An Alchemist Publication

Forecast 2010

The text below reviews the 2009 Forecast in comparison to the actual results of 2009. The pages that follow detail the forecasts for 2010.

The Forecast for 2009 Reviewed

The challenge facing forecasters at the start of 2009 can be summed up in two words, now heard much less frequently: "Credit Crunch".

The aftermath of the collapse of Lehman Brothers in September 2008 saw all four metals trading close to their 2008 lows, in stark contrast to the highs reached in March.
The trading ranges were remarkably high too: gold had a relatively modest range of 30% of the average price in 2008 while the other three metals had corresponding trading ranges of well over 50%. By the time of forecasting in January 2009, all four metals had risen significantly from their lows and, with the exception of silver, the prices were not far off the average levels for the year. The forecasters had the difficult task of predicting whether worse was yet to come economically or whether there might be a flight to quality that would boost precious metal investment and prices. As a group, the forecasters got the direction right relative to the price in early January for all four metals.

Until the halfway point in the year, the relatively modest average price forecasts were looking quite accurate. However, in the second half, the surge in prices resulted in the outturn for the year being well above the forecasts in all cases.

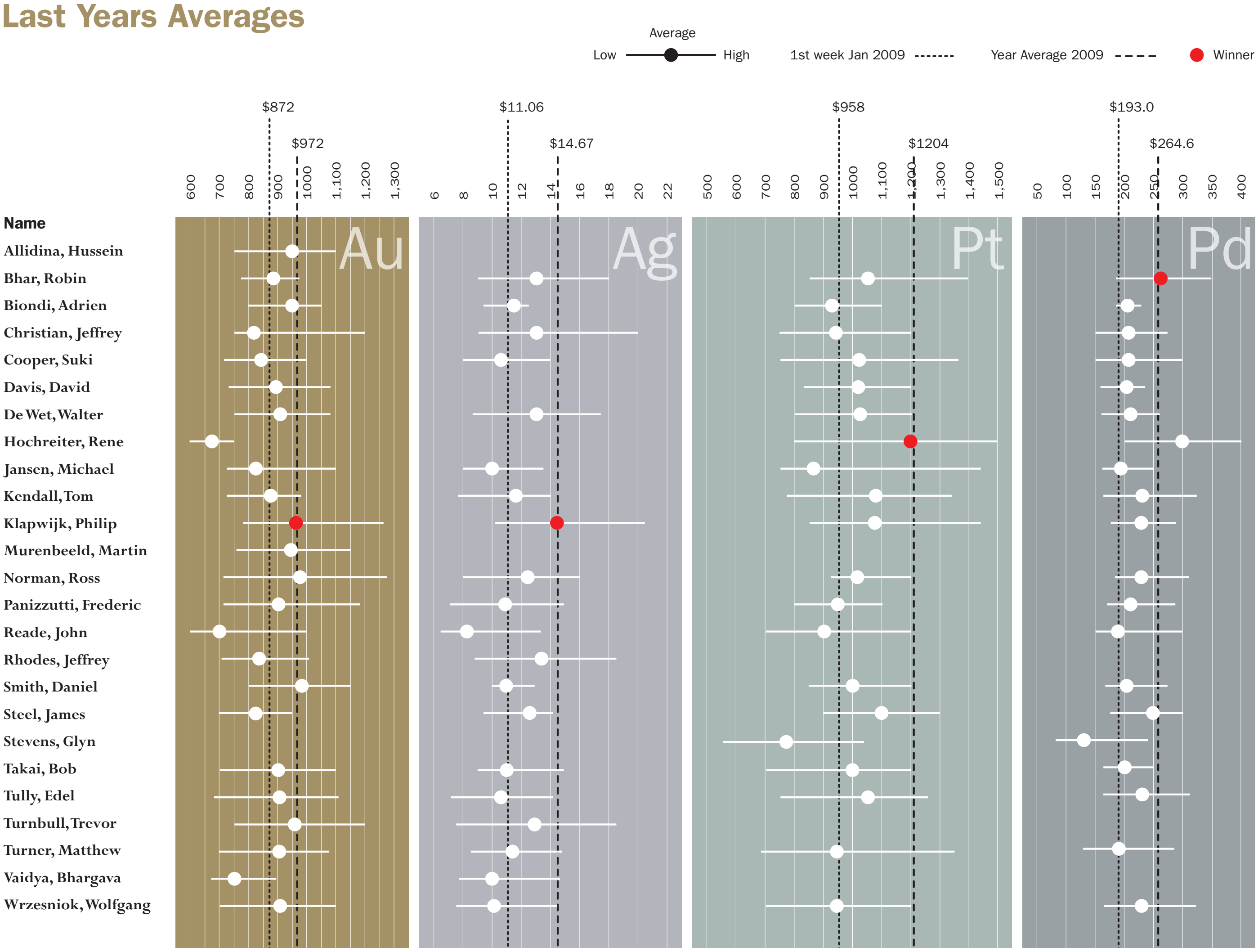
Gold reached a new historic high of $1,213 on 2nd December well over 50% above its level in early January. Although none of the other metals surpassed the 2008 highs, they all reached their 2009 peaks in the same month. Platinum saw a similar rise during the year to gold when it peaked at $1500 in early December. Silver's high of $19.18 on 2nd December was nearly double the level of December, 2008. There was a similar story for palladium.

Given this second half advance it is hardly surprising that the forecasters underestimated the increase in prices. Their best performance was in palladium where their forecast increase for the year relative to the early January level was 13% compared with an outturn of 37%. For gold, there was a creditable forecast of 4% against an outturn of 14%. Silver represented the worst performance with the corresponding figures being 4% and 32% and platinum was not much better. It is notable that the forecasters have consistently been too pessimistic for silver in the last several years.

Our congratulations go to the winners, who will take home a one ounce gold bar for each correct forecast – particularly to Philip Klapwijk for achieving the double. Our thanks go to Metalor Technologies S.A. for their generous donation of the prizes.

Metal	2008 Average	1st Week January 2009	Average Forecast 2009	2009 Year Average	Winning Forecast	2009 Forecast Winners
Gold	872	856.0	881	972	970	Philip Klapwijk
Silver	14.99	11.06	996	14.67	14.40	Philip Klapwijk
Platinum	1,576	958	998	1,204	1,200	Rene Hochreiter
Palladium	352.2	193.0	217.9	264.6	264.0	Robin Bhar

Last Years Averages



Forecast 2010: An Overview

Metal	2009 Year Average	1st Week January	Average Forecast 2010
Gold	972	1,126	1,199
Silver	14.67	17.68	19.02
Platinum	1,204	1,530	1,558
Palladium	264.6	422.5	446.5

Given the surge in prices in late 2009, it is not surprising that the 2010 forecast prices are all much higher than last year's forecast prices. With the gold values hitting a new all-time high in December 2009, the 2010 forecast average for gold at $1,199, is well above the 2009 forecast level of $880. There has been an even sharper rise in silver predictions from $11.58 last year to $19.02 in 2010. Average PGM forecasts have also increased dramatically: for platinum from $996 to $1,558 and for palladium from $217.9 to $446.5. The forecasts are well above the year averages recorded for 2009 as shown above: for the four metals together, the average increase for 2010 forecasts relative to the average prices in 2009 is 38%. Compared to the level in early January, 2010 the increase is 5.4%.

Trading ranges are expected to be wide for all four metals in 2010. All forecasters expect gold to hit record highs this year, with a predicted average high of $1,394. Lower central bank sales are at the forefront of contributors' predictions.

Compared with January levels, the most bullish view is on silver, with some predictions that the price will reach the $30 level in 2010. The major influencing factor for silver emerging from the contributors' analysis was portfolio diversification. Improving industrial demand is expected to play a role in the advance of silver prices. In platinum, contributors predict $1,843 as the average high, $300 above the level in early January. The average increase for the year as a whole relatively to early January is only 1.8%, well below the corresponding increases for the other three metals. Platinum ETFs are expected to be a major factor in the price of platinum. In palladium, contributors, on average, see the market reaching a peak of $570.5. Higher investor interest and industrial demand are reasons contributors think palladium will have an exceptional year in 2010: the forecast increase relative to the 2009 average is no less than 69%.

To get further views from the experts, read on.

Philip Aubertin

UBS Investment Bank, London

Au **Range:** $950 - $1,415 **Average:** $1,225

During 2009, gold has clearly gone through a paradigm change and will continue to benefit from low interest rates and inflation fears. Gold will continue to shine as portfolio diversifier coupled with continued interest from the Central Bank community. Gold should reach an equilibrium around $1,225 in the coming year. The enormous liquidity waiting for a home will be another important attribute for the yellow metal, where we expect the macro funds and asset managers to become the main investors. Strong physical demand will come into play again sub $1,000, giving the elasticity gold is famous for.

Ag **Range:** $14.50 - $22.25 **Average:** $18.25

Silver should remain in the shade of the yellow metal during 2010 and will keep its status as the metal of choice for speculators with a good stomach for the strong swings rarely seen in other metals. With half of its characteristics of commodities, it follows more closely the commodities (e.g. base metals etc) due to its use in industry as well compared with gold which is treated closer as a financial product. We can expect a higher average price of $18.25 compared to $14.65 in 2009.

Pt **Range:** $1,300 - $1,900 **Average:** $1,600

Like copper, platinum took a strong hit during 2008, but surprised with a steady recovery during 2009, despite a suffering car industry. This trend should continue during 2010, with industrial demand from either the car or jewellery sector, coupled with investor demand bringing this metal back towards $2,000. Prospects for further exchange-traded funds (ETFs) will be an additional driver for this commodity.

Pd **Range:** $320 - $585 **Average:** $440

A key performer in 2009, palladium will continue to do well in 2010, as it is still at reasonable prices for the investor community. It is likely that it will continue to surprise the market on the upside. An average price of $440 is no utopia, as fundamentals, especially from the car industry, should give the additional support.

Robin Bhar

Calyon Credit Agricole CIB, London

Au **Range:** $1,050 - $1,350 **Average:** $1,215

We remain bullish on gold for reasons of declining mine output, weaker recycling, lower central bank sales (European central months cut the upper limit for their forecast gold sales over the next five years, while the central banks in Asia and Russia want to increase their holdings) and geopolitical tensions. Other factors such as a safe haven, a store of value and investor appetite are seen underpinning gold over the longer term. Low interest rates have slashed the opportunity cost of owning gold; it may yield nothing, yet government bonds offer little more while cash deposit rates are low. Add in concerns about rising government debt, large central bank liquidity injections and credit risk, and the demand for physical gold is understandable. To head off the threat of deflation, monetary policy will stay accommodative in 2010, a necessary prerequisite to influence inflation expectations. The US dollar is expected to remain under pressure early in 2010 but will see some recovery in the second half of the year, reflecting a relatively stronger cyclical recovery in the US, due to the more aggressive stance of the US authorities. Under this scenario, we expect gold to peak around mid-year and to weaken thereafter in line with diminished risk aversion. Recovering industrial demand due to stronger global economic growth anticipated for 2010 should be the key driving factor, which will see silver outperforming gold this year.

Ag **Range:** $16.50 - $22.50 **Average:** $19.25

As we expect gold prices to peak by around mid-year and to weaken thereafter, a similar pattern is expected for silver, although we believe that the downside will be more resilient on improving industrial demand and bargain-hunting by end users. Portfolio diversification is likely to continue to be a theme, with investors adding exposure to silver through the ETFs. Capping the upside will be the greater supply associated with restarts at idled base metals operations and due to higher scrap recovery rates.

Pt **Range:** $1,300 - $1,800 **Average:** $1,526

Platinum is expected to steadily strengthen during the course of 2010 underpinned by robust investment demand – reflected in record high net long positioning on NYMEX futures and inflows into the ETFs – an improving economic outlook and a rebound in auto sales, stimulating auto catalyst off-take, while usage in other industrial applications should recover sharply. Global auto sales are expected to grow by 2.5% this year compared to a decline of 10% in 2009, with higher sales being driven by the US and the BRIC countries. The launch of ETF products in the US could tighten the platinum market further and add to significant price strength given the level of interest experienced for similar products in gold and silver.

Pd **Range:** $350 - $560 **Average:** $464

Increased usage in industrial applications and greater leverage to rebounding auto catalyst demand, with the emphasis on gasoline-fuelled engines, will put the spotlight on palladium's increasingly more favourable supply/demand fundamentals. The launch of a physically backed palladium ETF in the US is likely to be a significant factor, tightening availability in what is a small and often illiquid market and pushing prices sharply higher. An attractive price differential to more expensive platinum, a perception that oversupply may be overstated and speculation that the Russian stockpile could be far smaller than originally thought are also important factors that argue for palladium to be the best performer in 2010 of the four precious metals under consideration.

Stephen Briggs

RBS Global Banking & Markets, London

Ag **Range:** $14.00 - $21.00 **Average:** $17.00

In traditional fundamental terms, silver is, in our view, the least well placed of the four precious metals. We expect non-photographic industrial demand to recover strongly in 2010, while another modest rise in mine production will be offset by continued decline in scrap supply (alongside the secular decline in photographic usage) and government sales. Nevertheless, we forecast that the market will remain in hefty underlying surplus at least through this year. Silver would therefore be particularly vulnerable to any signs of investor fatigue. The surpluses of recent years have been comfortably absorbed by physical investment, and the dominant element, ETF buying, has remained solid in recent months. But silver is more dependent on gold's direction than are platinum and palladium, and if, as we expect, gold comes under some temporary downward pressure during 2010, silver may slip down the rankings. We forecast that silver will spend long spells below $17/oz in 2010.

Pt **Range:** $1,350 - $1,750 **Average:** $1,450

Its fundamentals are now palpably improving and we continue to expect platinum to outperform gold in 2010, just as it did in 2009. Whilst both auto catalyst and industrial demand should recover strongly this year and jewellery demand is in fine fettle, South African output will remain constrained, with producers continuing to labour under heavy cost pressures. We forecast another small underlying surplus in 2010 but, as in 2009, this could easily be absorbed by physical investment, and the introduction of a new, US-based ETF may lead to growing market tightness. We expect platinum eventually to return to $2,000/oz plus. That is probably not a story for 2010-11, but even this year platinum should hold firm, for the most part above $1,400, even if gold temporarily eases below $1,000/oz.

Joerg Ceh

Landesbank Baden-Wuerttemberg, Stuttgart

Au **Range:** $920 - $1,470 **Average:** $1,198

Strategic positioning by investment accounts and hedging of potential future inflation risks is replacing the buying of gold initiated by global political concerns. Decreasing sales by western national banks combined with an increase of purchasing interest by the emerging markets should lead to an upward trend in the first half of the year. High unemployment rates and global wage restraints should have strong impact on the demand of the jewellery industry in the second half of the year.

Ag **Range:** $14.00 - $24.80 **Average:** $19.25

As the demand for silver is mainly driven by the manufacturing industry, the price development is more than ever a bet on economic cycles. In this respect, the bottom formation of the last months could justify a moderate upswing in silver prices in 2010. Rising base metal prices and the increase of the extraction of for example copper and nickel will lead to an increase of the silver output as well.

Pt **Range:** $1,200 - $2,400 **Average:** $1,711

With the background of comparatively low rates, the price for platinum profited in the past months from the global economy as well as from investment accounts buying and advanced jewellery industry demand. Now things have changed and the jewellery industry will take a back seat and should be replaced by the automobile industry. In 2009, the automobile industry built less diesel vehicles and there is a certain backlog demand. Crucial for the price development in platinum will be the issue of the new plain-ETFs at the US stock exchange. We will have to observe closely how their acceptance will be.

Pd **Range:** $280 - $650 **Average:** $385

Among the precious metals, the prices for palladium increased the most last year. This was contributed by the positive outlook for the economy in the next months. Beyond that, palladium could benefit from the worldwide trend towards compact cars. These cars have petrol engines, where a lot of palladium is needed for the catalysts. This trend is expected to continue in 2010. Additionally, the issue of palladium ETFs in the US will improve the need for this metal as well.

Jeffrey Christian

CPM Group, New York

Au **Range:** $1,000 - $1,400 **Average:** $1,163

Gold prices are expected to head higher during the first several months of 2010, setting record highs in the process. Despite signs of an economic recovery emerging around the world, conditions should be expected to remain vulnerable. Investors will continue to buy gold, not only as a hedge against another possible financial calamity, but also to safeguard against political problems that have been building up over the past several years. Prices may subside during the second half of 2010 on expectations that economic conditions do improve, but most investors would be expected to hold on to their gold as longer-term investments. The shift from central banks becoming net buyers of gold from net sellers, which occurred in 2009, is expected to remain in place this year, lending additional support to prices.

Ag **Range:** $12.00 - $21.00 **Average:** $17.50

Silver prices could rise sharply during the first quarter of 2010. A spike to as high as $21.00 between now and March cannot be ruled out. Both fabrication and investment demand for silver are expected to remain firm. Fabricators will continue to buy silver on anticipation that the use of silver will pick up sharply as the global economic recovery spreads. Investors, on the other hand, have been buying out of ongoing economic, financial, and political concerns. Many investors also have been buying silver as a hedge against inflation. This strong investment demand for silver is expected to continue in 2010. Prices may ease slightly in the second and third quarters, but any declines are likely to be limited as bargain hunters take advantage by buying on dips.

Pt **Range:** $1,400 - $1,750 **Average:** $1,566

Platinum prices are forecast to rise throughout 2010. Investment demand, which was a critical force behind prices in 2009, is expected to gain even more importance in 2010. The introduction of new exchange traded funds and healthy supply and demand fundamentals are expected to drive platinum investment demand higher this year. Investors concerned about the path of economic recovery are expected to buy platinum for its safe-haven qualities. Investing for this purpose is likely to occur during the first three to four months of the year. Platinum investment demand is expected to get an additional boost from the introduction of new ETFs during this period. Longer-term investors will purchase the metal simultaneously in anticipation of a recovery in industrial activity during 2010, which is expected to strengthen over the next two years. Supply from South Africa is forecast to be constrained as higher costs offset increases in metal prices and squeeze producer margins. Secondary supply is forecast to improve during 2010. The resulting increase in supply is expected to be negated by an increase in fabrication and investment demand.

Pd **Range:** $370 - $500 **Average:** $468

Palladium prices are forecast to rise sharply during 2010. The rate of growth in palladium prices is expected to surpass that of other precious metals. A recovery in industrial demand is expected to be the main driver of palladium prices. Not only is this expected to increase the fabrication demand for the metal but it is also expected to be the main incentive for investors to increase their holdings of the metal. The introduction of new palladium exchange traded products also is forecast to increase the amount of investment demand for the metal. The extensive use of gasoline vehicles in large auto markets such as China, India and the United States, coupled with the increased use of palladium in diesel auto catalysts, gives the metal exposure to auto sales growth in virtually every market. Some supply is expected to come back on-stream during 2010, but this increase in supply is expected to be overshadowed by higher fabrication and investment demand.

Suki Cooper
Barclays Capital, London

Au **Range:** $925 - $1,365 **Average:** $1,180

Despite gold's underlying physical fundamentals turning contrary last year, prices set fresh nominal highs. This year, the physical picture is unlikely to change favourably, but we do not believe this will necessarily stop gold in its tracks. Two factors hold the key to whether gold can continue to shine: the strength of investor appetite and whether there has now been a shift in the official sector's appetite for gold. A source of supply for 20 years is showing signs of deserting the supply side and switching to the demand side, providing a strong psychological boost. Sales under the central bank agreement have been slow to emerge, while central banks have emerged as buyers outside of the agreement. Gold appealed to investors for a variety of factors last year ranging from its safe-haven status at the start of 2009 to concerns about currency debasement. But given that 2009 has been dominated by investors spanning from retail to institutions, will they keep buying and propel prices higher in 2010? A stronger dollar could prompt further long liquidation. But coupled with the central banks' votes for gold, for now, the external drivers remain supportive of further investor interest in gold, given the uncertainty of whether we have seen the last of the dollar weakness, concerns about inflation and the uncertainty surrounding the economic recovery. Until these fears are allayed, gold's appeal is unlikely to wane. Should this happen, physical demand will determine where to cushion prices. As 2009 has unfolded, price expectations have been forced to realign, with some buying materialising above $1000/oz, and we would expect dips below $950/oz to be met with rising jewellery demand.

Ag **Range:** $13.50 - $23.20 **Average:** $18.00

Will investors keep buying? Detached from its underlying supply and demand, silver prices stepped higher in 2009 due to the strength of investor interest, which made up for the shortfall created by its poor fundamentals. This year, we believe silver's fundamentals will remain far from inspiring. Although we expect demand to start to recover, led by growth in industrial applications, we also expect scrap and mine supply to grow further, keeping the market firmly in surplus. Unlike the base metals, the primary supply of silver has grown as prices have never really tested the lows required to squeeze primary silver mines. However, despite the prospect of improving industrial demand, given the hefty surplus, prices remain heavily dependent on continued robust investor interest. Improving macroeconomic data will indeed support industrial demand, but if it is coupled with an end to dollar weakness, silver could be the metal most at risk from price corrections, in our view, given its weak dynamics.

Pt **Range:** $1,390 - $1,910 **Average:** $1,690

Platinum's price prospects appear to be considerably brighter this year, in our view, as it is the precious metal with upside drivers that appear firmly stacked against the downside risks. With the exception of jewellery consumption, we expect demand to improve, and despite higher prices – in dollar terms – supply is far from forthcoming. The launch of the physical ETP in the US presents huge upside potential for investment demand, and growing investor appetite – particularly if the new product is well received – is only likely to improve the demand side for platinum and could make up for the anticipated shortfall created by the price-sensitive jewellery market taking a back seat again. In contrast, we believe a recovery in autocatalyst and industrial demand, as restocking emerges and auto production improves, holds the key for prices to rise on a sustained basis. Higher prices are unlikely to vastly stimulate mine supply this year, as a growing cocktail of cost issues, ranging from an increase in labour costs, hike in electricity tariffs and impact of the rand for South African producers, mean the cost floor has risen. This leaves scrap supply, which could pick up in light of higher prices and help meet some of the rising demand, and certainly a surge in secondary supply could tame prices.

Pd **Range:** $330 - $610 **Average:** $470

Assuming sales from Russian state stocks materialise once again, we expect the palladium market to remain in surplus this year. However, we believe palladium's prospects have also improved in light of the launch of the palladium physical ETP in the US, which depending on its success is likely to absorb some of the excess supply and improve palladium's near-term fortunes. In turn, we expect palladium to follow in the tracks of its sister metal, platinum. Other end uses are also set to improve as autocatalyst demand recovers – particularly benefitting from palladium capturing some of platinum's share in the diesel market – and jewellery demand – currently in the early stages of its life cycle – builds a market base. However, we expect mine and scrap supply to grow this year. Thus, if investment demand turns sour, despite the expected pick-up in industrial demand, the hefty accumulation of investment demand has created visible stocks.

Peter Fertig

QCR Quantitative Commodity Research Ltd., Hainburg (Germany)

Au **Range:** $950 - $1,350 **Average:** $1,185

Despite the recent rise of gold imports to India, the jewellery demand is like not the major driver pushing gold to a new record high. As in 2009, it will again be investors' demand that plays the crucial role in increasing the demand for gold. However, inflation is expected to remain well behaved in 2010 and even as CPI inflation rates in many countries are likely to edge higher during the course of this year, they remain at comfortable levels for most central banks. But the US dollar remains the major factor moving gold prices and, unlike last year, it could lead to increased volatility in the gold market. Better than expected economic figures have lead to speculations that the Fed might take the exit of quantitative easing earlier, and higher interest rates would be supportive of the dollar and thus weigh on gold. However, the bigger risk is that the ECB will hike interest rates and that the spread over US interest rates widens. This could push gold to a new high. Fears that some states might go bankrupt, especially in Europe, are another source for higher volatility in the gold market.

Ag **Range:** $16.00 - $23.00 **Average:** $20.20

Unlike in the past two years, the industrial use of silver is expected to play only a minor role for the price development in 2010. Nevertheless, economic trends are likely to have a strong impact on silver, but the link is more the demand for the metal from investors than from consumers. The global recovery of stock markets signalled that major economies would recover in the second half of last year. However, to remain a strong supportive factor for silver, stock markets would need to rise further. It appears more likely that the year-on-year rate of the US S&P 500 index will lose steam. But, in 2010, this might be supportive of silver via a weaker US dollar as the Fed policy might remain expansionary for a longer period than the markets are pricing in. Furthermore, silver is likely to remain more volatile than gold, which also argues for wider price swings.

Pt **Range:** $1,200 - $1,700 **Average:** $1,465

Platinum is expected to show the worst performance among the precious metals in 2010 after posting stronger gains than gold and silver last year. The automotive sector recovered more strongly than many experts expected, but this was by and large the result of fiscal stimulus measures. However, after the 'cash for clunkers' programmes have ended, the headwinds for consumers argue for lower car sales. Only in China, automobile sales might increase. But this is expected to be not sufficient to lead to another outperformance of platinum. Also the recent movement of automobile sector stock indices, which had a strong impact last year, indicates that platinum is likely to show a rather mixed development.

Pd **Range:** $300 - $550 **Average:** $440

The trend towards stronger use of palladium in catalytic convertors as well as more demand for palladium from the jewellery industry indicates that it might again perform best among the PGM group. However, the expectation of some market participants that car sales would surge and thus pull palladium prices higher, might be disappointed. Thus, palladium is likely not to post the strongest percentage gain among the precious metals again in 2010.

Rene Hochreiter

Allan Hochreiter (Pty) Ltd, Johannesburg

Au **Range:** $960 - $1,400 **Average:** $1,200

The US economy remains stressed and, hence, so will the US dollar for one or even two years to come. The gold price should remain firm, although periods of weakness will arise due to false starts in the US economy. On the fundamental side, global average mining costs for gold producers are likely to approach $800/oz, lending further support to gold prices. Producers need at least a 20% margin to make it worth their while to stay in the gold business. Hence, prices less than $960/oz, on average, are unlikely.

Ag **Range:** $17.00 - $23.00 **Average:** $20.00

Demand for industrial applications is likely to remain somber as will demand from photographic applications. However, demand from the electronics sector will likely improve due to Chinese and Third World demand. Investment demand through ETFs and as a tracker for the gold price will likely see the silver price remain fairly firm in 2010.

Pt **Range:** $1,200 - $1,900 **Average:** $1,500

Demand for jewellery has soared in China. The demand from the autocat sector has surprised on the upside, and previous analysts' forecasts on vehicle sales have been too low. Further improvements in vehicle sales are likely in 2010. Electric cars are unlikely to have any great market penetration for many years to come, at which stage the prices of nickel and lithium (used in batteries) will be too high to compete with platinum. Cell phones use tiny amounts of platinum, ruthenium, palladium and iridium, but the potential global cell phone market of sales exceeding 3 billion units a year makes demand from the sector a significant portion of total demand. Supply continues to muddle along from South African mines and has been curtailed from some North American mines. Norilsk production is also declining. Bottom line: significant shortages are likely in 2010, but especially from 2012 onwards.

Pd **Range:** $400 - $800
Average: $600

Autocat demand is likely to improve as the US economy improves. Chinese/SE Asian vehicle sales are strong. The Russian stockpile has been severely depleted. The palladium price should, in three to five years, begin to approach the level of the platinum price due to scarcity as a result of the depletion of the stockpile. The global resource ratio of Pt:Pd is 1:1; all things being equal, the Pd price should be similar to the Pt price in the absence of stockpiles. Demand from gasoline engine autocats (which use Pd, sometimes exclusively) in the US, China and South East Asia, which are essentially 'gasoline economies' will see Pd prices improve. Note: China and South East Asia car sales are now almost double the size of the North America market, which is likely to be less and less significant going forward.

Michael Jansen
JPMorgan Chase, London

Au **Average:** $1,218

JPMorgan forecasts gold to average $1,218 per troy oz in 2010, with prices buoyed in the first half, especially via ongoing accommodative monetary policy settings in the US and building concerns around inflation risks in the medium term. In addition, central bank flows may further support gold as central banks continue to, at the margin, increase their gold reserves, or slow the pace of sales relative to earlier years. During this period (H1), the risks of gold trading towards $1,500 are high (indeed our Q2 forecast is for an average of $1,400/oz). As central bank exit strategies come into focus by mid 2010 and fiscal policy becomes less stimulatory, the overall risks around inflation in the US and globally will start to retreat, allowing gold to finish 2010 around $1,200/oz, still a comfortable premium to spot prices today.

Ag **Average:** $19.80

JPMorgan expects silver to average just under $20 this calendar year, with silver largely lifted on the back of higher gold prices. The silver balance sheet is expected to be dominated by investors, just like the gold market, but intrinsic fundamentals such as mine supply and central bank flows favour gold over silver.

Pt **Average:** $1,506

Recovering global vehicle production and supply side discipline are expected to deliver a tight platinum market in 2010, especially once robust investor participation is factored in. This likely means that platinum averages at least $1,500 throughout 2010, with significant upside risk. Indeed, depending on the success of the to-be-launched ETF products in the US, platinum could trade considerably higher than our forecast.

Pd **Average:** $413

Palladium is JPMorgan's favoured precious metals exposure, and while our forecasts is a relatively modest $413/oz, we anticipate that prices will continue to rally through 2010 and likely challenge $500 by the turn of the year. Structurally, the market is in a progressively widening production/consumption deficit that requires ongoing sales out of Russia to balance supply with demand, and with state stocks believed to be at the lowest level in years, this injects a supply premium into palladium prices in the medium to long term. In addition, demand side fundamentals are especially robust and, with investor demand building, palladium could easily trade above $500 this year.

Michael Kempinski
Commerzbank, Luxembourg

Au **Range:** $975 - $1,505
Average: $1,295

The question for 2010 is whether the expected economic recovery really is going to happen or if it's just an illusion, before we see the next round of negative economic news. I cross my fingers for the first possibility; in this case, we will see a slowdown of the investor-driven rally and a recovery of physical demand on the basis of lower prices. The risk of inflation is still at large, and the protection buying against it and an increase in physical demand will avoid a bigger sell-off scenario. Expected official gold selling will be mostly absorbed by other governments and central banks looking to switch their foreign exchange dollar reserves into gold reserves. In case the crisis continues and, even worst, the trust in the system disappears, gold will return to its safe-haven role like we saw last year and in 2008. The upside potential for gold will be enormous and the price will continue to climb higher as the scenario worsens. I expect very high volatility for 2010 in any case and we will see sharp moves in either direction.

Ag **Range:** $14.85 - $22.85
Average: $19.45

The 'gold of the poor people' has been the big surprise and the outperformer in 2009. Silver took advantage of the situation to have a status somewhere between Precious and Industrial metal. And even better, it is still looking cheap compared to gold to private investors. Silver won't repeat this top performance in 2010, as we are not starting at the low prices level anymore like at the beginning of 2009. The ETFs are running into storage problems already so it's more likely we going to see a trend to buy gold or PGMs. Silver will for sure follow the general trend of gold but will probably underperform in 2010.

Tom Kendall
Mitsubishi Corporation, London

Au **Range:** $1,050 - $1,430
Average: $1,215

Talk of bubbles in relation to gold is premature, we believe. There will certainly be 'headwinds' for the metal to negotiate in the form of periodic US dollar strength, particularly during the first quarter of the year. But, in our opinion, rising market expectations of higher short-term interest rates in both the US and Europe are likely to prove unfounded for much of 2010 – economic recovery in the West remains fragile and we do not expect either the Federal Reserve or the European Central Bank to push borrowing costs up before September at the very earliest. So with real interest rates likely to stay negative, the environment for gold investment should remain constructive. Broad measures of consumer prices are likely to be well contained, but asset price inflation will reinforce concerns about the longer-term effects of unprecedented monetary easing. Commodities as a whole are expected to attract increased investment via a range of vehicles, which will be supportive of gold. And heightened geopolitical risk in the Middle East could also come into play. We also hold the view that physical demand for gold from the Indian jewellery sector will improve this year, and that demand for gold in both jewellery and investment form will continue to expand in China. Central banks are again expected to be net buyers of gold, with the IMF likely to be the only significant seller. The bullishness is tempered somewhat by the knowledge that the gold price will not enjoy a repeat of the large, lumpy producer dehedging seen in 2009. Nor are inflows into exchange traded products likely to match last year's level. Risks may also emerge from a regulatory backlash against commodity 'speculators'. Nevertheless, we do not believe those factors will be sufficient to prevent the gold price reaching fresh highs.

Ag **Range:** $16.30 - $24.20 **Average:** $19.90

If our prognosis for gold is correct then the prospects for silver are even better. Industrial demand should continue to expand, particularly from the Asian electronics sector, while supply side growth is likely to lag behind. And there are still many, many believers in silver's ability to act as a hedge against inflation/monetary imprudence.

Pt **Range:** $1,340 - $1,720 **Average:** $1,565

We expect the recovery in US and European auto sales to be anaemic this year as both government and dealer incentives fade away and buyers have to swallow tax increases. So all eyes are on China again, now the world's largest single auto market. The prospects there for another year of record sales are excellent, but Chinese automakers are rapidly making the switch to palladium-based catalysts. And platinum jewellery demand could also disappoint in 2010 thanks to less restocking. Industrial demand, however, should improve and South African suppliers continue to face numerous challenges: poor safety, deeper mines and declining grades, labour relations, wage costs rising by more than 10% per annum, availability of power, unreliable smelters, political interference, an uncomfortably strong rand, etc. And at the risk of being tarred with the Afro-pessimist brush, who would bet against an increased level of absenteeism/unauthorised walkouts on the mines during the 2010 soccer world cup? Those issues, coupled with the imminent launch of a US-listed exchange traded fund, are expected to keep the platinum price well supported this year.

Pd **Range:** $340 - $535 **Average:** $445

The long palladium trade is already rather crowded, but there are good reasons for believing that the metal has further to run to the upside, including growth in vehicle production, continued substitution of platinum by palladium in gasoline autocatalysts and tightening emissions regulations. Add in the possibility that Russian sales of metal from state stocks may not materialise and it becomes easy to make a case for a significantly higher average palladium price. Continued investor support should be facilitated by new US and Swiss exchange-listed funds.

Philip Klapwijk

GFMS Ltd, London

Au **Range:** $990 - $1,340 **Average:** $1,172

Investment demand in 2010 will be well supported by low to negative real interest rates, a sickly US dollar and growing inflation fears, especially in the United States as policymakers react to the threat of a 'double dip' recession by maintaining ultra-loose fiscal and monetary policies. The weight of money entering the market from non-traditional investors should help gold rise to above the $1,300 threshold, at which level we would expect collapsing jewellery demand and higher scrap supply to help put a brake on things. Given its ever greater dependence on investment, the yellow metal will be highly vulnerable to sentiment or policy-driven corrections, although the latter will probably first require either inflation to reach worrying levels and/or the bond market to choke on the record amount of government debt being issued.

Ag **Range:** $14.40 - $22.00 **Average:** $18.07

Silver will benefit this year both from gold's expected advance and a decent improvement in industrial demand for the white metal from 2009's very low base. Indeed, brighter prospects for the latter will encourage investors into thinking that a solid breach of the $20 level is on the cards this year, something which would seem very plausible. Silver's supply/demand fundamentals are a good deal less price-sensitive than gold's, and if investors really push hard enough then a high of around $22 could be achieved. However, even more than with gold, the ride over the next 12 months is likely to be a bumpy one, with plenty of scope for large falls in the price as indicated by a forecast sub-$15 'low' in 2010.

Pt **Range:** $1,240 - $1,605 **Average:** $1,433

The new platinum ETF in the United States will undoubtedly lead to a higher average price this year than would have been the case in its absence. Nevertheless, for prices to be maintained well above $1,400, strong investment demand is a requirement because, failing a supply-side surprise in South Africa, the market is headed for a fairly sizeable gross surplus this year. Indeed, GFMS's forecasts for 2010 show a rise in mine production and autocatalyst recycling contributing to a healthy growth in supply, whereas the rebound in autocatalyst demand is expected to be lacklustre. Moreover, a continuation of higher prices will dampen jewellery consumption in China, last year's star performer on the demand front. Any faltering in investors' purchases of platinum, therefore, could see a major step down in prices to more sustainable levels.

Pd **Range:** $335 - $480 **Average:** $409

Palladium, like its sister metal platinum, will benefit this year from a high level of investor interest. Besides this, we expect a fair jump in supply in 2010, the bulk of it coming from much higher autocatalyst scrap volumes, after last year's exceptional decline. In isolation, this may appear bearish, but fabrication demand should grow a lot more, led by some robust gains in autocatalyst off-take. GFMS forecast this will result in a decent rise in the gross market deficit. This should place upward pressure on the price, although, as always, a key factor will be the scale of Russian government stock sales. These are likely to not only cover the deficit but also leave an additional quantity for investors to absorb. This should, however, not prove too great a hurdle for the price to register a healthy year-on-year gain in calendar 2010.

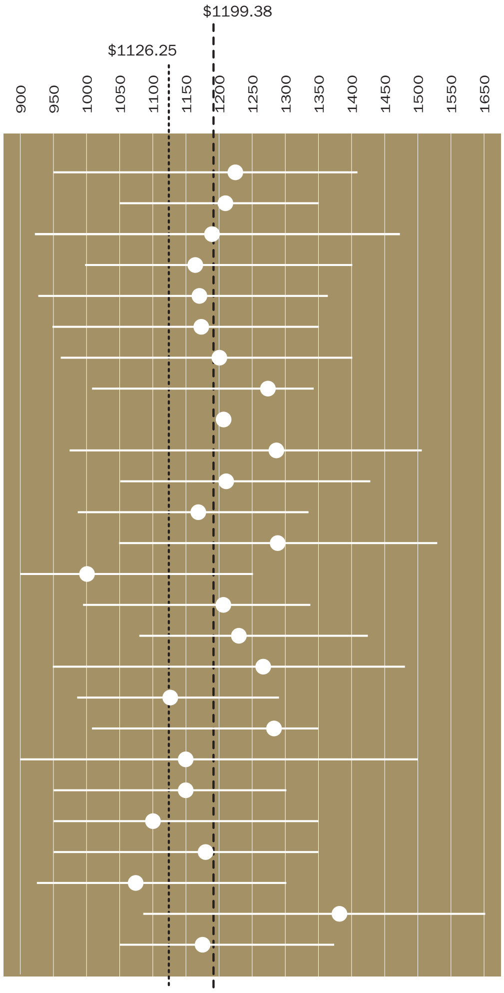
Au

Gold

1st week Jan 2010 ⋯⋯⋯ Average Forecast 2010 - - - -

Average: Low —●— High

Name	High	Low	Average
Aubertin, Philip	1,415	950	1,225
Bhar, Robin	1,350	1,050	1,215
Ceh, Joerg	1,470	920	1,198
Christian, Jeffrey	1,400	1,000	1,163
Cooper, Suki	1,365	925	1,180
Fertig, Peter	1,350	950	1,185
Hochreiter, Rene	1,400	960	1,200
Huang, Vincent	1,345	1,012	1,285
Jansen, Michael			1,218
Kempinski, Michael	1,505	975	1,295
Kendall, Tom	1,430	1,050	1,215
Klapwijk, Philip	1,340	990	1,172
Ludwig, Michael	1,530	1,050	1,290
Moore, Nick	1,250	900	1,000
Murenbeeld, Martin	1,345	995	1,205
Norman, Ross	1,425	1,080	1,236
Panizzutti, Frederic	1,480	950	1,268
Rhodes, Jeffrey	1,280	980	1,137
Singh, Ruchi	1,350	1,020	1,280
Smith, Daniel	1,500	900	1,150
Steel, James	1,300	950	1,150
Takai, Bob	1,350	950	1,100
Turner, Matthew	1,350	950	1,179
Vaidya, Bhargava	1,300	925	1,075
Wilson, David	1,650	1,090	1,388
Wrzesniok, Wolfgang	1,375	1,050	1,175
Average:	1394.20	982.88	1199.38



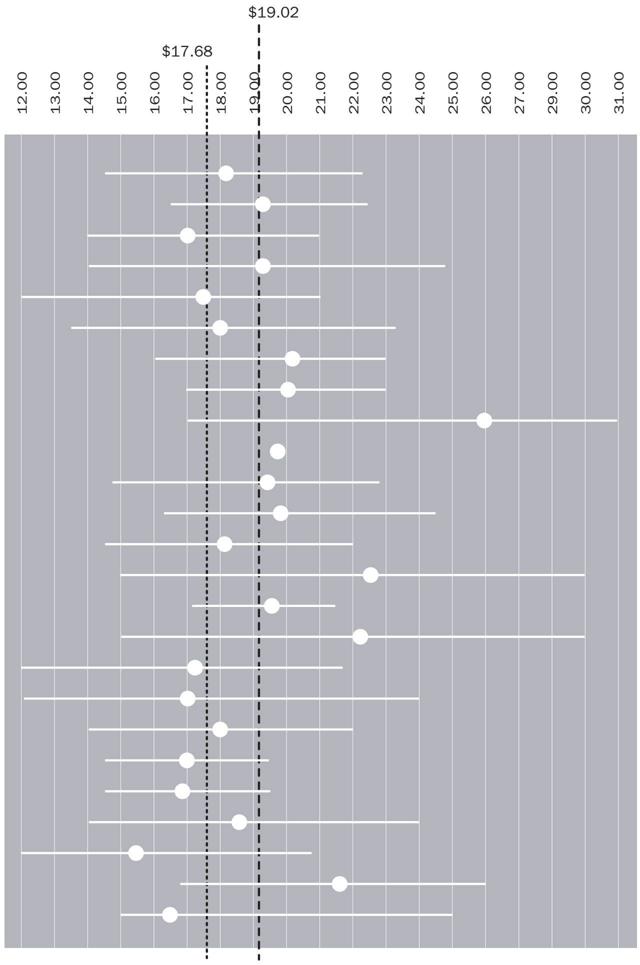
Ag

Silver

1st week Jan 2010 ⋯⋯⋯ Average Forecast 2010 - - - -

Average: Low —●— High

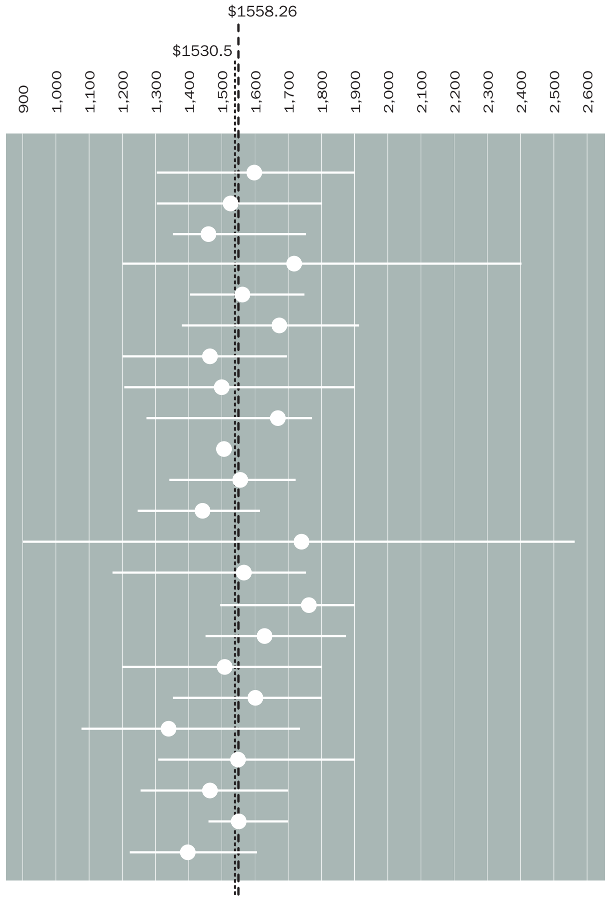
Name	High	Low	Average
Aubertin, Philip	22.25	14.50	18.25
Bhar, Robin	22.50	16.50	19.25
Briggs, Stephen	21.00	14.00	17.00
Ceh, Joerg	24.80	14.00	19.25
Christian, Jeffrey	21.00	12.00	17.50
Cooper, Suki	23.20	13.50	18.00
Fertig, Peter	23.00	16.00	20.20
Hochreiter, Rene	23.00	17.00	20.00
Huang, Vincent	31.00	17.00	26.00
Jansen, Michael			19.80
Kempinski, Michael	22.85	14.85	19.45
Kendall, Tom	24.40	16.30	19.90
Klapwijk, Philip	22.00	14.40	18.07
Ludwig, Michael	30.00	15.00	22.50
Norman, Ross	21.50	17.17	19.55
Panizzutti, Frederic	30.00	15.00	22.25
Rhodes, Jeffrey	21.75	12.00	17.14
Singh, Ruchi	24.00	12.00	17.00
Smith, Daniel	22.00	14.00	18.00
Steel, James	19.50	14.50	17.00
Takai, Bob	19.50	14.50	16.90
Turner, Matthew	24.00	14.00	18.65
Vaidya, Bhargava	20.75	12.00	15.50
Wilson, David	26.00	16.80	21.83
Wrzesniok, Wolfgang	25.00	15.00	16.50
Average:	23.542	14.803	19.020



Pt

Platinum

1st week Jan 2010 ---------
Average Forecast 2010 – – – –
Average: Low —●— High

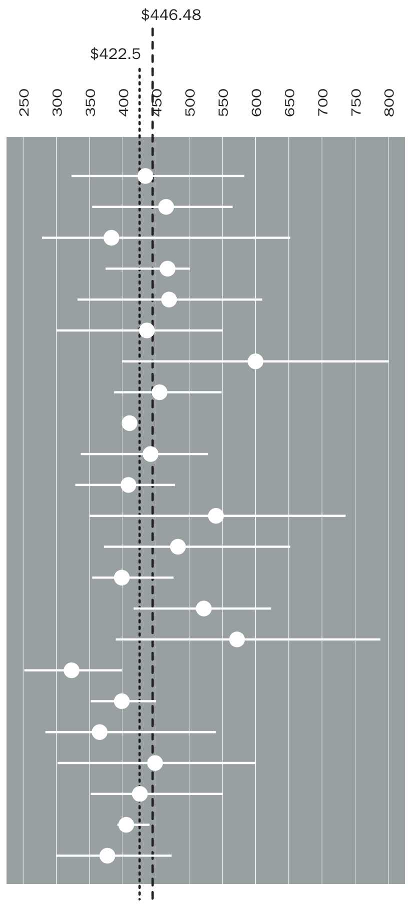


Name	High	Low	Average
Aubertin, Philip	1,900	1,300	1,600
Bhar, Robin	1,800	1,300	1,526
Briggs, Stephen	1,750	1,350	1,450
Ceh, Joerg	2,400	1,200	1,711
Christian, Jeffrey	1,750	1,400	1,566
Cooper, Suki	1,910	1,390	1,690
Fertig, Peter	1,700	1,200	1,465
Hochreiter, Rene	1,900	1,200	1,500
Huang, Vincent	1,780	1,285	1,685
Jansen, Michael			1,506
Kendall, Tom	1,720	1,340	1,565
Klapwijk, Philip	1,605	1,240	1,433
Ludwig, Michael	2,578	900	1,739
McVeigh, Rory	1,740	1,180	1,570
Norman, Ross	1,900	1,496	1,776
Panizzutti, Frederic	1,880	1,450	1,625
Smith, Daniel	1,800	1,200	1,513
Steel, James	1,800	1,350	1,600
Stevens, Glyn	1,735	1,075	1,335
Takai, Bob	1,900	1,300	1,550
Turner, Matthew	1,700	1,250	1,470
Wilson, David	1,700	1,460	1,565
Wrzesniok, Wolfgang	1,600	1,225	1,400
Average:	1843.09	1276.86	1558.26

Pd

Palladium

1st week Jan 2010 ---------
Average Forecast 2010 – – – –
Average: Low —●— High



Name	High	Low	Average
Aubertin, Philip	585	320	440
Bhar, Robin	560	350	464
Ceh, Joerg	650	280	385
Christian, Jeffrey	500	370	468
Cooper, Suki	610	330	470
Fertig, Peter	550	300	440
Hochreiter, Rene	800	400	600
Huang, Vincent	550	390	455
Jansen, Michael			413
Kendall, Tom	535	340	445
Klapwijk, Philip	480	335	409
Ludwig, Michael	740	350	545
McVeigh, Rory	650	368	484
Moore, Nick	475	350	400
Norman, Ross	625	420	522
Panizzutti, Frederic	780	390	578
Smith, Daniel	400	250	328
Steel, James	450	350	400
Stevens, Glyn	545	280	365
Takai, Bob	600	300	450
Turner, Matthew	550	350	425
Wilson, David	440	390	408
Wrzesniok, Wolfgang	475	300	375
Average:	570.45	341.50	446.48

Michael Ludwig

BNP Paribas, London

Au	**Range:** $1,050 - $1,530 **Average:** $1,290

Gold is expected to average $1,290 in 2010. Strong ETF and hedge fund interest, and its continuing appeal from an inflation hedge and risk-haven view will be supportive, given concerns over a fiscal sustainability and inflation (Asia in the short term and the US longer term).

Ag	**Range:** $15.00 - $30.00 **Average:** $22.50

The silver and PGM markets will basically take their cue from gold as well as the current economic rebound.

Pt	**Range:** $900 - $2,578 **Average:** $1,739

Platinum is expected to average $1,739/oz in 2010, palladium $545.00/oz and silver $22.50/oz, mostly due to strong outlooks in the automotive and electronic sectors, and the lasting constrained mine supplies.

Pd	**Range:** $350 - $740 **Average:** $545

Overall, there is a strong and increasing investor interest in the commodities markets, which will stimulate the demand throughout the new year. The strongest price rises should be seen in the first half of the year while the second half will see some overall ease in the markets again, inter alia due to recovering interest rates.

Rory McVeigh

Commerzbank, Luxembourg

Pt	**Range:** $1,180 - $1,740 **Average:** $1,570

With the downturn for industry keeping platinum under wraps for the first half of the year, indicated by the large sponge discounts that we saw, it was only a matter of time before that eroded as inventories were running low in the last quarter of the year for many end users. 2010 should prove a little more stable for the sponge versus Zurich cost and this in turn will also reflect in the real market. As Platinum will see some of the commodity sell-offs that will come as money moves out of the sector again to find richer pastures, the industrials will be there to pick up some of the slack.

Pd	**Range:** $368 - $650 **Average:** $484

Palladium really sat in the shadows of the other metals last year and found a base around $370, with good interest appearing whenever we breached this area. The focus of the car industry away from diesel engines as well, favouring small city petrol cars that offer better mileage and running costs, is helping to change the habits of European car buyers. This alongside the uncertainty about stockpiles in Russia and the continuing issue of the South African mines' sensitivity to energy prices and strikes could create more interest for palladium over latinum this year.

Nick Moore

RBS Global Banking & Markets, London

Au	**Range:** $900 - $1,250 **Average:** $1,000

Gold is the gift that just keeps on giving. Gold has been in a bull market for the past decade and, uniquely amongst the metals, has enjoyed 'yo-yoing' rises in its annual average price. But the best of the price rises are now behind gold and, as evidence, it's worth noting that despite all the noise, gold in rising by 26% in 2009 was the worst performing of all the base or precious metals. We view 2010 as likely witnessing price consolidation at an unexciting average of $1,000/oz. Of course, we are referring to a US dollar price, and the reversal of dollar weakness to one of increasing strength is the key headwind that gold faces. But 2010 will be a pause for breath, not an out-of-breath year for gold. We remain encouraged by central banks becoming net buyers of gold and by pedestrian gold mine supply growth. Renewed enthusiasm for physically backed ETFs and the jewellery gifting season towards the end of 2010 will provide the springboard to even better prices in 2011.

Pd	**Range:** $350 - $475 **Average:** $400

Palladium has been and remains our top precious metal pick for 2010. The ending of the 'cash -for clunkers' scheme will be a headwind, and we forecast a conservative average in 2010 of $400/oz and we expect the price to rise to $700/oz by 2013. We forecast a substantial underlying supply deficit for palladium, even before ETF investment. One has to be encouraged by the finite nature of Russian stockpile levels and, as each year progresses, that it is depleted by more than it is replenished. We are also encouraged that China has now overtaken the US as the world's largest automobile market and that this is gasoline-skewed, which favours palladium autocatalysts. We also take heart from the fact that China is not a producer of palladium and will need to secure strategic supplies of palladium, both to meet autocatalyst demand as well as demand for palladium in jewellery.

Martin Murenbeeld

Dundee Economics, Vancouver

Au	**Range:** $995 - $1,345 **Average:** $1,205

Last year, we said the following:

"At least two factors suggest 2009 could be an explosive year for gold: policy reflation and geopolitical crisis. Policy reflation would buttress gold against the downdraft of economic recession. Gold will likely set a new high again in 2009 – despite the broadly disinflationary/deflationary macro-environment. Gold demand will continue to be driven by investment demand, by way of diversification out of currencies and other 'paper' assets. Jewellery demand, being driven by wealth and price factors, will be weak in 2009."

We liked these comments so much we are repeating them for 2010 – with new twists, of course. At the beginning of last year, we did not expect that 2009 Q4 would be so explosive a quarter for gold – on the back of the Indian purchase of IMF gold, to be sure. Were it not for that quarter, gold might have averaged very close to the $945 we forecast. But that was last year! For 2010, we expect at least four factors to drive the gold price, other than the geopolitical factor, which cannot be forecast with any accuracy. These are: (1) continued monetary and fiscal reflation on account of a sub-par economic recovery in the developed economies; (2) the eventual exit strategy from monetary policy reflation in all economies; (3) the value of the dollar against the Asian currencies (not against the euro, which is irrelevant to the gold market except that many traders continue to trade gold on the basis of the dollar's euro cross-rate – indeed, gold and the euro are likely to part company one of these days); and (4) emerging country central bank purchases of gold. Our baseline assumptions include: (1) continued monetary and fiscal reflation punctuated with a very timid exit strategy (if any in 2010); (2) a dollar likely to be reasonably flat against the euro (possibly a little firm on account of PIIGS), but down against the renminbi and other Asian currencies (quite possibly as a result of protectionist threats from the US Congress); and (3) continued diversification out of dollars by reserve-heavy emerging country central banks that will also add to their gold reserves (central banks will be net buyers of gold going forward, which will help offset the absence of dehedging). Inflation was not an issue in 2009 and is unlikely to be an issue in 2010, although many will worry about it on account of the explosion in the US monetary base. As long as there is widespread unemployment and excess capacity in the major economies, policymakers are unlikely to act against higher commodity prices (which feed into consumer price statistics). But global liquidity is rising sharply and this is the fundamental factor expected to drive the gold price irregularly higher in 2010.

Ross Norman
TheBullionDesk.com, London

Au **Range:** $1,080 - $1,425
Average: $1,236

We forecast firm yet volatile prices for gold in 2010. We are concerned that the massive government stimulus packages via quantitative easing, paid for with borrowed and printed money, is having only a relatively modest impact on growth as bank balance sheets may take longer to repair than widely expected. This, we believe, will give rise to ongoing uncertainty on the tenure and outcome of these actions. As a result, we foresee increased interest in gold from the investment community with faith in fiat currencies undermined; this should ensure that investment demand not only fills the gap from diminished jewellery sales as prices rise, but it should lead to a significant increase in total gold demand. Meanwhile supply is likely to remain constrained as few new projects come on stream to replace ounces taken out of the market by ETFs. Whilst possible default by sovereign entities may continue to play on people's minds in 2010, this should increasingly provide advantage to hard assets that provide wealth preservation and risk diversification – we see gold and the other precious metals as a beneficiary of this.

Ag **Range:** $17.17 - $21.50
Average: $19.55

Despite the parlous state of global economic growth, we expect silver to rise in 2010, based upon tight physical supplies while also benefitting from increased investment demand in line with gold. We see these gains despite only modest growth in fabrication demand as investors move towards hard assets for wealth preservation and risk diversification.

Pt **Range:** $1,496 - $1,900
Average: $1,776

Platinum prices should stage a further recovery in 2010. Poor auto demand for vehicles in developed nations will be compensated for by increased vehicle demand in Asia. The launch of the platinum ETF in New York should also keep the market very much on the bid.

Pd **Range:** $420 - $625
Average: $522

After a stellar performance on 2009, we expect the strong rise in palladium prices to continue in 2010 as available stockpiles become depleted. Restocking by many of the major automakers will also continue to keep the market firm.

Frederic Panizzutti
MKS Finance, Geneva

Au **Range:** $950 - $1,480
Average: $1,268

By the end of 2009, gold closed around 29% higher than the previous year. As during the past year, the global crisis is expected to remain one of the prevailing factors determining the trend in the price of gold. We do not expect any major change in global growth before the end of 2010. US dollar-denominated assets remain vulnerable on the back of reserves rebalancing across the world. We expect the US dollar to weaken again against other major currencies during the first half of the year, before slowly recovering towards the end of 2010. As a consequence, we expect the US Federal Reserve to keep its low interest rate policy unchanged for most of the year. We still expect investors to diversify their investments out of US-denominated assets, which should benefit the physical gold market. Furthermore, we could see the official sector becoming a net buyer, as fresh buying interest might exceed official selling this year. We expect gold to reach a new high of $1,450-$1,500/oz by Q2. The impact of excessive liquidity and some fears of inflation could prompt the Fed to tighten liquidity and raise interest rates towards the end of the reporting year or early 2011. This might result in a short-term, but not lasting, price correction. Despite our forecasts for higher prices, we don't anticipate large volumes of scrap to be exported to refiners as we expect gold available in physical centres to feed into local demand. 2010 shall be another volatile year, and double-digit rallies seem to remain ahead of us.

Ag **Range:** $15.00 - $30.00
Average: $22.25

With an upside move of over 50% in 2009, silver finally caught up with the other precious metals. This year, we expect an acceleration in the upside trend and envisage silver to trade as high as $30/oz in the second quarter of the year. While during the last two years investors mostly focused on gold, we would now expect silver to attract more attention and to be more actively traded again. Further US dollar weakness and recovering industrial-driven demand toward year end shall feed the trend. We expect silver to trade up in very volatile sessions, followed by very calm periods.

Pt **Range:** $1,450 - $1,880
Average: $1,625

Platinum closed up 56% last year. We expect the white metal to further strengthen throughout the year. Industrial-driven demand is set to pick up again as various industrial consumers start to recover from the recent crisis, more specifically, according the latest reports, the automotive industry. The weaker US dollar and the possibility of physical supply disruption from South Africa on the back of unsteady power supply will be additional bullish factors. The platinum ETF shall possibly further impact the supply/demand imbalance. This could move the platinum price as high as $1,880 this year.

Pd **Range:** $390 - $780
Average: $578

Last year palladium 'overperformed' the other precious metals, closing 110% higher. Possible supply disruptions from Russia and South Africa and the weaker US dollar will prevail this year. This could lead to a significant supply shortage, while the industrial demand is set to surge again in Q3. As investors more and more look at palladium to diversify their precious metals portfolios, ETF-related buying could further dry the physical metal availability. This supply/demand imbalance could result in a significant physical squeeze, pushing the palladium price to rocket as high as $780/oz in the third quarter of the year. The physical market shall remain very thin and volatile this year.

Jeffrey Rhodes

INTL Commodities, London

Au **Range:** $980 - $1,280 **Average:** $1,137

Gold extended its bull run for an eighth successive year in 2009, with the price averaging $972, a gain of 11.47% over 2008. The yellow metal posted a series of successive all-time highs during a six-week period that started at the end of October and culminated in a record intra-day price of $1,226 on 3 December, with a high fix of $1,218.25 posted that morning in London. The year-on-year gain was over 25% as a wave of investment money flooded into commodities in general and gold in particular, with fund managers hungry for yield and capital gains amid the lowest interest rate environment ever seen in the developed financial markets. Although the dollar remains an important influence on gold as 'the' alternative currency, the inverse correlation in 2009 was relatively weak, with the US dollar losing just 4% year on year against a basket of currencies as measured by the DXY index, and there is no doubt that the push/pull between risk aversion and risk appetite was the key driver of gold prices last year. This resulted in an unusually direct correlation between precious metals and equity prices, with the DJIA posting an annual gain of almost 19% and a rally of 63% from the lows posted in March. As we head into 2010, there is a prevailing mood of cautious optimism in the global financial markets and a better outlook for the US dollar against a background of improved economic data with muted inflation, and this could initially weigh on gold prices. However, with gold now very much a main stream asset class and central banks in the emerging economies moving to the buy side, as graphically evidenced by India's purchase of 200 tons from the IMF, we are likely to see the yellow metal extend its longest-ever bull market into the first six months of the new decade. The average annual percentage gain since 2001 has been 17.59%, and if this mean is maintained in 2010, that would extrapolate to $1,137, with a likely trading range bounded by the 200-day moving average, currently pegged at $990, and the all-time high of $1,226, with a fair chance that this upper extreme could be briefly penetrated. However, all eyes will be on the Fed for signs of any reversal in its easy money approach, with the interest rate options markets suggesting a tightening of monetary policy in the second half of 2010.

Ag **Range:** $15.25 - $21.75 **Average:** $17.14

Silver snapped the bull run that had been in place since 2001 on an average basis, with the price slipping to $14.65 in 2009, a decline of 2.26% versus the 2008 average of $14.99; although on a year-on-year basis, the industrial precious metal actually gained 50% as a strong end to 2009 coincided with gold's record-breaking run and demand prospects for industrial metals, particularly from China, showed signs of improvement. It is interesting to note that the decline in price in December to below $17 produced significant physical buying interest from India, the world's most important off-take market, and with strong investment demand for silver, as a much cheaper proxy for gold, developing in 2009, highlighted by the iShares Silver Trust, the world's largest silver ETF, which now holds over 9,500 tons, the outlook for 2010 is positive. Technically, silver has started the year flirting with the 100-day moving average located just below $17 and an early test of lower levels is possible in January with $16 coming into play if gold comes under pressure from a stronger dollar. However, as with the yellow metal, we favour 'a buy the dips approach' in 2010 as industrial demand rebounds on the likely global economic recovery next year, and investment interest intensifies, with a price north of $20 a strong possibility. As with gold, the average annual price increase since 2001 has been about 17% and if this progress is maintained in 2010, it suggests a price of $17.14 next year. A wild card to watch is the likely growth of hybrid and all electric cars in the coming years, which could have a profound impact on silver's demand/supply profile, given its excellent conductivity attributes.

Ruchi Singh

ICICI Bank, Mumbai

Au **Range:** $1,020 - $1,350 **Average:** $1,280

We maintain a bullish outlook on gold for 2010. Gold has closely tracked dollar movements, and we expect this to continue through the year. Given our view on dollar weakness in the first half of the year going ahead, we believe that the yellow metal is yet to see its highs. In addition, investment in gold has strengthened with central bank buying and investment at the retail level, which will provide additional support to prices. However, as we expect US inflation to remain subdued, gold prices might come under significant downward pressure once the US economic recovery strengthens and the US Federal Reserve begins to raise interest rates. Prices could hence face a downward pressure once investors price in a Fed rate hike, probably towards end 2010. The upside will also be capped by lower jewellery demand (until consumers/investors become accustomed to higher prices) and increased scrap availability as the price reaches new levels. We, therefore, put our estimates at $1,020/oz, $1,350/oz and $1,280/oz as the low, high and average prices for 2010.

Ag **Range:** $12.00 - $24.00 **Average:** $17.00

We expect silver prices to remain volatile in the current year and to broadly track gold prices. The strong supply/demand fundamental is expected to provide support to the metal. On the supply front, the total supply is expected to increase slightly as lower scrap and government sales will be offset by an increase in mine supply. On the demand side, fabrication demand is expected to pick up this year as industrial production rebounds. However, we expect investors' interest in the silver exchange traded fund (ETF) to wane slightly this year, thereby capping gains to some extent. We expect prices to average around $17 per oz in 2010. The range for silver is forecast to be $12-$24/oz.

Daniel Smith

Standard Chartered Bank, London

Au **Range:** $900 - $1,500 **Average:** $1,150

Prices to consolidate gains then move higher. Gold drives higher, as India takes a chunk of IMF gold. Gold prices have stormed higher in recent weeks, reaching record highs. There was a bullish reaction to the announcement of 403 tonnes (t) of gold sales by the IMF in September, which encouraged a number of the world's central banks to express interest. India announced that it had purchased 200t of gold, taking its share of reserves to 6% from 4% previously. Russia has also been quietly building its gold reserves and, in September, these were up by 72t to 594t. We expect further central bank buying in the year ahead. Investor interest in the market remains strong. This has shown up most visibly within the Commodity Futures Trading Commission data. This showed that the net speculative position for gold rose to a record high of 253,955 contracts in mid-October and remained high into early November. Sales of gold coins by the US Mint are also at high levels and reached 115,500oz in October, with an additional 33,000oz sold in the first week of November. Outlook for 2010: We continue to favour the upside for gold. Global liquidity remains ample, helping to boost the whole commodities complex and keeping the US dollar under downward pressure. Gold is well positioned, given its strong inverse relationship with the US dollar, central bank buying and continued investor inflows. Gold prices are likely to consolidate in the first half of 2010 on US dollar strength, but we anticipate renewed gains in the second half of 2010, as the US dollars weakens once more.

Ag **Range:** $14.00 - $22.00 **Average:** $18.00

Silver consolidates due to overextended ratio. After a strong performance through the summer, silver has been treading water in recent weeks. We believe that there are two reasons for this. First, prices are up by 57% so far this year, relative to a 28% increase in gold. Hence, the market looks overextended. This shows up most clearly in the gold-silver ratio. An average ratio over the past five years is 59. At the start of 2009, it was 77, but fell sharply to 64 in early November, suggesting that silver was rising too fast, too quickly. With silver demand still closely linked to the industrial cycle through its use in the electronics sector, we expect this ratio to remain relatively high compared with recent years. Silver mine supply has also increased, with Fresnillo, the world's largest silver miner, reporting that output in Q3 reached 9.75 million oz – up 9% quarter on quarter. Outlook for 2010: We expect silver to track gold higher and anticipate further upside in late 2010.

Pt **Range:** $1,200 - $1,800 **Average:** $1,513

Platinum is expected to outperform over next year. Platinum rallies, but gains have been limited. The platinum price has rallied modestly in recent weeks, with investor flows supportive. Data from ETF Securities showed a 5% month on month increase in its physical ETF to 396,000oz in mid-November. Also, the most recent data from the Commodity Futures Trading Commission (CFTC) showed that net non-commercial longs reached a record high of 19,427 contracts in late October, which was maintained into early November. Further investor inflows are likely for platinum in 2010, particularly if a US ETF being proposed by ETF Securities is approved. In Europe, the key market for platinum autocatalysts, German car sales were up by 24% year on year in October, accelerating from the previous month. This was despite the withdrawal of a government incentive scheme. China is also a growth area, and it imported 4.4 tonnes (t) of unwrought platinum in August. The main driver was strong growth in the local jewellery market, as well as speculative interest. Outlook for 2010: We have a bullish medium-term view on platinum. The downside is strongly underpinned by rising costs and a vulnerable power grid in South Africa. Investors continue to raise their exposure and there are significant upside risks on this front. Once the industrial cycle gathers momentum, platinum prices should push steadily higher. We expect them to outpace gold in 2010.

Pd **Range:** $250 - $400 **Average:** $328

Palladium price rises, as demand accelerates. Palladium prices have moved rapidly upwards in recent weeks on the back of continued investor interest. Data from ETF Securities showed a 9% month on month increase in its physical holding to 581,000oz in mid-November, significantly outpacing the growth seen for the other precious metals. One reason is booming car sales in China, which were up by 76% year on year in October. In China, the dominance of gasoline engines – which are less demanding in terms of catalysts – means that palladium can be used instead of platinum. This has encouraged additional investor interest. Outlook for 2010: Palladium is benefitting from strong demand from both investors and industrial consumers. In the short term, it looks set to outperform the other precious metals on the back of these influences. However, during 2010, we expect demand growth to ease, and increased supply is likely to emerge in response to the rapid run-up in prices. Some North American producers are likely to restart production if palladium prices remain elevated, and Russia still has ample stockpiles of the material. This should result in palladium underperforming the rest of the complex through the second half of 2010.

James Steel
HSBC, New York

Au **Range:** $950 - $1,300 **Average:** $1150

A combination of inflation and currency hedge buying should be important factors supporting gold prices this year. Ongoing accommodative US monetary and fiscal policies may lend further support to gold. Recovering global demand for commodities should also be a positive influence on gold prices. The impact of low official sector sales is likely to be offset by the reduced scope for further producer dehedging. Abundant scrap supply and weak jewellery demand may curb further price gains and should help define the upside. Mine output should increase only modestly this year.

Ag **Range:** $14.50 - $19.50 **Average:** $21.83

Silver prices should continue to be supported by ongoing investor demand for hard assets and currency hedge buying. A recovery in global industrial production this year is also likely to translate into a notable increase in silver demand. Mine output is also expected to grow, encouraged by prices well above the marginal costs of production and heavy investment earlier this decade. Silver prices are also likely to be strongly influenced by gold direction and investor risk sentiment.

Pd **Range:** $1,350 - $1,800 **Average:** $1,600

A recovery in global auto production and industrial production should increase the demand for platinum this year. Chinese jewellery demand is expected to be robust this year following on from a strong 2009 as Chinese consumers escape the brunt of the global slowdown. Meanwhile, producers in South Africa face a number of challenges in raising mine output. These include rising power and labour costs, a strong ZAR, and a variety of geological and technical problems.

Pd **Range:** $350 - $450 **Average:** $400

We expect prices to be supported by continued strong auto demand in China and some recovery in US demand. The US and China auto markets are made up primarily of gasoline-driven engines, which require heavier palladium loadings. Mine supply is anticipated to grow, but rising costs and falling ore grades will likely limit increases. A major unknown in the palladium market is the level of remaining stocks. Lower stock sales would be price-supportive.

Glyn Stevens

INTL Commodities Inc, London

Pt **Range:** $1,075 - $1,735 **Average:** $1,335

The success or failure of the 'new fundamental', otherwise known as an ETF, will have a large bearing on the price direction for PGMs in 2010. If Chinese jewellery demand becomes satiated and the global economic recovery does not materialise, with the auto industry stagnating, then investment may be platinum's only saviour. South African power supplies and labour relations notwithstanding, of course, perhaps this means a price spike as investors buy in a wave of New Year optimism, followed by a tailing-off as the months roll by, hopes of economic improvement fade and cash once again becomes king.

Pd **Range:** $280 - $545 **Average:** $365

As with platinum, investor appetite is likely to be the major determinant for the palladium price. On the supply side, despite the huge volumes of metal already allocated to funds, metal is plentiful and Russian vaults are surely still bulging. The global move towards thriftier petrol-engined cars should help demand, but palladium jewellery is unlikely to be the panacea some once thought.

Bob Takai

Sumitomo Corporation, Tokyo

Au **Range:** $950 - $1,350 **Average:** $1,100

Ag **Range:** $14.50 - $19.50 **Average:** $16.90

Pt **Range:** $1,300 - $1,900 **Average:** $1,550

Pd **Range:** $300 - $600 **Average:** $450

We foresee an accelerating pace of economic recovery for 2010 led by China and the emerging economies in Asia. It has been abundantly clear this year that the engine for growth is China as Western economies, principally the United States but also a lot of 'old' Europe, continue to struggle to free themselves from the grip of the recession. Hence, we think that the recovery will almost be two-speed, with Asia moving considerably faster than the West.

Excessive inventory levels will limit any significant rallies in the energy complex and aluminium until we see either a significant uptick in demand or a structural shift in the shape of the forward curve. We do not expect to see either of these in the first half of the year. Stronger fundamentals underpin copper, whilst the PGMs will be aided by robust automobile demand from Asia.

Predicting gold's future is difficult as much depends on the strength, or lack thereof, of the dollar. If the US economy continues to recover this year and the Fed moderates its low interest rate policy because of inflationary fears, we may see a lid on the price. However, ongoing geopolitical worries and uncertainties over fiat currencies mean that, on balance, I remain friendly to gold in 2010.

Matthew Turner

VM Group, London

Au **Range:** $950 - $1,350 **Average:** $1,179

After a year in which the price generally went up, we expect more volatility in 2010 as macroeconomic themes dominate. The strength and breadth of the economic recovery, the level of the dollar and the risk of inflation or even deflation are all still up for grabs – and every piece of economic data and political news will be viewed as providing support for one view or another. Within this, we see gold making new highs, as with interest rates remaining low, it doesn't seem likely that we have peaked yet. But the price might also dip, particularly if the US dollar can strengthen. Internally, the market is very dependent on investment, particularly now that dehedging has run its course. Although the collapse in central bank sales has offset much of this decline, with everyone looking for the next buyer, there's a strong risk of a surprise seller.

Ag **Range:** $14.00 - $24.00 **Average:** $18.65

Silver had a tremendous year in 2009, but it should, on historical relationship to the gold price, be doing a bit better than it is. So why has it been a relative laggard? The main reason we feel is that silver lacked one advantage possessed by gold – the changing expectations about the level of net central bank sales going forward. Looking ahead, in 2010, we expect that silver will move similarly, but with more volatility, to gold, with macro-factors overwhelming any internal demand and supply issues. The longer term is all about new demand uses for the metal and we think these are quite positive, even at these elevated prices. And an improving industrial outlook as the year progresses will also help keep the price firm.

Pt **Range:** $1,250 - $1,700 **Average:** $1,470

Platinum should be set for a very strong year on the back of improving industrial demand – globally, economies will emerge from the deepest recession for decades, there will be continued good Chinese jewellery demand and an uncertain supply outlook. But with prices again over $1,500/oz, we would urge caution on the demand side. Car sales in Europe have been artificially inflated and are likely to fall this year (although diesel sales might pick up), while Chinese jewellery demand is price-sensitive and has already been slowing. In 2010, we also might get our first indication of whether electric cars (which use little or no PGMs) will soon become real contenders to cause the demise of the internal combustion engine. The US ETF complicates matters. While the high price and risky demand outlook could dissuade investors, the potential for a production-induced price spike might be enough on its own. But how much of this has been 'bought' already?

Pd **Range:** $350 - $550 **Average:** $425

After a terrible 2008, palladium had a super-strong 2009, adding 115%. It also gained against platinum, with its price ratio rising from below 0.20 to above 0.25. We think it could gain further to 0.3 during 2010. Like platinum, it has supply issues, and while it does not enjoy platinum's strong jewellery demand, this means less risk of disappointment in 2010, and it is increasingly the preferred choice in automobiles due to its much lower cost. Furthermore, most of the fast-growing developing markets, primarily China, are gasoline-based and so use palladium, while the US market should recover slowly. There still exists concern about Russian stock sales, but an optimist will note that, by definition, each year the amount less is lower. Palladium often disappoints; however, the biggest risk is perhaps that the US ETF might turn out to be a damp squib.

Bhargava Vaidya

BN Vaidya & Associates, Mumbai

Au **Range:** $925 - $1,300 **Average:** $1,075

Gold would remain a very important store of value in all investment portfolios. Investment demand will remain high. The physical demand for jewellery can only improve from current levels. Terror threats across the globe and insecurity in certain regions would support gold prices. Supply from the largest hoarders, central banks and the IMF, is successfully capped through negotiations/agreements. The US economy is showing slow signs of improvement and this would help the US dollar by end of the year. This would cap the gold run and may also signal a downward movement.

Ag **Range:** $12.00 - $20.75 **Average:** $15.50

Silver would remain volatile. Slow to negative growth in industrial demand for silver would restrict its price run. The relationship with gold would sustain the present bull run. Demand for silverware and silver coins would remain poor; this would cap the price run.

David Wilson

Societe Generale, London

Au **Range:** $1,090 - $1,650 **Average:** $1,388

The investment market has become increasingly enthralled by the attractions of gold over the course of 2009 and the excitement almost reached fever pitch during parts of the fourth quarter. The rise in price has been driven by sustained expectations for accelerating inflationary pressures and the ramifications of bloated government balance sheets. The potential for currency dislocations as quantitative easing programmes are wound down at different rates has also been a primary fear among investors as has, following the problems in Dubai, the concern over the financial sector. Professional flows of funds are not abating, even though ETF purchases were reasonably slow in the fourth quarter of 2009, with flows into the major funds averaging $49 million daily since gold cleared $1,100. The cumulative flow into the funds in the year to early December 2009 was $15.6 billion. We are expecting further strength in gold prices and this will be driven not just by dollar weakness (which is already heavily discounted into the price), but by fear of inflation and fiscal dislocations, plus continuing asset diversification moves by central banks. We are expecting an average of almost $1,400 in 2010 and for averages in excess of $1,300 at least through to 2014.

Ag **Range:** $16.80 - $26.00 **Average:** $21.83

The improving economic outlook is expected to favour silver in both the short and the medium term, and the gold:silver ratio is therefore likely to narrow over the next two years. Sustained high prices for gold will help to keep silver buoyant as part of the precious metals complex, while restocking and the proliferation of new industrial uses will help to tighten the market's fundamental balance. We are looking for an average of almost $22/oz in 2010, rising to $26/oz in 2012.

Pt **Range:** $1,460 - $1,700 **Average:** $1,565

Pd **Range:** $390 - $440 **Average:** $408

The increase in platinum and palladium prices has been driven in both markets by strengthening industrial demand as well as speculative and investor interest in the anticipation of tightening medium-term fundamentals, particularly from the demand side. Platinum and palladium ETFs have steadily increased over the final quarter of 2009, with platinum ETFs adding just over 408,000 ounces to holdings during the year, while palladium funds have added over 448,000 ounces over a 12-month period to reach 1.1 million ounces. The potential launch of physical ETFs in the US is likely to provide a further spur. We do not believe, however, that these higher prices are fully discounting the improved outlook. After a torrid time in 2008 and the first half of 2009, the automotive industry looked much more robust in the final quarter of 2009 than the markets had previously expected and this has been supporting both metals. As economic activity improves through 2010, it should drive both automotive and jewellery demand, and we remain very friendly towards the PGM sector, especially palladium.

Wolfgang Wrzesniok-Rossbach

Heraeus Metallhandelgesellschaft m.b.H

Au **Range:** $1,375 - $1,050 **Average:** $1,175

Despite the setback seen in December, the positive trend of the gold price looks intact at the beginning of the new year. There is therefore a high likelihood that the price will continue to climb in the first half of 2010, once more reaching fresh all-time highs. During this period, the price will largely be driven by investment demand, both from more short-term oriented speculators, but also from investors who seek opportunities to diversify their portfolios. Especially the long-term investors will be interested to invest in gold in physical form, be it in ETFs or in bars and coins. The biggest threat to the positive scenario would be a significant change in the global interest rate environment, with the US then being the first candidate for any hike of the key rates. However, such a move is in our view not on the cards before 2011. At the same time, very high production costs provide a relatively high natural floor for the gold price. And other factors such as an – at best – stable production and a further increasing interest by central banks to increase their gold reserves are again rather positive for the gold.

Ag **Range:** $15.00 - $25.00 **Average:** $16.50

Silver could again well be the most volatile precious metal in the coming 12 months. In general, the metal will continue to rely on the guidance provided by its yellow sister metal. As a result, any further decline of the dollar value and the still low interest rate environment (resulting in a flood of liquidity in the financial markets) are going to keep the buying interest by speculators and investors alive. On the industrial side, we expect further growth in the consumption from various industries. The demand from relatively new applications such as photovoltaics, wound care, etc. is likely to become more and more apparent.

Pt

Range: $1,225 - $1,600
Average: $1,400

Platinum might be the metal that could (in relative terms) face most difficulties in the coming months. The main reason is that demand for the metal from the automobile sector should continue to be lagging behind as, especially in Europe, a quick recovery of the car market does not seem to be on the cards. Beyond 2010, there is however some long-term support for platinum as there are new applications on the back of stricter emission regulations for (diesel-powered) heavy commercial vehicles. At the same time, we do not believe that the jewellery market in Asia can continue to thrive as it has done in 2009; any fall in demand from that side should however be pared by newly established ETFs on platinum in the US.

Production is expected to remain stable in the coming months, mainly on the back of newly established mines in South Africa. Any short-term production problems, e.g. due to strikes and or electricity outages (remember, there's the World Cup 2010), should not have a bigger effect on the price.

Pd

Range: $300 - $475
Average: $375

Palladium moves well supported into the new year. A potential increase in investor demand (due to new products such as the ETF in the US) and a booming demand by the car industry will be major factors in the coming months. As far as the car industry is concerned, the Chinese market is likely to continue to boom, the US will to some extent recover and, in Europe, the recently increased market share of (palladium-friendly) petrol-driven vehicles should be defended in 2010. In addition, smaller 'engines', for example for motorcycles, have to be fitted more and more with emission-reducing catalysts from 2010 onwards, increasing the demand from a previously more or less insignificant area. On the supply side, official sales from Russia might decrease further in 2010, adding to the chances for an ongoing recovery of the palladium price.

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