LBMA

Forecast 2017
An Overview

Metal	Actual price first half of January 2017*	Average Analysts' 2017 Forecast	% increase	2016 Actual Year Average
Gold	$1,181	$1,244	+5.3%	$1,251
Silver	$16.59	$17.77	+7.1%	$17.14
Platinum	$967	$1,014	+4.9%	$987
Palladium	$744.30	$762	+2.4%	$613.72

*3 January to 16 January 2017 inclusive. Based on the pm LBMA precious metal prices.

Contributors to the 2017 Forecast Survey are bullish across the board for all four metals. Analysts are forecasting that the average gold price in 2017 will be 5.3% higher than the average price in the first half of January 2017. They are slightly more bullish about the prospects for silver prices, with an increase of 7.1%, but less bullish about PGM prices. For platinum, they forecast an increase of 4.9%, but expect a more modest outlook for palladium, with a forecast increase of just 2.4%.

Forecast contributors are predicting that the gold price will average $1,244/oz in 2017, 5.3% higher than the first half of January 2017, but broadly in line with the actual average price in 2016. The analyst who scooped first prize in the 2016 Forecast, Joni Teves, is the most bullish, forecasting an average price of $1,350/oz whilst Bernard Dahdah, who claimed first prize for palladium in the 2016 Survey is the most bearish with his average forecast of $1,110/oz.

2017 will certainly be an eventful and unpredictable year given the high degree of geopolitical uncertainty, with a more nationalistic US President in residence and the indications that the UK will pursue a hard Brexit in its negotiations with the EU. There is also the prospect of further uncertainty with elections to be held later in 2017 in both France and Germany, as well as the potential for tensions between the US and China. Analysts are predicting that the gold price will trade in an average range of $1,101/oz to $1,379/oz. Greater uncertainty should prove positive for gold as could higher inflation if the new US administration adopts reflationary policies. On the downside are the anticipated three US rate hikes in 2017, a stronger US currency and rising stock prices as well as continued weak demand from both China and India.

Analysts are marginally more optimistic about the prospects for silver prices in 2017. They forecast that the price will increase by 7.1% to an average of $17.77/oz, with prices expected to trade in an average range of $15.13/oz to $20.66/oz. On the upside, analysts cite geopolitical uncertainty and a stronger economic outlook boosting industrial demand (which accounts for more than half of physical consumption); of new solar plants, especially in China is likely to boost demand from the photovoltaic industry. Negative influences on the silver price include the potential for higher Fed rates and yields, the risk of the Trump administration pursuing a damaging trade policy, as well as potential for a drag on prices given that silver comes into 2017 still burdened with a relatively large speculative overhang from both the ETF and the futures markets.

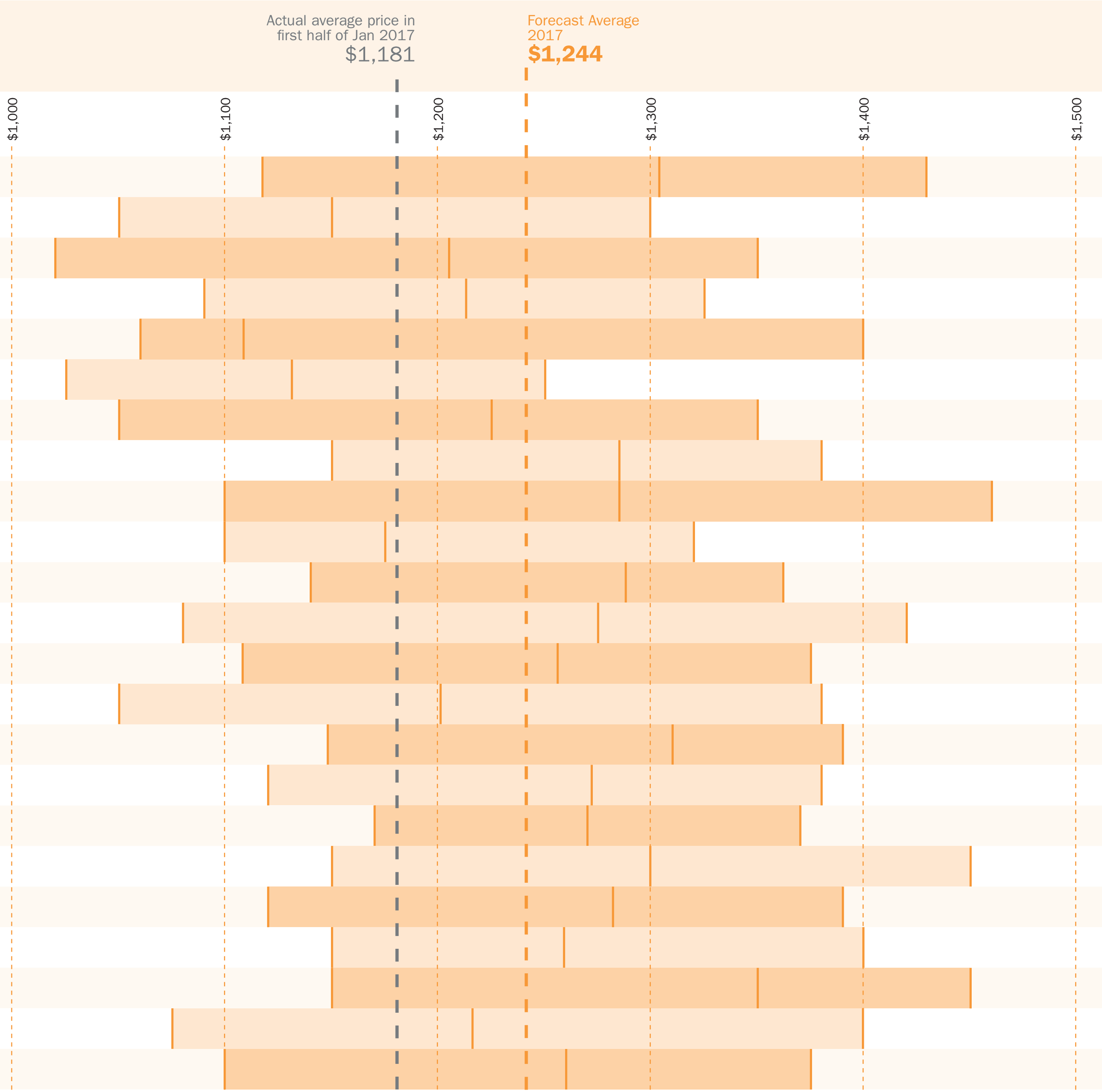
Analysts are less bullish about the prospects for PGM prices in 2017. Platinum prices are forecast to increase by 4.9% to an average price of $1,014/oz, which is $27 above the actual average price in 2016. Analysts are forecasting that the price will trade in an average range of $865/oz to $1,167/oz. Mine supply is expected to be relatively flat and prices are expected to be dragged around by the rand/US dollar exchange rate and uncertainty in the global economy. Positive influences on the price include expectation of continued strong demand from the auto diesel market, whilst negative factors include potential for higher interest rates in the US and a firmer US dollar as well as the prospect of weak demand from the jewellery sector.

In contrast to last year when forecast contributors were most bullish about the prospects of palladium, analysts are most bearish about the price in 2017, forecasting only a modest increase of 2.4% to $762/oz. They expect the price to trade in an average range of $634/oz to $872/oz, with firmer supply and the risk of a slowdown in global car sales keeping a lid on prices.

Read on to find out what analysts think are the key drivers likely to influence precious metal prices in 2017.

Au

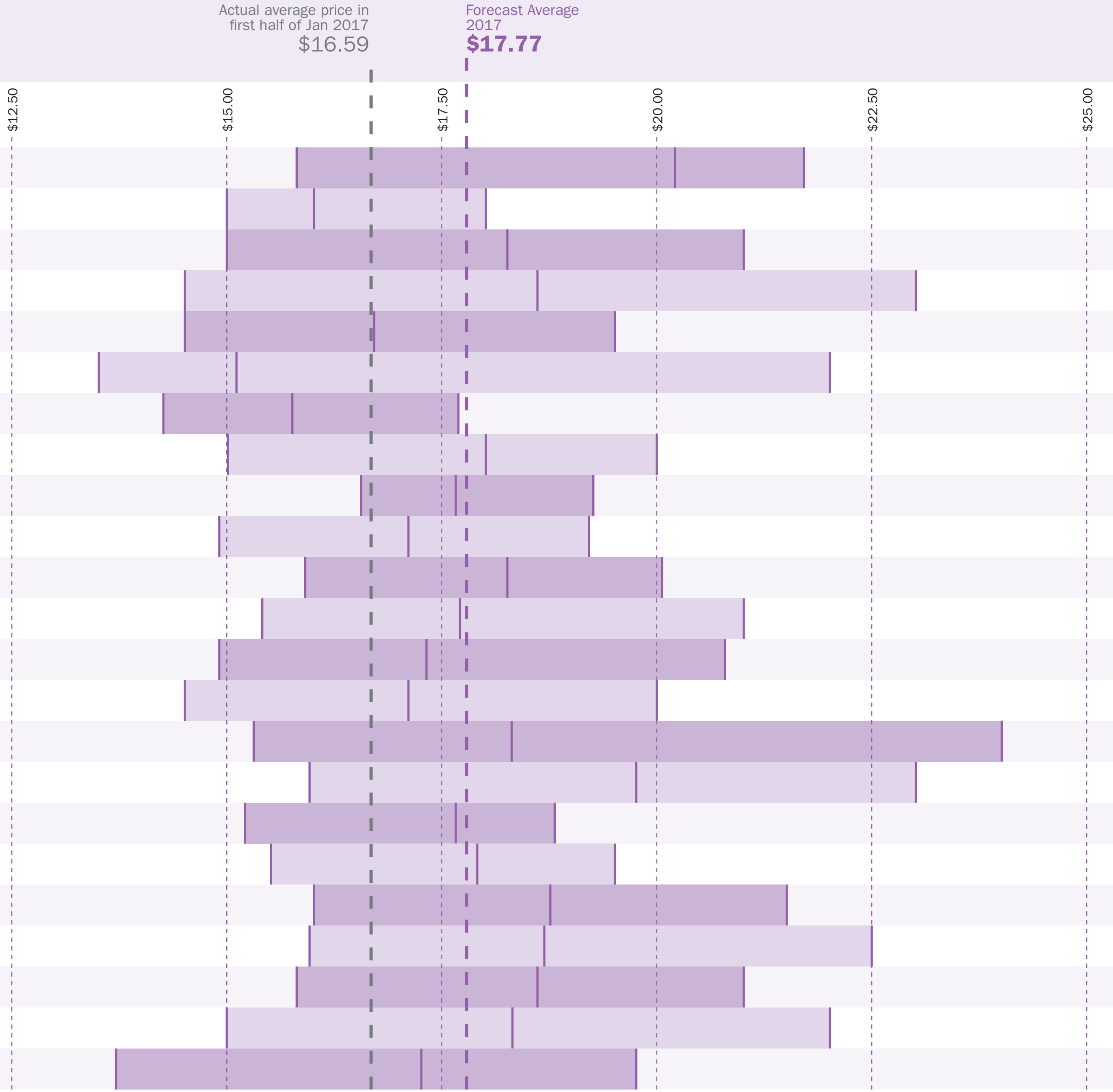
Name	Low	Average	High
Adams, William Metal Bulletin Ltd	$1,118	**$1,305**	$1,430
Bhar, Robin Societe Generale CIB	$1,050	**$1,150**	$1,300
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$1,020	**$1,205**	$1,350
Cooper, Suki Standard Chartered	$1,090	**$1,213**	$1,325
Dahdah, Bernard Natixis	$1,060	**$1,110**	$1,400
Fertig, Peter QCR Quantitative Commodity Research Ltd	$1,025	**$1,131**	$1,250
Fritsch, Carsten Commerzbank AG	$1,050	**$1,225**	$1,350
Hochreiter, Rene Noah Capital Markets/Sieberana Research (Pty) Ltd	$1,150	**$1,285**	$1,380
Kavalis, Nikos Metals Focus	$1,100	**$1,285**	$1,460
Kendall, Tom ICBC Standard Bank	$1,100	**$1,175**	$1,320
Klapwijk, Philip Precious Metals Insights	$1,140	**$1,288**	$1,362
Meir, Edward INTL FCStone	$1,080	**$1,275**	$1,420
Melek, Bart TD Securities	$1,108	**$1,256**	$1,375
Nagao, Eddie Sumitomo Corporation	$1,050	**$1,201**	$1,380
Norman, Ross Sharps Pixley	$1,148	**$1,310**	$1,390
Panizzutti, Frederic MKS Switzerland S.A.	$1,120	**$1,272**	$1,380
Proettel, Thorsten LBBW	$1,170	**$1,270**	$1,370
Shen, Kun Bank of China	$1,150	**$1,300**	$1,450
Steel, James HSBC	$1,120	**$1,282**	$1,390
Strachan, Ross Thomson Reuters GFMS	$1,150	**$1,259**	$1,400
Teves, Joni UBS Limited	$1,150	**$1,350**	$1,450
Turner, Matthew Macquarie Bank	$1,075	**$1,216**	$1,400
Vaidya, Bhargava B.N. Vaidya & Associates	$1,100	**$1,260**	$1,375
Averages	**$1,101**	**$1,244**	**$1,379**



Click on the name of a contributor and it will take you direct to the supporting commentary

Ag

Name	Low	Average	High
Adams, William Metal Bulletin Ltd	$15.80	**$20.20**	$21.70
Bhar, Robin Societe Generale CIB	$15.00	**$16.00**	$18.00
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$15.00	**$18.25**	$21.00
Cheng, Tianze Bank of China	$14.50	**$18.60**	$23.00
Cooper, Suki Standard Chartered	$14.50	**$16.60**	$19.50
Dahdah, Bernard Natixis	$13.50	**$15.10**	$22.00
Fertig, Peter QCR Quantitative Commodity Research Ltd	$14.25	**$15.75**	$17.75
Fritsch, Carsten Commerzbank AG	$15.00	**$18.00**	$20.00
Hochreiter, Rene Noah Capital Markets/Sieberana Research (Pty) Ltd	$16.55	**$17.65**	$19.25
Kendall, Tom ICBC Standard Bank	$14.90	**$17.10**	$19.20
Klapwijk, Philip Precious Metals Insights	$15.90	**$18.25**	$20.05
Meir, Edward INTL FCStone	$15.40	**$17.70**	$21.00
Melek, Bart TD Securities	$14.90	**$17.31**	$20.78
Nagao, Eddie Sumitomo Corporation	$14.50	**$17.10**	$20.00
Newman, Philip Metals Focus	$15.30	**$18.30**	$24.00
Norman, Ross Sharps Pixley	$15.95	**$19.75**	$23.00
Panizzutti, Frederic MKS Switzerland S.A.	$15.20	**$17.65**	$18.80
Proettel, Thorsten LBBW	$15.50	**$17.90**	$19.50
Steel, James HSBC	$16.00	**$18.75**	$21.50
Strachan, Ross Thomson Reuters GFMS	$15.95	**$18.68**	$22.50
Teves, Joni UBS Limited	$15.80	**$18.60**	$21.00
Turner, Matthew Macquarie Bank	$15.00	**$18.31**	$22.00
Vaidya, Bhargava B.N. Vaidya & Associates	$13.70	**$17.25**	$19.75
Averages	**$15.13**	**$17.77**	**$20.66**



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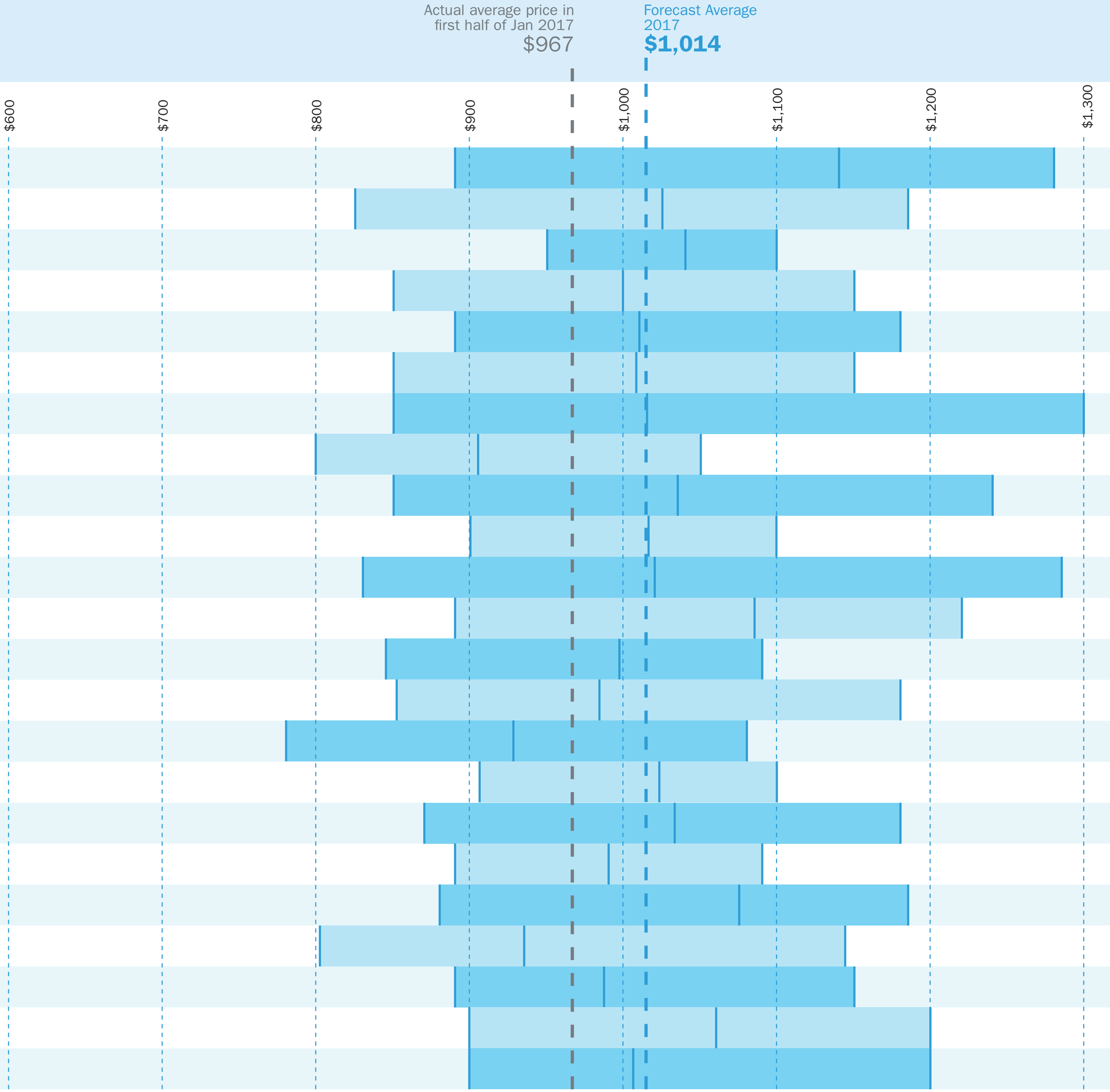
Pt

Name	Low	Average	High
Adams, William Metal Bulletin Ltd	$890	**$1,140**	$1,280
Bao, Han Bank of China	$825	**$1,025**	$1,185
Bhar, Robin Societe Generale CIB	$950	**$1,040**	$1,100
Briesemann, Daniel Commerzbank AG	$850	**$1,000**	$1,150
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$890	**$1,010**	$1,180
Cooper, Suki Standard Chartered	$850	**$1,008**	$1,150
Dahdah, Bernard Natixis	$850	**$1,015**	$1,300
Fertig, Peter QCR Quantitative Commodity Research Ltd	$800	**$905**	$1,050
Heathman, Oliver Metals Focus	$850	**$1,035**	$1,240
Hochreiter, Rene Noah Capital Markets/Sieberana Research (Pty) Ltd	$900	**$1,016**	$1,100
Jollie, David Anglo American Platinum	$830	**$1,020**	$1,285
Kendall, Tom ICBC Standard Bank	$890	**$1,085**	$1,220
Klapwijk, Philip Precious Metals Insights	$845	**$997**	$1,090
Melek, Bart TD Securities	$852	**$984**	$1,180
Nagao, Eddie Sumitomo Corporation	$780	**$928**	$1,080
Norman, Ross Sharps Pixley	$906	**$1,023**	$1,100
Panizzutti, Frederic MKS Switzerland S.A.	$870	**$1,033**	$1,180
Proettel, Thorsten LBBW	$890	**$990**	$1,090
Steel, James HSBC	$880	**$1,075**	$1,185
Stevens, Glyn INTL FCStone	$802	**$935**	$1,144
Strachan, Ross Thomson Reuters GFMS	$890	**$987.50**	$1,150
Teves, Joni UBS Limited	$900	**$1,060**	$1,200
Turner, Matthew Macquarie Bank	$900	**$1,006**	$1,200
Averages	**$865**	**$1,014**	**$1,167**



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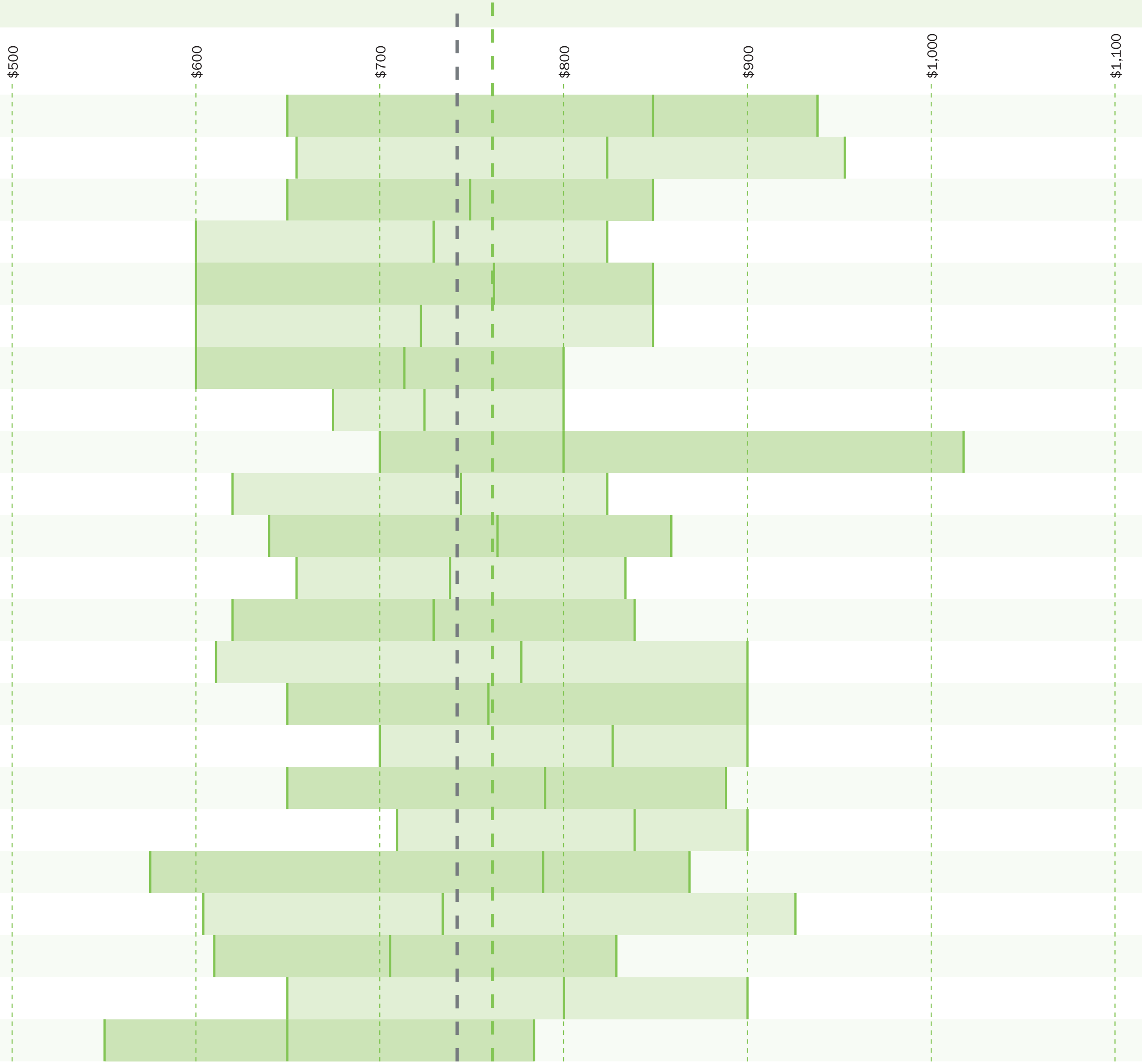
Pd

Actual average price in first half of Jan 2017 $744

Forecast Average 2017 **$762**

Name	Low	Average	High
Adams, William Metal Bulletin Ltd	$650	**$850**	$940
Bao, Dun Bank of China	$655	**$825**	$955
Bhar, Robin Societe Generale CIB	$650	**$750**	$850
Briesemann, Daniel Commerzbank AG	$600	**$730**	$825
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$600	**$763**	$850
Cooper, Suki Standard Chartered	$600	**$723**	$850
Dahdah, Bernard Natixis	$600	**$714**	$800
Fertig, Peter QCR Quantitative Commodity Research Ltd	$675	**$725**	$800
Hochreiter, Rene Noah Capital Markets/Sieberana Research (Pty) Ltd	$700	**$800**	$1,020
Jollie, David Anglo American Platinum	$620	**$745**	$825
Kendall, Tom ICBC Standard Bank	$640	**$765**	$860
Klapwijk, Philip Precious Metals Insights	$655	**$739**	$835
Liang, Junlu Metals Focus	$620	**$730**	$840
Melek, Bart TD Securities	$611	**$778**	$900
Nagao, Eddie Sumitomo Corporation	$650	**$760**	$900
Norman, Ross Sharps Pixley	$700	**$828**	$900
Panizzutti, Frederic MKS Switzerland S.A.	$650	**$791**	$890
Proettel, Thorsten LBBW	$710	**$840**	$900
Steel, James HSBC	$575	**$790**	$870
Stevens, Glyn INTL FCStone	$604	**$735**	$928
Strachan, Ross Thomson Reuters GFMS	$610	**$706**	$830
Teves, Joni UBS Limited	$650	**$800**	$900
Turner, Matthew Macquarie Bank	$550	**$650**	$785
Averages	**$634**	**$762**	**$872**



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William ADAMS
Metal Bulletin Ltd, London

Au Range: **$1,118 - $1,430** Average: **$1,305**

Geopolitical uncertainty is expected to increase in 2017 – a more nationalistic US President is taking the helm and there is potential for significant upheaval while Brexit negotiations get under way (especially because a hard Brexit is looking more likely). There seems to be a great deal of complacency about geopolitical risks. With other asset classes already at high price levels, there is a risk of corrections while geopolitical developments unfold. When investors take profits, they may well see gold as offering a relatively cheap safe haven. Last year also showed just how fiat paper money can be with India's demonetising of 500- and 1,000 rupee notes. This may well help monetise gold further – not by states but by individuals looking to diversify their liquid wealth.

Ag Range: **$15.80 – $21.70** Average: **$20.20**

A stronger global economic outlook and higher energy prices are seen as underpinning stronger industrial demand for silver. Stronger economies are likely to boost demand for jewellery too. This, combined with our bullish outlook for gold, should be doubly bullish for silver demand at a time when by-product supply from base metals mining has been negatively affected by output cuts, especially at zinc and lead mines. Silver, as well as gold, is likely to face headwinds from higher interest rates, but with Donald Trump as US President and with Brexit a major issue not just for the UK but for Europe as well, we expect 2017 to be an eventful year on the geopolitical scene. This may well prompt investors to shelter more of their wealth in safe havens again.

Pt Range: **$890 - $1,280** Average: **$1,140**

The weak jewellery market has weighed heavily on platinum demand growth, but with a brighter economic outlook in China, we expect jewellery demand to rebound. Confidence in platinum jewellery may have been hit by the sell-off in 2014-2015, but prices are rebounding off the 2015 lows and remain at a discount to gold prices, so we expect platinum jewellery demand to recover. The auto market has surprised on the upside in 2016 and may continue to do so given a stronger outlook for global economic growth. Although supply from South Africa should benefit from renewed labour contracts, a stronger rand is likely to keep pressure on producers' margins and, therefore, the potential for a supply response into higher prices. Our bullish outlook for gold should also underpin stronger platinum prices.

Pd Range: **$650 - $940** Average: **$850**

Palladium prices have been rallying since setting a low in January 2016. With the market expected to remain in a significant supply deficit, which will be eating into producers' stockpiles and investors' stocks, especially stocks held by ETFs, we expect prices to remain bullish. The stronger economic outlook bodes well for auto demand, even if Chinese demand slows in the first part of 2017, after significantly strong growth rates in the second half of 2016. Given the stronger price performance, combined with our bullish outlook for gold, we would not be surprised if investment interest, especially among ETF investors, started to return in 2017, which should help to underpin the rally.

Han BAO
Bank of China, Beijing

Pt Range: **$825 - $1,185** Average: **$1,025**

Platinum is expected to underperform its peers among the precious metals sector in 2017. Though auto selling has been picking up globally, diesel cars have continued to lose their appeal in the European market. Furthermore, in order to meet the stricter regulations of Real Driving Emissions standards, the potential shift to non-PGM emission control technology for diesel cars could further dampen platinum demand in the auto sector. Jewellery demand may also remain sluggish as demand in China is set to remain weak. With wage negotiations settled in South Africa last year, the supply side is expected to be less turbulent in 2017. However, strong gold and commodities performance could offer support for platinum price, helping it to stay firm over last year's levels.

Dun BAO
Bank of China, Beijing

Pd Range: **$655 - $955** Average: **$825**

Palladium bounced back from a five-year low since January 2016. We believe it will continue to outperform its peers in 2017. Auto sales growth in China benefits from the survival of the purchasing tax reduction, although it was lowered by 2.5%. Environmental concerns have led to stricter emission standards worldwide, especially in the US, Europe and China, which has given strong support to the demand of PGMs. Mine supply in Russia and South Africa remains stable. Tense labour relations in South African may arouse high risks of production interruption due to potential strikes.

We will see another (yet again!) year of market deficit and little sign of inventory restocking in palladium. The price is heading northeast, targeting $912 made in September 2014, and climbing up towards the peak in 2001, historical high as well.

Robin BHAR

Société Générale CIB, London

Au Range: $1,050 - $1,300 Average: $1,150

Gold has clearly become much less attractive in this environment of rising yields, a stronger dollar and expectations of higher growth, increased spending and rising inflation. Much now depends on how the latest political developments affect economic growth, inflation/deflation expectations and, in turn, Fed policy and real rates. While perceived higher uncertainty strengthens the case for holding gold as a diversifier and hedge, possible changes in fiscal policy could push real rates higher, offsetting safe-haven demand and creating downside risks for gold. All-in-all, gold prices are at the mercy of risk appetite. Buying on dips is likely to provide support given a view that gold is a good portfolio diversifier/hedge/insurance policy.

Ag Range: $15.00 - $18.00 Average: $16.00

This year, we expect that the rapid increase in silver investment will not be sustainable. The largest component of physical silver demand – industrial applications – will also continue to fall, which will place further pressure on silver prices. Rising real yields and a stronger US dollar are putting pressure on silver. However, we still maintain an overall positive view given the uncertainties ahead – from politics to potential policy impact on growth/inflation and the read-through into the impact on real rates. Buying on dips is likely to provide support given a view that silver is a good portfolio diversifier/hedge/insurance policy and given that its industrial usage should benefit from any boost to US economic growth based on President Trump's campaign pledges.

Pt Range: $950 - $1,100 Average: $1,040

Physical demand should continue to moderate. In China, the increase in demand from the autocatalyst and glass industries has not been sufficient to offset the drop in demand from the jewellery and chemical sectors. Over the next two years, we expect falling mine supply combined with steady demand for platinum to push the platinum market back into annual deficits. However, we are looking for the deficit to narrow in 2017 compared to 2016 on a rebound in autocatalyst recycling. These deficits will eat away at above-ground stocks. As above-ground stock levels deteriorate, there is greater potential for an upside in prices, as the availability of near-to-market stocks diminishes.

Pd Range: $650 - $850 Average: $750

Unlike its sister metal platinum, palladium, the more industrial metal within the complex, has clearly become much more attractive in this environment of rising yields, a stronger US dollar and expectations of higher growth, increased spending and rising inflation. That said, industrial usage is expected to remain weaker in 2017, offset to some extent by healthy autocatalyst demand in China, which accounts for 24% of palladium offtake from the auto sector. We expect above-ground stocks of palladium to continue to decline, which also will provide upside support to prices. The palladium market, however, will realise significantly larger annual deficits over the next two years, moderated to a degree by a rebound in autocatalyst recycling.

Daniel BRIESEMANN

Commerzbank AG, Frankfurt

Pt Range: $850 - $1,150 Average: $1,000

Platinum has recovery potential following its poor price performance last year. Although Johnson Matthey expects 2017 to show a supply surplus again for the first time in six years, the World Platinum Investment Council envisages another supply deficit. While demand from the automotive industry plays less of a role for platinum than for palladium, investment and jewellery demand is more important. Measured against the fundamental data, and against gold and palladium, platinum is undervalued. What is more, platinum should profit from the increase we expect to see in the gold price.

The price should also receive additional buoyancy from rising production costs in South Africa, the main producer country. Last year, the South African rand was one of the strongest currencies of all, which is likely to see the profit situation for producers further deteriorate. We expect platinum to climb in price to $1,100 per troy ounce by the end of 2017.

Pd Range: $600 - $825 Average: $730

Johnson Matthey once again predicts a significant palladium supply deficit in 2017. That said, one risk factor is that demand these days depends almost exclusively on the auto industry. If the boom there were to falter – which we are seeing signs of – the market balance would be seriously affected. In this case, the supply deficit would end up being considerably smaller.

What is more, palladium ETFs, long a key component of demand, have seen drastic outflows over the past two years, thereby making supply available to the market. We believe that the price potential is largely exhausted and envisage a price of $750 per troy ounce at the end of 2017.

Jonathan BUTLER

Mitsubishi Corporation International (Europe) Plc, London

Au Range: $1,020 - $1,350 Average: $1,205

Gold remains vulnerable to a further strengthening of the dollar in the first half as US economic prospects are lifted by expectations of fiscal stimulus, while President Trump's plans for reduced corporate taxation could lead to ever-higher equity valuations, diverting investment flows away from bullion. Rising US interest rates and a rotation out of longer-dated US Treasuries may see yields break out of a 30-year downtrend, which would put further selling pressure on gold as a non-interest bearing asset. However, as the new US administration's reflationary economic policies kick in, the real rate environment may stay favourable to gold due to higher inflation. Increased fiscal spending, which will widen the US Federal budget deficit, could lead to protracted political disputes over government debt and erode international confidence in the dollar in the longer term. Together with greater trade protectionism and/or geopolitical tensions, gold could be reasonably well supported as a risk hedge as the year wears on.

Ag Range: $15.00 - $21.00 Average: $18.25

Silver prices will be susceptible to liquidation of long paper positions in the months ahead on a combination of a strong dollar and a less favourable real rate environment; however, its industrial properties may be silver's trump card. Macro conditions may improve for silver in the second half if the Fed moves less aggressively than expected on rate hikes and elevated geopolitical risks lead funds back into precious metals. We see the potential for silver to outperform gold as investors become cognizant of it being undervalued on a relative and absolute long-term basis compared with its sister metal. Rising physical offtake will also help silver, especially in the Asian jewellery markets and in the solar photovoltaic sector. Supply fundamentals should be reasonably supportive of prices in 2017 and onwards as curtailment of base metals mining in response to previously low prices begins to impinge on output of silver.

Pt Range: $890 - $1,180 Average: $1,010

Platinum may struggle as macroeconomic conditions become less favourable to non-yielding assets and supply-demand fundamentals deteriorate. A stronger US dollar combined with better returns in equities will be the main headwinds in the first half, although rising inflation and risk aversion could help platinum later on. If ETF investment remains subdued, the market will probably move close to balance or even into a rare surplus in 2017 as a result of Japanese physical investment turning negative. If local yen prices move higher due to depreciation against the dollar, history suggests that Japanese retail investors will become net sellers and return metal to the market. Autocatalyst demand may also decline due to erosion of the European diesel market share. Industrial offtake will be robust, particularly in petrochemicals, and the jewellery sector will see a return to growth, led by China. Supplies from South Africa will decline in 2017 due to the reorganisation of mines and earlier cuts to capex.

Pd Range: $600 - $850 Average: $763

As a pro-cyclical industrial asset, palladium should continue to benefit from expectations of US economic stimulus, a positive outlook for demand in the core area of autocatalysts and another deep supply-demand deficit. Bullish investor positioning remains light; therefore, we see new speculative length and growth in ETF holdings as supporting prices in the coming months. Offtake in the two largest vehicle markets, China and the US, should remain strong due to tightening emissions standards; however, car sales in China will dip with the removal of a government subsidy, and sales in the US remain at risk of rising interest rates curtailing car credit availability. Despite this generally positive outlook, any faltering of economic confidence in the US will have the potential to damage palladium and could bring to an end the strong technical up-trend since early 2016.

Tianze CHENG

Bank of China, Beijing

Ag Range: $14.50- $23.00 Average: $18.60

We expect silver price to move higher in the year ahead, in accordance with our positive outlook for gold, as the strong correlation between gold and silver is expected to remain. Silver broke the previous downward trend in 2016 with the support of relatively robust investment demand. We believe the silver price will benefit from several factors in 2017. Firstly, Trump's potential fiscal stimulus could reflate overall industrial commodities prices, which will be good for silver. Secondly, financial markets could be exposed to more political uncertainties due to Brexit negotiations and elections to be held in France and Germany. The safe-haven demand for bullion is expected to rise in extreme conditions, and silver may benefit from its lower value relative to gold. Thirdly, although the Fed is expected to hike rates in 2017, it may be at risk of falling behind the curve and, in this case, the US dollar real interest rate could move lower pushing down the opportunity cost of holding silver.

Suki COOPER

Standard Chartered, New York

Au Range: $1,090 - $1,325
Average: $1,213

Ag Range: $14.50 - $19.50
Average: $16.60

Pt Range: $850 - $1,150
Average: $1,008

Pd Range: $600 - $850
Average: $723

Fatter tail risks, a shifting political environment and government gold import limitations create a tangled outlook for gold prices. We expect the first and last quarters of the year to exhibit the greatest weakness. Three dominant themes suggest downside risk for prices and we advocate selling the rallies: (1) The Indian government has attempted to wean the country off gold and India's demand has been hampered by a raft of government policies clamping down on the parallel economy. In turn, gold has and will likely continue to suffer collateral damage. (2) China's buying has been hindered by limitations around gold import quotas, and appetite has been waning. (3) Markets are pricing in three Fed rate hikes for 2017. This will likely be the crippling factor for gold, as real yields start to rise, particularly if inflation remains modest. However, the scope for tail risks is high given the European election calendar and anti-EU sentiment, uncertainty surrounding the US Trump administration, as well as heightened geopolitical tensions.

Given the raft of political uncertainties lurking in 2017, we believe silver is likely to be a continued beneficiary of investment demand. In turn, we expect silver to follow in the footsteps of gold without the China and India headwinds. Concern over weak industrial demand suggests a soft footing for silver and, in turn, continued volatility in price action. But silver's fundamentals look to be relatively price supportive. Exchange-traded products have proved to be resilient even in an adverse price environment and will continue to be so, given that macro uncertainty flows are likely to be volatile again. Despite firmer prices, we believe prices need to rise further to incentivise mine supply growth. We expect mine supply to be flat, at best, while recycling is set to remain at the recent lower levels. Outside of photovoltaic demand, industrial demand was particularly weak last year, but we expect demand to recover modestly in 2017.

Platinum has a weak fundamental footing and has suffered from a flood of negative press around diesel vehicles. But much of the bad news is likely to be priced in at this stage, given the soft jewellery market and lack of sizeable production cuts. We expect the market to deliver a modest surplus and do not anticipate considerable mine production cuts despite industry challenges. The weakness of the South African rand should continue to offer a respite to producers. In the absence of investment demand and the soft jewellery sector, the key driver ahead will likely be auto consumption. The outlook for the diesel market is at risk of declining faster than our forecast. Thus the upside risk for platinum stems from gold lifting the complex.

We remain the most constructive on palladium prices. We expect the market to deliver its sixth straight significant deficit. The pace of autocatalyst recycling and the health of the auto market are the two key factors determining palladium's supply and demand balance, and its price outlook. A key downside price risk is the potential spent autocatalyst supply that has yet to reach the market. We believe firmer PGM prices are likely to tempt hoarded catalysts from breakage yards; this would lift recycled supply in 2017, but not flood the market. In contrast, we expect the anticipated slowdown in US vehicle sales in 2017 to be offset by growth elsewhere. It bodes well that China has extended its tax cut on smaller engines for another year. Palladium prices firmed despite ETP outflows last year, which underscores how undersupplied the market is.

Bernard DAHDAH

Natixis, London

Au Range: $1,060 - $1,400
Average: $1,110

Ag Range: $13.50 - $22.00
Average: $15.10

Pt Range: $850 - $1,300
Average: $1,015

Pd Range: $600 - $800
Average: $714

We see gold prices averaging $1,110/oz in 2017 (high of $1,400/oz and low of $1,060/oz). We expect Fed rate hikes to have the biggest impact on gold prices (three hikes in June, Sep and Dec 2017 are expected). Ensuing outflows from physically backed ETPs are expected to weigh on prices. That said, we expect 2017 will be marked by potential geopolitical tensions and uncertainties which could slow down the pressure emanating from the Fed rate hikes. These include tensions between the US and China, a potential revision of the Iran nuclear treaty and problems in Europe (such as difficulties with the Brexit process, and surprises in the French and German elections).

We forecast silver prices at $15.1/oz in 2017 (high of $22/oz, low of $13.5/oz). The correlation between gold and silver is expected to remain strong. We see silver prices being pushed down by higher Fed rates and yields. Holdings in physically backed ETPs could potentially impact silver prices, but we believe that this might not be as much of an issue as it could be with gold – silver holdings tend to be stickier.

Our forecast for platinum is an average of $1,015/oz for 2017 (high of $1,300, low of $850/oz). The diesel emission scandal has weighed heavily on platinum and will continue to do so. Although European car sales are expected to keep growing in 2017, the share of diesel engine-powered car out-of-total sales is expected to continue to drop. Chinese demand for platinum, which accounts for around 20% of total demand for the metal, is expected to improve, which should help support prices.

Our forecast for palladium is an average of $714/oz for 2017 (high $800/oz, low of $600/oz). We expected that demand for palladium will benefit at the expense of platinum as the popularity of gasoline-powered cars continues to rise in Europe at the same time as diesel-powered ones continue to drop. Palladium prices should also benefit from stronger US and developing country automobile demand, where the overwhelming majority of cars tend to be powered by gasoline engines.

Peter FERTIG

QCR Quantitative Commodity Research Ltd., Hainburg

Au Range: $1,025 - $1,250 Average: $1,131

One of the backwinds for gold has turned into a headwind and this is likely to remain a driving force for gold prices in 2017. The short period of negative yields on some major 10-year government bonds is history. In the US, the trend of declining yields on 10-year Treasuries, which lasted for about 30 years, is likely to have come to an end. This year, a rise to 3% is probable, which would clearly signal that the bull market is over. Thus, opportunity costs for holding gold are on the rise. These developments in bond markets are expected to have already had a strengthening impact on the US dollar. In addition, the US economy is robust and the economy of China is also in a solid state. Therefore, the Fed has no excuse for hesitating with normalising monetary policy as the FOMC did last year. More rate hikes are on the agenda. On the other hand, the ECB extended its QE, which implies that the US dollar is likely to firm further against major currencies. Gold demand in India will suffer under the fight of the government against the hidden economy and tax fraud. Thus, beside lower demand from investors, the jewellery sector is also likely to have a negative impact on gold. However, political risks such as Brexit and elections in major EU countries could lead to a temporary rise of safe-haven buying. But this is probably not sufficient to prevent a lower average gold price compared to 2016.

Ag Range: $14.25 - $17.75 Average: $15.75

The negative factors outlined for gold are also a burden for silver this year. However, the usually higher volatility compared to gold might be partly dampened by the industrial demand. The economic situation in manufacturing at the end of last year appears better than institutions such as the IMF assumed. The recent development in commodity prices is also a stimulus for many emerging market economies. However, there is also the risk of the trade policy by the new US administration under President Trump. Thus, silver is also at risk to revisit the lows of 2015/16.

Pt Range: $800 - $1,050 Average: $905

Rising interest rates in the US and a firmer US dollar are also a negative factor for platinum given the close correlations of precious metals. However, platinum is expected to underperform gold due to demand impacts. The share of car registrations represented by cars with diesel engines is declining. Also the jewellery sector consumes less platinum and this trend is likely to continue in 2017. On the supply side, mine production in South Africa is expected to decline slightly, which is probably more than compensated by higher secondary production.

Pd Range: $675 - $800 Average: $725

Strong car production in 2016 led to a higher demand for palladium; however, the growth rates this year are probably lower as some tax advantages for new automobile purchases expired. On the supply side, mine production is likely to increase again but only slightly, while secondary production might continue to grow more strongly. Thus, the upside potential appears to be capped. A stronger US dollar and rising yields on US government bonds argue for less demand from ETF investors.

Carsten FRITSCH

Commerzbank AG, Frankfurt

Au Range: $1,050 - $1,350 Average: $1,125

The gold price is likely to rise as foreign exchange markets stabilise during the course of the year, and should reach $1,300 per troy ounce by the end of 2017. Real interest rates that are still very low, and even negative in some cases, coupled with the ultra-expansionary monetary policy pursued by most Western central banks and rising inflation, point to more robust investment demand for gold again, though it is hardly likely to achieve the level it did in the first half of 2016. Key elections in Europe and the commencement of Brexit negotiations could spark a renewed upsurge in risk aversion in the markets at any time. Growing protectionism and the fact that a trade war between the Trump administration and China cannot be ruled out could give rise to new turmoil in the financial markets and a pricing out of Fed rate hikes.

Ag Range: $15.00 - $20.00 Average: $18.00

Silver is likely to perform somewhat better than gold, thereby redressing its undervaluation to some extent. At over 70, the gold/silver ratio is well above the long-term average, making silver relatively cheap compared with gold. Having said that, we do not believe that silver will be able to significantly outperform gold. Above all, this is because industrial demand – which accounts for roughly half of overall demand for silver – is still muted. According to Thomson Reuters GFMS, overall silver demand is set to decline for the seventh consecutive year, falling to its lowest level since the global economic crisis in 2009. Only considerably stronger demand for coins, bars and ETFs would tighten the market to a sufficient extent for the price to climb lastingly above $20 per troy ounce. We forecast a silver price of $19 per troy ounce at year's end 2017.

Oliver HEATHMAN

Metals Focus, London

Pt **Range:** **$850 - $1,240**
Average: **$1,035**

Sentiment towards platinum is likely to remain broadly negative this year, with anti-diesel rhetoric and persistent oversupply from South Africa being the overriding themes. Looking first at mine supply, following last year's wage agreements, there seems little scope for strike-related production losses in South Africa. The still weak rand also mitigates some of the pressure to close high-cost operations. On the demand side, auto-catalyst fabrication is expected to fall marginally this year. In particular, diesel's share in Europe looks set to drift lower. In addition, while the electric vehicle segment is unlikely to materially impact PGM demand for some time, its development is still likely to weigh on investor sentiment. In terms of overall supply/demand, platinum should switch from a small physical deficit in 2016 to a broadly balanced market this year. Any erosion of platinum's significant above-ground stocks therefore appears unlikely. As a result, the platinum price will continue to take its directional cues from gold. As we are positive towards the yellow metal for 2017, we also see platinum benefitting, although the platinum-gold spread is unlikely to drop noticeably.

René HOCHREITER

Noah Capital Markets/Sieberana Research (Pty) Ltd, Johannesburg

Au **Range:** **$1,150 - $1,380**
Average: **$1,285**

Our gold price forecasts remain on the uppish side mainly because of the high uncertainty level in the world in 2017: an unpredictable President Trump (he may use the Fed as a political scapegoat, Trump versus Silicon Valley, Trump versus the US), China overreacting against the US, Taiwan, Hong Kong over the South China Seas, the question of European unity, French nationalism, and elections in Holland, Germany and Italy, worsening relations with Russia and Turkey, the Middle East (low oil prices stressing OPEC economies), and North Korean ICBMs (Aegis missiles a deterrent). Russia was a big buyer of gold in 2016 and may continue to buy at current 'low' gold prices. This will be offset by sales of gold jewellery in the Middle East and in China as their economies deteriorate due to low exports. Technically, the gold price is forming a long-term base and a double bottom at around $1,100/oz, boding well for higher prices in 2017.

Ag **Range:** **$16.55 - $19.25**
Average: **$17.65**

As usual, the silver price will likely track the gold price with extra volatility. Jewellery and silverware demand could add some support to the price. As with other precious metals, the well-off of China will likely drive up silverware consumption during 2016, possibly switching to silver cutlery and meal bowls. With the current low prices, consumption in the electronics and super-conductor sectors could benefit silver demand. Ongoing algorithm trading will most likely see silver rise proportionately with the gold price. Technically, the silver price is forming a double bottom at around $15/oz and higher prices are indicated in 2017.

Pt **Range:** **$900 - $1,100**
Average: **$1,016**

One of the main reasons that our platinum price forecast 2017 is that the World Bank has reduced its global GDP forecast for this year. This is somewhat negative for the price because we believe that it is most sensitive to the two variables: global GDP forecasts a year in advance and the market surplus or deficit of platinum a year in arrears. Whereas the World Bank had a global growth rate of 2.9% until recently, the drop to 2.7% is ominous from a Bank that is usually more bullish than bearish. We see 2017 and 2018 as still being soft in terms of global GDP but improving if the US and China start spending on infrastructure as is predicted by many economists. Algorithm trading will likely see the spread between platinum and gold maintained at about $200/oz. Technically, the Pt price is bullish with a double bottom forming, indicating price rises in 2017.

Pd **Range:** **$700 - $1,020**
Average: **$800**

Palladium prices are likely to do well but will not rise above the platinum price. This is because of the greater efficiency of platinum in gasoline engine catalysis (by a factor of 2), which limits the palladium price rise to that of the platinum price. Even with better technology, autocat manufacturers must be thinking of changing to platinum with the price ratio of Pt:Pd currently at 1.3:1. At a ratio of 2:1, autocat manufacturers are now paying the equivalent of 53% more for the palladium in their catalysts than they would be if they were using platinum! Even if palladium catalyst thrifting has improved to, say, 77% as efficient as platinum (the current Pd:Pt price ratio), autocat manufacturers should be thinking of switching to platinum, because our forecasts beyond 2017 indicate that platinum will be more economical to use. Technically, the palladium price shows a move to $1,020/oz possibly during 2017.

David JOLLIE

Anglo American Platinum, London

Pt **Range:** **$830 - $1,285**
Average: **$1,020**

Economic factors and unexciting fundamentals weighed on the platinum price last year, which failed to make any meaningful gains in dollar terms. Sentiment remains relatively weak, but the reality is likely to be more supportive. Mine supply is expected to be fairly flat compared with 2016 as primary producers have generally allocated capital increasingly carefully and recycling volumes have grown more slowly than expected. On the demand side, industrial purchasing of platinum was strong in 2016 and is likely to be strong again this year. In the diesel sector, despite widespread negative publicity, platinum demand is likely to remain relatively firm. We do not anticipate a repeat of last year's decline in Chinese jewellery demand, although we do not expect a strong recovery. If investment demand holds up in Japan and elsewhere, then platinum's fundamentals would hint at higher dollar prices. Moreover, our expectation is that US monetary policy may tighten more slowly than anticipated and that the dollar may pose less of a headwind than it did last year, meaning that the platinum price should firm.

Pd **Range:** **$620 - $825**
Average: **$745**

The palladium price recovered well in 2016, driven by a combination of strong Chinese and US automobile sales and static mine production. Looking into 2017, vehicle sales are expected to plateau in the US and growth in China is likely to slow from last year's very rapid expansion after the purchase tax on smaller vehicles was increased at the end of last year, perhaps weakening but not halting this metal's upwards price momentum. Mine supply seems likely to be little changed, but recycling volumes should rise somewhat. This metal should therefore remain in a meaningful deficit in 2017, suggesting some price gains may be seen. The move by palladium into backwardation in late 2016 should also be supportive. However, with US monetary policy and global economic growth still rather uncertain, economic confidence will remain important for commodity prices in general.

Nikos KAVALIS

Metals Focus, London

Au **Range:** **$1,100 - $1,460**
Average: **$1,285**

Metals Focus believes that the recovery seen over the first two weeks of 2017 will likely set the tone for the rest of the year. This view ultimately rests on our scepticism towards the exuberance of global markets following the US election. Instead, we expect that the factors that buoyed gold investment over the first half of 2016 will remain relevant this year. First, whether the Fed hikes two or three times, short-term real US rates will stay negative throughout the year, weighing on the US currency. Second, so too will real, and in some cases even nominal, rates across other key reserve currencies. Third, the tail risks that encouraged safe-haven interest in gold last year will persist this year. Related to all three points, we struggle to see a strong acceleration of the US economy. Already, expectations towards the ability of the new administration to meet its early fiscal promises are being scaled back.

However, gold will still face several challenges this year. Investor confidence was clearly shaken during the last few weeks of 2016 and many investors will be slow to return. The lack of fundamental support, with physical demand in the two largest markets of China and India under pressure, is also a problem. Overall therefore, we believe that price gains will be modest and we forecast a full year average for 2017 of $1,285, up 3% year on year.

Tom KENDALL

ICBC Standard Bank, London

Au Range: $1,100 - $1,320 Average: $1,175

Do you believe that the Trump administration can push through corporate tax reform of sufficient scale that capital inflows to the US will accelerate, consequently the dollar will get even stronger, business investment will pick up and the Federal Reserve will have to tighten by at least 75 basis points? All without precipitating debilitating trade conflicts with China, an EM currency crisis as the carry trade implodes, or internecine fighting between hard money Republicans and those with more moderate fiscal instincts?

Sounds improbable, but during the first half of this year, we think team Trump should be able to keep internal divisions at bay and that policy announcements (albeit probably not too much actual legislation) will be sufficient to lift expectations and keep internal divisions at bay. With inflation also expected to accelerate (thanks largely to base effects in energy and soft commodities), the Fed will likely need to act again in March. A new goods and sales tax in India is a concern for gold jewellery demand, and China is unlikely to relax capital controls much in the near term. We expect all that to keep gold on the back foot until around mid-year, by which time the focus will likely be shifting to how the US is going to pay for Trumponomics. A new debt ceiling well in excess of $20 trillion will need to be approved and the budget deficit is likely to be widening again. That should be the cue for a more sustainable turnaround in gold than we have seen so far.

We don't believe there is much downside risk to our forecast. Conversely, if the new administration gets bogged down in protectionism or Affordable Care Act arguments, or stumbles over foreign policy missteps then the dollar will likely roll over a lot sooner. Rising rates could also pull the rug from under the US real estate market, but we think that is more likely to be a 2018 story.

Ag Range: $14.90 - $19.20 Average: $17.10

Silver could, perhaps should, outperform gold in a reflationary environment. But when has silver ever done what analysts think it 'should' do? Industrial demand from the catalyst sector is expected to be solid and investment in new solar power generating capacity is forecast to outweigh the diminishing effects of thrifting, but investor flows will trump those fundamental factors. In the short term, we expect investors to be net sellers and expect the price to bottom out in Q2.

Pt Range: $890 - $1,220 Average: $1,085

Platinum's drop below $900 late in 2016 stimulated both a pick-up in end user buying and tweaked the interest of those investors who though it just too cheap (both in relative and absolute terms). However, being reasonably certain where the floor is doesn't help predict the ceiling. There hasn't been too much good news on the demand side for platinum recently and this looks like another year of a market imbalance. So if there is no price tension coming from a drop in refined inventories, platinum will likely be dragged around by the rand/dollar exchange rate and by gold – though it may actually get back to flat with the yellow metal at some point this year and that in itself would be something to celebrate. The worst is probably over, but it feels like more of a Prosecco moment than time to break out the Champagne.

Pd Range: $640 - $860 Average: $765

The bulls will not be denied it seems. Palladium has started 2017 in fine fettle and recoveries from dips (which tend to be large) tend to be V-shaped. We still don't believe in multimillion-ounce deficits ad-infinitum but neither is the Chinese vehicle market about to go into decline, so prices in the mid-$800s should be achievable before scrap flows dampen the party.

Philip KLAPWIJK

Precious Metals Insights, Hong Kong

Au **Range:** $1,140 - $1,362
Average: $1,288

Expectations of higher US interest rates, a stronger American currency and rising stock prices might be thought to spell danger for the gold price in 2017. Such a backdrop would appear to rule out a repeat of the massive investment demand seen over much of 2016. However, gold's rebound from its $1,126 low in December may indicate that, notwithstanding these headwinds, the price can recover further this year as sufficient investors believe the precious metal to be a good hedge against economic and political uncertainties.

The post-election euphoria regarding US growth prospects that has shifted interest rate expectations, boosted the dollar and driven up stock prices is excessive, and aggressive forecasts on all these fronts are set to be moderated. For instance, while US interest rates will most likely increase by 50-75 basis points this year, the Fed is still going to be ultra cautious in tightening monetary policy, especially in the context of an already much stronger US dollar. Moreover, a rise in US inflation is set to outpace this increase in short-term policy interest rates because of wages rising faster (due to a tighter labour market), the impact of higher oil prices and, possibly too, as a consequence of protectionist trade measures driving up goods' prices. As a result of higher inflation, real US rates could well decline somewhat from current levels. Even moderately negative real interest rates would limit the dollar's upside and support gold prices. In addition, besides what may turn out to be a mildly positive economic backdrop, the precious metal should be buoyed by growing political concerns in 2017.

Since the collapse of the Soviet Union, geopolitical factors have rarely tended to affect gold prices and then only temporarily. This paradigm is likely to be tested though under President Trump, who has to date shown little regard for the fundamental foreign policy consensus of past Republican and Democratic administrations. Questions about the quality of American leadership and the country's commitment to the post-war global order come at a time of rising tensions in Asia and Europe, in particular with China's growing power an issue for the former region and the EU's acute difficulties together with Russian revanchism affecting the latter region. Overall, it is fair to say that geopolitical risk is set to increase to a level not seen since the end of the Cold War. Gold is certain to benefit from the return to a less benign state of international affairs.

Ag **Range:** $15.90 - $20.05
Average: $18.25

Silver's general trend in 2017 will be to follow gold higher, with greater volatility and a broader trading range. Positive factors for both metals such as US dollar weakness, rising inflation expectations and higher commodity prices would likely see silver outperform gold to the upside. In contrast, if the principal driver for greater investment and thus rising gold prices were an increasingly 'risk off' environment because of financial instability or a political crisis, it is probable that the white metal would underperform the yellow one due to its much higher correlation to growth in global GDP and its only limited appeal as a 'safe haven'. When it comes to supply/demand factors, of greatest importance to silver prices this year, given the little change expected in overall supply from mine production and scrap, will be potential growth in industrial end uses, which are by far the largest element of fabrication demand. Prospects here are relatively positive due especially to increasing use of silver in photovoltaics and by the automobile industry.

Pt **Range:** $845 - $1,090
Average: $997

Gold may be platinum's best hope in 2017. While the 'traditional' premium over gold has for some time now been replaced by a discount, the recovery forecast for the yellow metal should help to support the price of platinum. Nevertheless, platinum will be burdened by rather lacklustre supply/demand fundamentals. Supply from mine production remains steady, as rand devaluation (notwithstanding some rebound in the ZAR) has done enough together with political constraints to maintain mine production in South Africa. This scenario is unlikely to change in 2017. Meanwhile recycling, especially of spent autocatalysts is on a rising trend. On the demand side, consumption in autocatalysts is expected to decline as diesel's share of the European car market drops. Meanwhile, it is unlikely that the second-largest end use, jewellery, will grow by much, if at all, in 2017. The platinum market is therefore expected to record a moderate 'surplus' this year, which will tend to have a negative impact on prices, especially as outside of Japan (where investors traditionally buy on dips in yen prices), there is still not much in the way of physical investment demand for platinum. Finally, there is little reason to expect more speculative investors to enter the market for futures or ETFs whilst the fundamental picture for the metal remains broadly negative.

Pd **Range:** $655 - $835
Average: $739

Palladium appears to be the precious metal most vulnerable to an impending collapse in market euphoria following its surge in the wake of President Trump's election victory. As such, current prices (close to $750) may represent a misleading starting point for an analysis of the grey metal's price prospects in 2017. While palladium will be supported by another sizeable 'deficit' this year between supply and demand, it is probable that the gap between the two will narrow compared to 2016. Firstly, supply from both mine production and autocatalyst recycling is expected to increase. Secondly, autocatalyst demand may not grow as quickly as some expect due to only moderate growth in US and Chinese auto sales and the countervailing impact of ongoing thrifting in the metal's use in catalytic convertors. In the US, auto sales reached a record 17.5 million units last year, according to initial estimates, from which level growth may be modest, at best, given all the sales incentives rolled out in 2016. Meanwhile, in China, some purchases were brought forward last year due to government tax incentives on small cars which have now been reduced (the tax on applicable vehicles has increased from 5% to 7.5%). Thus, while there will still be a requirement for stocks to be reduced to meet the 'deficit', the call on above-ground holdings of palladium metal will not be sufficient to drive prices that much above the $800 mark.

Junlu LIANG

Metals Focus, London

Pd

Range: **$620 - $840**
Average: **$730**

Following its strong recovery over the second half of 2016, this year, we expect the palladium price will enjoy further gains. The main reason for this view concerns palladium's strong supply/demand fundamentals, with the metal forecast to record a physical deficit for the sixth consecutive year. In particular, autocatalyst demand is expected to post a new all-time high in 2017, helped by the extension of tax incentives in China, a recovery in other emerging markets, firm sales in the US and continued gains in the gasoline sector in Europe. Indeed, with such a positive backdrop, one could argue that our forecast is conservative. We favour such a view for three reasons. First, these supportive factors have arguably been factored into the price, at least in part. Second, with a reduced risk of major supply disruptions, ample above-ground stocks mean that any genuine tightness in physical supply is unlikely to emerge in the near term. Finally, under the new US President, the potential for political or economic uncertainty has grown. This in turn poses a considerable risk of equity market corrections, which would likely negatively impact palladium.

Edward MEIR

INTL FCStone, New York

Au

Range: **$1,080 - $1,420**
Average: **$1,275**

Gold finished up 9% in 2016, snapping three years of consecutive declines, but it was still a disappointing year for the bulls given that a much healthier advance faded by year-end. Looking ahead, it is tempting to suggest that we could see further downside in gold, especially if the late-2016 headwinds (a higher dollar and higher US rates) reassert themselves. While this is a possibility (and incorporated in our high-low forecast), we think other variables have the potential to offset these bearish concerns and arrest a protracted downward spiral. For one thing, there are critical elections that will take place this year in France, Italy, Germany and Holland, where at least some (if not all) establishment parties could be forced out of office. This would be a game-changer for gold, as it could destabilise the euro and provide a fertile background for a sustained advance, not too dissimilar from what we saw in 2011 during the Greek crisis. In the US, for all the talk of Trump, policy details remain incoherent and Congress may not fall in line with all of the President initiatives, something that could knock the dollar (and equities) back. Trump could single-handedly have more of an impact on the trade side, as moves towards protectionism might unnerve the markets and provide another lifeline for gold. On the physical side, we also wonder whether gold will have as bad a year in 2017 as it did last year with regard to Chinese and Indian buying – Chinese gold demand in Q3 2016 was down 22% from 2015 levels, while Indian gold buying was off 28%. In 2017, we see a $1,080-$1,420 range on gold, with an average price of $1,275.

Ag

Range: **$15.40 - $21.00**
Average: **$17.70**

Silver broke below the $14 mark in January of last year before working higher and peaked at just over $21 mark in early July (just shortly after the Brexit vote). Over the second half of the year, the complex relinquished the bulk of its gains (similar to gold), ending the year at $15.99, but still managed to finish up 7.1% on the year. We have known that silver shadows gold quite closely, but this year's correlation was unusually tight, with a correlation coefficient of 87%. As a result, much of what we wrote with regard to gold's 2016 trajectory and future outlook applies to silver as well. Price-wise, we expect to see a $15.40-$21.00 trading range in silver, with an average price of $17.70 for 2017.

Bart MELEK

TD Securities, Toronto

Au Range: $1,108 - $1,375 Average: $1,256

With the Fed signaling its desire to continue tightening into 2017, the rising cost of carry will likely ensure that the gold price continues to remain quite lacklustre before it gets better. The recent steepening of the yield curve, higher real yields and a supercharged US dollar have kept investors away from gold, which precipitated a sharp decline in the gold price in the final days of 2016 and still presents the risk of another sharp decline in the near term.

But the strong likelihood that the Fed will be very measured in its removal of monetary accommodation, along with US political uncertainties, even as the US economy closes the output gap at a more rapid rate and inflation approaches target, should keep gold well bid and moving higher later in the year. Still very easy monetary policy employed by the ECB and the BoJ, and the downward yield pressure this generates, along with a growing risk that equity markets may correct, are additional factors prompting us to think gold will move into the $1,300-plus territory this year.

Ag Range: $14.90 - $20.78 Average: $17.31

Considering silver's traditionally higher volatility and historic relative strength during periods when investors are building gold exposure, the white metal is likely to outperform. Tightening fundamentals owing to lacklustre mining output and strengthening global industrial activity are additional positives to macroeconomic and monetary policy, prompting silver to move higher this year.

Pt Range: $852 - $1,180 Average: $984

An improving European autocatalyst demand environment, increased global industrial activity and better precious metal market sentiment are likely to push the metal into a primary deficit into the next year, as supply growth remains lacklustre. South African production growth is being stymied by ore body quality factors, wage pressures and electric power infrastructure problems. Meanwhile, a very poor nickel market environment – a source of significant PGM byproduct – is also reducing mined production in other areas of the world.

However, still ample above-ground inventories, weak China jewellery demand and doubts about the future of diesel engines in Europe should keep platinum from posting a sustained rally this year. As such, platinum is not expected to maintain a price level materially above $1,100 in 2017. A weak rand is an additional reason why platinum is not expected to outperform.

Pd Range: $611 - $900 Average: $778

TD Securities expects a significant primary deficit over the next several years, as Russian and South African supply growth remain challenged, and while consumption in the form autocatalysts, electric/electronic devices and chemical catalysts is set to strengthen. The resulting supply/demand tightening is projected to continue lifting palladium prices sharply higher in 2017. We judge the risk to be on the upside of our forecast, as we may enter 'auction' price territory (above the cost curve) to help clear this market.

Markets need higher prices to incentivise new supply creation, which will be needed as China and the rest of the world take action to reduce pollution from gasoline engine-driven vehicles. Increased investor interest should augment this effect.

Eddie NAGAO

Sumitomo Corporation, Tokyo

Au Range: $1,050 - $1,380 Average: $1,201

A stronger US dollar driven by new the US government will give downward pressure to gold through the first several months of this year. Foreign currency restrictions in China and the possible change of GST regime in India are also negative for the yellow metal. Having said that, the current trend will not last so long and the focus on the market will shift from economic issues to political ones. Major elections in Europe and geopolitical tensions will bring back interest in gold as safe asset. Financial deterioration in the US may then weigh on the dollar towards the year end. If there is any 'black swan', it might be a policy change in FED gold reserve management?

Ag Range: $14.50 - $20.00 Average: $17.10

Silver will continue to move in line with gold, but will be less liquid and therefore more volatile. We might see a dive initially if Chinese solar power generation subsidies are reduced. Political tension in the second half of year may not only be international but also domestic in the US. The strong characteristics of the new President could divide the country and create confusion. If uncertainty increases, we assume the silver price can reach nearer to $20/oz.

Pt Range: $780 - $1,080 Average: $928

Fiscal stimulus in major countries such as US and China will produce initial support for the platinum group metals. However, its sustainability is in question if a strong US dollar starts to exert pressure on developing country economies.

Pd Range: $650 - $900 Average: $760

We expect the palladium price to narrow its discount to platinum due to a shortage of accessible inventories. Stronger economic outlook expectation in the US compared to Europe is another reason to anticipate such a spread move.

Philip NEWMAN

Metals Focus, London

Ag Range: $15.30 - $24.00
Average: $18.30

This year, silver will initially take its cues from a firmer gold price, benefiting from safe-haven and institutional buying. Moreover, given silver's tendency of higher volatility, it should outperform gold, as they both strengthen. That said, silver's core supply/demand fundamentals will deliver mixed results this year. On the supply side, although mine production should plateau, it will still achieve the second-highest total on record.

Turning to demand, industrial fabrication is expected to continue its recovery, bolstered by rising automotive and infrastructure-related demand, offsetting a modest drop in photovoltaics. Finally, physical investment may struggle to recover, having fallen sharply in 2016 from the record highs of 2013-15.

Overall, as gold improves during 2017, we expect silver to broadly follow, posting its $15.30 low in Q1, before enjoying solid gains over the rest of the year. As a result, silver should record its 2017 high, of $24.00, during Q4, helping to deliver a full-year average of $18.30, some 7% higher compared with 2016.

Ross NORMAN

Sharps Pixley, London

Au Range: $1,148 - $1,390
Average: $1,310

It is harder than ever to make a sensible gold forecast and with good reason. Markets are increasingly driven by political events (often impossible to predict) and correspondingly less by economic and market fundamental ones. Prima facie gold is a disaster with the key demand sectors including India, China and Central Bank softer compared to recent years, yet we remain bullish. For us, a plethora of epic 'black swans' could so easily put financial markets into a tailspin – be it the eurozone elections, Middle Eastern geopolitical tension, debt ceilings, a trade war between the US and China, but most of all, significant inflation.

2017 should see gold prices challenging the downtrend in place since 2011 (currently at $1,319), a breach of which could see further chart resistance at $1,390. For longer-term investors, the rationale for owning gold is more compelling than ever – and that is the vulnerable macroeconomic environment. Gold has become opaque and unpredictable – as has the world – and that in itself is a good reason to own it. We think physical buyers will lift gold prices by 15%.

Ag Range: $15.95 - $23.00
Average: $19.75

Like gold, silver needs to overcome the long-term bear market downtrend that goes back to 2011. For silver, that challenge is currently at $18.60 and it is likely to be met during Q1. With a spate of European elections plus the unpredictable policy actions of the US under a Trump administration, the outlook looks deeply uncertain and, by extension, precious metals should remain well bid. Ordinarily, we would see silver as a leveraged proxy for gold; however, silver comes into 2017 still laden with a relatively large speculative overhang in both the ETF and in the futures markets, and this should provide something of a drag on runaway prices, with profit-taking an ongoing feature as stale longs liquidate their positions and cap prices.

Pt Range: $906 - $1,100
Average: $1,023

There was an adage in the PGM sector which used to say 'as goes car sales, so go PGMs' – well that has been manifestly untrue for the last couple of years, with platinum prices stagnating to the lower end of a $900/$1,200 range, while car sales have hit record highs. The deleterious effect of substitution, thrifting and a lack of innovation to find significant new applications (where are you Johnson Matthey?) coupled with scrap from recycled autocats has had a depressive effect on platinum prices. Our outlook is for platinum to continue to struggle to make headway, but we see the price floor at $900 sustained but a lower high at $1,100. As global industrial production stagnates, there is relatively little reason for major optimism in platinum prices. Mine production in South Africa on the other hand looks likely to decline in 2017, which on balance should leave prices relatively flat on the year.

Pd Range: $700 - $900
Average: $828

Palladium and its sister metal platinum usually travel together – the difference in 2017 is that palladium will travel first-class while platinum will stay in economy. The idea of the metals moving to parity has been unthinkable, but technically and fundamentally there are grounds to believe the gap will continue to close as car sales look more promising in gasoline-burning/palladium catalyst regions over the diesel-burning/platinum catalyst regions – in other words China will sustain growth in car sales at 15%, while European car sales will stagnate. Runaway palladium prices, however, are likely to be held in check by ongoing profit-taking by ETF holders at higher levels. We could see palladium deficits running at about 625,000/ozs in 2017.

Frederic PANIZZUTTI

MKS (Switzerland) S.A., Geneva

Au Range: $1,120 - $1,380 Average: $1,272

In 2017, we expect new and different factors to drive the gold price. The newly elected US President, the forthcoming France and Germany presidential elections, and the new nationalist and populist governments in the US, and possibly in Europe, could change the order of international relations and trade, but also lead toward protectionist measures and trigger Brexit-like discussions. These uncertainties could result in increased political and geopolitical tensions, and more market volatility until a new global equilibrium is reached. These factors should provide enough support to gold and offset the impact of a possibly strengthening US dollar on the back of FOMC decisions. The official sector shall continue to be a net buyer of gold. We are expecting gold to moderately strengthen on the back of safe-haven buying.

Ag Range: $15.20 - $18.80 Average: $17.65

Silver rose by 7.13% over the course of 2016, mainly trading in the shadow of gold. We anticipate silver to uncouple from gold in 2017 and trade on its own fundamentals. On one hand, the mining supply is set to decrease, mainly as a by-product. On the other hand, the industrial demand is set to increase as global growth slowly recovers. The installation of new solar plants, especially in China, shall result in increased silver demand from the photovoltaic industry. As a result, the silver supply is to remain in deficit for the fourth consecutive year. We expect silver to average $17.6500/oz and to move as high as $18.8000/oz in 2017.

Pt Range: $870 - $1,180 Average: $1,033

Platinum underperformed the other precious metals in 2016.

The demand from the automotive sector in Europe is set to slow down over the course of the year. The Chinese platinum jewellery consumption shall remain on the weaker side on slower growth expectations. The South African and Russian supply is expected to marginally decline in 2017. The strong currency-related investment demand experienced in Japan in 2016 is expected to continue throughout 2017. That could balance eventual ETF outflows. Still, the supply demand deficit is set to narrow, resulting in a more balanced market after several years of supply deficit.

Overall, we expect platinum to gradually strengthen over the course of the year. Any renewed significant mining production disruption in South Africa would result in a price upswing.

Pd Range: $650 - $890 Average: $791

Palladium outperformed the other metals in 2016, closing the year 23% higher. But the story is not over! Tightening emission rules in China could have a significant impact on the market in 2017, resulting in more demand. The supply/demand deficit is set to further widen and would offset any eventual ETF-related selling. We also expect more shifting from platinum to palladium car catalysts on tighter regulations. The fundamentals are very favourable for palladium and justify a bullish scenario. While our sentiment for the other three metals is moderately bullish, we are not getting out of our comfort zone in calling palladium to outperform the other precious metals.

Thorsten PROETTEL

LBBW, Stuttgart

Au Range: $1,170 - $1,370 Average: $1,270

The age of ultra-low interest rates seems to have ceased, at least in the United States. The US Fed will probably announce three rate hikes in 2017, which implies considerable headwind for precious metals in the coming months. Nevertheless, gold has some potential as consumer prices presumably will climb faster, leaving the real yields of US dollar deposits and bonds at a very low respectively negative level. For that reason, gold will remain an attractive investment and ETCs might buy back what they sold in late 2016. Furthermore, interest rates will stay low or negative outside the US and especially in the eurozone. In combination with the risk of setbacks in the bond and stock markets, as well with the potential political risks due to elections in Europe, the gold price should increase.

Ag Range: $15.50 - $19.50 Average: $17.90

Silver is going to benefit from an expected gold price increase in 2017 and we predict the white metal to cost around $18 per troy ounce at the end of the year. Despite high volatility and additional buying costs such as VAT, silver is beloved by private investors. That might drive the investor's share up to 30% of global demand. Nevertheless, there is no real shortage of silver. Production increased by 40% in the last decade and due to higher production of base metals, that trend might continue in 2017

Pt Range: $890 - $1,090 Average: $990

Platinum bore a premium over gold in past decades and only got cheaper in times of extreme uncertainty such as 2008. Should consumers and investors expect a massive price increase as the white metal is traded at a discount of $200 per troy ounce right now? I personally do not expect the old times to come back. Platinum is used for large parts in catalytic converters for diesel engines, a kind of impulsion with massive image problems. Bigger cities are likely to ban diesel cars, making the purchase less attractive. It would not be a surprise if platinum demand stagnates or even decreases in the medium to long term..

Pd Range: $710 - $900 Average: $840

The story for an increase in the palladium price is still intact. Growing car sales and stricter regulation of exhaust fumes lead to a higher demand for the light grey metal. On the other side, supply is limited as palladium is extracted only as a by-product in Russian nickel mines and South African platinum shafts. Thrifting efforts of the consuming industry and large stocks of old catalytic convertors that are going to be recycled might dampen but might not prevent a price increase in the coming months.

Kun SHEN

Bank of China, Beijing

Au **Range:** $1,150 - $1,450
Average: $1,300

We expect the gold price to be well supported through the year and should average above current levels. The key risk of the year is the considerable uncertainty about future fiscal and other economic policy initiatives. We see a high probability that Trump policies will fall short of expectations and also of less aggressive rate hikes by Fed. Uncertainties of the eurozone elections this year will increase gold's attractiveness as a safe-haven asset.

Concerns about policy uncertainty will dampen investment interest in equities, while treasuries will become less attractive with lingering rate hikes, leading investors into other asset classes such as commodities and gold. As gold is playing a more important role in Chinese personal wealth management, we think Chinese demand for gold will be higher in 2017, lending continuous support to the gold price.

James STEEL

HSBC, New York

Au **Range:** $1,120 - $1,390
Average: $1,282

Physical demand and geopolitical risk may be the main supporting planks of the gold market in 2017. Gold is sensitive to geopolitical risks, as these raise demand for hard assets. A new US President, and elections in France and Germany may spur gold demand. Protectionist and populist policies may signal a lack of confidence in government policies and also boost bullion. Anti-trade policies in leading economies, notably the US, and the possibility of currency frictions may buoy gold. Also as President Trump openly questions decades-old military and political alliances, and anti-EU sentiment in key member states appears ongoing, geopolitical tensions may rise. In this climate, investors may move increasingly into gold. Gold gains may be tempered by the strong US dollar and rising US interest rates, although we believe a degree of Fed tightening is factored into prices. Limited mine supply and recycling will also support prices, as will central bank purchases.

Ag **Range:** $16.00 - $21.50
Average: $18.75

After weakening in the aftermath of Donald Trump's election win, we look for silver to make an uneven but notable recovery in 2017. In our view, any resurgence in investor uncertainty or safe-haven demand, based in part on geopolitical concerns, will bolster silver in 2017. We also base our expectations on solid fundamentals, as mine supply is likely to contract and recycling levels remain low. Meanwhile industrial demand, which absorbs half of physical consumption, should increase due to expanding economic activity. Coin, small bar and jewellery purchases should be stimulated by lower prices. Our expectation of gold strength is also supportive, and we believe tighter Fed policies are largely priced into the market. Any correction lower in the US dollar versus the euro, later in 2017, would also aid silver.

Pt **Range:** $880 - $1,185
Average: $1,075

After weakening for much of 2016, we anticipate platinum will trade higher in 2017. Limited mine supply increases, notably from South Africa, and the potential for increased investment should support prices. We look for a recovery in ETF and long Comex positions, but expect a slower rate of Japanese bar accumulation, after a surge in buying in 2015 and 2016. Auto demand may be slightly higher in 2017 as increases in consumption related to rising auto production and tighter emissions regulations in emerging markets will likely be offset by a topping out in platinum loadings in the key European diesel market. Tepid jewellery demand, with demand from China likely to recover only slightly as low prices reduce platinum's precious metals appeal, will help cap rallies. Although we expect a smaller demand/supply deficit than in previous years, any shift back to safe-haven assets or a stronger gold rally should support platinum.

Pd **Range:** $575 - $870
Average: $790

Palladium outperformed all other precious metals in 2016 and we expect it to rally further in 2017. A sharply widening deficit according to our supply/demand model is likely to propel prices higher. Scope for mine output remains limited partly due to limited platinum output from which palladium is derived as a by-product. Meanwhile industrial demand is likely to be firm. The bulk of palladium is consumed by the auto industry (mostly in gasoline vehicles) and this component of auto demand is likely to grow in 2017, but recycling levels should be limited. A cessation in the heavy ETF selling of 2015 and 2016 will afford palladium the opportunity to rally. Palladium may also benefit from any wider investor return to safe-haven assets in 2017.

Glyn STEVENS

INTL FCStone, London

Pt Range: **$802 - $1,144** Average: **$935**

Pd Range: **$604 - $928** Average: **$735**

Following the extraordinary political events of 2016, certainty is not a word to be used lightly in 2017. The new administrations in the US and UK, coupled with elections in other key European countries, could make for a turbulent year in currency, stock and commodity markets.

The US dollar remaining king is favourable with more interest rate hikes on the horizon. Crude seems to have found at least temporary stability in consensus amongst both OPEC and non-OPEC members.

With regard to PGMs, attention could well be diverted away from the underlying fundamentals. Rand and ruble weakness continue to protect the main producers. 2017 may see a physical platinum surplus. Diesel is a dirty word. Palladium remains the darling of the precious metals markets in both industrial and investment circles. Growth in global gasoline car sales is seemingly a given, especially as emissions legislation tightens, but caution is recommended. Recycling ought to step up a gear, with higher steel prices encouraging more vehicle scrappage. The inroads made by electric vehicles should not be underestimated. US car sales are plateauing and increased Chinese demand is heavily reliant on government incentives.

The overall effect on PGM prices? Against the background of an uncertain geopolitical landscape, there may be little clear direction as platinum remains within $200 of the four-figure mark and palladium stands guard just a couple of hundred dollars lower.

Ross STRACHAN

Thomson Reuters GFMS, London

Au Range: **$1,150 - $1,400** Average: **$1,259**

Ag Range: **$15.95 - $22.50** Average: **$18.68**

Pt Range: **$890 - $1,150** Average: **$987.50**

Pd Range: **$610 - $830** Average: **$706**

Gold prices started 2017 by making up some of the losses from late last year. However, the US dollar is likely to remain a substantial headwind to further price rises, at least in the first half of 2017. Furthermore, there are few indications that physical demand from Asia is set to pick up just yet. However, as the year progresses, there is a growing likelihood of safe-haven flows helped by either or both US and European geopolitics. In Europe, an election result, perhaps in France or the Netherlands, might be responsible, increasing the chances of a country leaving the euro, while in the United States, a more unorthodox approach from President Trump could increase such flows. Consequently, we forecast gold to average $1,259 per oz in 2017.

After a stellar first half of 2016, silver prices ended last year with a whimper at close to a six-month low. This rollercoaster ride occurred in conjunction with gold, but as is typically the case, it was even more volatile. While silver can be rather mercurial in nature, we expect these key features of tracking gold and volatility to return in 2017. Accordingly, silver will be under pressure early this year as the US dollar appreciates and gold slides. However, silver could well rally robustly later in the year as geopolitical pressures increase. In addition, demand for silver from the key Indian market should recover somewhat after a pitiful 2016, when it was hindered by substantial destocking.

Of the four main precious metals, platinum is the only one (albeit very marginally) that we expect to average lower in 2017. With its shaky fundamentals, it remains the laggard of the sector. Supply has remained resilient, aided by the weakness in the rand, which has supported both mine output and autocatalyst scrap recovery. Furthermore, platinum usage is under pressure from the two largest sources of demand, with the jewellery sector weighed down by a sharp decline in offtake in China. Meanwhile, platinum consumption from the automotive sector is hindered by its largest market suffering from sluggish economic growth and a move away from diesel. On a brighter note, the price of platinum is likely to gain support in the second half of 2017 as the mining community struggles to maintain output. The strong performances of both gold and palladium will also help it gain in their slipstream.

Just as in 2016, we expect palladium to be the star performer in the precious metals market in 2017, although it is also likely to continue to experience the most whipsaw action. Underpinning our bullishness is yet another year of substantial market deficit eroding the (admittedly appreciable) level of above-ground stocks. On a cautionary note though, palladium's rally may stutter at times in the first half of 2017 as the reduction in incentives to the auto sector in China ends the upward trajectory in sales in the largest market. That said, with demand from the auto sector remaining robust globally, and with ETF holdings recently having recorded six-and-a-half year lows after heavy selling in 2016, a return to net buying from this area could spark prices to move sharply higher.

Joni TEVES

UBS Limited, London

Au Range: $1,150 - $1,450
Average: $1,350

We think gold allocation within a portfolio is warranted given a relatively benign rate environment, modest growth acceleration and elevated macro risks. We think further gains in gold are likely to be driven by a continuation of strategic portfolio allocation from a diverse set of investors. We've moderated our view to reflect the move in rates in the past few months and the greater downside risks ahead amid the potential for expansionary fiscal policy in the US to push growth and real yields sustainably higher. However, we think it's premature to call for a regime change. There's still a lot of uncertainty around this and much is required to overcome the environment of low rates and tenuous growth. In terms of gold's supply/demand fundamentals, we think these are broadly balanced, yet probably not strong enough to provide the same support as in 2013 if the market comes under similar pressure. We are more concerned about demand rather than supply – physical offtake has been weak and although there have been indications of resilience in core demand in key markets such as China and India, local policy developments could present some downside risks for physical demand up ahead. Ultimately, we think gold remains under-owned and macro conditions should continue encourage even broader participation in the gold market. Looking ahead, we will be watching factors that affect real rates. A key focus right now is US fiscal policy and the impact on growth and inflation. Monetary policy at the Fed and other key central banks, nominal yields, oil and commodity prices are other factors to watch. We will also monitor cross-asset correlations, as well as trends in physical markets by looking at trade data, differentials between local and international gold prices, changes in the loco swap rate between Zurich and London, scrap flows and producer hedging activity.

Ag Range: $15.80 - $21.00
Average: $18.60

We expect silver to track gold higher although relative performance is likely to be choppy. In relative terms, silver's performance versus gold is influenced by risk sentiment. Although price action is determined more by investor interest rather than fundamentals, silver's large industrial demand component suggests that it's poised to benefit from a positive growth scenario – in turn, we would expect silver to outperform gold during risk-on. In contrast, as silver is not typically considered a strategic asset, it tends to underperform gold during risk-off. Market participants are likely to be attracted by short-term trading opportunities that silver offers. We expect investors to continue watching the gold:silver ratio closely for signals to get involved. However, participation is likely to remain short-term in nature, and silver is unlikely to be considered in the same way as strategic gold investment. In absolute terms, we think there's more scope on the downside for silver, driven by the same downside risks gold is facing from the possibility of sustainably higher yields. However, in terms of relative performance, there could be some modest bias in favour of silver amid the potential for stronger growth and positive risk sentiment, which should have moderate upside implications for silver from our base case.

Pt Range: $900 - $1,200
Average: $1,060

We've moderated our platinum view, but still see prices rising, mainly due to its correlation with gold. We expect platinum to be in a surplus this year, and for the market to remain relatively balanced over our forecast period. This is mainly driven by expectations of a faster decline in diesel share versus consensus and a positive outlook on electric vehicles (EV) in the medium to long term. As a result, we anticipate a fall in automotive demand for platinum in the years ahead. For now, we think the bar continues to be high for prices to be more responsive to fundamental drivers. Platinum's positive correlation with gold suggests that gold price action is likely to remain the key driver for platinum for now, along with shifts in investor risk appetite. Investor flows suggest limited interest. Both gross longs and shorts on Nymex have been cut, suggesting a lack of appetite to participate in the market. ETFs declined by 275 koz over the past couple of years, a less aggressive sell-off versus palladium, but also posing a risk that this would act as an overhang. To the extent that fiscal hopes boost risk sentiment, platinum could enjoy some spill-over benefits at the margin. Platinum generally has a positive correlation with risk, suggesting that it has the potential to outperform gold in a risk-on scenario. But given that platinum is more exposed to the European auto market, we expect any possible benefits to be minimal, offset by the impact of declining diesel shares on sentiment. Downward pressure on the platinum ratios versus gold and palladium implies that underlying investor sentiment towards platinum remains a challenge and this is not helped by a more benign fundamental outlook. Given our new supply and demand forecasts, above-ground stocks are likely to remain relatively flat to slightly higher over our forecast period. Beyond this, the potential for the market to tighten largely depends on how supply responds to a more moderate price profile. We think there are greater downside risks from here, for although the market is currently not as sensitive to fundamental drivers, a less optimistic demand picture could unnerve core long positions and/or discourage investor participation.

Pd Range: $650 - $900
Average: $800

Palladium fundamentals should start offering more support. We are bullish on palladium from here, expecting prices to be well supported as fundamental factors come back into focus. We maintain the view that concrete signs of market tightness should start to emerge this year. We continue to estimate growing palladium automotive demand despite declines in diesel share and growth in electric vehicle penetration. Although there are no concrete signs of market tightness as yet, there have been growing indications of robust demand in recent months, supporting our view that the drawdown in inventories should accelerate up ahead. We estimate that the palladium market will remain in deficit in the years ahead. Palladium's compelling fundamental story should attract investor interest. Strategic interest has been limited for now, but speculative interest appears to be returning. Given sizeable investor liquidations the past couple of years, there's ample room for positions to be rebuilt. ETFs have liquidated around 1.36 moz over the past two years and outflows have extended so far this year. Speculative positions are the lightest across the precious metals complex, but net longs have bounced from the lows. Additionally, palladium is well poised to benefit from growth optimism on the back of fiscal hopes in the US given its strong correlation with risk, amid links to economic activity, with about 25% of demand accounted for by North America. Bouts of risk-off are still likely to weigh on the market from time to time, especially given limited market liquidity, but we would view these as opportunities to build longer-term palladium positions. After recently upgrading our forecasts, we are now considerably above consensus. On balance, we think the risks to our base case are asymmetric to the downside from here. A threat to our bullish palladium view is if investor interest does not pick up as we expect, either due to broad and prolonged risk-off sentiment or more deep-rooted scepticism about the fundamental picture. Another risk is if we are underestimating inventories and therefore overestimating the potential for market tightening. A faster-than-expected move towards BEVs would also hurt palladium, albeit this is more of a long-term dynamic.

Matthew TURNER

Macquarie Bank, London

Au Range: $1,075 - $1,400
Average: $1,216

Gold is at a crossroads. One possibility is that 2017 will be last year on steroids – huge political risks, wobbly growth, the Fed foiled again. Another is a more growth-friendly US government, which means, this time, it really is different, and real interest rates and the dollar have further to run (with the nightmare a potential spike in the US currency from tax adjustments). A third is a bit of both, and inflation becomes the key driver. We lean to this scenario, but it will take time, and therefore expect gains to be more of a second half 2017/early 2018 thing.

Ag Range: $15.00 - $22.00
Average: $18.31

The case for silver is that if the gold price falls on greater US and global economic optimism, it shouldn't be so badly hit. And if the gold price rises on inflation, silver will still benefit. The case against is its fragility if things go wrong globally. Fundamentals seem mildly supportive though we've never seen much evidence that they determine price direction.

Pt Range: $900 - $1,200
Average: $1,006

Platinum's big problem is diesel. We estimate the share in Europe fell by 2 percentage points in 2016 to be in a minority for the first time since 2009, and nothing suggests 2017 will be any better. Of course, much of this must be priced in, though it still argues against any meaningful price appreciation. The best hope for that will be a pick-up in Chinese jewellery, a possibility if the economy there remains robust. Otherwise platinum's best hope lies in gold.

Pd Range: $550 - $785
Average: $650

The bullish arguments for palladium are compelling – a large deficit, an accelerating global economy and rising risk appetite. But we think a sharp slowdown in global car sales is likely, and some high-profile EV launches will keep investors nervous. Add the prospect of firmer supply and the price is set to surprise on the downside.

Bhargava N VAIDYA

B.N. Vaidya & Associates, Mumbai

Au Range: $1,100 - $1,375
Average: $1,260

Gold will remain in same range as in 2016. With US economy showing signs of growth and FED indicating an increase in US dollar rates, investment demand in gold will remain low. Supply of scrap is likely to remain at same level. The demand for physical in Asian countries will remain around same level. Gold will retain its old straits of 'store of value' and 'a safe-haven investment'.

Ag Range: $13.70 - $19.75
Average: $17.25

Demand for jewellery in silverware and jewellery is reducing. The general weakness in commodity prices will affect silver. Industrial slowdown will still take some time to recover from – this will keep industrial demand for silver at a low level. The supply of silver mainly as a by-product will keep the price in the same range as last year.

2016 Forecast Survey Winners

Congratulations to the winning analysts in the 2016 Forecast Survey, particularly to Joni Teves who managed to scoop two prizes, with winning forecasts for both gold and silver. George Coles took the prize for platinum and Bernard Dahdah claimed the winning forecast for palladium. Warm congratulations to all three analysts, who each received a 1 oz gold bar, which this year have been kindly donated by PAMP.

For the 2016 Survey, analysts had on average forecast only modest price increases for all four metals during 2016. However, they all performed much better in 2016 than the analysts had expected, with gold ending the year 13% above analysts' average forecast, silver 16% above, and both platinum and palladium 8% above. Against this background, clearly those analysts who had adopted a bullish outlook were the ones in contention for the coveted prizes.

The winners are pictured here collecting their 1oz gold prizes from Ruth Crowell, Chief Executive of the LBMA.

Joni Teves, Precious Metals Strategist, UBS Limited

Joni adopted the most bullish outlook for both gold and silver, and this approach meant that she was comfortably ahead of her nearest rivals despite the fallback in the gold and silver price in the second half of the year. For gold, she scooped the prize with a forecast of $1,225, just 2% off the actual average for the year of $1,251. Jim Steel took the runner-up spot with his forecast of $1,205 and Thorsten Proettel was in third place with his forecast of $1,185. Joni also scooped the prize for silver, again by taking the most bullish position of all the analysts, with a forecast of $17.20, impressively a mere 6 cents off the actual average price for the year of $17.14. In second spot, was Dmitriy Kolomytsyn with his forecast of $16.25, and on his coat tails to claim third prize was William Adams with his forecast of $16.20.

George Coles, Research Analyst, Metals Focus.

George took the first prize for platinum with his forecast of $980, just $7 off the actual average price of $987. Daniel Briesemann and Suki Cooper whose respective forecasts were $1,000 and $978, were close behind. However, Suki just claimed second place with Daniel in third.

Bernard Dahdah, Precious Metals Analyst, Commodities Research, Natixis.

Bernard took first prize in the palladium category with his forecast of $610, less than $4 off the actual average price of $613.72. This followed Bernard claiming first prize for gold in last year's competition, so well done to Bernard. There was another close finish for second place, with both Junlu Liang and Bart Melek tied with their forecasts of $625. However, after taking into account their forecast ranges it was Junlu who claimed second spot by virtue of a narrower forecast range, leaving Bart in third spot.

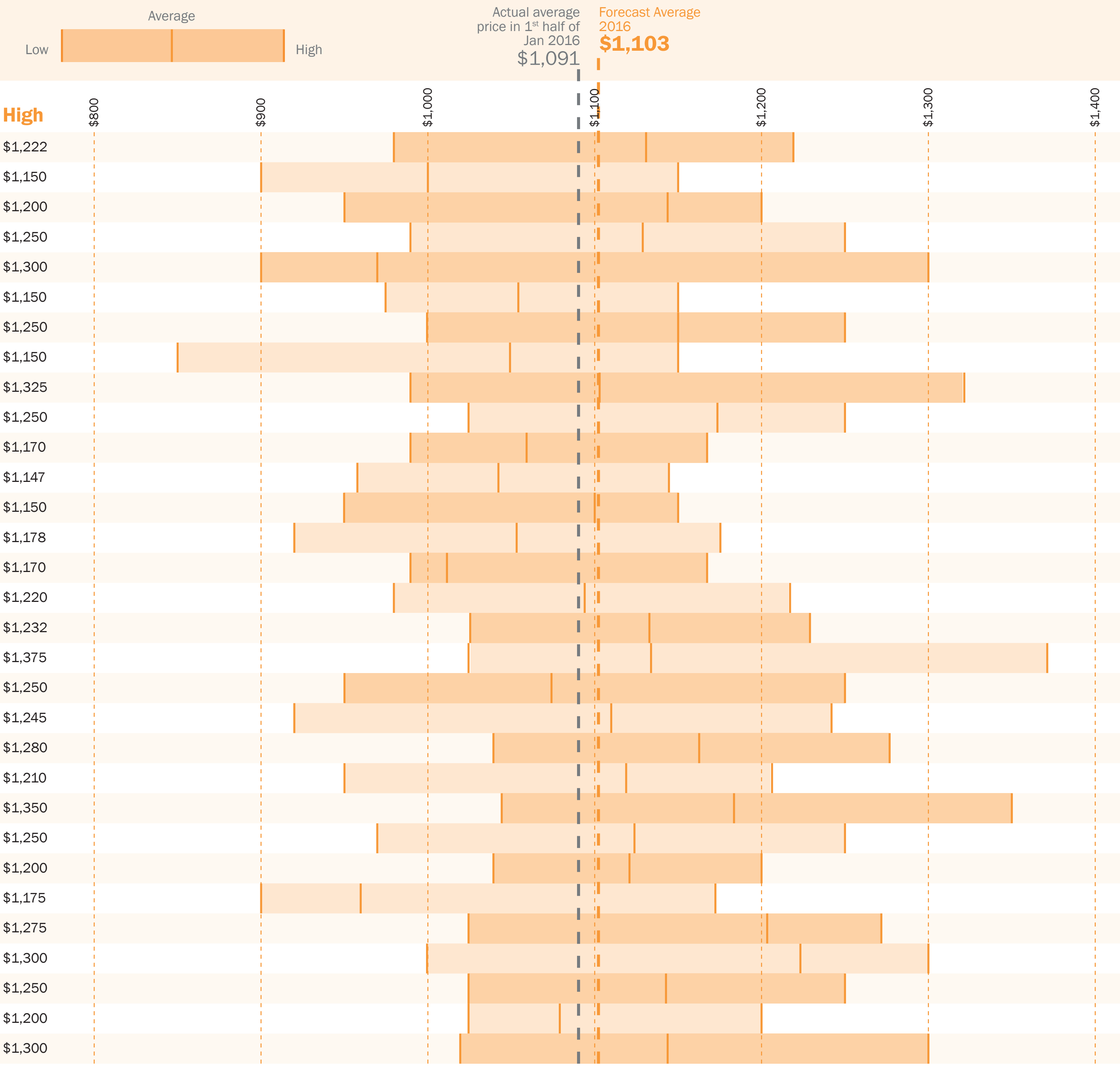
2016 LBMA Forecast Survey Winners

Metal	Actual Average Price in first half Jan 2016(a)	Average Analysts' 2016 Forecast	Actual 2016 Average Price	Winning Forecast	2016 Winning Analyst	Company
Gold	$1,091	$1,103	$1,251	$1,225	Joni Teves	UBS
Silver	$13.98	$14.74	$17.14	$17.20	Joni Teves	UBS
Platinum	$864	$911	$987	$980	George Coles	Metals Focus
Palladium	$503.78	$568	$613.72	$610	Bernard Dahdah	Natixis

(a) 4 to 14 January, 2016 inclusive.

Au

Name	Low	Average	High
Adams, William Fastmarkets Ltd.	$980	**$1,132**	$1,222
Bhar, Robin Societe Generale CIB	$900	**$1,000**	$1,150
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$950	**$1,145**	$1,200
Cooper, Suki Standard Chartered	$990	**$1,130**	$1,250
Dahdah, Bernard Natixis	$900	**$970**	$1,300
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$975	**$1,055**	$1,150
Fritsch, Carsten Commerzbank AG	$1,000	**$1,150**	$1,250
Hochreiter, René Sieberana Research (Pty) Ltd.	$850	**$1,050**	$1,150
Kaneva, Natasha JP Morgan	$990	**$1,104**	$1,325
Kavalis, Nikos Metals Focus	$1,025	**$1,175**	$1,250
Kendall, Tom ICBC Standard Bank	$990	**$1,060**	$1,170
Klapwijk, Philip Precious Metals Insights	$958	**$1,043**	$1,147
Kolomytsyn, Dmitriy Sberbank CIB	$950	**$1,100**	$1,150
Li, Feifei Barclays	$920	**$1,054**	$1,178
Marinov, Valentin Credit Agricole Corporate and Investment Bank	$990	**$1,012**	$1,170
Meir, Edward INTL FCStone	$980	**$1,095**	$1,220
Melek, Bart TD Securities	$1,026	**$1,134**	$1,232
Murenbeeld, Martin Dundee Economics	$1,025	**$1,135**	$1,375
Nagao, Eddie Sumitomo Corporation	$950	**$1,075**	$1,250
Norman, Ross Sharps Pixley	$920	**$1,111**	$1,245
O'Connell, Rhona Thomson Reuters GFMS	$1,040	**$1,164**	$1,280
Panizzutti, Frederic MKS (Switzerland) S.A.	$950	**$1,120**	$1,210
Proettel, Thorsten LBBW	$1,045	**$1,185**	$1,350
Ritter, Hans-Guenter Heraeus	$970	**$1,125**	$1,250
Savant, Rohit CPM Group	$1,040	**$1,122**	$1,200
Squires, Martin BNP Paribas	$900	**$960**	$1,175
Steel, James HSBC	$1,025	**$1,205**	$1,275
Teves, Joni UBS Limited	$1,000	**$1,225**	$1,300
Turner, Matthew Macquarie Bank	$1,025	**$1,144**	$1,250
Vaidya, Bhargava N B.N. Vaidya & Associates	$1,025	**$1,080**	$1,200
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$1,020	**$1,145**	$1,300
Averages	**$978**	**$1,103**	**$1,231**



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Ag

Average

Low | High

Actual average price in 1st half of Jan 2016 **$13.98**

Forecast Average 2016 **$14.74**

Name	Low	Average	High
Adams, William Fastmarkets Ltd.	$12.80	**$16.20**	$17.40
Bhar, Robin Societe Generale CIB	$11.75	**$13.50**	$14.50
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$13.00	**$15.10**	$17.50
Cooper, Suki Standard Chartered	$12.50	**$14.80**	$16.25
Dahdah, Bernard Natixis	$11.00	**$12.50**	$16.50
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$12.50	**$13.75**	$14.75
Fritsch, Carsten Commerzbank AG	$13.00	**$15.50**	$17.50
Hochreiter, René Sieberana Research (Pty) Ltd.	$12.50	**$13.50**	$15.50
Kaneva, Natasha JP Morgan	$13.94	**$15.55**	$18.66
Kendall, Tom ICBC Standard Bank	$12.60	**$13.55**	$15.60
Klapwijk, Philip Precious Metals Insights	$11.96	**$13.19**	$14.89
Kolomytsyn, Dmitriy Sberbank CIB	$13.00	**$16.25**	$17.00
Meir, Edward INTL FCStone	$12.65	**$13.33**	$15.50
Melek, Bart TD Securities	$12.46	**$15.31**	$18.50
Nagao, Eddie Sumitomo Corporation	$12.00	**$14.00**	$15.50
Newman, Philip Metals Focus	$13.40	**$16.15**	$19.50
Norman, Ross Sharps Pixley	$12.45	**$13.70**	$15.50
O'Connell, Rhona Thomson Reuters GFMS	$13.50	**$15.95**	$17.80
Panizzutti, Frederic MKS (Switzerland) S.A.	$12.00	**$14.52**	$18.00
Proettel, Thorsten LBBW	$12.50	**$15.25**	$17.20
Ritter, Hans-Guenter Heraeus	$12.50	**$15.25**	$17.00
Savant, Rohit CPM Group	$13.00	**$14.45**	$15.50
Steel, James HSBC	$13.25	**$15.90**	$16.75
Teves, Joni UBS Limited	$13.50	**$17.20**	$18.50
Turner, Matthew Macquarie Bank	$12.00	**$15.30**	$18.60
Vaidya, Bhargava N B.N. Vaidya & Associates	$12.25	**$13.75**	$17.00
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$13.10	**$14.55**	$16.25
Averages	**$12.63**	**$14.74**	**$16.78**

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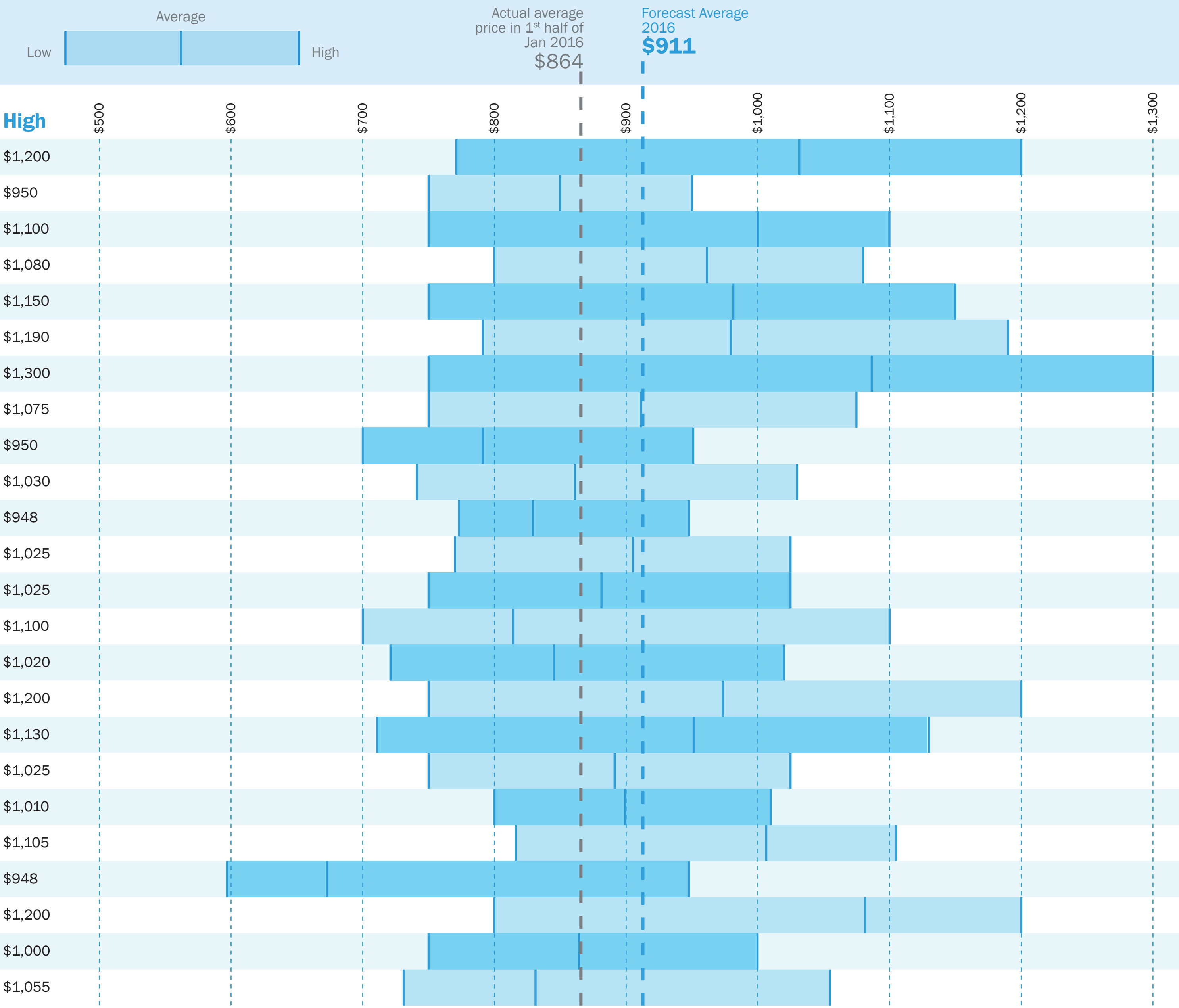
Pt



Name	Low	Average	High
Adams, William Fastmarkets Ltd.	$770	**$1,030**	$1,200
Bhar, Robin Societe Generale CIB	$750	**$850**	$950
Briesemann, Daniel Commerzbank AG	$750	**$1,000**	$1,100
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$800	**$960**	$1,080
Coles, George Metals Focus	$750	**$980**	$1,150
Cooper, Suki Standard Chartered	$790	**$978**	$1,190
Dahdah, Bernard Natixis	$750	**$1,085**	$1,300
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$750	**$910**	$1,075
Hochreiter, René Sieberana Research (Pty) Ltd.	$700	**$790**	$950
Kendall, Tom ICBC Standard Bank	$740	**$860**	$1,030
Klapwijk, Philip Precious Metals Insights	$772	**$828**	$948
Melek, Bart TD Securities	$769	**$904**	$1,025
Nagao, Eddie Sumitomo Corporation	$750	**$880**	$1,025
Norman, Ross Sharps Pixley	$700	**$813**	$1,100
O'Connell, Rhona Thomson Reuters GFMS	$720	**$844**	$1,020
Panizzutti, Frederic MKS (Switzerland) S.A.	$750	**$972**	$1,200
Proettel, Thorsten LBBW	$710	**$950**	$1,130
Ritter, Hans-Guenter Heraeus	$750	**$890**	$1,025
Savant, Rohit CPM Group	$800	**$898**	$1,010
Steel, James HSBC	$815	**$1,005**	$1,105
Stevens, Glyn INTL FCStone	$596	**$672**	$948
Teves, Joni UBS Limited	$800	**$1,080**	$1,200
Turner, Matthew Macquarie Bank	$750	**$863**	$1,000
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$730	**$830**	$1,055
Averages	**$748**	**$911**	**$1,076**

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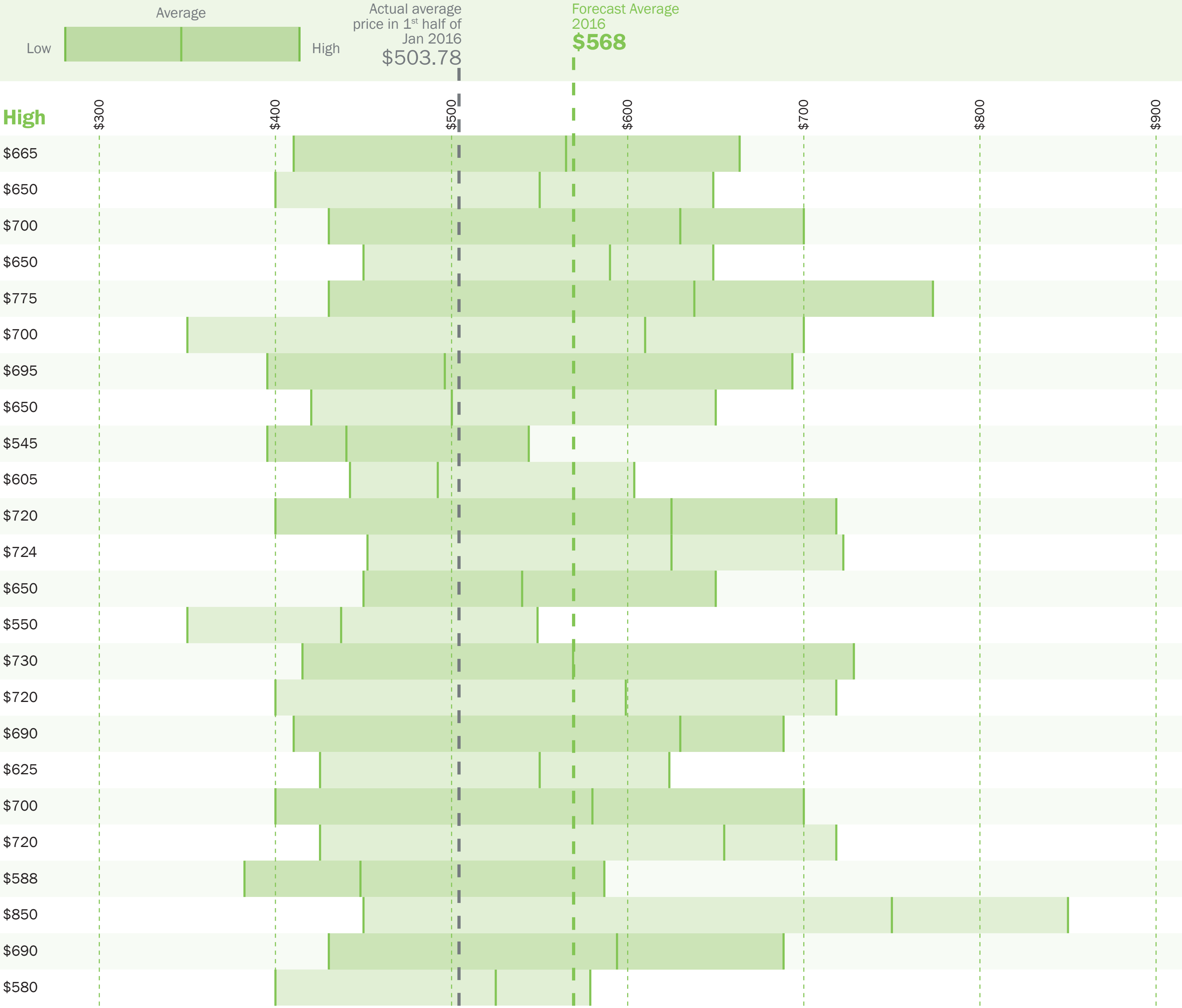
Pd



Name	Low	Average	High
Adams, William Fastmarkets Ltd.	$410	**$565**	$665
Bhar, Robin Societe Generale CIB	$400	**$550**	$650
Briesemann, Daniel Commerzbank AG	$430	**$630**	$700
Butler, Jonathan Mitsubishi Corporation International (Europe) Plc	$450	**$590**	$650
Cooper, Suki Standard Chartered	$430	**$638**	$775
Dahdah, Bernard Natixis	$350	**$610**	$700
Fertig, Peter QCR Quantitative Commodity Research Ltd.	$395	**$496**	$695
Hochreiter, René Sieberana Research (Pty) Ltd.	$420	**$500**	$650
Kendall, Tom ICBC Standard Bank	$395	**$440**	$545
Klapwijk, Philip Precious Metals Insights	$442	**$492**	$605
Liang, Junlu Metals Focus	$400	**$625**	$720
Melek, Bart TD Securities	$452	**$625**	$724
Nagao, Eddie Sumitomo Corporation	$450	**$540**	$650
Norman, Ross Sharps Pixley	$350	**$437**	$550
O'Connell, Rhona Thomson Reuters GFMS	$415	**$569**	$730
Panizzutti, Frederic MKS (Switzerland) S.A.	$400	**$599**	$720
Proettel, Thorsten LBBW	$410	**$630**	$690
Ritter, Hans-Guenter Heraeus	$425	**$550**	$625
Savant, Rohit CPM Group	$400	**$580**	$700
Steel, James HSBC	$425	**$655**	$720
Stevens, Glyn INTL FCStone	$382	**$448**	$588
Teves, Joni UBS Limited	$450	**$750**	$850
Turner, Matthew Macquarie Bank	$430	**$594**	$690
Wrzesniok-Rossbach, Wolfgang Degussa Goldhandel GmbH	$400	**$525**	$580
Averages	**$413**	**$568**	**$674**

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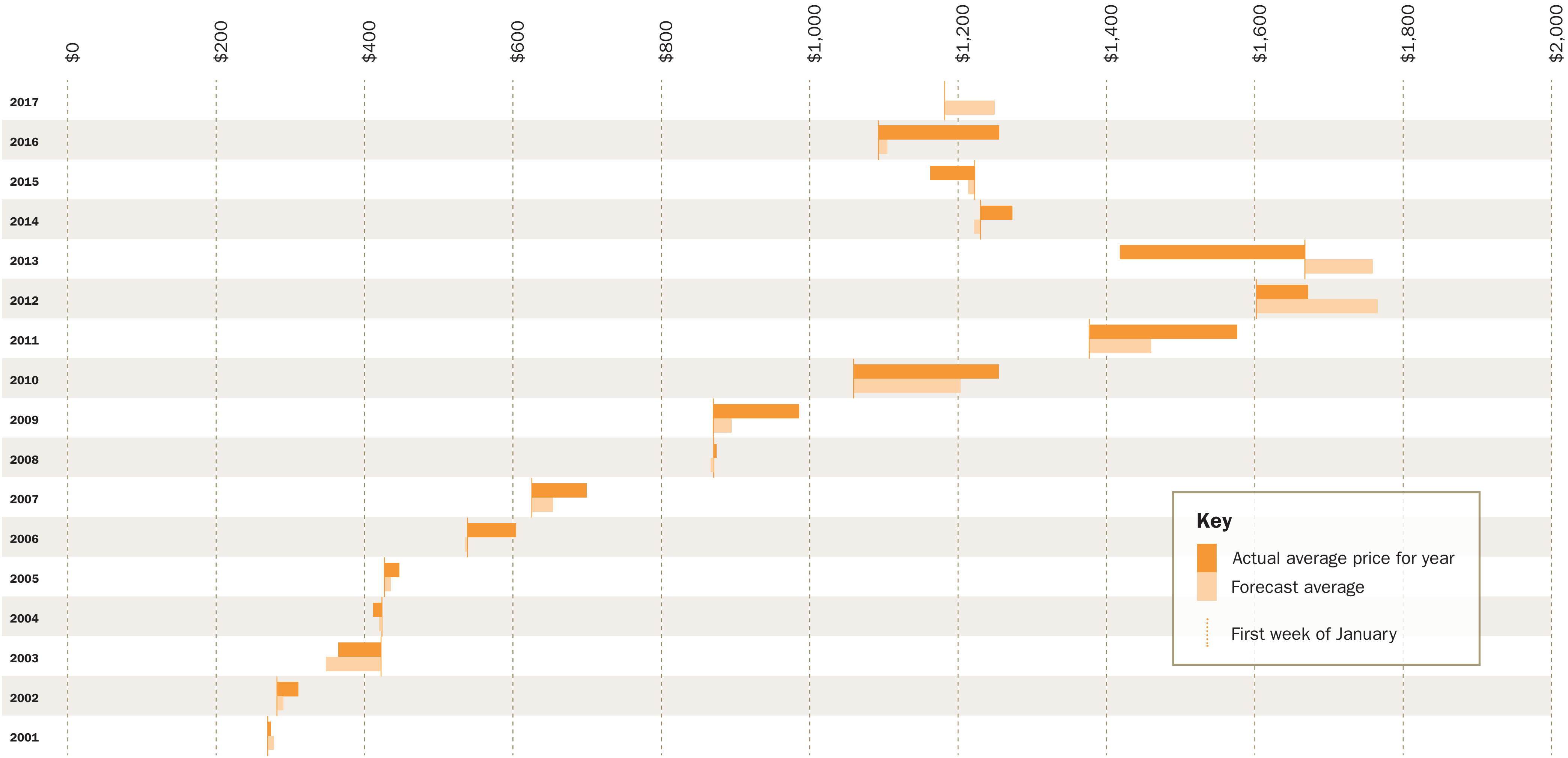
Forecast 2001 - 2017 Review

Analysts' forecast the average gold price in 2016 to be $1,103, representing only a moderate increase of 1.1% against the opening price in the first half of January 2016. However, the actual average price in 2016 out-turned much higher at $1,251, some 13% higher than the average analysts' forecast. Whilst they correctly predicted the price direction they were certainly not bullish enough. In the 2017 Survey forecast contributors are slightly more bullish than last year, predicting that the gold price will average $1,244/oz in 2017, 5.3% higher than the first half of January 2017.



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