

United Nations Conference on Trade and Development

13th Multi-Year Expert Meeting on Commodities and Development

10-12 October 2022, Geneva

Precious metals markets: Recent developments

By

Nicholas Woolley, Intergovernmental Forum on Mining, Minerals and Sustainable Development

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Precious Metals Markets: Recent Developments

Nicholas Woolley
29 September 2022



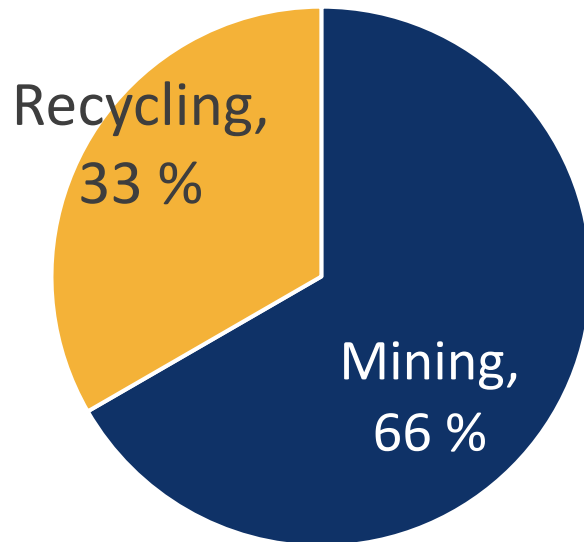


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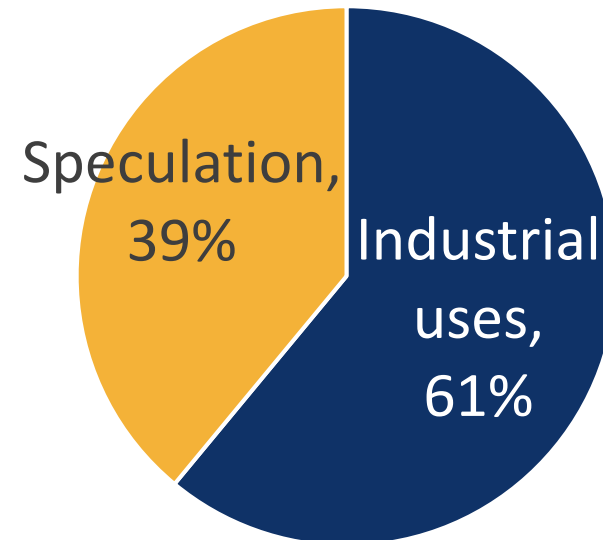


Supply vs. Demand in Precious Metals

Supply is slow to move:



Demand comes from two sources:



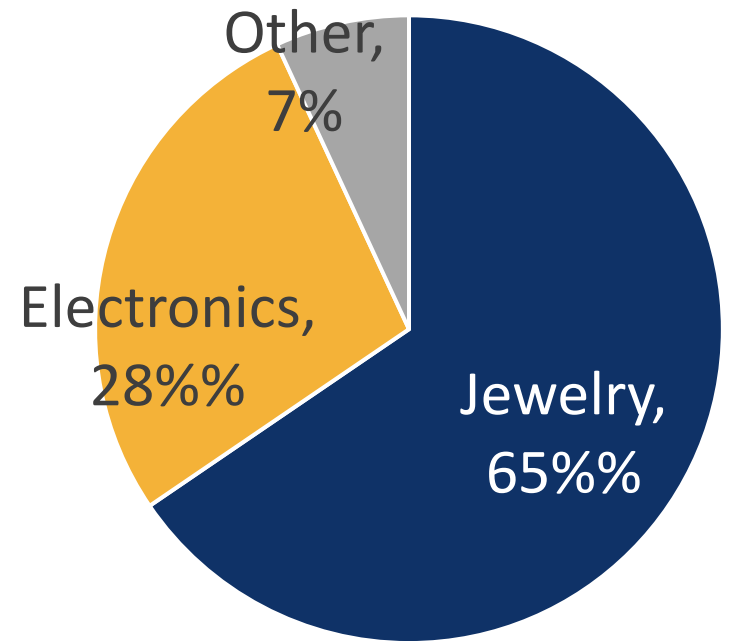


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Industrial uses are not negligible

- Jewelry is a significant industry of demand for most precious metals, especially gold and silver
- Silver is the best electrical and thermal conductor of all the metals and has photosensitive properties
- Platinum is chemically inert and resists heat and corrosion damage
- Other industrial metals, such as copper and nickel, have also played similar investment roles to gold, silver, and platinum





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Speculative investment is driven by the value of money

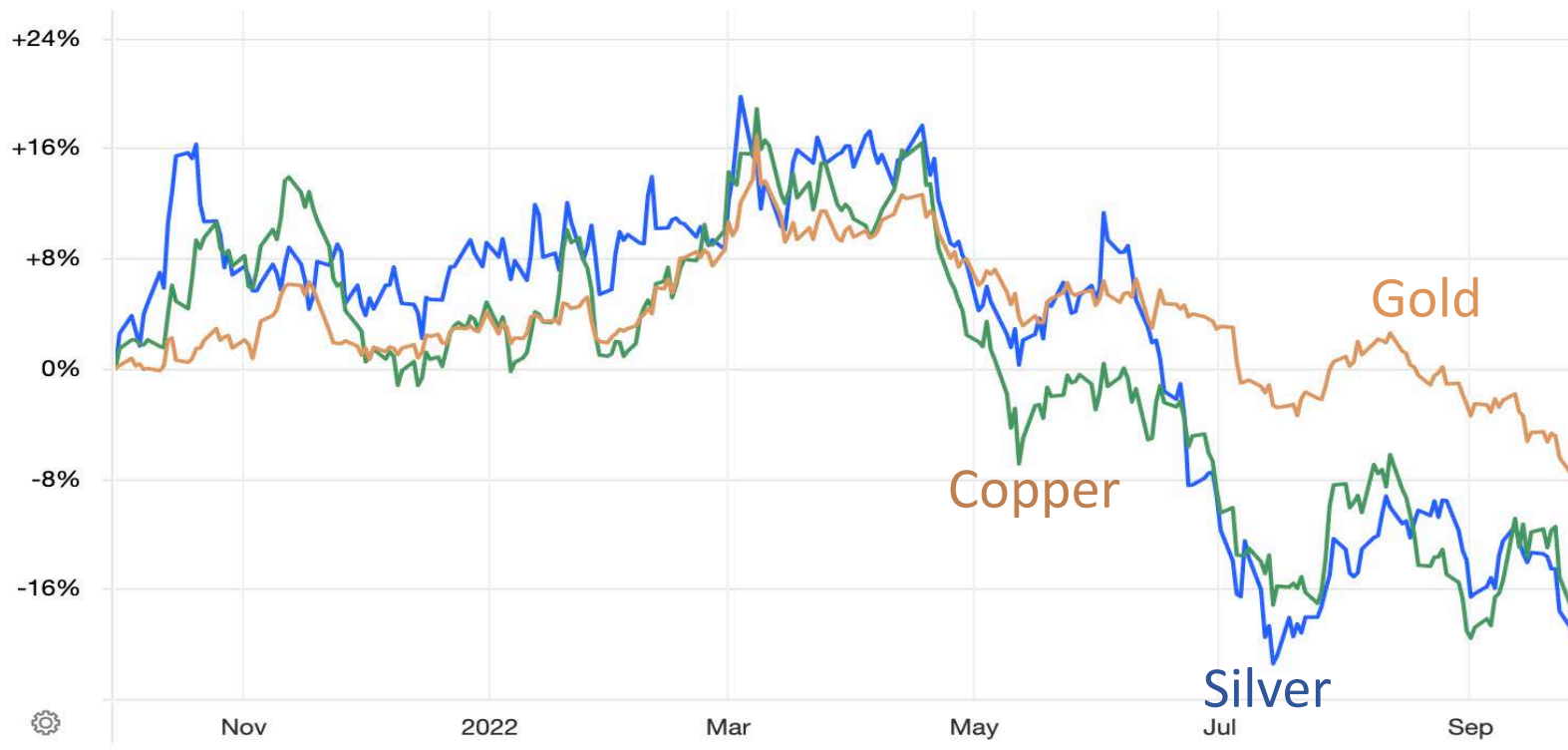
- We no longer have an International Gold Standard (nor a Silver Standard)
- Gold represents a "universal currency"
- Rarity provides a source of value during times of inflation
- Central banks are large holders of gold
- Commodity price bubbles are not uncommon



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Current market conditions:





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Some observations:

- Copper and silver have been moving pretty closely together—this hasn't always been the case
- A sharp decline in all 3 started in late April, after the start of the conflict in Ukraine



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One anomaly:

- Normally, high inflation would be associated with increasing gold prices

Are we coming out of a bubble?

Are central banks depleting their gold reserves?



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Gold in the longer term:

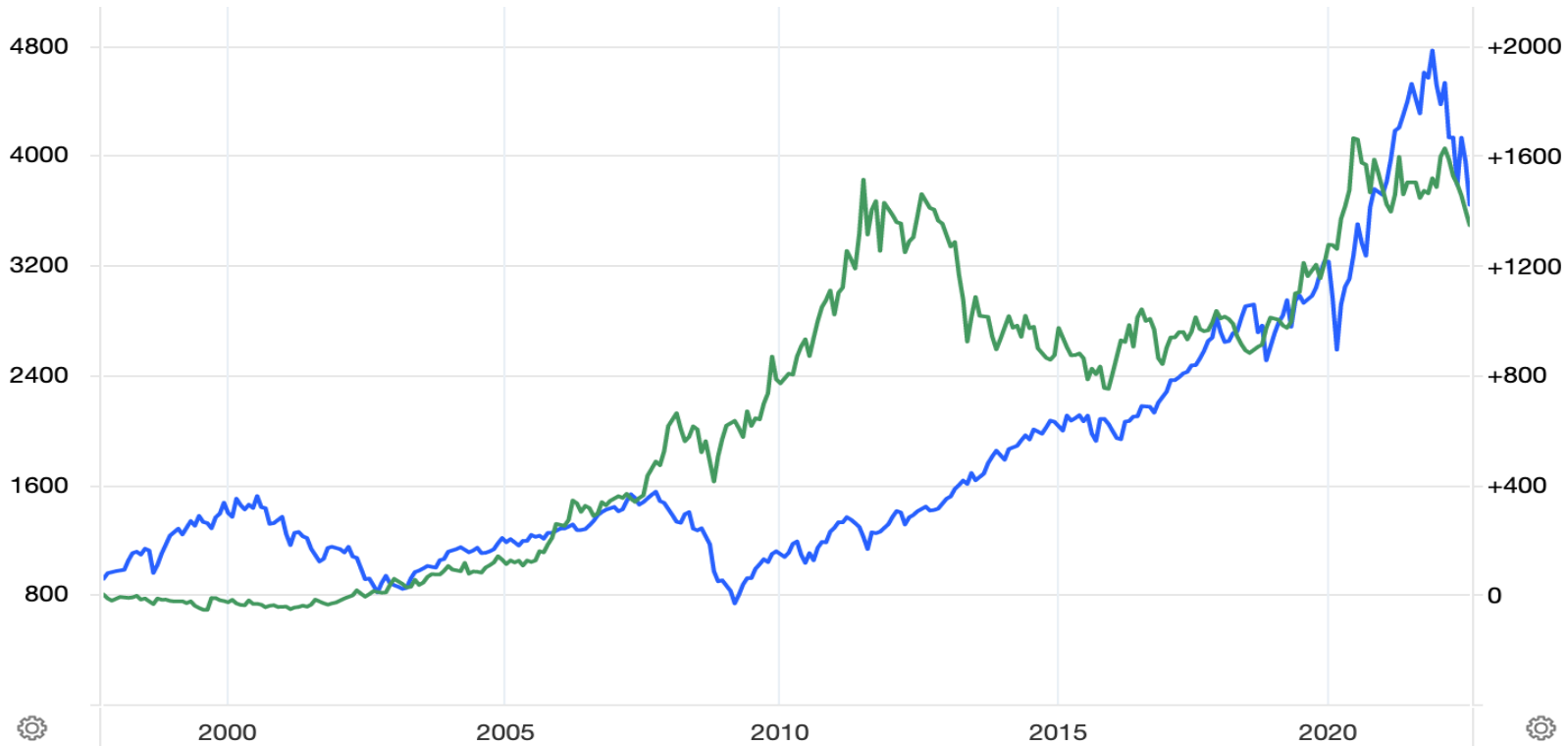




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Gold compared to the S&P 500:





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Takeaways:

- Precious metals present useful investment roles, which makes up the majority of demand
 - The inherent value from industrial uses and scarcity provide a hedge against inflation and currency risk.
- Precious metal prices often reflect speculation based on market conditions.
 - As investors search for yield, valuable commodities in limited supply are a good option