

# Freud Capital's Outlook On Precious Metals For 2013

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Hong Kong, HK, February 28, 2013, 7:47 am -- /[EPR NETWORK](#)/ -- Freud Capital have issued their latest precious metals price forecasts for 2013 as follows:

**Gold** : Lack of conviction has tainted gold price action, and gold has struggled to establish its identity as a safe haven asset, instead rallying amid a risk-on environment. The hurdles for gold are mounting from dollar strength to a softer physical market but, in our view, a number of positive macro catalysts still exist that could push prices significantly higher.

Beyond central bank balance sheet expansion, uncertainty over the US debt ceiling vote and reduced risk premia in Europe should set a positive backdrop for gold. Furthermore, central bank buying continues, while gold held across physically backed ETPs remains close to record highs despite price corrections.

**Silver** found little support from its fundamentals last year, and we expect lack of fundamental support to remain the theme in 2013. The market is set to deliver a wider surplus, as industrial demand has softened but mine supply grows unabated to set fresh record highs. Silver prices have been able to rally when industrial demand has been relatively firm, compounded by significant investment demand growth. Thus, given the fragile fabrication demand backdrop, investor interest has a much larger gap to plug. Should the gold market set a positive tone for trading, we believe silver investor interest has scope to play catch-up and lead prices beyond the highs set in 2012. ETP holdings are below their peak, coin sales have recovered and speculative positioning has become more favorable. Given

the dependence on non-fabrication demand, we expect silver prices to remain volatile and the least supported across the sector.

**Platinum** found itself pulled and pushed by the escalation of supply disruptions in South Africa and tumbling European auto demand. But unlike in the previous year, the metal struggled to find meaningful support from its marginal cost of production. Given the soft demand conditions, particularly in Europe, we believe risks remain to the downside for platinum in the near term, but fundamentals are set to evolve constructively over the course of 2013. We expect the market to deliver a second year in deficit in 2013 after a sizeable deficit in 2012, but despite this, supply has not been constrained and inventory levels remain healthy, with consumers well hedged. Although this implies that additional supply cutbacks are required for prices to move higher, this would send unaffected output above the cost of production, in turn reducing the likelihood of voluntary cuts. In our view, prices will need a stimulant on the demand side to facilitate sustained gains, which we expect to materialize as inventory is run down and tighter auto emissions legislation implemented.

In our view, **palladium** retains the strongest fundamentals across the precious metals and is set to deliver the widest deficit. However, we do not believe it will be plain sailing for palladium prices, given that the demand picture looks soft in the near term, with China's palladium imports falling to the lowest level since February 2009. Although finished goods inventories have fallen, sustained growth in sales is required before palladium demand can recover later in the year. Indeed, we expect auto demand to continue to grow in key palladium consuming regions such as North America and China in 2013, providing a firmer footing for prices. On the supply side, Russian palladium shipments to Switzerland have also slowed significantly in 2012, and although not conclusive evidence of reduced state stock reserves, the trend is certainly supportive. Outside state stock releases, alongside platinum,

palladium mine supply looks set to remain challenging, with the real scope for growth only stemming from recycling.

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