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# Forecast 2014

The London Bullion Market Association  
LBMA Price Forecast 2014  
Philip Klapwijk of Precious Metals Insights Limited

**LBMA Price Forecast 2014**  
**Philip Klapwijk - Precious Metals Insights**

**Gold**

**Average \$1,176**

**High \$1,340**

**Low \$1,050**

Gold's 'negative' supply/demand fundamentals coupled with reduced investor interest will see prices trend lower in 2014. In spite of talk of lower mine production, prices actually need to fall further for marginal operations to bleed so much cash that they are forced to close. Likewise for scrap again to drop substantially the price must fall. Similarly, although some growth in global jewellery demand can be counted on, gains would not match those in 2013 unless consumption is stimulated by lower prices. This is true both for China where the bar is now at a very high level and India, where a weak currency and high import duties continue to depress offtake. The 'surplus' in the gold market between supply from mines plus scrap and fabrication demand can only be reduced to a level that is consistent with net bullion demand (from the private and public sectors) if prices decline. This is particularly so because the underlying appetite for bars and coins is waning and there is a continued lack of interest from investors in other arenas. Even though sales by existing 'longs' out of ETFs and the OTC market will diminish, there is no convincing economic case for investors to buy gold, especially given the probability of a stronger dollar, higher equity prices and minimal inflation in the developed world



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## Silver

**Average \$18.72**

**High \$22.10**

**Low \$15.90**

Like gold, the silver market is in a large 'surplus'. But silver supply is much less price-elastic than gold's and the same holds true (in general) for silver fabrication demand. As such, if investors' demand were to wane then silver would be in trouble, particularly as unlike gold, there is no official sector buying to help support prices. It is unlikely, for example, that retail investors will maintain such a high level of coin purchases in 2014. Moreover, ETF holders, who have hitherto held tightly onto their silver, may start to exit their positions. The implication is that for supply to be squeezed, fabrication to be stimulated and for 'value investors' to be incentivised the silver price will have to drop significantly.



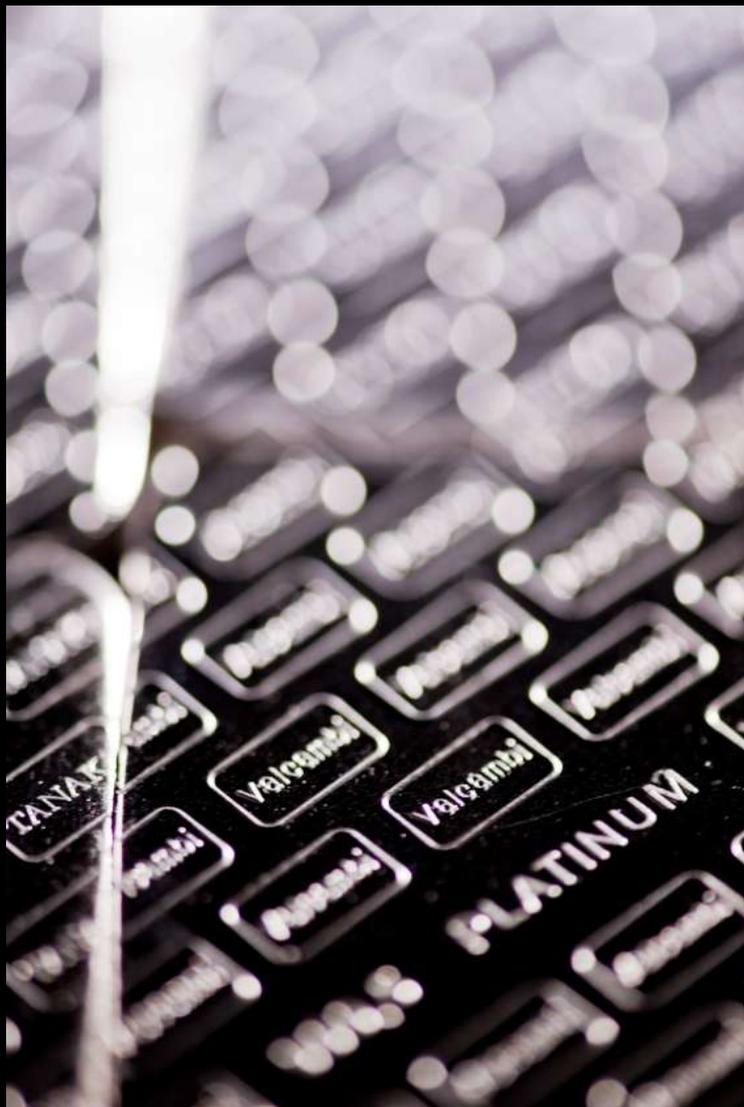
## Platinum

**Average \$1,369**

**High \$1,520**

**Low \$1,260**

Platinum prices are unlikely to escape from the gravitational pull of the continued bear market in gold, although their downside should be more limited. Looking at supply from mines plus recycling against fabrication demand the market is already close to 'balance' and could easily trip into a modest 'deficit' this year. This would be especially likely if South African supply is curtailed either through strike action or via production cuts. The demand side may be less positive for the price as a modest uptick in the European diesel market is likely to be offset by thrifting and substitution. Moreover, the outlook for platinum jewellery in China is for, at best, modest growth. In isolation, a tightening fundamental story would tend to give platinum some upward bias. However, given gold's troubles it is more likely that prices will be under some pressure even though the platinum:gold spread should widen.



## **Palladium**

**Average \$747**

**High \$840**

**Low \$620**

Palladium's fundamental 'deficit' should continue this year as growth in fabrication demand largely cancels out higher supply. Autocatalyst demand will benefit from increased output of gasoline-powered vehicles and further, albeit moderate, substitution gains. On the supply side, an increase in autocatalyst recycling should be tempered by a modest decline in mine production. The implication is that prices will need to rise for holders of stocks to sell these to balance the market. This is particularly the case given the probable absence of Russian State sales. Of course, any swing to net purchases from this quarter would be extremely positive for palladium.



## Precious Metals Insights Limited

Precious Metals Insights Limited is a Hong Kong based specialised precious metals markets consultancy. The company offers a wide range of tailor-made gold, silver, platinum and palladium consultancy services for the professional market.

Precious Metals Insights Limited's Managing Director is Philip Klapwijk who has over 25 years experience as an analyst of and commentator on the precious metals markets. He was formerly Executive Chairman of GFMS Limited and subsequently ran the metals research business for Thomson Reuters Limited following its acquisition of GFMS Limited in 2011.

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Precious Metals Insights Limited - Gold, silver, platinum & palladium bespoke consulting services & conference speaking.



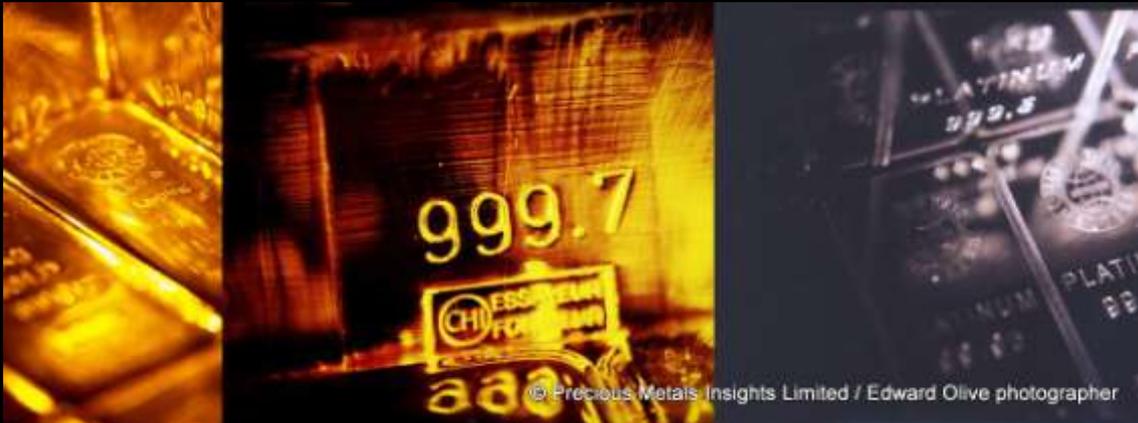
## Consultancy Services Offered

Precious Metals Insights Limited is an independent precious metals consultancy firm based in Hong Kong, with Philip Klapwijk as managing director, which provides highly personalised gold, silver, platinum & palladium markets advice and consulting services to clients worldwide.

Examples of tailor-made services provided include:

- Supply and demand commentary & analysis
- Market forecasts
- Sector analysis
- Country reports
- Conference, summit & seminar speaking
- Seminars
- Presentations & conference calls
- Other bespoke reports & services

For further details of the consultancy services we offer please write to us at: Email: [info@preciousmetalsinsights.com](mailto:info@preciousmetalsinsights.com)



**Philip Klapwijk**  
**Managing Director of Precious Metals Insights Limited**

Philip Klapwijk has over 25 years experience analysing the gold, silver and PGMs markets. For most of this time Philip was with GFMS (formerly Gold Fields Mineral Services), the leading specialist consultancy on the global precious metals markets, where latterly he was the company's Executive Chairman. In August 2011 Thomson Reuters acquired GFMS and until February 2013 Philip was the group's Global Head of Metals Analytics, responsible for all precious and base metals markets analysis and research.

Since March 2013 Philip has been Managing Director of Precious Metals Insights Limited, a boutique precious metals markets consultancy based in Hong Kong. The print and electronic media regularly quote his views on the gold, silver and PGMs markets. He is a frequent speaker at conferences and summits on precious metals and commodities. In December 2013 he was panel member and gave the presentation "Macro economic trends that are influencing the yellow metal" at 8th annual China Gold Summit in Shanghai and spoke at at the 2nd Annual CGSE Chinese Gold & Silver Exchange Society International Silver Conference held in Shenzhen, China. In October 2013 he gave the presentation "Is the bull market over?" at the LBMA LPPM Conference in Rome. His latest presentations and interviews are updated regularly on our website's media page.

To enquire about Philip Klapwijk's conference speaking or press interview availability please write to us at:

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