

REVIEW

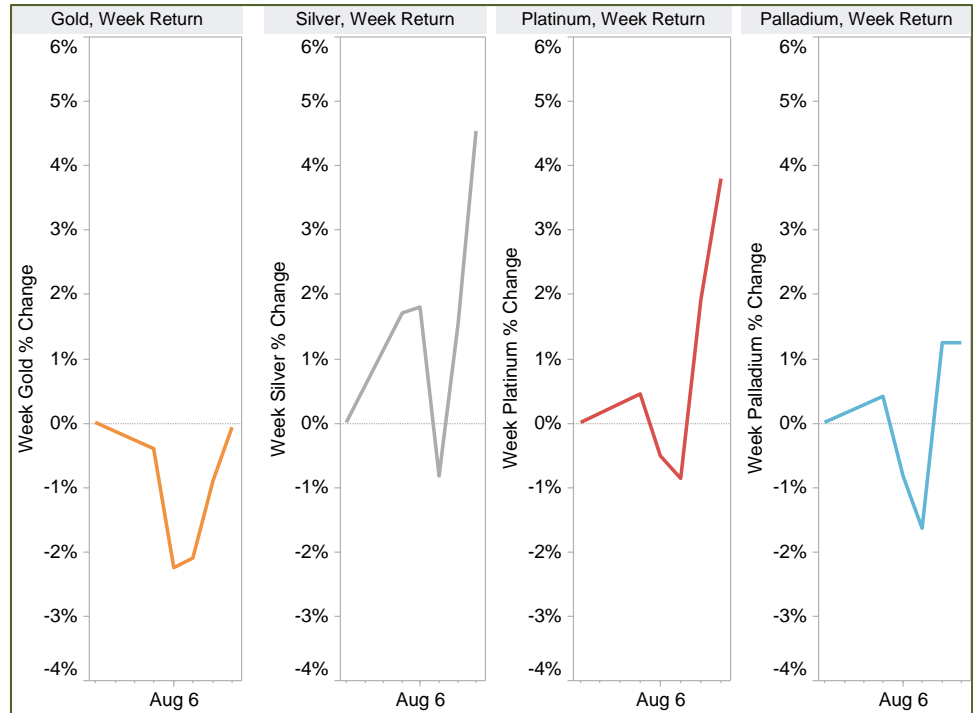
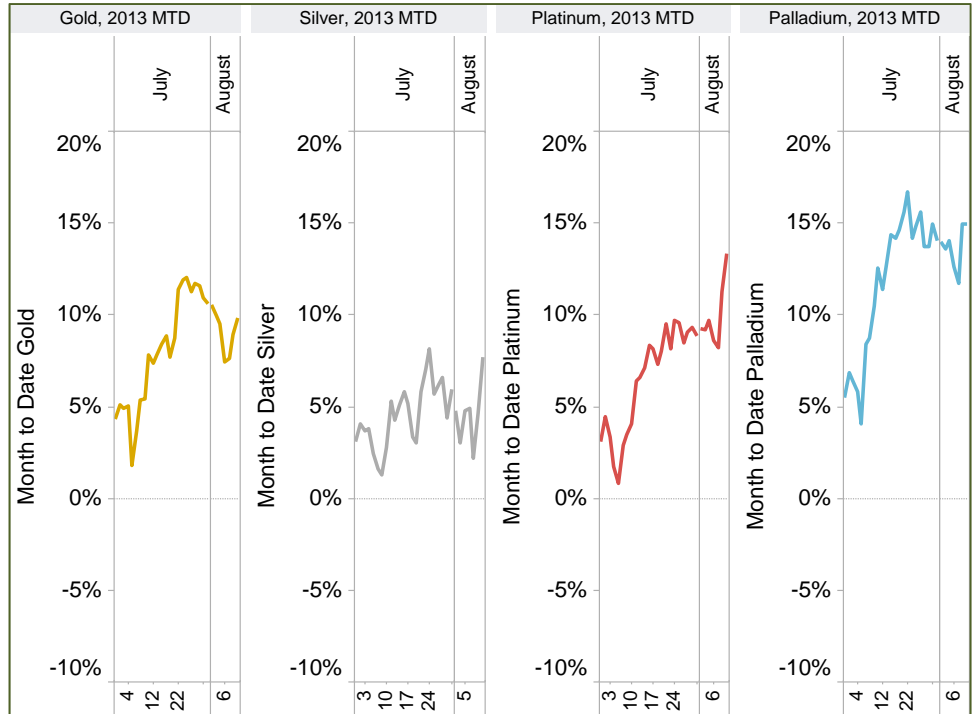
The past week was generally kind to owners of precious metals, with silver and platinum up about 4% and palladium up about 1%. The sole laggard was gold, basically flat for the week (bottom right).

The main drivers behind the precious metals markets were moderately positive economic news out of Europe, the U.S., and Asia and concerns about impending central bank actions.

Overall, with the exception of gold, market participants viewed the positive economic news as a sign that demand for silver, platinum, and palladium may be on the way up. Interestingly, gold investors did not share the same view, perhaps suggesting that gold has a little more inflation hedge built into its price than the other three precious metals.

In looking at the precious metal market returns from the first of July to today, gold is up about 10%, silver was up about 7%, platinum was up about 13%, and palladium was up about 14% (top right).

On a year to date basis, gold is down about 21%, silver is down about 33%, and platinum is down about 2%. Bucking the trend is palladium, which is up about 5% for the year (top right figure of page 2).



The Dr. Jekyll and Mr. Hyde performance of the precious metals throughout 2013 continues to possess the underlying question: are the returns seen through July and August representative of the much-awaited bottoming out of the precious metals markets, or is it simply a correction in an otherwise downward trending market?

OUTLOOK

Consideration of potential central bankers' policy changes in conjunction with shallow releases of economic data will likely be the major movers of the precious metals markets in the coming week. Overall, should precious metals investors see signs of stronger than expected economic data – which would mean the gradual elimination of very easy monetary policy – precious metals may outperform other asset classes. The market-beating performance would be due to the inflation-hedge aspect of gold, palladium, and, to varying degrees, the other two major precious metals.

GOLD

Analysts give gold a slight positive bias of around half a percent for the coming week, with the main assumption being that economic data will come in better than expected and central bankers will give signs of gradually eliminating artificially low interest rates.

SILVER, PLATINUM, AND PALLADIUM

Analysts have a positive bias for silver and platinum at about 1%, while palladium has a 1.5% upside bias. Of course, the positive bias certainly has a good deal of downside risk should economic data show signs of weakness.

