs as Trump's tariffs boost demand for safe-havens

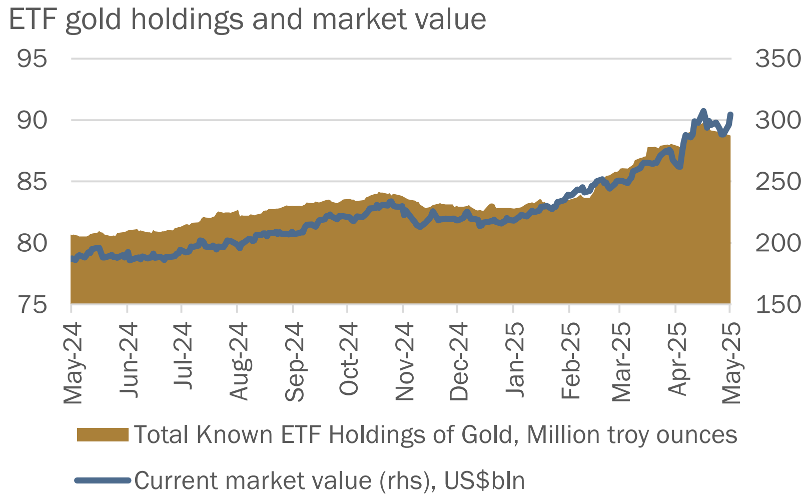


Source: Bloomberg

PUBLIC

China expanded its gold reserves for a 6th straight month in April

Million troy ounce
US$bln



Source: Bloomberg

Gold ETF saw strong inflows in Q1 2025

- In March, global physically backed gold ETFs saw strong inflows totalling US$8.6 billion, contributing to Q1 flows of US$21 billion (226 tons). This marks the second highest quarterly level in dollar terms, only behind Q2 2020. North America and Europe accounted for 83% of net inflows, with Asia contributing 16%. European inflows of US$4.6 billion in Q1 were the strongest since Q1 2020, pushing AUM to a record high of US$345 billion, a 13% increase in March and 28% through Q1.
- Collective gold holdings rose to 3,445 tons by the end of March, an increase of 92 tons for the month and 226 tons for Q1. This is the highest month-end level since May 2023, and just 470 tons shy of the record set in October 2020.

Million troy ounce
$/t

Source: Bloomberg, The People's Bank of China

PBOC increased gold reserves for the 6th straight month

- China has increased its gold reserves for the sixth consecutive month in April, adding about 70,000 troy ounces last month. Over the past six months, the People's Bank of China has accumulated nearly 1 million ounces (approximately 30 tons) of gold. This move comes as gold prices approach record highs, driven by central banks' efforts to diversify away from the US dollar amid ongoing trade tensions.
- The surge in gold prices, up nearly 30% this year, has been fuelled by rising investment demand and market instability caused by the US-led trade war. In China, investor interest in gold has spiked, with trading volumes on the Shanghai Futures Exchange reaching new records. The People's Bank of China has also issued new quotas for commercial banks to import more bullion to meet the growing demand.

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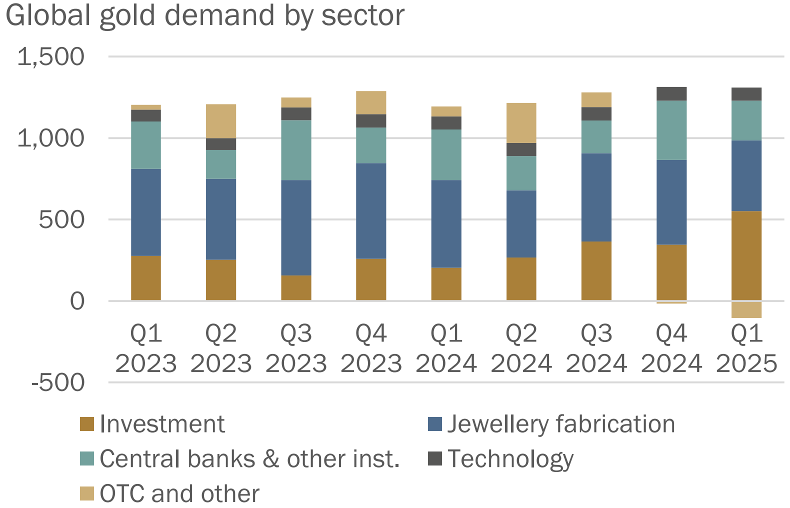
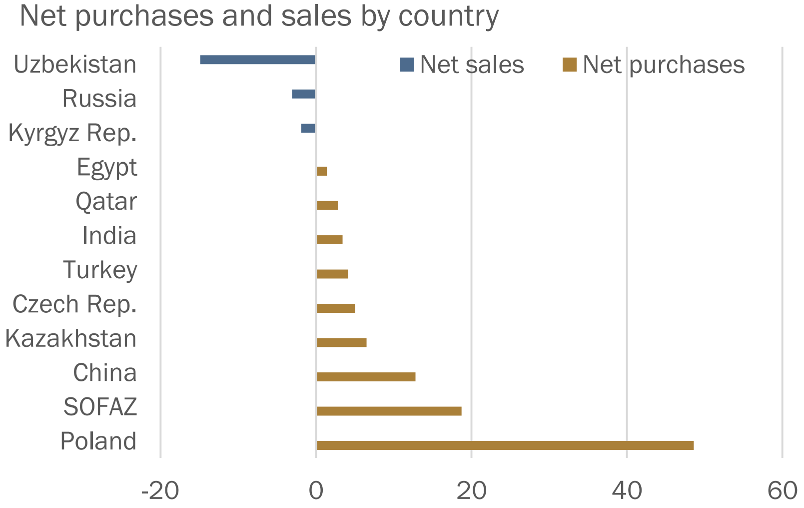
Central banks' gold demand continued to be strong in Q1 2025

Tonnes



Source: World Gold Council

Tonnes



Source: World Gold Council

Gold demand by sector

- According to the World Gold Council, global total gold demand reached 1,206 tons in Q1 2025, the highest since Q1 2016.
  - Investment demand surged to 552 tons, driven by a significant increase in ETF inflows, up 170% year-over-year.
  - Gold jewellery demand fell to its lowest level since the COVID-19 pandemic, although consumer spending on gold jewellery increased by 9% to US$35 billion in value terms.
  - Central banks purchased 244 tons of gold, maintaining a steady pace within the range of the past three years.
  - Technology demand held steady at 80 tons, supported by ongoing AI adoption.

Central Bank gold demand

- In Q1 2025, central banks continued their strong demand for gold, adding 244 tons to global reserves. Although this was lower than the previous quarter, it remained robust, exceeding the five-year quarterly average by 24% and only 9% below the average seen over the last three years of very elevated demand.
- In the first quarter, the National Bank of Poland is the leading gold buyer, adding 49 tons, followed by the People's Bank of China with 13 tons. Other notable buyers included Kazakhstan, the Czech Republic, India, Turkey, Qatar, Egypt, and Azerbaijan. On the selling side, Uzbekistan, Russia, and the Kyrgyz Republic were the main sellers, with modest reductions in their gold reserves.

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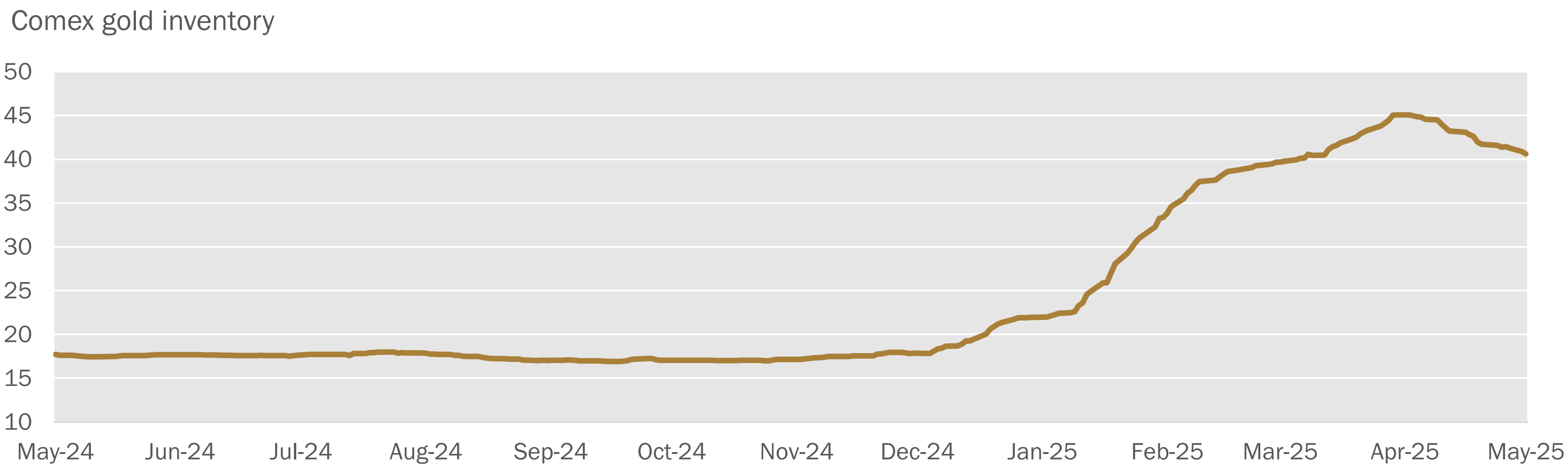
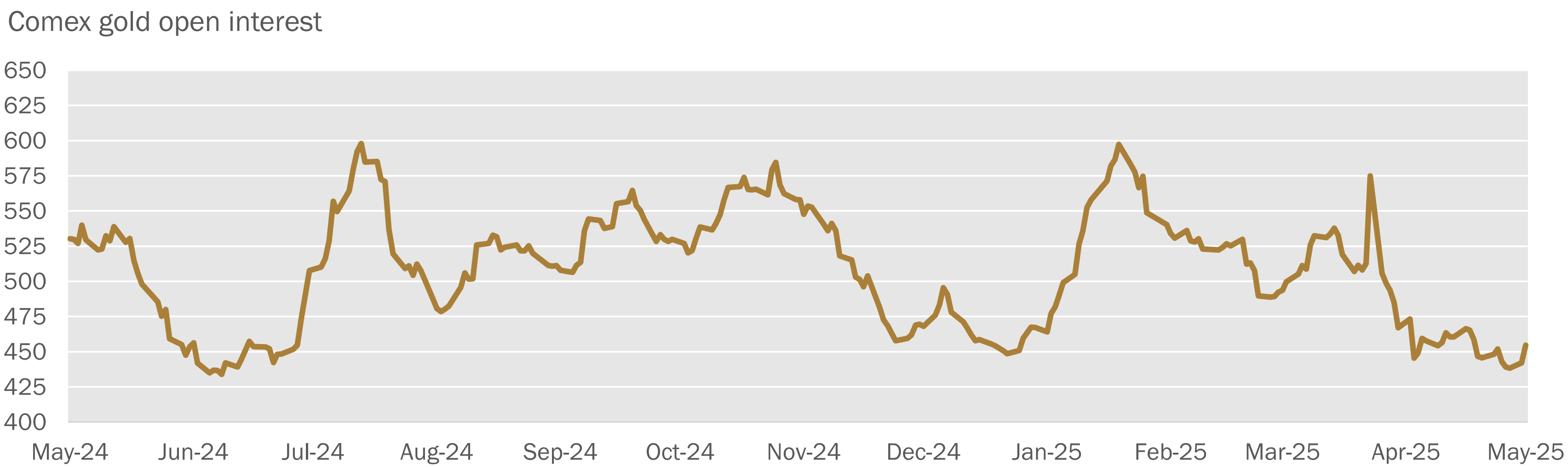
COMEX gold inventory declined as Trump's tariffs exclude precious metals

Million troy ounce



Source: COMEX

Number of contracts '000

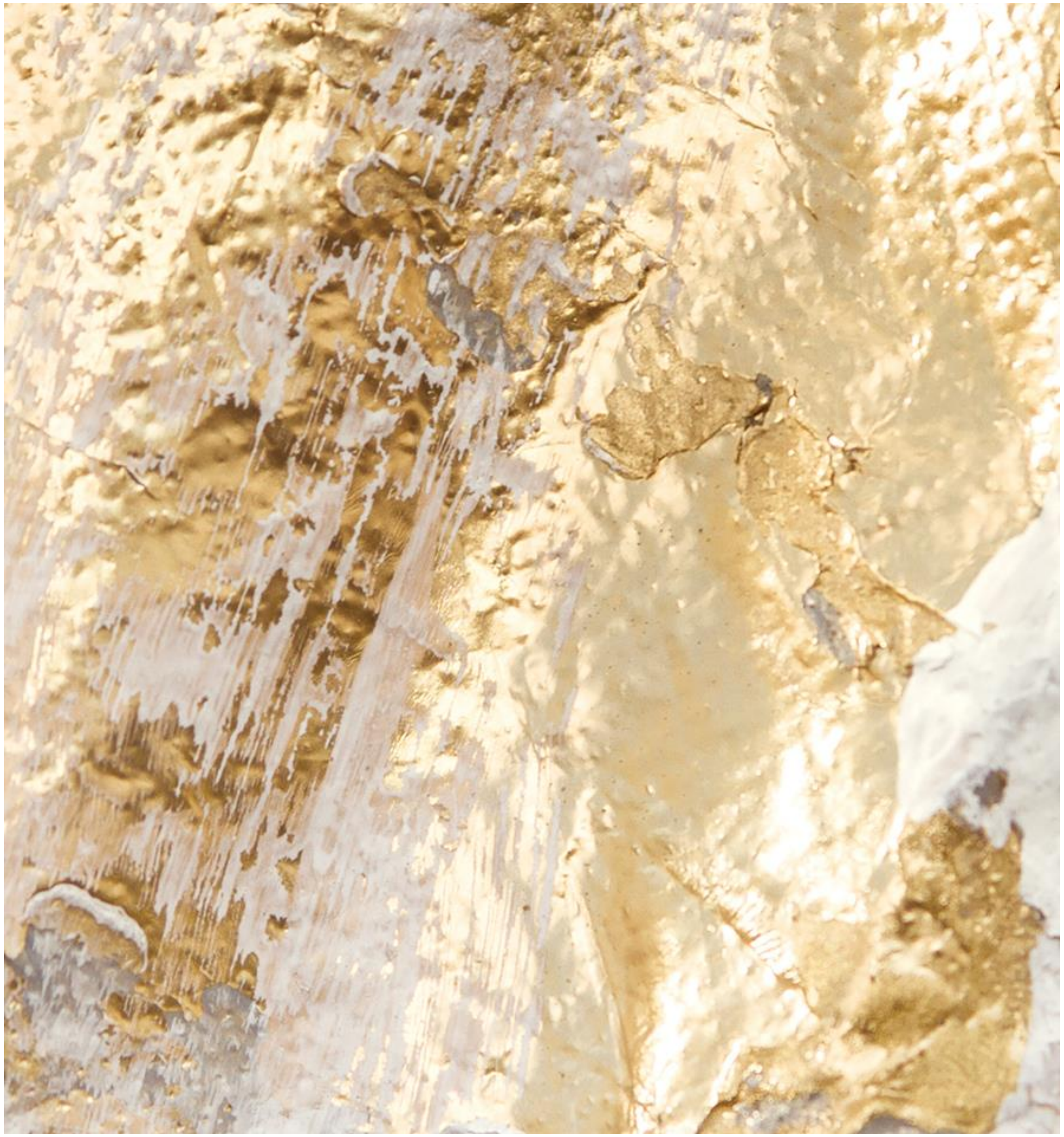


Source: COMEX

Gold price outlook

Short term	
Bullish	• Under the impact of US tariffs, China's manufacturing activity slowed in April, heightening market concerns about the Chinese economy. • The PBOC expanded its gold reserves for the sixth month in April despite record gold prices, highlighting its commitment to diversifying reserves. • After retreating from the historical high of 3500, gold prices have now exited the overbought zone, suggesting potential for further upside.
Bearish	• The US and China issued a joint statement announcing a significant reduction in tariffs on both sides during a 90-day cooling-off period. • Easing tensions between India and Pakistan also pressured safe-haven demands. • Fed kept interest rates unchanged at its FOMC meeting and holds a hawkish stance towards future interest rate decisions, causing US dollar to jump. • US jobs market remains robust in April and the uncertainty surrounding Trump's trade policies has not yet had a substantial impact on hiring.
Medium to long term	
Bullish	• Trump's tariffs and protectionist trade policies are expected to disrupt global trade, slow down global economic growth, and increase investor demand for safe-haven assets. • Tariffs will drive up US inflation, increase operating costs for domestic businesses, and potentially lead to higher unemployment rates, causing investors to shift away from US assets. • High geopolitical and economic uncertainty in 2025 suggests central banks' appetite for gold as a store of wealth and hedge against risk shows no signs of slowing.
Bearish	• Beijing is expected to release more stimulus measures this year to boost domestic demand and meet its 5% GDP target, especially under Trump's tariffs. • If Trump ultimately reaches an agreement with trade partners to significantly reduce tariffs, improving market sentiment could lead to a decline in gold prices.

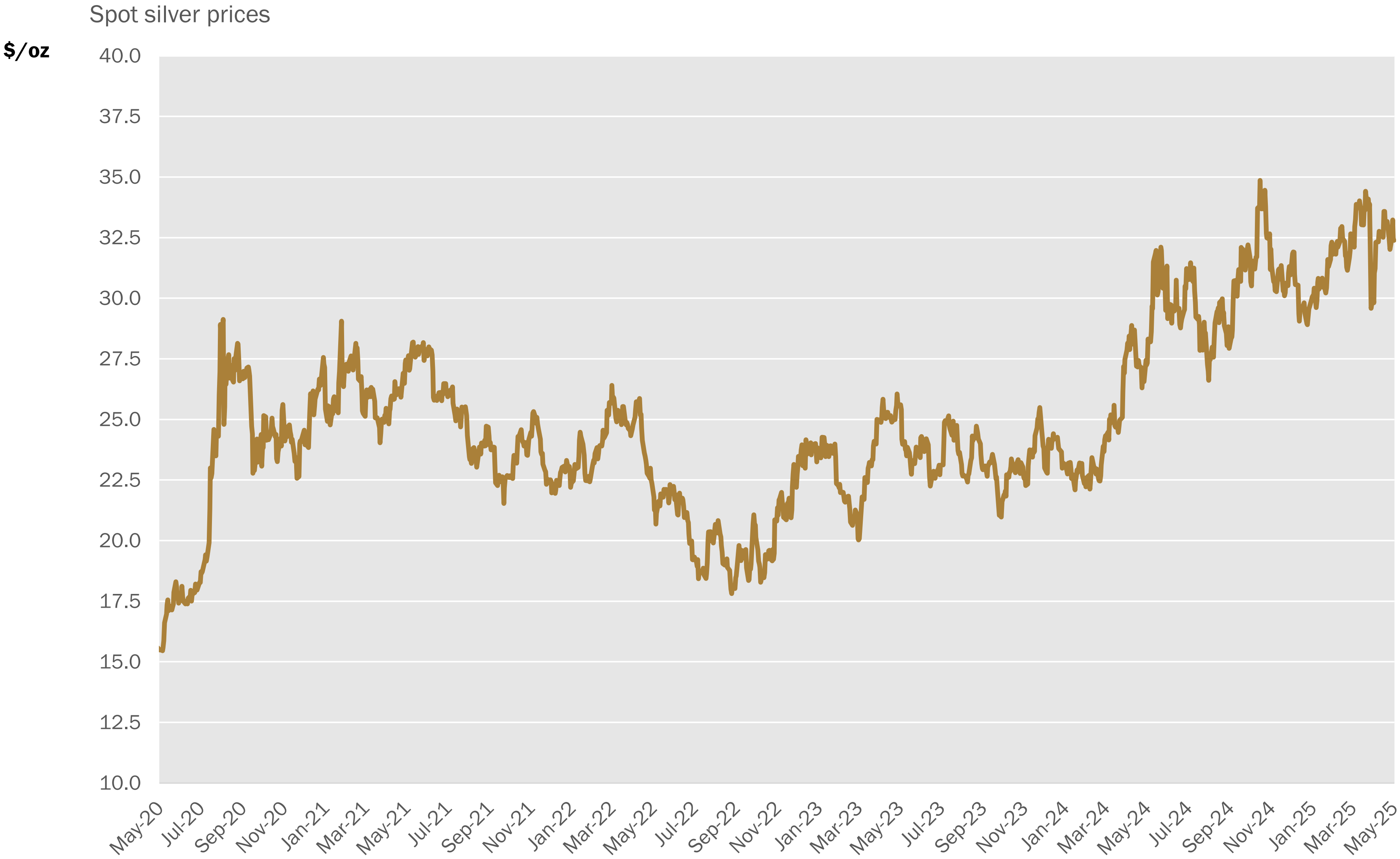
Source: ICBCS



Silver Market Analysis

PUBLIC

Silver prices continue volatile trend amid uncertain economic outlook

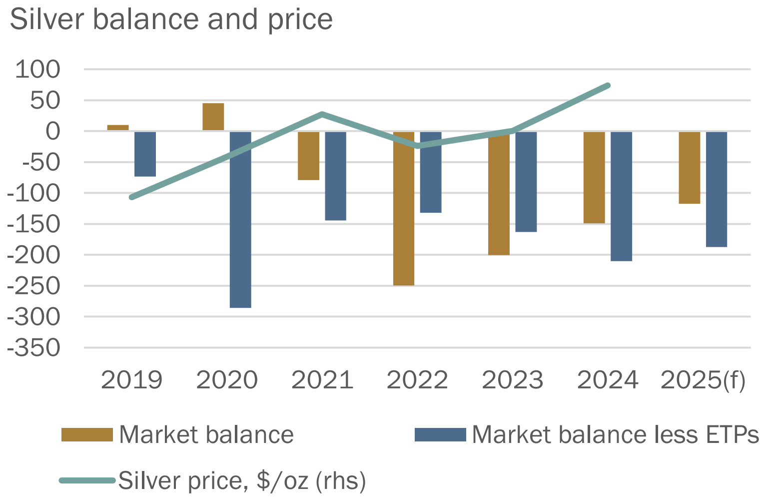


Source: Bloomberg

PUBLIC

The global silver market saw its fourth year of a major deficit in 2024

Million ounces
$/oz

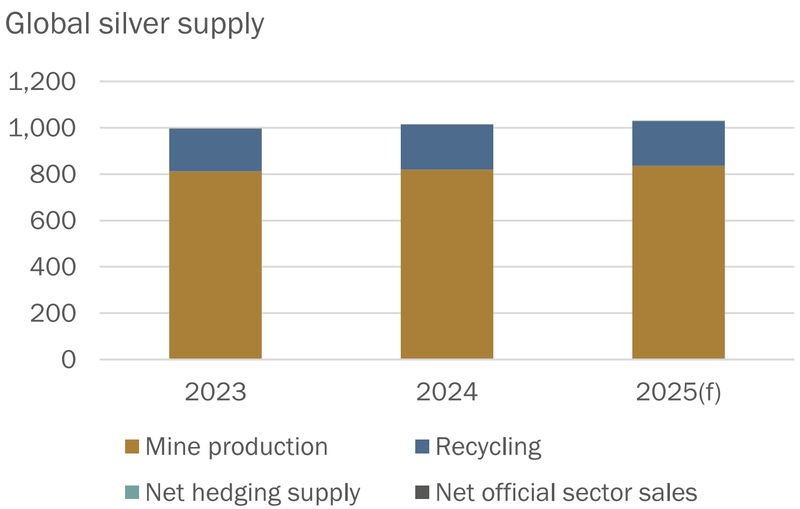


Source: The Silver Institute

Silver balance and price

- According to the World Silver Survey 2025, silver's underlying fundamentals remained strong, marking its fourth consecutive year of a significant deficit in 2024. Additionally, favourable macroeconomic and geopolitical conditions boosted investment, pushing the annual average silver price to its highest level since 2012.
- Notwithstanding these developments, some investors were disappointed with silver's price performance relative to gold. This mainly reflected elevated geopolitical and policy uncertainty being mostly supportive of gold's more widely accepted quasi-monetary properties. Plentiful above-ground stocks and caution towards industrial metals in general also curbed silver's upside.

Million ounces



Source: The Silver Institute

Global silver supply

- Total silver supply increased by 2% last year, with global mine production rising by 0.9% year-on-year. This growth was primarily driven by the recovery in Mexico, where Newmont's Peñasquito mine resumed full production after a temporary halt in 2023. Production also increased in Australia, Bolivia, and the US, although these gains were partially offset by reduced output from other countries, especially Chile.
- Recycling saw a 6% increase, reaching a 12-year high. The largest contribution came from industrial sources, mainly due to the processing of spent ethylene oxide (EO) catalysts. Recycling of silverware and jewellery also surged, driven by high silver prices and a weakening economic environment, particularly in Western countries.

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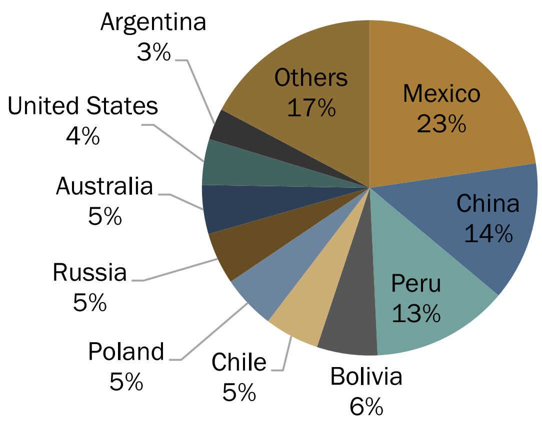
Silver demand remains historically high in 2024 despite a slight decline

% of total

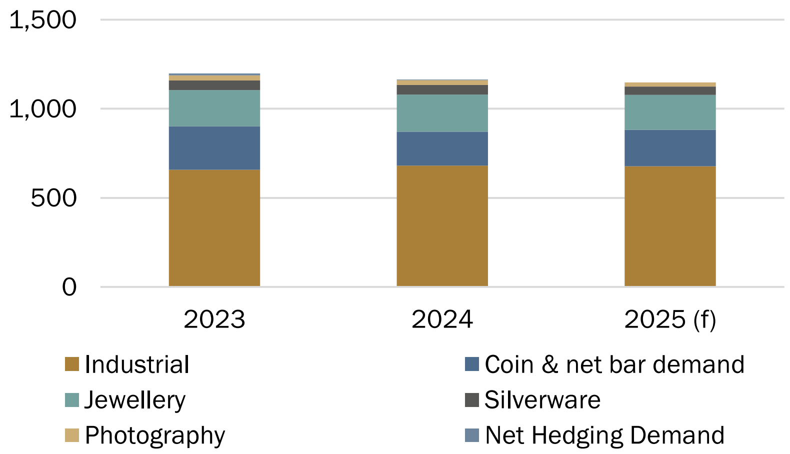
Silver mine production by country, 2024



Source: The Silver Institute

Million ounces

Silver demand by end-use



Source: The Silver Institute

Silver mine production by country

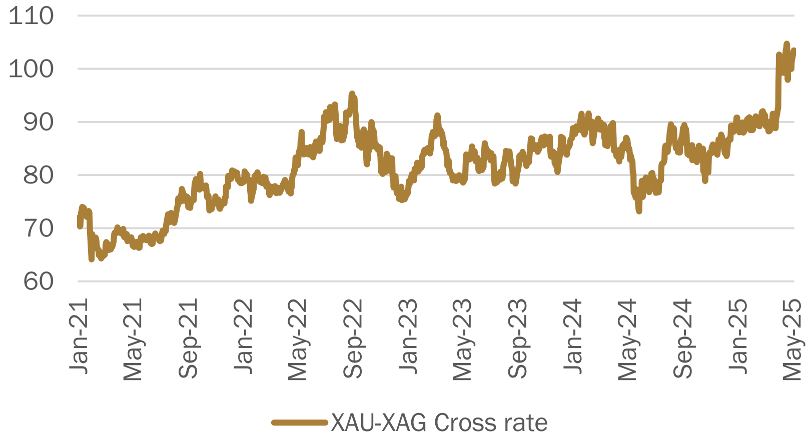
- According to data from the Silver Institute, the largest silver mine producers last year were Mexico, China, and Peru, accounting for 23%, 14%, and 13% of total production, respectively. Global silver mine production is expected to increase by 1.9% this year, with most of this growth coming from Mexico.
- This year, silver mine production is also expected to increase in several countries, including Chile and Russia. Chile's output is predicted to rise due to higher production levels, while Russia's supply is forecast to grow as new sources come online. Conversely, production in Australia and Peru is expected to decrease, with reduced output from key mines. Meanwhile, China's silver mine production is anticipated to remain nearly unchanged year-on-year.

Silver demand by end-use

- In 2024, total silver demand remained historically high despite a 3% decline. Industrial demand continued to be strong, driven by growth in the green economy and applications related to artificial intelligence. However, overall industrial demand growth slowed from 11% in 2023 to 4% last year due to notable thrifting within the PV sector.
- Jewellery fabrication saw a modest 3% increase, largely due to recovery in India and gains in Thailand. These gains were offset by a significant 22% drop in bar and coin demand. Silverware demand weakened by 2%.
- In 2025, global silver demand is expected to decrease by 1%, with silverware demand dropping by 15%, primarily due to reduced demand in India.

Silver struggles to keep up with gold and gold-silver ratio soars above 100

The gold-silver ratio has broken above 100



Source: The Silver Institute

Silver's price increase lags behind gold

- The historical range of the gold-silver ratio was 45-80, but this was broken in 2022. The ratio moved sideways between 80:1 and 90:1 over much of 2024. In April this year, as Trump announced reciprocal tariffs, gold surged significantly while silver continued to trade in a narrow range, causing the ratio to soar above 100.

- The traditional gold-silver ratio seems to have failed, and the divergence in the trends of the two metals appears to be a foregone conclusion. Geopolitical conflicts and trade wars led to a significant increase in central bank gold purchases, benefiting gold but not silver. Additionally, while silver benefits from industrial demand, this support is insufficient to close the performance gap with gold.

Gold vs. Silver: Key differences affecting price performance

Gold

- ***Central Bank Demand:*** Significant increase in purchases, especially after geopolitical events.
- ***Price Stability:*** More stable due to its status as a safe-haven asset.
- ***Storage and Transport:*** Easier to store and transport due to higher value density.
- ***Chemical Stability:*** Does not tarnish, making it ideal for long-term storage.
- ***Market Recognition:*** Widely recognized and held by central banks as a reserve asset.

VS

Silver

- ***Industrial Demand:*** Driven by sectors like solar energy and electronics.
- ***Price Volatility:*** Higher due to its industrial uses.
- ***Storage and Transport:*** Requires more space and is less convenient.
- ***Oxidation:*** Prone to tarnishing, affecting long-term storage.
- ***Market Recognition:*** Not widely recognized as a reserve asset by central banks.

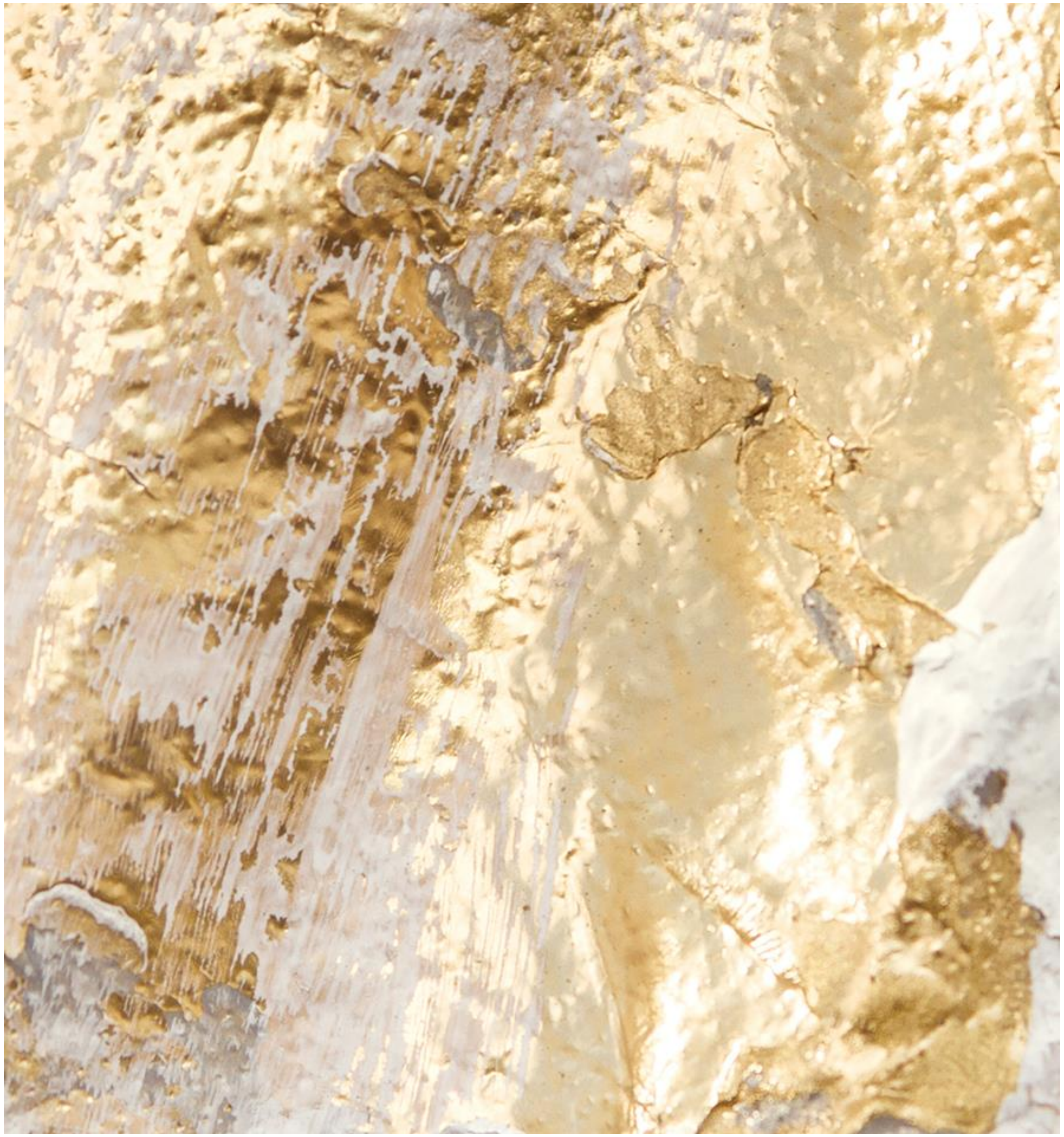
Source: Various sources

PUBLIC

Silver price outlook

Short term	
Bullish	• The Silver Institute forecasts that the global silver market will continue to experience a shortage in 2025, although the deficit will be smaller compared to last year. • Trump's tariffs are expected to drive inflation higher, and with gold prices near historical highs, investors may turn to silver to protect their assets.
Bearish	• Trump's tariffs do not include precious metals, ensuring an uninterrupted silver supply chain and easing market concerns about supply shortages. • The Fed holds a hawkish stance towards future interest rate decisions and signalled the rate will likely remain unchanged until the impact of tariffs becomes clearer. • Under the impact of US tariffs, China's manufacturing activity slowed in April, hurting the silver demand outlook as an industrial metal. • China's silver imports have significantly declined after jumping in June last year.
Medium to long term	
Bullish	• To counter Trump's tariffs, China will implement more economic stimulus policies to boost domestic consumption, and increased industrial activity will benefit silver demand. • Silver is indispensable in industries such as solar panels, electric vehicles, and electronics, and the continued growth of these sectors will drive future demand for silver.
Bearish	• Silver's higher volatility, lower liquidity, and tendency to oxidize make it less likely to benefit from strong central bank demand compared to gold. • The market has gradually become accustomed to the higher gold-to-silver ratio and no longer sees silver as significantly undervalued, making it harder for silver prices to catch up with gold.

Source: ICBCS

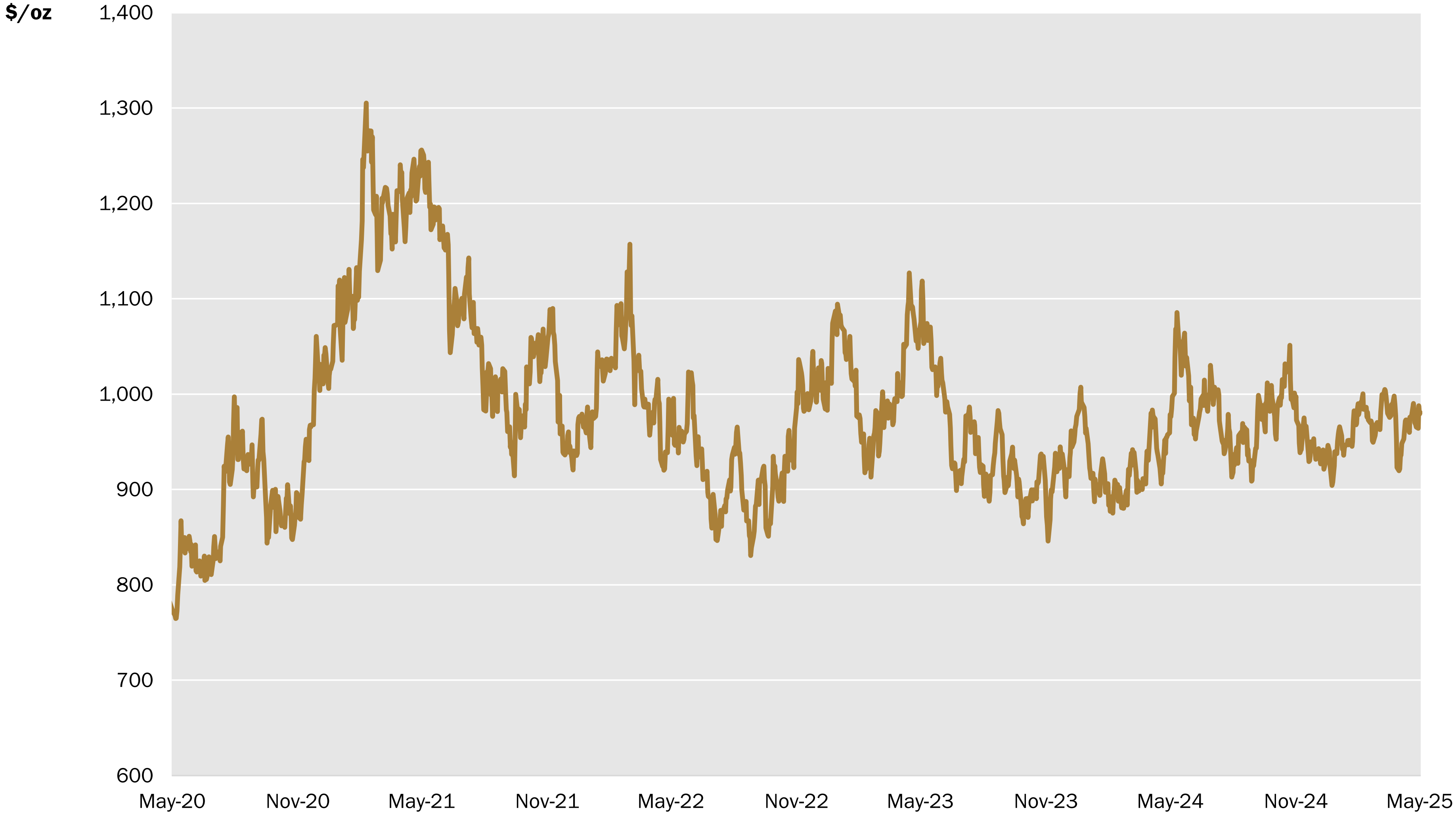


Platinum Market Analysis

PUBLIC

Platinum trades in a tight range due to market deficit and recession fear

Spot platinum prices

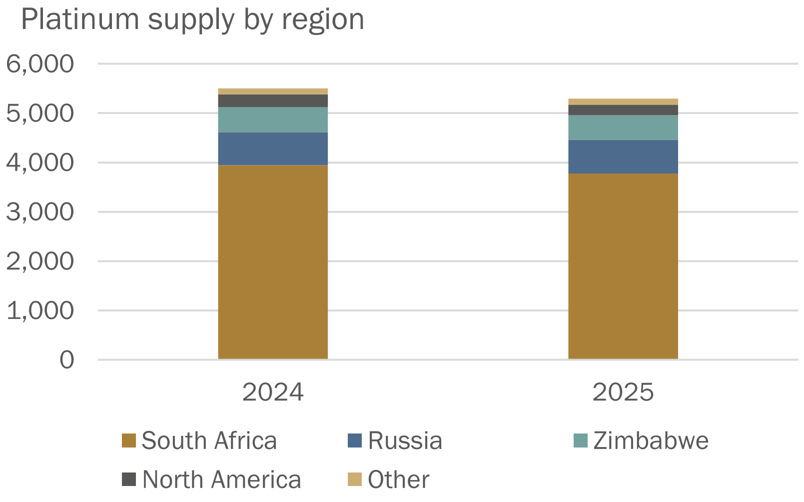


Source: Bloomberg

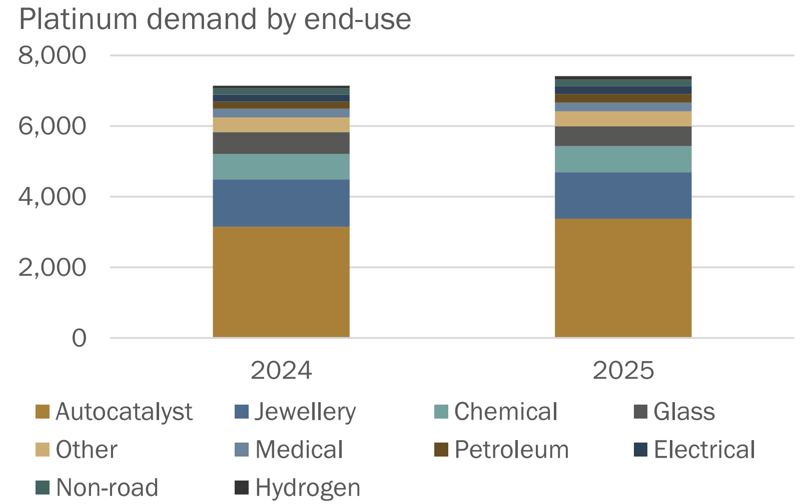
PUBLIC

Global Pt market is set for its third consecutive year of deficit in 2025

'000 ounces

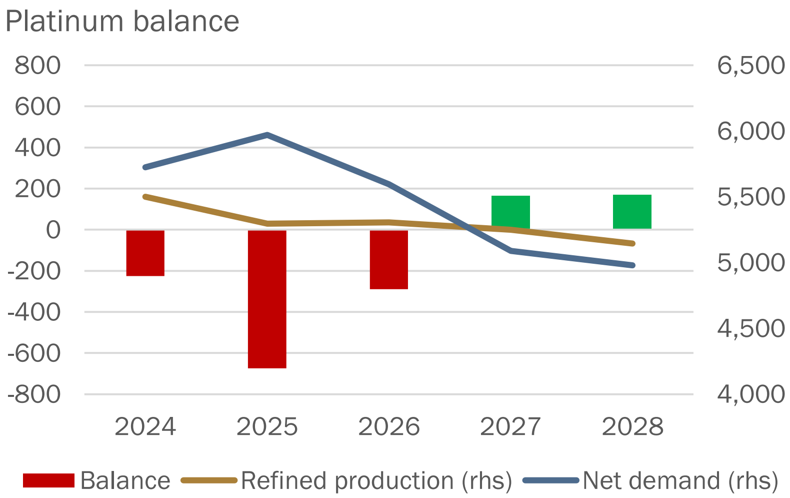


Source: SFA Oxford



Source: SFA Oxford

'000 ounces



Source: SFA Oxford

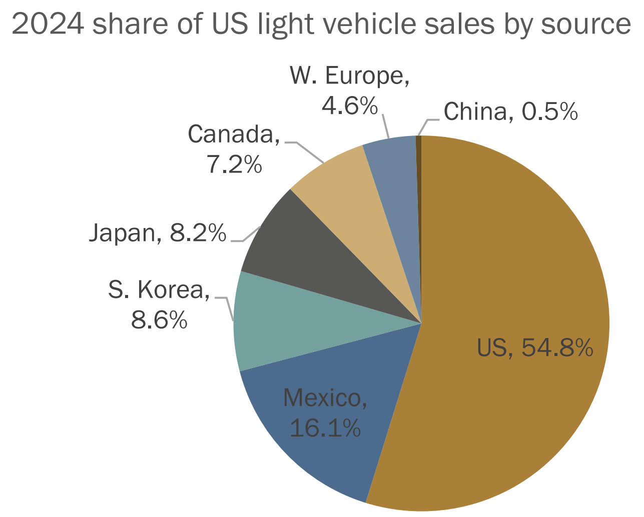
Platinum supply and demand

- The global platinum market is set for its third consecutive year of deficit in 2025, with a shortfall of 675,000 ounces. As supply increases and demand declines, the deficit in 2026 is expected to narrow to 290,000 ounces.
- Platinum refined production is expected to decrease by 4% in 2025, reaching 5.3 million ounces. North American production will see the most significant decline, with a 15% year-on-year reduction. Additionally, in 2025, 1.44 million ounces of platinum production will come from recycling.
- In 2025, global platinum demand is projected to rise by 3.9% to 7.4 million ounces. The hydrogen sector will see the highest growth at 35.7%, though its total demand is only 95,000 ounces. The autocatalyst and jewellery industries will dominate, making up 46% and 18% of the total demand, respectively.

PUBLIC

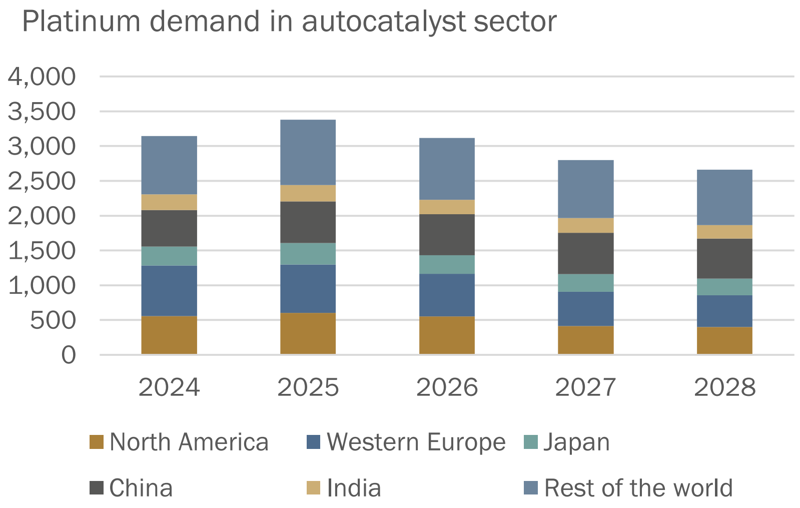
Vehicle production to decline in the exporting country due to US tariffs

%



Source: SFA Oxford; GlobalData

'000 oz



Source: SFA Oxford

Trump's tariff on imported cars to reduce vehicle production and PGM demand

- Earlier this year, President Donald Trump signed a proclamation announcing a 25% tariff on imported automobiles and certain auto parts. The measures took effect on the 3rd of May.
- According to SFA Oxford, the US primarily imports automobiles from Mexico, South Korea, Japan, Canada, and Western European countries. Following the imposition of the tariff, car production in the exporting countries is assumed to decline by an amount equivalent to the lost sales in the US.
- On May 8, the United States reached an agreement with the United Kingdom. The US will reduce the import tariff on British cars from the original 25% to 10%. Additionally, the US will ease tariff measures on British steel and aluminium products.

Trump's tariff on imported cars to reduce vehicle production and PGM demand

- In this scenario, the loss of approximately 1 million units in car production due to US tariffs will indirectly lead to a decline in global autocatalyst demand for platinum group metals (PGM), equating to a drop of approximately 150 koz in 2025, rising to around 180 koz in 2026.
- SFA Oxford forecasts that autocatalyst demand for platinum will reach 3.38 Moz this year. However, with the decline in traditional vehicle production and the rise of new energy vehicles, this demand is expected to decrease to 3.12 Moz next year, with the largest reductions occurring in Western Europe and Japan. Furthermore, global autocatalyst demand for platinum is projected to continue declining in 2027 and 2028.

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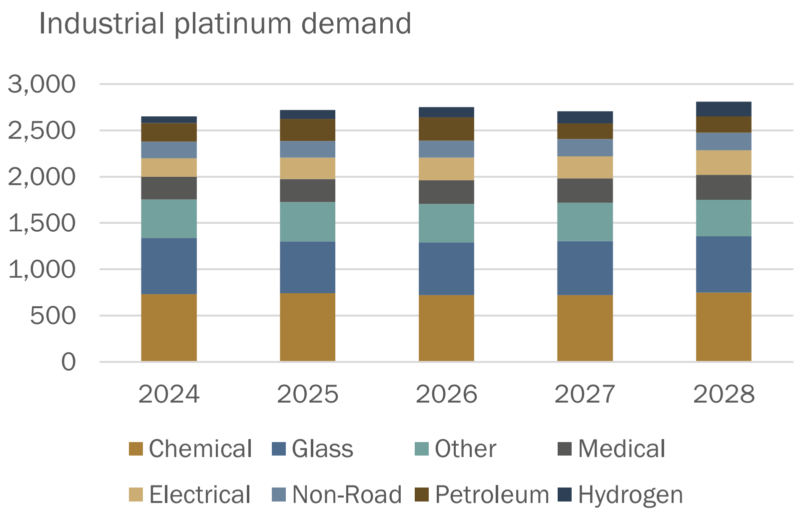
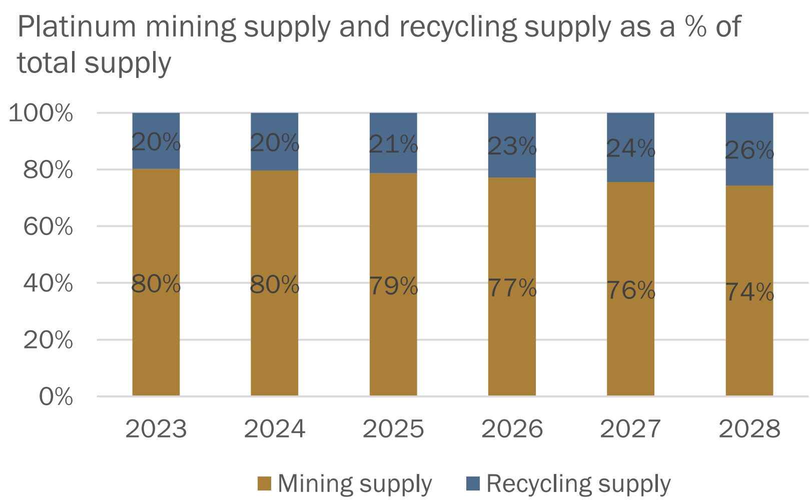
Mining supply continues to play a dominant role in global total Pt supply

'000 oz



Source: SFA Oxford

%



Source: SFA Oxford

Platinum demand by other sectors

- Industrial Pt demand is forecasted to reach 2.64 Moz in 2025, driven by the chemical and petroleum sectors as capacity expansions in China and the RoW take the lead. Demand is expected to fall back to 2.59 Moz in 2028 as the petroleum sector slows following a wave of expansions.
- In 2024, hydrogen demand for platinum is expected to be 70 koz, and SFA Oxford forecast it will increase annually, reaching 160 koz by 2028. However, this will only account for 2% of the global platinum demand in that year. Trump's policies have effectively stalled the green energy sector – hydrogen is likely to be a casualty.

Platinum mining supply and recycling supply

- Mining supply continues to play a dominant role in global platinum total supply, with an estimated 79% of platinum supply expected to come from mining in 2025. South Africa, Russia, and Zimbabwe remain the primary supplying countries, representing a significant 94% of the global total platinum mining output.
- In 2025, secondary supply in Europe and North America is expected to improve slightly with new light-vehicle sales forecasted to grow by 1.5-2.0%. However, mixed auto market and recession risks ~~(,)~~pose challenges. Japan will see a modest rise in recycling due to recovering light-vehicle sales. In the US, Trump's tariffs may negatively impact recycling by interfering with scrap material imports and reducing new light-vehicle sales, leading to fewer old vehicles being scrapped.

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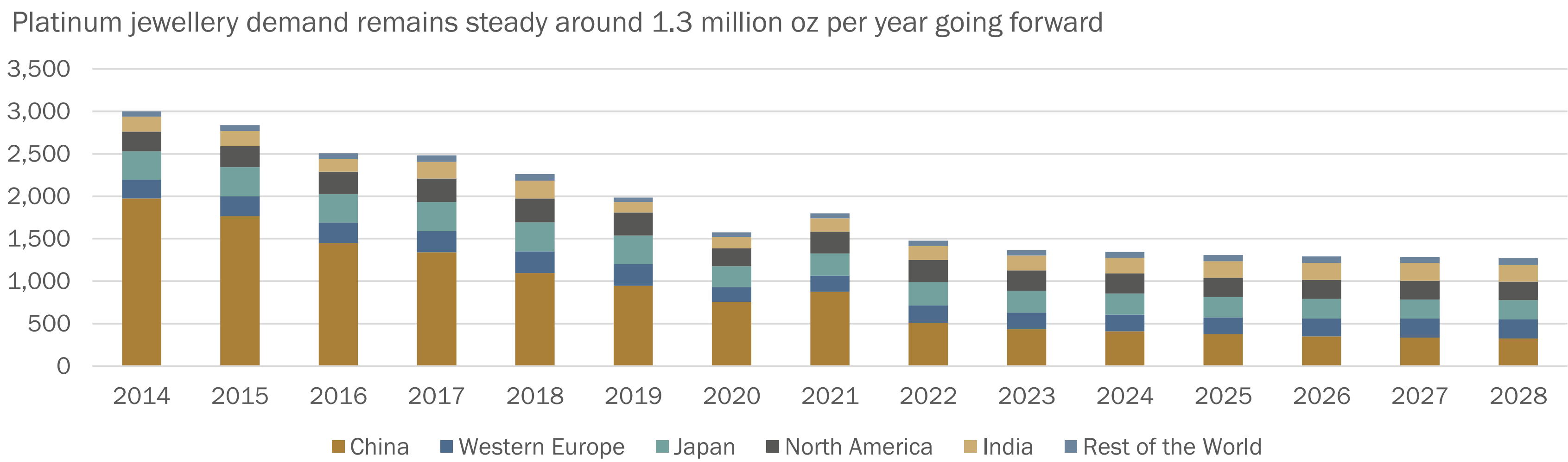
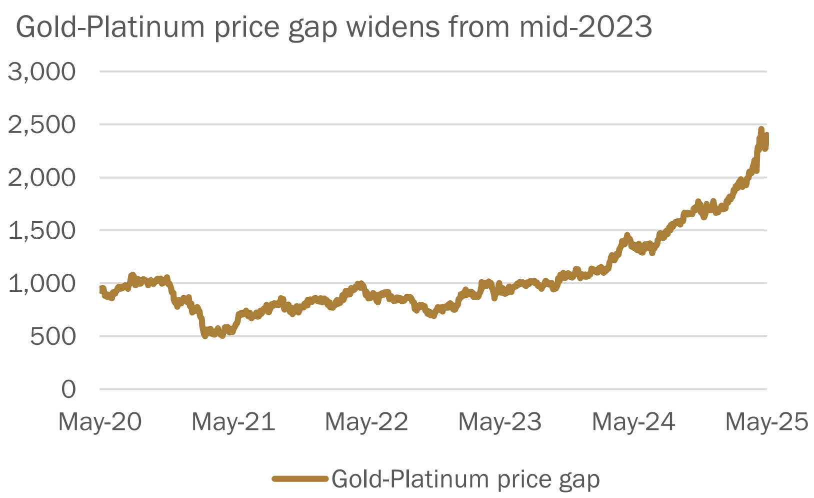
Platinum jewellery demand to remain steady in the next coming years

‘000 ounces



Source: SFA Oxford

$/oz



Source: Bloomberg

Platinum could gain market share from the gold market due to the widening price gap

- Jewellery demand has faced challenges over the past decade due to shifting consumer preferences towards travel and experience-related spending, as well as broader declines in marriage rates. The platinum jewellery market peaked in 2014 but has since declined, primarily due to decreased demand in China.
- Looking ahead, the widening gold-platinum price gap is making platinum a more attractive option in European and US stores, narrowing the price differential at the retail level. SFA Oxford expect sales in Europe, the US, and Japan to remain stable, with some growth in emerging markets and a steady decline in demand in China. This will likely keep platinum jewellery demand around 1.3 million ounces per year going forward.

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Platinum price outlook

Macroeconomics	
Bullish	• Trump's tariffs will drive up US inflation, hinder economic growth, and increase unemployment, leading investors to shift from US assets and causing the dollar to depreciate.
Bearish	• Fed kept interest rates unchanged at its FOMC meeting and holds a hawkish stance towards future interest rate decisions, causing US dollar to jump. • Current high interest rate level in the US may suppress consumer purchasing willingness, reducing demand for platinum. • Under Trump tariffs, the global economic outlook continues to deteriorate. This could reduce overall demand for platinum across various industries.
Fundamentals	
Bullish	• President Trump's easing of tariffs on automobiles and parts will mitigate the negative impact on platinum demand in automotive catalysts. • The global platinum market is set for its third consecutive year of deficit in 2025, with a significant shortfall of 675,000 ounces. • The favourable price differential compared to gold and white gold may slightly boost platinum jewellery demand in the future. • The hydrogen sector's demand for platinum is expected to grow significantly in the future, but this sector currently accounts for a very small contribution to total platinum demand.
Bearish	• Macroeconomic uncertainty affecting automakers and consumers is expected to reduce car production, which will weigh on automotive platinum demand. • With platinum prices currently higher than palladium, the substitution of palladium for platinum in autocatalysts is suppressing platinum demand.

Source: ICBCS

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