



METAL MATTERS

Inflation or Not Inflation?

Upcoming BrightTalks

- **June 16th, 09.30** - A Composite View on Commodity Indices: A RICl Comparison
- **June 30th, 09.30** - Beyond the Frontier: Quantamental Emerging Markets

Featured Articles

- Rare Earth Metals - Widely Used, Strategically Important
- The RICl Index - Tapping the Dynamics of Worldwide Commodity Consumption
- Basel III - Gold's Journey to the Moon and Back
- Tsingshan's Nickel Plan

Recorded Webinars

- China Fixed Income - An Untapped Market?
- Green Mining - How can Miners be More Sustainable?
- [Spotlight on Metals] - Series

Week in Review

US headline inflation hit a decade high last week, however markets seem to have bought into the FED's arguments over the transitory nature of high inflation. On the week the US 10yr rate rallied to 1.45% from over 1.62% at the end of April whilst risky assets rallied pretty much across the board. Equity markets did reasonably well with the S&P 500 and MSCI World indices gaining 0.4% and 0.5% respectively. Long term US inflation expectations may also have benefited from increased clarity on the spending and taxation front, with a bipartisan Senate group reaching a deal on a USD 762bn infrastructure spending plan compared to the original USD 2 trillion proposal by President Biden. The plan also ruled out raising corporate taxes which is a cornerstone of President Biden's spending plans.

Over in Europe, the ECB reiterated its commitment to continue its bond-buying program which drove bond yields lower and also forecast that the higher European inflation this year would decline below its targets by 2023.

Global inflationary pressures were also evident in China where the producer price index rose to 9% from April's 6.8% reading, the highest level since 2008. The jump in Chinese PPI was driven by higher commodity prices and raises concerns that China will export inflation to the rest of the world in contrast to the post 2008 GFC experience.

Metals in the news

China is tapping its secretive state reserves to help rein in commodity prices. According to a report by CRU, 800k – 900k tons of aluminium are to be released on to the market from next month. Additionally, 500 tons of copper will be released on a

The Chinese Communist Party will be celebrating its centennial anniversary on 1st July, and the expectations are that the government will maintain stable financial conditions ahead of this date. Total social financing which peaked in January and throttled since, edged up slightly in May. Investors will continue to focus on the seemingly endless tug-of-war between growing inflationary pressures as the global economy opens up and stalling growth with Covid making a resurgence. The emergence of the delta variant has already caused the UK to delay lockdown easing and China to reintroduce lockdowns in and around Guangzhou. During the upcoming week, investors will be tracking a raft of inflation related data including US PPI, UK and Canada Inflation prints in addition to following the progression of the Covid virus and ongoing responses by various governments.

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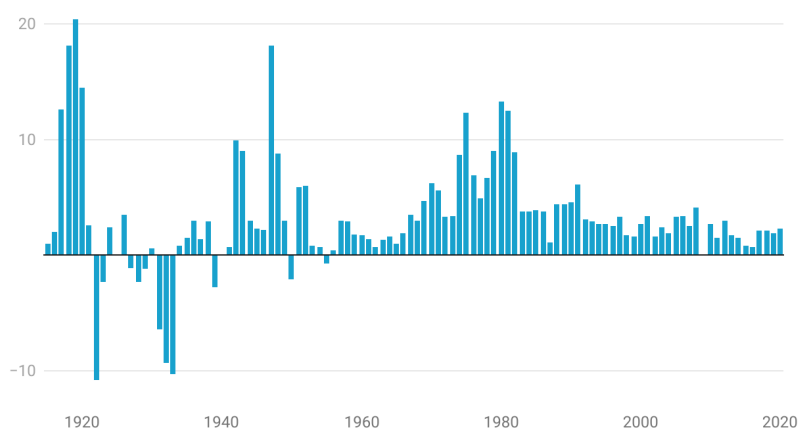
monthly bases until the end of year.

In terms of performance, Gold, Platinum and Palladium sold off by 0.7%, 1.6% and 2.4% during the week, whilst Silver, Copper and Nickel rallied by 0.4%, 0.4% and 2.1% respectively. Gold rallied briefly during the week on a higher than expected CPI reading, however ended the week lower as the market bought into the Fed’s guidance.

In Peru, left-wing presidential contender, Pedro Castillo is on the cusp of winning the presidency. Mr. Castillo, has threatened to nationalise Peru’s mining companies and given, Peru is the world’s third largest producer of copper and silver and seventh largest producer of gold, any nationalisation could have a profound impact on the industry.

Chart of the Week – Annual US CPI

Annual US Consumer Price Index (1914 - 2020)



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Metals - Spot Price

Metal	Price 11 June USD	Weekly Change %	Mtd. Change %	Ytd. Change %	Price vs 50d MA	Price vs 200d MA	Change in Futures positioning
Gold	1,878	-0.7%	-1.5%	-1.1%	2.9%	2.0%	-2.0%
Silver	27.9	0.4%	-0.4%	5.7%	4.0%	8.5%	4.8%
Platinum	1,151	-1.6%	-3.3%	7.3%	-4.5%	6.8%	-16.1%
Palladium	2,777	-2.4%	-1.9%	13.4%	-1.8%	11.7%	-16.1%
Copper	9,975	0.4%	-2.7%	28.7%	1.9%	21.2%	-21.0%
Nickel	18,303	2.1%	2.8%	10.7%	6.3%	9.7%	90.1%

Note: All performance data to 11 June. Futures positioning based on CFTC and SHFE data. Past performance is not an indicator of future performance and the value of an investment may fall as well as rise. Investors take on currency risk when taking unhedged exposure to commodities. Source: Bloomberg, NTree

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Name	LSE Ticker	Xetra Ticker	ISIN	TER
GPF Physical Gold ETC	TGLD	OIIA	XS2265368097	0.145%
GPF Physical Silver ETC	TSLV	OIIB	XS2265369574	0.200%
GPF Physical Platinum ETC	TPLT	OIIC	XS2265369731	0.200%
GPF Physical Palladium ETC	TPAL	OIID	XS2265370234	0.200%

Trading

AP: Flow Traders MM: GHCO, Peel Hunt, Winterflood

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