



**THE VIRTUAL  
CIBJO CONGRESS  
2021**

**SPECIAL REPORT  
PRECIOUS METALS COMMISSION**

## **Precious Metals in the Era of COVID 19: Still a Safe Haven, but with New Applications**

**By Huw Daniel, President  
CIBJO Precious Metals Commission**

**R**eading back over my last report in 2019, it seems like so much remains the same, yet everything has changed. The profound consequences of COVID-19 are being felt by us all, and its impact on the precious metals that play such an integral part of our industry is already being felt.

In many ways the pandemic has simply accentuated the roles these metals have always played in providing a safe haven to investors. Yet, we also see novel trends emerging in new applications, with new gold and platinum jewellery alloys that are pushing the boundaries of design, ensuring their precious allure will continue to capture the eyes and hearts of a new generation of consumers.

Meanwhile increased scrutiny of the supply chain is



*Huw Daniel, President of the CIBJO Precious Metals Commission.*

presenting a new challenge to the industry although those in the industry that have risen to this challenge are already turning it into an opportunity.

### **GOLD PRICE**

The economic recovery, supported by rollouts of vaccination against COVID-19, a strengthened U.S. dollar and higher yields led to a decline in the gold price below US\$1,700 by the end of March 2021.

Gold reversed losses and gained in April and May and rose back to US\$1,900 at the beginning of June, before quickly

plummeting to below US\$1,780 in mid-June, its lowest level since late April, after more hawkish statements by the Federal Reserve in the United States during the meeting of its Federal Open Market Committee (FOMC).

Gold clawed back some of its strong June losses and rallied in July, mainly driven by the sharp decline in yields. Prices since then have absorbed the expectations of tapering and moved in a range through US\$1,700 and US\$1,800 levels in August.

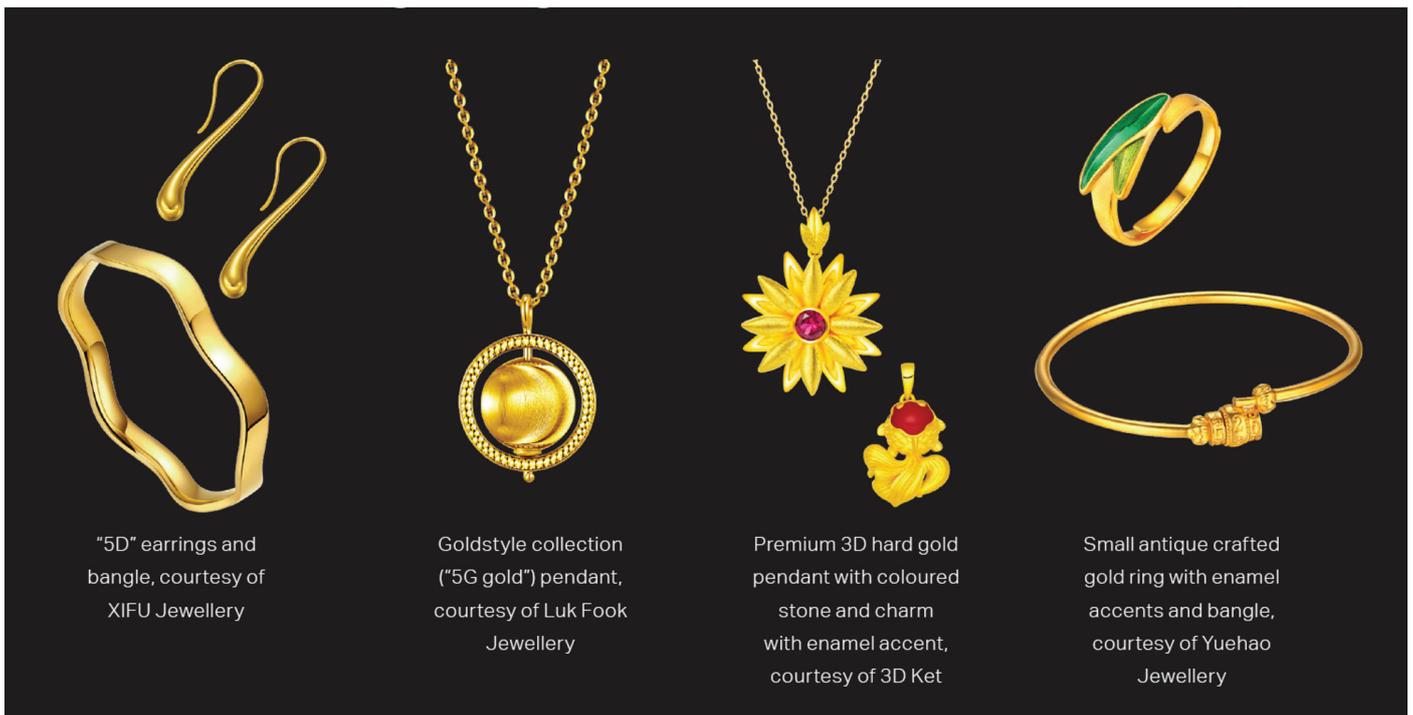
With renewed concerns of rising COVID-19 cases and slowed economic growth in China, gold still holds its traditional role as a safe haven, although the sentiment is cautious, which indicates a restrained upside for gold in the short term.

The price could recover to US\$1,900 later this year, if inflation in the United States proves to be temporary, rate hikes do not come as early as some anticipate, and risks of the Delta variant on global economic growth continue to linger.

### **GOLD DEMAND**

Investment demand turned positive during Q2 2021, with a return of Exchange-Traded Funds (ETF) inflows and a rise in COMEX net long positions from the March lows. The U.S.-based COMEX is the world's primary futures and options market for trading metals. Q2 ETFs inflows partly offset the significant outflows experienced during in Q1 and saw H1 net outflows for the first time since 2014.

Concerns of rising inflation, a weaker dollar and a low interest rate environment improved investment sentiment towards gold in April and May, before the Fed tapering talk in mid-June.



"5D" earrings and bangle, courtesy of XIFU Jewellery

Goldstyle collection ("5G gold") pendant, courtesy of Luk Fook Jewellery

Premium 3D hard gold pendant with coloured stone and charm with enamel accent, courtesy of 3D Ket

Small antique crafted gold ring with enamel accents and bangle, courtesy of Yuehao Jewellery

COMEX net long positions increased in July to levels seen before the June sell-off. Gold ETF holdings added sizable inflows in July, mostly from European and Asian funds, while outflows were from large North American funds.

By end of July, gold ETF holdings had declined by 3 percent from the beginning of 2021, and around 7 percent below the October 2020 record high.

In stark contrast to investment, global jewellery demand recovered in H1 2021, up 57 percent year on year, although still 17 percent below the H1 2015-2019 average. Jewellery demand measured in value terms also rebounded, despite softer gold prices.

The H1 value of US\$50.7 billion was more resilient, 18 percent higher than the H1 average value from 2015-2019 and on par with 2014. As expected, China and India were the biggest contributors to the increase, as their size relative to the rest of the gold jewellery market means improvement in these two countries has an overwhelming impact on global demand.

The strong recovery in jewellery demand is supported by improving sentiment and innovation seen in the gold jewellery sector. Driven by a perpetual urge to be first to market, Chinese manufacturers continued to innovate in the most ancient of precious metals, with new technical advances unleashing a wave of new design options for the Chinese consumer.

A new generation of harder high purity gold has established a firm foothold in the market in the form of 5D gold, 5G gold, Premium 3D hard gold and gold enamelling, all following on the success of 2019's hit antique gold.

All these innovations have experienced rapid adoption as retailers leveraged the advocacy of Key Opinion Leaders (KOLs) and the savvy use of social media. Out of the pandemic a new generation of KOL's has emerged, with sales associates with tens of thousands of followers selling directly from their mobile phones at home. The result of all these innovations has been to revitalize sales of pure gold (23 and 24 karat) at the expense of 18K gold, as new levels of hardness permit greater design innovation at these more attractive purity levels.

### PLATINUM PRICES

Platinum prices had languished at record lows until early 2020 when they experienced a swift rebound and ended 2020 above US\$1,000. The positive momentum continued into 2021, with platinum prices reaching a six-year high above US\$1,300 on February 16. Since then, platinum moved in a range through US\$1,100 and US\$1,200 levels till early June. The price of platinum was hit along with gold after the



*The 'Pt Mod' Collection, hard platinum by Bofook China.*

FOMC meeting in mid-June, and further trended lower to just below US\$1,000 by September.

During 2019 and 2020, platinum investment demand was up strongly, with over 2.1 million ounces (Moz) of physical platinum investment products being purchased by investors via ETFs and by retail investors.

At the beginning of 2021, ETFs holdings reached a record level just short of 4 Moz, whilst retail investors took profits in the first quarter, especially the price-sensitive investors in Japan. This has resulted in a sharp reduction in bar and coin demand during the first quarter.



*From the Platinum Peace Angel Collection by Chow Tai Fook.*



*Mining for platinum at Anglo American Platinum's Dishaba Mine in South Africa. (Photo courtesy of Anglo American)*

As of early August, global ETFs holdings have had a modest decline from the beginning of the year, and platinum-managed money positions switched to net shorts for the first time in eight months.

South Africa struggled with a surge in COVID-19 cases in 2020 and the supply side for platinum was heavily constrained – by both limitations on labour-intensive underground mining and international flight capacity for finished metal.

South African supplies rebounded strongly in H1 2021 with producers announcing a number of replacement and expansion projects and most mines operating near the pre-pandemic level. PGM producers have made a dramatic return to record profits in the last few years thanks to a more favourable ZA rand-U.S. dollar basket price.

### **PLATINUM DEMAND**

Platinum demand has seen a recovery after a year of disruption in 2020. Platinum's primary demand from the automotive industry has bounced back after a significant contraction in 2020, despite continued softer demand in Europe. This was a result of palladium's newfound dominance in gasoline autocatalysts and the diesel-gate scandal which brought to an end diesel's ascendancy.

Diesel car market share in Western Europe dropped to 25 percent in 2021 from 50 percent in 2016, and platinum used on diesel cars globally still stay below pre-pandemic levels.

Demand for platinum in gasoline vehicles is set to rise

in 2021, as the substitution of palladium with platinum in catalysts has seen a wider use by some fabricators and automakers. Growth will also come from the heavy-duty sector in China to meet much stricter emissions standards.

The World Platinum Investment Council (WPIC) forecasts total platinum demand in 2021 will be 8,041 thousand ounces (koz), 5 percent (+378 koz) higher than in 2020 due to demand rebound from the three demand segments: automotive (+557 koz), industrial (+486 koz) and jewellery (+158 koz).

Bar and coin demand is forecast to fall by 150 koz, reflecting weaker buying and profit-taking by retail investors. Global ETF holdings are expected to have a modest rise by 250 koz, a three-year low. The market is forecast to be in net surplus.

Jewellery demand experienced a V-shaped recovery globally in H2 2020, but saw growth slowing in Q2 2021 due to the spread of the Delta variant.

In China, the growth of the jewellery market decelerated in Q2.

Platinum Guild International (PGI) reports that platinum jewellery fabrication registered a marginal growth of 0.2 percent year on year during the first half of 2021, while PGI's retail partners benefitted from an increase of 6 percent year on year in H1 as customers cautiously returned to stores and a new generation of design driven products.

While mass-produced generic platinum products are facing competition from gold, platinum gem-set enjoyed

good momentum on the back of pent-up bridal demand and the launch of new collections and designs, bringing new excitement and novelty to consumers.

This new excitement in platinum comes at a time when several new innovations are coming to market. Harder ternary platinum alloys have reduced platinum's production cost disadvantage versus 18K gold, and helped push the boundaries of design.

A new generation of attractively priced and cutting edge designs are coming to market, featuring bolder shapes and finishes, and lighter weights that allow stacking, while integrating ceramic and enamel for novelty.

### PALLADIUM

The price of palladium hit a record high of nearly US\$3,000 in early May. Following in the footsteps of gold, palladium prices slid in June on the FOMC tapering talk before recovering some ground to US\$2,800 in July.

ETFs holdings saw a modest increase from the beginning of 2021 to reach 0.5 Moz as of mid-August 2021 whilst palladium NYMEX net positions declined by around 150 koz due to increased short positions.

Physical palladium sees strong growth in South African supplies, partly offsetting lower Russian output in 2021.

Recycling supply chains have also begun to recover as economies re-open and a degree of pent-up demand has been evident in the new car market, which has filtered down to end-of-life vehicles. This has been augmented by scrappage schemes for older vehicles in some markets.

Demand has rebounded on improved vehicle production and higher loadings on European and U.S. gasoline vehicles, as well as a rise in chemical use. This means the palladium market will remain in structural deficit in 2021.

As previously reported, in the absence of consumer marketing in jewellery and with prices well above platinum, palladium's role has been confined primarily to an alloy in white gold and platinum, although substitution has increased as prices have risen, pushing annual demand to just above 100 koz.

### SILVER

Silver prices have been volatile so far in 2021. The price rallied to an 8-year high of US\$31 in early February, driven by retail buying that was spurred by social media, before settling back to US\$24 in late March.

Since then, prices have rebounded due to improved industrial offtake and positive investment demand.

Silver underwent sell-off along with gold to below US\$26 in June, after FOMC's taper talk.

Higher U.S. inflation failed to support the price of silver in



*A sterling silver Milky Way Cuff by Frederic Duclos.*

July, and the gold:silver ratio moved strongly to over 75 as of mid-August, the highest level recorded since last December. The selling has come from tactical players, as managed money net long positions have more than halved and fell to a 15-month low.

But, despite short-term headwinds, silver still has a solid industrial base, unlike gold. Its industrial use returned in the second half of 2020 and showed the resilience of its physical offtake such as its use as a catalyst in the production of ethylene oxide, a key ingredient in many plastics, used in everything during the COVID-19 crisis from masks and gloves to protective screens.

Silver also is finally getting a chance to shine in an important but hitherto overlooked niche – its use as a biocide in a range of applications including surface coatings and clothing.

The green-tinged, eco-conscious fiscal stimulus underway in many countries also improves the outlook for its demand in solar PV, as well as in electronic gadgetry as consumers adapt to an increasingly virtual world.

Silver remains attractively less expensive on a long-term relative basis. It has traded on average at 60 times cheaper than gold in the last 50 years.

ETF volumes surged by 45 percent and ended 2020 at above 1 billion ounces. Silver ETF rose to a record high of 1.2 billion ounces in early February and only has a modest decline from the all-time high as of the end of July.

Bars and coins demand has increased significantly in North America and Europe in H1 2021, and the Silver Institute expects physical investment demand to rise by 26 percent to 253 Moz in 2021.

Silver remains a staple in jewellery, with its accessible price and lustrous beauty lending itself to the growing demand for price-pointed items.

### SUPPLY CHAIN SCRUTINY

Metal supply chains remain under increasing scrutiny from governments and NGOs. Illegal gold mining in South America continues, with governments reluctant to enforce regulations barring mining and extraction from land, especially including tribal land.

China's global dominance in securing certain essential metals (including cobalt) for its use also continues, shutting other countries completely out of the supply chain for these essential materials. Internationally, the OECD tracks this, and reported on it during its most recent annual responsible mineral supply chains conference. In the United States, this has led to a large, multi-agency effort to reduce the country's reliance on international supply chains for certain essential minerals.

The U.S. Federal Trade Commission has announced that it will undertake a review of its Green Guides in 2022. The Green Guides regulate environmental claims made across industries, not just in jewellery – and the FTC's revision process will be the source of any changes it makes going forward.

Environmental claims and awareness of responsible sourcing terminology has skyrocketed since the Green Guides were last revised in 2012, and the jewelry industry's participation will be essential to ensure that any changes in definition to terms such as "recycled" or the addition of new definitions such as "responsibly sourced" work

to communicate environmental claims clearly and non-deceptively to consumers.

### CIBJO BLUE BOOK

The newly published CIBJO Precious Metals Blue Book of industry standards and nomenclature is now available. [PLEASE CLICK HERE](#) to download the document free of charge.

### CIBJO CONGRESS 2021

The CIBJO Congress will take place this year in a virtual format over a period of two weeks, from November 1 through November 4 and November 15 through November 18.

The Precious Metals Commission Session will be held during the first week of the Congress, on Wednesday, November 3, 2021, from 3 PM-4 PM, Central European Time.

The session is by invitation only, with members of the Precious Metals Commission and CIBJO national association and commercial member representatives participating. However, others members of the jewellery industry who wish to attend may request a special invitation by emailing [communications\\_1@cibjo.org](mailto:communications_1@cibjo.org).

The dedicated CIBJO Congress 2021 website is located at [www.cibjo.org/congress2021/](http://www.cibjo.org/congress2021/).

*SOURCES: CIBJO, JVC, World Gold Council, Platinum Guild International, World Platinum Investment Council, Silver Institute, MF, SFA, Johnson Matthey, Mitsubishi.*

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