



Penn State Asset Management Group

PSAMG EoW Product Report

Week of January 27 – January 31 CY2020

Weekly Markets Update

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Palladium & Platinum

Palladium futures ended in the green this week gaining 2.35% and ending at \$2224.70/oz. and platinum futures fell 2.34% finishing the week at \$961.90/oz. Both platinum group metals usually trade off of similar trends due to them being substitutes, however prices between the two have diverged this week. The fall in platinum is in response to the U.K. formally leaving the EU as of Friday, January 31, CY2020. The departure of the U.K. caused a fall in platinum due to the metal's use within catalytic converters for diesel fueled cars, the most used car type within the European automotive industry, which accounts for 40.00% of gross demand for platinum globally.

The contrasting increase in palladium is due to shortages in supply and increasing demand for the metal used for catalytic converters in gasoline fueled cars. palladium is set to record its highest monthly gain since November CY2016 by gaining 17.67% in the near future.

Gold & Silver

Safe-haven assets ended the week with minimal gains and losses. More specifically, gold finished the week up 0.35% at \$1582.90/oz. and silver's price decreased 0.24% closing the week at \$18.01/oz.

The reasons behind those mixed results include news regarding the coronavirus and the U.S. election raising those safe-haven asset prices. However, gold's imminent reversal and silver's industrial exposure applied downward pressure on their respective prices. Specifically, on Thursday, January 30 CY2020, the World Health Organization (WHO) declared the coronavirus a global health emergency. That came after the coronavirus infected ~10.00 k people in ~20.00 countries around the world. Additionally, reports were released this week indicating that Bernie Sanders, a democratic-socialist candidate, is leading the polls to win the Iowa caucus. This is represented by the moving average of Iowa polls indicating that Bernie Sanders is leading with 23.80%. Due to those two events, uncertainty in the market rose notably, leading to greater demand for safe-haven assets, pushing the price upwards. However, gold's recently over-inflated prices have remained stagnant while the market corrects and accounts for those exaggerated prices, possibly leading deflationary gold prices in the short term. Moreover, silver's ~56.00% industrial exposure indicates that it is susceptible to the slowdown in global trade due to the coronavirus' contribution to China's economic "sudden stop" phenomenon.

Therefore, if the slowdown in industry continues then silver prices may fall more severely in the coming weeks. Moreover, gold will likely maintain its pricing range as the market catches up to the prices as previously stated.

Base Metals

The base metals suffered losses this week from worries of a downturn in the construction and manufacturing industries globally. Copper futures fell 3.06% ending at \$251.70/oz., aluminum futures fell 1.56% finishing at \$1722.50/oz., and zinc futures fell 0.56% finishing the week at \$18.01/mt. All three base metals saw steady losses throughout the week in response to the lock down of Wuhan, the origin of the coronavirus and a prominent producer of semi conductors globally.