



## Philip Klapwijk's LBMA Forecast 2010

### Gold

<b>Average</b>	<b>\$1,172</b>
<b>High</b>	<b>\$1,340</b>
<b>Low</b>	<b>\$990</b>

Investment demand in 2010 will be well supported by low to negative real interest rates, a sickly US dollar and growing inflation fears, especially in the United States as policymakers react to the threat of a “double dip” recession by maintaining ultra-loose fiscal and monetary policies. The weight of money entering the market from non-traditional investors should help gold rise to above the \$1,300 threshold, at which level we would expect collapsing jewellery demand and higher scrap supply to help put a brake on things. Given its ever greater dependence on investment, the yellow metal will be highly vulnerable to sentiment or policy driven corrections, although the latter will probably first require either inflation to reach worrying levels and/or the bond market to choke on the record amount of government debt being issued.

### Silver

<b>Average</b>	<b>\$18.07</b>
<b>High</b>	<b>\$22.00</b>
<b>Low</b>	<b>\$14.40</b>

Silver will benefit this year both from gold's expected advance and a decent improvement in industrial demand for the white metal from 2009's very low base. Indeed, brighter prospects for the latter will encourage investors into thinking that a solid breach of the \$20 level is on the cards this year, something which would seem very plausible. Silver's supply/demand fundamentals are a good deal less price sensitive than gold's and if investors really push hard enough then a high of around \$22 could be achieved. However, even more than with gold, the ride over the next 12 months is likely to be a bumpy one, with plenty of scope for large falls in the price as indicated by a forecast sub-\$15 'low' in 2010.

### Platinum

<b>Average</b>	<b>\$1,433</b>
<b>High</b>	<b>\$1,605</b>
<b>Low</b>	<b>\$1,240</b>

The new platinum ETF in the United States will undoubtedly lead to a higher average price this year than would have been the case in its absence. Nevertheless, for prices to be maintained well above \$1,400 strong investment demand is a requirement because, failing a supply-side surprise in South Africa, the market is headed for a fairly sizeable gross surplus this year. Indeed, GFMS' forecasts for 2010 show a rise in mine production and autocatalyst recycling contributing to a healthy growth in supply, whereas the rebound in autocatalyst demand is expected to be lacklustre. Moreover, a continuation of higher prices will dampen jewellery consumption in China, last year's star performer on the demand front. Any faltering in investors' purchases of platinum, therefore, could see a major step down in prices to more sustainable levels.

### Palladium

<b>Average</b>	<b>\$409</b>
<b>High</b>	<b>\$480</b>
<b>Low</b>	<b>\$335</b>

Palladium, like its sister metal platinum, will benefit this year from a high level of investor interest. Besides this, we expect a fair jump in supply in 2010, the bulk of it coming from much higher autocatalyst scrap volumes, after last year's exceptional decline. In isolation this may appear bearish but fabrication demand should grow a lot more, led by some robust gains in autocatalyst offtake. GFMS forecast this will result in a decent rise in the gross market deficit. This should place upward pressure on the price, although, as always a key factor will be the scale of Russian government stock sales. These are likely to not only cover the deficit but also leave an additional quantity for investors to absorb. This should, however, not prove too great a hurdle for the price to register a healthy year-on-year gain in calendar 2010.