

Crucible



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Interview:

MARTIN HUXLEY SBMA CHAIRMAN

BY SBMA

Martin Huxley, Global Head of Precious Metals, StoneX, will be stepping down from his role as SBMA Chairman later this year, after four years at the helm. In a wide-ranging interview with Crucible, he shares his journey in the precious metals sector, and his observations on its development in Singapore, alongside the challenges and triumphs during his tenure as chairman.

MARTIN, HOW DID YOU GET STARTED IN THE BUSINESS, AND WHAT BROUGHT YOU TO STONEX AND SINGAPORE?

I have been active in the commodities markets since 1999; initially as a credit risk manager with Standard Bank in London, but later relocated to Hong Kong in 2004 as the Asia Head with the mandate to regionalise all approvals, monitoring and reporting. The majority of my time was dedicated to the natural resources sector and required me to travel extensively to visit clients and their operating assets. Our bullion trading activities were one of the many desks I was responsible for.

Having worked closely with the sales and trading desks, I later transferred into a Front Office role that straddled both the financing and trading activities of the bank. This remained focused on commodities; including financing to gold mines structured against physical offtakes, and prepayments to smelters/refineries in exchange for finished products.

In 2013, I was approached by StoneX and asked to head up its precious metal activities for the Asia region. I relocated at the start of 2014 and have not looked back. The growth in our business has been quite phenomenal, especially the last 5 years, and I was later appointed as Global Head of our precious metals business overseeing teams spread across 9 offices in 7 countries.

WHAT WERE YOUR GOALS/AIMS WHEN TAKING ON THE ROLE AS CHAIRMAN, AND ARE YOU SATISFIED WITH THE OUTCOME?

Firstly, I would like to express my thanks to the Secretariat and our Management Team. Together, we maintain a diverse representation within the bullion industry and have achieved some amazing results building our profile; not just within Singapore, but across Asia Pacific, and the international market. I would of course also like to express my appreciation for the ongoing support from all our members.

In answering this question, I think it is important to recognise the resources that are available; and being realistic in what can be achieved, what are the priorities, and how we can deliver on them. Our overall goal has been to continue to

build Singapore into a sustainable global precious metal hub, facilitating access to ASEAN and the wider APAC region, for both regional and international market participants.

We focus on supporting and facilitating collaboration among our members, whilst seeking to expand and diversify our membership base. This is further complemented by networks we have established and continue to strengthen with prominent organisations such as LBMA, WGC, and CGSE. The Asia Pacific Precious Metals Conference, or APPMC, is of course a key part of the overall connectivity.

Am I satisfied with the outcome? The answer is unquestionably yes! I personally believe what we have achieved, and in a relatively short space of time over the last 5 or so years, has been quite remarkable.

There are other goals and long-term ambitions that we aspire to, but we have to be realistic in what we can deliver on a standalone basis. Lastly, we continue to pay close attention to technology advancements and initiatives and the potential involvement of SBMA.

WHAT ARE SOME OF THE HIGHLIGHTS/PIVOTAL MOMENTS DURING YOUR TENURE AS SBMA CHAIRMAN?

We are an important global bullion trading hub. Physical gold movement in and out of Singapore reached new highs in 2020. In the last few years we have observed an increasing number of commodity trading companies, foreign fund managers, and financial institutions setting up a presence in Singapore.

APPMC would be the obvious standout. We launched our inaugural event in June 2017. As a non-profit organisation, we have limited financial and people resources, both of which presented challenges, and success, or even breaking even, is not guaranteed. Despite delivering and exceeding expectations, doubts remained after that first event as to whether this could be repeated and whether we could achieve our ambition of holding an annual flagship industry conference. Having overseen three subsequent conferences, I feel we have



taken APPMC to another level and it is a huge compliment that many consider us alongside LBMA as the conferences of choice. APPMC is now a permanent fixture on the calendar in the second week of June. Fingers crossed, we can meet in person in June 2022.

The fact APPMC was able to adapt in 2021 to a virtual conference, at short notice, was another milestone; with an added bonus that we could accommodate a higher number of participating registered delegates versus a physical venue.

WHAT HAVE BEEN YOUR BIGGEST CHALLENGES AS CHAIRMAN OF SBMA?

No prizes for guessing that this has to be the global pandemic and all the uncertainty that has resulted. Outreach, educational seminars, networking etc. has either slowed, or not been possible, and of course APPMC was cancelled in 2020 and moved to a virtual event this year.

Prior to that, industry consolidation and members exiting the market for strategic decisions had seen a decline in our membership base for the first time.

Both of these factors had implications on the overall financial sustainability of the SBMA, which was further compounded by the fact they occurred shortly after the expiry of a 3-year government grant. Prudent management, successful initiatives, growing profile, hard work, and attractiveness of Singapore as a bullion hub has, however, ensured that we are self-sufficient. Despite all the challenges, our revenue in 2021 will cover all expenditure, and without any change in our membership fees.

HOW HAS THE ROLE/FOCUS OF SBMA CHANGED OVER THE YEARS?

The focus and mandate of SBMA in recent years has expanded considerably whereby we are widely acknowledged and recognised as a key “conduit” both within the region, but also for the global precious metal industry into ASEAN and vice versa. With our growing reputation and profile, we are

observing healthy interest in new membership, especially over the last 18 months and when some may have expected this to slow as a result of the pandemic. Ten new members have been added during this period with a pipeline of further applications in progress. Our membership now extends to Singapore, Hong Kong, Malaysia, Vietnam, Thailand, Indonesia, Australia, South Africa, Turkey, Italy, USA, and UK.

Beyond serving our members, we are also privileged to be recognised as the voice of the bullion industry by regulators and market development bodies. We have benefitted strongly under the support and guidance of Enterprise Singapore (ESG), including a government grant that allowed us to take APPMC from aspiration to delivery. ESG remains closely involved in SBMA; as an observer/attendee at our regular management committee meetings, and a member of its Finance Committee. SBMA was also the industry body that Ministry of Law Singapore engaged with on the introduction, and subsequent ongoing monitoring/reporting requirements and considerations, for the Precious Metals Dealers Prevention of Money Laundering and Terrorism Financing Act.

WHAT ASPECT OF THE INDUSTRY EXCITES YOU THE MOST?

The extraordinary events surrounding Comex in March 2020 and physical being in the wrong place and wrong form are known to all. We have also had the West versus East conundrum for many years. There are no easy or quick fixes to these. However, digitalisation of the industry is something that is going to happen and it will help change the way in which we view gold as an asset (and no doubt other precious metals/commodities). This will help determine how, where, and when it is settled, how it can be used as collateral (greatly improving efficiency e.g. instant title transfer), DVP, etc.

As the benefits and mechanisms used to facilitate this new ecosystem are recognised and accepted, there is the potential for a new global pool of fungible liquidity to be created, which will help drive other positives; such as greatly reducing operational, settlement, and other risks.

WHAT ARE YOU LOOKING FORWARD TO?

One of the biggest enjoyments in my role with both SBMA and StoneX is travelling, meeting existing and new clients, engaging and feeling the local markets first hand. Having been stationary for the best part of 2 years I certainly look forward to being able to travel again.

With regard to the SBMA, I think if we can achieve the same level of success and progress of that in the last 3 years, it will be very respectable. With the network we are part of, we are very well placed to participate in future regional and global developments and initiatives.

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IS THE GOLD RUN OVER?

BY BRIAN LAN, *Managing Director, GoldSilver Central Services*

On 9 August 2021, gold fell by 4.2% to a five-month low (Figure 1). Many wondered if this was a flash crash or if there was manipulation at play. Well, this is in fact what healthy markets do and it all depends on buyers or sellers in the market, and its not unique to gold. There might be a few reasons behind this dip.

1. ALGORITHMIC TRADERS DERIVED SIMILAR SELL LEVELS AND MULTIPLE STOP LOSS OR STOP OUT LEVELS WERE TRIGGERED

Many algorithmic traders might have derived similar sell levels based on their technical models and there might have been hundreds or thousands of sell orders once prices hit their sell limit levels. This dip happened during the early hours of Singapore time, also during the wee hours in Europe and late night in the US. Those who had long positions might have had their positions automatically liquidated due to insufficient margins and as prices go lower, this would be further exacerbated into a downward spiral.

2. LACK OF LIQUIDITY DURING MARKET OPEN IN ASIA

Coincidentally, this price dip happened on public holidays in Singapore and Japan. Singapore was celebrating its National Day and Japan was having a holiday in lieu of its Mountain Holiday. There was more trading activity on Friday the week before as US released better-than-expected non-farm payroll figures. This led many to believe that economic recovery was on the way. This probably led to more traders in Asia to leave sell orders before the market opened on Monday.

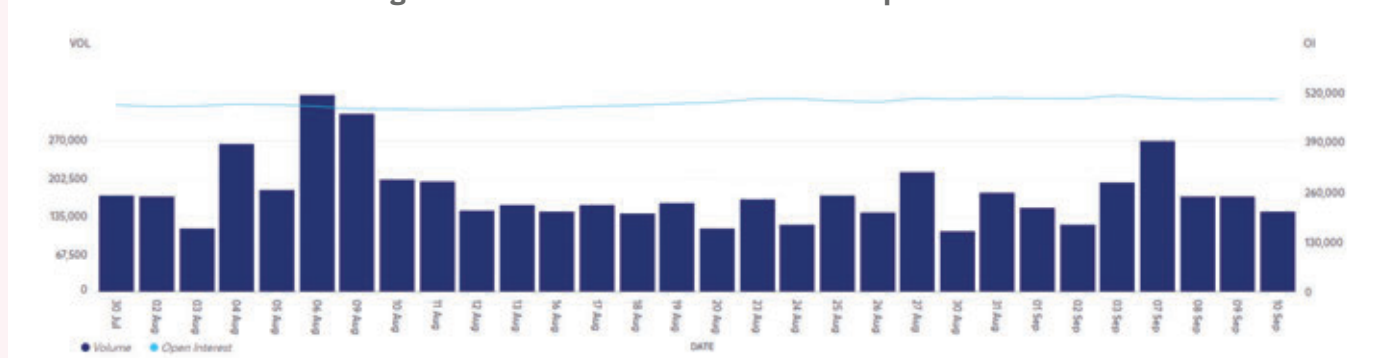
There are a number of gold desks in banks located in Singapore and Japan. Due to the holiday, there were probably fewer traders physically on desk or less experienced ones left on desk to handle the trades. Also, expectedly more trades were on the sell side when market opened, coupled with a lack of liquidity in the early hours with fewer market makers during Asia hours, which resulted in a 4.2% dip in the gold price before finding a support level. Gold prices then recovered very quickly within two hours and prices recovered from the low at US\$1,680 to US\$1,720 (Figure 1).

Figure 2 and table 1 show increased activities (volume and open interest) on these two particular days as compared to other trading days, but they are nothing out of the ordinary. It is also very unlikely there was “manipulation” as many unhappy investors claimed. There were many market participants that contributed to this dip, as opposed to a single big trade by a market player.

Figure 1: Gold Price Daily Chart



Figure 2: Gold futures – Volume and open interest



THE IMPORTANCE OF HALLMARKING GOLD

BY ERIC LAW, Vice President and Deputy General Manager, Singapore Test Services

With the uncertainty over Covid-19 lingering in global markets, gold prices are expected to continue climbing in 2021 as investors flock to the safe haven asset. Concerns over how this may impact the world's economic rebound post Covid-19 mean that gold prices have the potential to push even higher in the near future.

The situation is further exacerbated by supply shortages from gold suppliers due to Covid-19 restrictions from source or supply countries.

All these factors in turn increase the risk of cheating or unethical practices of overstating the purity of gold by unscrupulous sellers or retailers.

The actual gold content of a piece of jewellery cannot be judged visually or by feel alone, as the type and amount of alloying metals added cannot be easily determined. Thus, it is not uncommon for the gold content in jewellery to be undercarated (overstated).

The addition of other cheaper platinum group metals elements to increase density is also becoming more prevalent. Without any assurance of purity, consumers may end up paying a lot more than the actual value of the gold item.

SAFEGUARDING CONSUMERS

Hallmarking on gold is a guarantee of its purity, which safeguards consumers by ensuring that they receive the levels of purity stated on the item.

Not only does hallmarking enhance the credibility of gold jewellery and customer satisfaction, it offers consumers a higher resale or exchange value of gold articles as quality standardisation leads to price parity. More importantly, it offers legal protection to buyers of gold and gold articles.

From a trade perspective, hallmarking also benefits gold jewellery retailers immensely. By selling hallmarked gold, retailers can differentiate themselves from competitors selling unmarked jewellery. Providing such consumer assurance earns their trust and builds the foundation for sustainable business growth.

Unlike countries like the United Kingdom or Thailand which require mandatory hallmarking of gold jewellery and artefacts, hallmarking is voluntary in Singapore and is a service of the Singapore Assay Office (SAO), which has been in the business for over 40 years.

Wholly owned by Singapore Test Services, a subsidiary of ST Engineering, SAO is the only SAC Singlas accredited hallmarking laboratory in Singapore for hallmarking and is recognised by the London Bullion Market Association – an honour accorded only to establishments that have attained the highest level of assaying expertise.

SAO complies with the Singapore Standard 581:2020 specification for fineness and marking of articles of precious metals, and was part of the technical committee involved in drafting the standard.

SAO's personnel use specialised instrumentation such as X-Ray Fluorescence Element Analysis (XRF) and high temperature furnaces to perform gold testing and fire assay techniques to determine gold purity.

SAO HALLMARKS

Hallmarking of jewellery or articles is done manually or using laser marking machines depending on the shape and size of the item. The complete set of SAO hallmarks consists of the Jeweller's mark, SAO mark and the Standard mark (Figure 1).

Figure 1: SAO Hallmarks



From left: Jeweller's mark, SAO mark, Standard mark

The Jeweller's mark represents the company or producer. The SAO mark represents quality and takes the form of a lion head. The Standard mark represents the purity of the element. For example: 999, 916, 22K, 750, 585, etc.

Figure 2: SAO Certified Member Decal



Hallmarked articles are certified and assured of their gold purity and quality to help consumers safeguard their investments. The next time you purchase gold items, do look out for jewellery shops with the SAO lion head logo or the SAO decal (Figure 2).

For more information, please visit
<https://www.singaporeassayoffice.com.sg/>

ERIC LAW is currently Vice President and Deputy General Manager for Singapore Test Services, a fully owned subsidiary of ST Engineering. Eric leads the various operations within Singapore Test Services such as SAO Office since 2019. He previously held various management position at ST Engineering.

THE FUTURE OF FUTURES LIES IN GOLD PERPETUALS

BY ASIA PACIFIC EXCHANGE

From its use in ornamental art and jewellery, the value of gold has grown in prominence over the years, evolving to become an effective and viable hedging tool against market shocks and inflation, and establishing itself as a store of value. Outside of traditional securities, gold offers endless trading possibilities and opportunities.

Asia Pacific Exchange (APEX) acknowledges the importance of precious metals, especially gold, in the economy. Gold is regarded as a safe haven and a source of security during times of uncertainty. Even during some of the biggest market crashes, its value has outperformed other asset classes such as stocks and bonds. Furthermore, Singapore has successfully established itself as one of the world's leading financial and commodity trading hubs. These reaffirm APEX's belief in the significance of creating an investment tool for this precious metal.

APEX: BEGINNING OF AN ERA

Launched in May 2018, APEX is the third derivatives exchange and clearing house in Singapore. Amid heightened geopolitical tensions and the ongoing Covid-19 pandemic, APEX has been looking to diversify its products portfolio.

To offer trading opportunities to clients in the Asia Pacific region, APEX launched the APEX Gold Perpetual futures contract on 6 August 2021.

The value and utility of perpetual futures are often underrated, with majority of derivatives activity still dominated by traditional derivatives contracts. However, APEX foresees great potential in perpetual contracts and recognizes its rising trend. Perpetual futures is a relatively novel financial instrument. Unlike traditional futures contracts, perpetual contracts have no expiration date, allowing the position to be held indefinitely. APEX's goal is to provide its clients with products that will facilitate broader participation and adoption of futures.

UNIQUE FEATURES

The APEX Gold Perpetual Futures Contract is denominated in US dollars. The mini contract size of 100 g per contract allows small to medium size participants to utilise the contract effectively in accordance with their needs. Settled daily with London Bullion Market Association (LBMA) Gold AM prices, the contract is traded for 19.5 hours on all LBMA trading days, encompassing the business hours of major trading hubs globally.

Some may be curious about the purpose of the perpetual futures contract when there is presence of traditional monthly or quarterly futures contracts on other exchanges. The APEX Gold Perpetual Futures Contract offers the following key benefits:

- **Rollover convenience:** As perpetual contracts do not expire, there is no requirement to rollover positions to the next calendar contract as positions will remain open indefinitely. This is designed to cater to the specific needs of participants who require mid-term to long-term exposure.
- **Low margin rates:** Participants can benefit from the low margin rates of US\$200/contract at APEX, offering a leverage of more than 28 times.¹
- **Low trading cost:** Unlike traditional monthly futures, perpetual futures are often traded at a price closely aligned to spot markets. APEX Gold Perpetual Futures are tradable at a low exchange fee of US\$0.20/contract, allowing spot participants to participate effectively.
- **Reliable pricing benchmark:** The contract is settled daily at LBMA Gold AM prices, ensuring that the contract is fairly marked-to-market.

DIVERSE USE OF CONTRACT

The APEX Gold Perpetual Futures Contract is able to satisfy the diverse needs of different participants. Some examples include:

- **Hedging against physical gold:** The small contract size and perpetual feature allow participants to take up precise positions in the contract to customize their hedges against potential adverse price movements without delivery obligations.
- **Riding on short-term momentum:** Market participants may take up positions in the contract to benefit from potential short-term movements of the gold price.
- **Long-term view:** Market participants may take up long-term positions in the contract, without the need to rollover their positions periodically like the traditional monthly or quarterly gold futures contracts.
- **Portfolio diversification:** As gold is an important precious metal used by many portfolio managers to diversify their portfolios, the APEX Gold Perpetual Futures Contract provides a cost-efficient tool for diversification.

PROMISING FUTURE

APEX will work on growing its influence in the derivatives and precious metals market in the following ways:

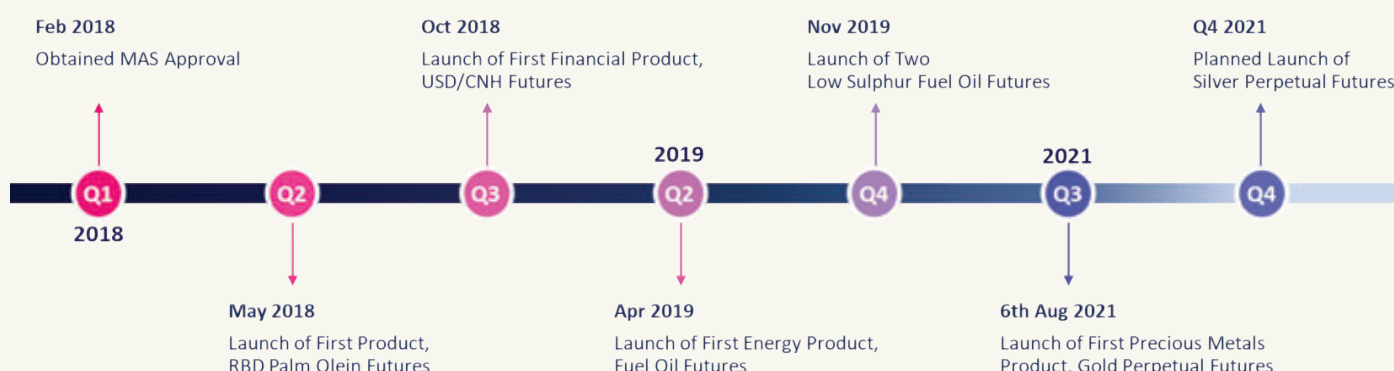
- **Inventive approach:** APEX seeks to widen its product offering, through developing a range of innovative contracts in various asset classes, including plans to launch a Silver Perpetual Futures Contract with similar characteristics to the APEX Gold Perpetual Futures Contract.
- **Establishment of investor base:** APEX is committed to ensuring diversity and depth of its investor base, thus ensuring a high level of market liquidity and depth.
- **Enhancement of technical capabilities:** APEX is constantly improving its technical capabilities and embracing new technologies to enhance user experience. Notably, its latest upgrade includes a new clearing system, which is on track to go live in Q4 2021.

Notes

¹ Gold price at US\$57.9/g as of 16 Sep 2021.

APEX AT A GLANCE

In 2018, Asia Pacific Exchange (APEX) obtained Approved Exchange and Approved Clearing House licenses from the Monetary Authority of Singapore (MAS). With that, APEX aims to establish a leading commodity and financial derivatives trading center in Asia, providing Asian pricing benchmarks for commodities and a new Asian financial derivatives risk management platform.



APEX CEO Eugene Zhu (Left) and Mrs Lim Hwee Hua (Right)

APEX is helmed by founder and CEO Eugene Zhu, one of the pioneers of the Chinese futures industry. Mr Zhu has played pivotal roles during the industry's development. He served as the CEO of Dalian Commodity Exchange (DCE) from 1996 to 2006, CEO of China Financial Futures Exchange (CFFEX) from 2006 to 2012 and was last the vice chairman and president of Shanghai Pudong Development Bank, one of the largest banks in Shanghai.

APEX Chairman Lim Hwee Hua is a former Singapore minister who has served in a number of ministries, including the Ministry of Finance from 1996 to 2011. She has also led several companies in the private sector, including as managing director of corporate stewardship, and subsequently of strategic relations at Temasek Holdings and head of research and director of business development at Jardine Fleming.

For more information on APEX and the APEX Gold Perpetual Futures Contract, visit: https://www.asiapacificex.com/?p=gold_futures



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There was a time when value in the industry was measured only in purity, and weight, but today provenance and ethical background play an important part in value. Which is why we are always evolving how we source our metal. Our commitment to responsible business practices and sourcing, allow us to not only preserve our business, but our people, product and planet.



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RAND REFINERY



NEW ERA, NEW OPPORTUNITIES

BY PRAVEEN BAIJNATH, CEO, *Rand Refinery*

If Charles Darwin were alive today and studied the second industrial revolution, he would certainly have advanced Rand Refinery as evidence to his theory that it is not necessarily the fittest or the first that survives, but the most adaptable.

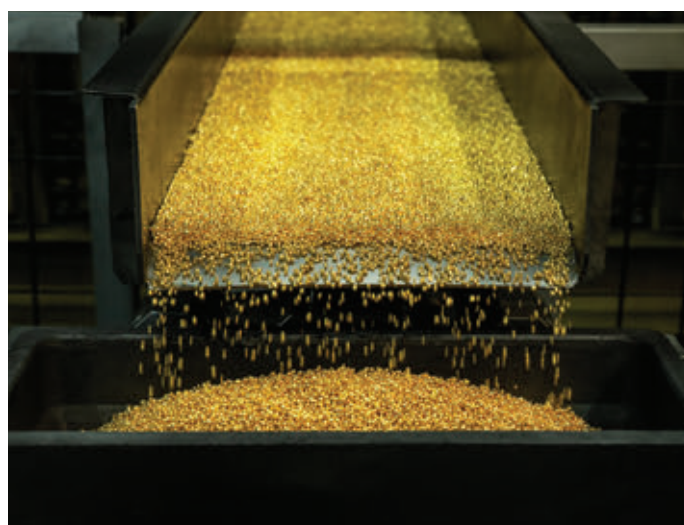
As Rand's centenary year gets underway and we look back at the refinery's rich history, it becomes clear that our legacy is Darwin's theory at work.

The year 2021 marks 100 years since refining operations commenced at Rand Refinery. It was officially registered in 1920 with a start-up capital of £50,000 and shares were split between the gold mining companies who were members of the Chamber of Mines (now the Minerals Council of South Africa). Today, the refinery is headquartered at the same address in Germiston, though the premises have now expanded to keep pace with the demand for our services and products.

A global player and active in every international bullion market, Rand Refinery's products are sought out as much for their reputational value as the metal content they carry. The refinery, a single site refining and smelting complex, is a valued and established provider of products and solutions that meet the needs of sovereign governments, central banks, trade and industry as well as corporates and individuals.

The refinery's products include Good Delivery bars, kilobars, minted bars, coin blanks and value-added products which are part of its signature offerings as well as one of the world's most widely held and actively traded gold bullion coin, the Kruggerand – a the 22-carat gold bullion coin, produced with the South African Mint. In excess of 60 million ounces of South African gold has been sold as Kruggerands since it was first struck in 1968. At recent peaks, over 2.5 million Kruggerand coins are minted per annum.

We also produce our own range of minted bars that is sold globally. Delivering these minted bars into the market involves the full value chain from design through manufacturing to marketing and sales into North American, European and Asian markets. While Rand Refinery prefers to design, develop and market our own product range, we have on occasion worked with select partners on specific campaigns.





Our capabilities in sampling, assaying, smelting and refining are among the best in the world. Our century-long history and experience in dealing with complex and geographically diverse mine dore deposits has built industry trust and dependability in the sampling and assaying processes, as precise content reflection for the depositing customer is paramount. In terms of our refining services, we serve some of the largest mining groups and can boast of best-in-class out turn (from dore received to settled payments).



Rand Refinery remains as innovative today as it was at inception with much of its success attributed to its understanding of the market and its partner's mindset. As one of the handful of London Bullion Market Association (LBMA) Good Delivery Referees and the only one in the southern hemisphere, we are the go-to-market specialists, combining knowledge, deep understanding of our partner's value systems and industry leading technological capabilities.

COMMITMENT TO RESPONSIBLE SOURCING

Responsible sourcing is becoming increasingly scrutinised and progressively consumers are asking the questions about origin and impact. Our sourcing processes are a key strategic differentiator as we have robust systems and processes and only deal with credible mines. All the gold received at Rand Refinery can be classified as certified gold or responsible gold, meaning it comes from sources that can be verified through tracking, traceability including geological fingerprinting.

Rand Refinery's adherence to the LBMA standard follows a framework that was established by the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Mineral from Conflict-Affected Areas. The LBMA guidelines, which we implement through our policies and processes, ensures that all gold sourced and refined at Rand Refinery comes from responsible parties.

In terms of further commitment to responsible sourcing, we introduced the RandPure mark which has become a symbol of our ability to certify that the gold produced is responsible, conflict-free and traceable, from specific mines to the consumer.

ADAPTING TO SURVIVE

Our adaptability over time has been the key to our survival. Not many companies can claim to create and maintain a hundred-year legacy with people, partners and the planet at the centre of it. As we enter a new era, no doubt our journey will be equally evolutionary. The current crisis has shown that even with our size, we can pivot at will.

We pride ourselves on the quality of partnership we bring to our relationships in the industry. Even during the tumultuous period of rolling Covid lockdowns across the continent, we worked with stakeholders and depositing mines by redoubling our efforts to ensure the value chain from extraction to distribution was not disrupted. Even fewer companies can say that their work during this time put valuable foreign exchange in the hands of governments to lead their own fight against the pandemic.

Refining is a highly competitive business, but we firmly believe that our values that have kept us in good stead for the past 100 years, will continue to empower us to reshape future value. At the cusp of the fourth industrial revolution, we are bigger than we ever were, with more employees, more partners, more products and a bigger footprint of the planet from where we source.

At 100 years old, our journey looks as exciting as it was in the roaring '20s.



PRAVEEN BAIJNATH is a chemical engineer and MBA graduate with more than 30 years' experience in minerals beneficiation, refining and smelter operations, and the chemical process industry. He was appointed as chief executive of Rand Refinery in 2015. Other board directorships include Prestige Bullion and the Ekurhuleni Jewellery Project. He was group CEO of Delta EMD from 2009 to 2015, and as well as CEO of Gold Reef Speciality Chemicals. His earlier roles spanning 20 years was with Huntsman Corporation business in process engineering, executive management roles in operations, EHS, technical and strategic development.

The World Platinum Investment Council was formed by the Six leading platinum producers to develop the market for platinum investment demand.

Our mission is to stimulate investor demand for physical platinum through both actionable insights and targeted development, providing investors with the information to support informed decisions regarding platinum; working with financial institutions and market participants to develop products and channels that investors need.

According to data from China custom, strong platinum imports into China have continued in 2021, with a record 1.9 moz imported over the first 7 months of 2021.

China shows a positive trend in the heavy-duty (HD) production this year which grows the demand for platinum catalyst. Of more importance, the impact of tightening HD emissions regulations, i.e. China VI, that applies nationally for all HD vehicles from July 2021, is also a key driver of automotive platinum demand growth.

In 2021 H1, Chinese HD diesel production has risen by 20% to c.1 million units, as infrastructure and construction focused stimulus policies have spurred continued demand for HD vehicles.

Johnson Matthey (JM) expected platinum group metal loadings to treble to meet the tighter standard. JM forecasts platinum automotive demand in China in 2021 to rise 93% YoY, from 205 koz to 395 koz. Demand comes from c.1.9 million diesel light vehicles and c.1.55 million HD diesel vehicles this year. All heavy-duty vehicles produced from July 2021 have the significantly higher loadings – c.13 g/HD diesel vehicle based on the JM forecast.

Also, China's industrial demand has continued to pick up from last year's pandemic-impacted lows. Continued growth in glass capacity is expected to lift glass demand by 70% this year to 629 koz (China accounted for 93% of global glass platinum demand in 2020).

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SILVER TO THE STRATOSPHERE

BY EMIL KALINOWSKI, *Manager, Metals Market Research, Wheaton Precious Metals International*

I'm "crazy" about silver's bullish outlook for the rest of this decade, and I explain why in this article (i.e. green energy, inflation). I could have styled this article in a matter-of-fact way, but I've been reading too much science fiction while pining for international travel to resume once again. And so I wondered, What would it be like sitting next to someone? And what if they wouldn't stop talking? On an interstellar trip? What would I say? Hopefully the content is educational and entertaining. See you at the spaceport.

The other day, while taking my usual stroll through East Coast Park, I was accosted by a disturbed fellow. He queried me, not for directions to Raintree Cove or even when the bullion markets open in London, but about silver and the metal's role in renewable energy.

"With the global transition to clean energy, what makes silver 'green'?"

His tone, I would describe it as yelling. His condition? An advanced case of some Silver Fever variant.

I kept smiling and flipped the safety off my lightweight pocket laser (the latest carbon dioxide model from FairPrice), answering, "Of all metals it is the best conductor of electricity and heat. When polished it's near-100% reflective; it's strong, malleable, ductile. That's why silver is used in renewable energy – to transfer heat, react to light, store and conduct electricity".

He looked at me expectantly, "So? What's the popper?"

"Huh?"

"The punch, man. You set me up, now knock me down. 'Ductile!'" he giggled. I regretted not bringing my tachyon grenades. I was forced to buy time until I could think of a polite excuse to flee.

I continued, "Silver will be used in solar panels, electric vehicles and nuclear power. It'll be deployed in every and any renewable energy project as long as it has need of: switches, relays, conductors, contacts, breakers, fuses, electronics, conductive pastes, electroplating, electromagnetic interference shielding, air conditioning, mirrors, low-emissivity glass, ball bearings, water purification and so on".

I had hoped to convey that silver will be used wherever society deems that reliability, precision and safety are paramount. But I wasn't sure how much the man understood as by then

a group of orderlies from the Ministry of Health had arrived, strapped him to a gurney and rolled him off in the direction of the Woodbridge Hospital wards.

TUAS SPACEPORT

A fortnight later I found myself at the Tuas Spaceport, waiting impatiently for the hapless desk attendant to figure out why my trip to Collapsar 1A 0620-00 was booked in economy, instead of business. I shouldn't have cared, as we'd be spending most of the 1,000 parsecs in stasis without the ability to distinguish a reclining sofa from a sardine can. Still, it was the quality of rum served in the two classes that had me concerned.

Once aboard the MASARYK-2, I saw in my row none other than the Silver Bug! I sat down with a heavy sigh. He winked at me – a bit too slowly for my liking, and with both eyes – and said he escaped by pretending to be crazy (the ward only locked up sane people).

"As we have a few hours before we're outside of Luna's gravity well, let me ask you something".

I wondered when the drink service would begin.

"Which technologies will affect silver consumption the most?"

I explained, "In 2000, photovoltaic (civilians call them solar panels) demand breached 1 million ounces (Moz) for the first time. By 2020, solar panel end-use rose to 92 Moz; 10% of total demand".

He was nodding enthusiastically – spasmodics I mistook for interest – so I continued: "The consensus analyst forecast is that solar panel demand will average 100 Moz per year between 2021–25, this compares to 82 Moz on average between 2015–19. But there's quite a bit of variation among the analysts. Looking at nine different estimates for 2021–25 the range is an incredible 100 Moz per year, between 5–15% of total demand".



Silver Bug was moved very deeply by the uncertainty and let out a respectful whistle. “That’s some range, that 100 million”, he observed.

“It’s the best there is”, I responded, though by then the drink service began and I can’t say whether I was thinking of the estimates or the Havana Club Máximo Extra, likely the latter.

I informed CASE (the rectangle-shaped Rubik’s ‘cube’ steward-bot that serviced these star jumps) to return every seven minutes with another glass.

“Did I ever tell you about the 1960 Western Airlines flight from Los Angeles to Seattle?”

“This is only the second time I’ve ever talked to you”, I said.

He continued as if he didn’t hear. “A businessman and his wife were sitting in the coach class seat. He claimed later that he saw – Oh Deus it’s all coming together now! – he saw a gremlin fooling with the engine”.

I uttered what I hoped was a non-committal “Mm, hm” and made a mental note to have CASE accelerate the schedule to five minutes.

“No one believed him but when the plane landed the engine had been tampered with”.

He looked at me expectantly. I calculated that we had about six hours before we got past Luna and were herded to the acceleration tanks. Cursing the Earth-Luna system’s relativistic speed limit silently under my breath, I decided to ignore his gremlin tale:

“With respect to vehicles, silver has been increasingly used by the automotive sector as the number of gizmos within each car increases: night vision, automatic breaking, lane departure warning, tire pressure monitoring, regenerative braking, entertainment systems, etc.”.

His eyes drooped. I pressed my advantage.

“The industry crossed the 1 Moz mark in 1995 and stayed near that total for the next six years. The pace picked up ever since and in 2020, 50 Moz were used. Forecasts put the annual average at 68 Moz for 2021–25, a 25% increase over the 2015–19 average”.

He got a second wind and interjected, “I don’t think it was the gremlin but the Buto Ijo. And I think I saw one during boarding”. At this he turned his head from me and looked out

the porthole. But before I could find a wrench, candlestick, lead pipe, rope, knife, gun or any useful implement in my seat pockets CASE returned, beeping and burping with self-satisfaction at the precision of his 420-second round trip.

Suddenly Silver Bug began a bananas-crazy bombardment: “I have several books on this. If you take a look at the Javanese writings on this, the Buto Ijo is mentioned on a number of different levels”.

I retaliated with rationality: “The greener the car, the more silver it’ll use. An internal combustion engine car uses 15 to 28 grams of silver, while a hybrid uses 18 to 34 and a fully electric vehicle has 25 to 50”.

He shelled me with silly: “Now, I was on a flight as you now – heading to my house – I saw the Buto Ijo on the wing of my plane and I said, ‘Deus! Will you look at that? A gremlin’”.

I countered with a fusillade of facts: “Nuclear power! Let me note that 1 to 2 Moz are used each year in rod cluster control assemblies to control the rate of fission”.

His pew-pew-pew: “Well, what do you think these bastards did? They tied me to a gurney. So, you see, they don’t want you to have the information”.

My rat-a-tat-tat: “Overall, analysts expect 17% of silver to be tied to those three segments. Should households, businesses and governments decide to pursue greener policies than the consensus view, those values would rise further”.

He said no more, an armistice apparently.

CONSTELLATION OF MONOCEROS

The computer decelerated the obsidian-hull starship from 25g to 1; the acceleration tanks were being drained.

Silver Bug was introducing himself to me, “My name is Qarn. I listen many a night because I don’t sleep but an hour. And again, my mother has had me in for electroshock countless times. Let me ask you something. Is there enough future mine supply to keep with silver’s dual role as a store of wealth and an industrial metal?”

Like coming out of surgery, I couldn’t recognize my rear-sector from a tea kettle, port from starboard or a Taurun from a Terran. How was he so cogent?! Maybe if you’re crazy there aren’t as many connections that need to be re-established.

"No. To answer to your question. No, there is not enough future mine supply to keep pace with silver demand. At least that's the consensus outlook for 2021–25. Can I ask you a question? You say you've had electroshock therapy – why?" Maybe I could sign up, I thought.

"Well, they say there's something wrong – I only sleep an hour a night. I never sleep. I don't need it. I only sleep because they make me. And that's only if I take a handful of silver supplements. That's why I need to know. I *need to man*".

"Total supply, which includes secondary sources like scrap and recycling, is forecast to average 1,062 Moz over the next five years."

"What about demand?"

I left unsaid that the supplement demand was precisely zero as there was no such thing as a silver vitamin. "Fundamental demand – which represents industrial, photographic, decorative and investment demand..."

"Investment demand?! Like coins and bars? Wild! But I think... and the government has been in my house because they have a radio transmitter in my pillow and one of my two cats".

"Nuh, huh". I saw CASE ambling our way. I held up one finger, flashed my hand signalling "five" and drew a series of repeating circles with my finger that I hoped translated into "infinity". It seemed to understand and headed for the bar.

Now it was my turn be unhinged: "Yes, investment demand is fundamental to silver! What are you, crazy?"

Knowingly he leaned forward and asked, "Why else would a cat talk to me?"

Alarmed at what my ears just detected I panickily calculated the distance between the tank bay and the airlock. But before I got too far, I saw CASE rolling my way with silver tray and tumbler. Pacified, I turned back to Qarn and said, "Fundamental demand is expected to average 1,044 Moz per year. So, we do have a 18 Moz surplus each year on average."

"What is not included in that demand figure?"

"Speculative demand", I answered. "By that I mean exchange traded funds, commodity exchanges and dealer inventories. If you add all those up, I anticipate an average deficit of 107 Moz every year through 2025".

By now we had reached our seats and Qarn was looking out the port side porthole. I wondered, why didn't they call them starboard holes on the starboard side? We were approaching our final destination in the Constellation of Monoceros.

"What do you see?" I asked.

"Yeah man, it's real different".

"What are the possibilities it has intelligent life?"

"I think it has high degree of intelligent life. It is a Sector 4, Grade 3 planet, which means it likely has some form of rudimentary cabbage. Tell me more about silver supply and demand".

He didn't miss a beat between mad and sane. I went on as if nothing was amiss, "And that is before we take a second look at



coin and bar demand. The analysts believe the next five years will stagnate at the 2015–19 total! This could make sense in a stable socioeconomic, geopolitical order. But that's not the post-2008 world we inhabit. I expect investment demand will surge, not stagnate!"

I really got worked up with that last bit. Now Qarn was staring at me as if I had suggested the planet had a 'form of coleslaw' and that it was emitting 'strong potato readings'.

"You're getting outer space on this thing", he said with a look of concern that I judged to be well north of mild.

"Wait a minute, wait a minute!" I protested at the implication that I was the cuckoo bird. "A perfect silver storm is a government-driven Green New Deal within the context of an inflationary socioeconomic reaction to the global depression in place since 2008. That's eminently reasonable! And it's not even in the analyst outlook!! Which already anticipates a deficit!!!"

Qarn had raised his left hand, snapping his fingers energetically at CASE in a sort of wavy motion while nodding his head in my direction. CASE turned into the galley and took out what looked like a gurney with some industrial-strength straps. He began locomoting my way.

Illustrations by David Parkins, courtesy of the author



EMIL KALINOWSKI's research focuses on how socioeconomic and geopolitical trends affect the supply, demand, and price of precious and base metals. His present focus is on the malfunction of the monetary system in 2007 and how its continuing disorder has impacted commodity prices, macroeconomic trends and long-term country risks. He is also a part-time talk show host on a YouTube channel on economic and finance.



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BRINGING OPERATIONAL EFFICIENCY TO THE PRECIOUS METALS MARKET

BY ANOUSHKA RAYNER, *Head of Growth, Commodities at Paxos, Paxos Trust Company*

As financial institutions and their clients continue to focus on capital efficiency and cost savings, whether driven by regulation or an internal-cost cutting strategy, post-trade costs are at the heart of the discussion. Other asset classes have used innovative ways to cut costs and precious metals must not be left behind.

Currently, settlement is a fragmented process that often lacks automated controls. Cash is settled via a traditional correspondent banking network whilst metal is settled via metal clearing banks. Operations are managed by unconnected processes across different banking networks and infrastructure. This causes multiple pain points and risks, including reconciliation between different banking systems and teams and settlement risk due to the lack of control in the movement of assets versus cash. The current system exposes participants to additional risk and increased cost.

HAVING STANDARDISED POST-TRADE CONFIRMATIONS AND SETTLEMENT AFFIRMATIONS FOR ITS CLIENTS, PAXOS IS NOW FOCUSING ON SETTLEMENT

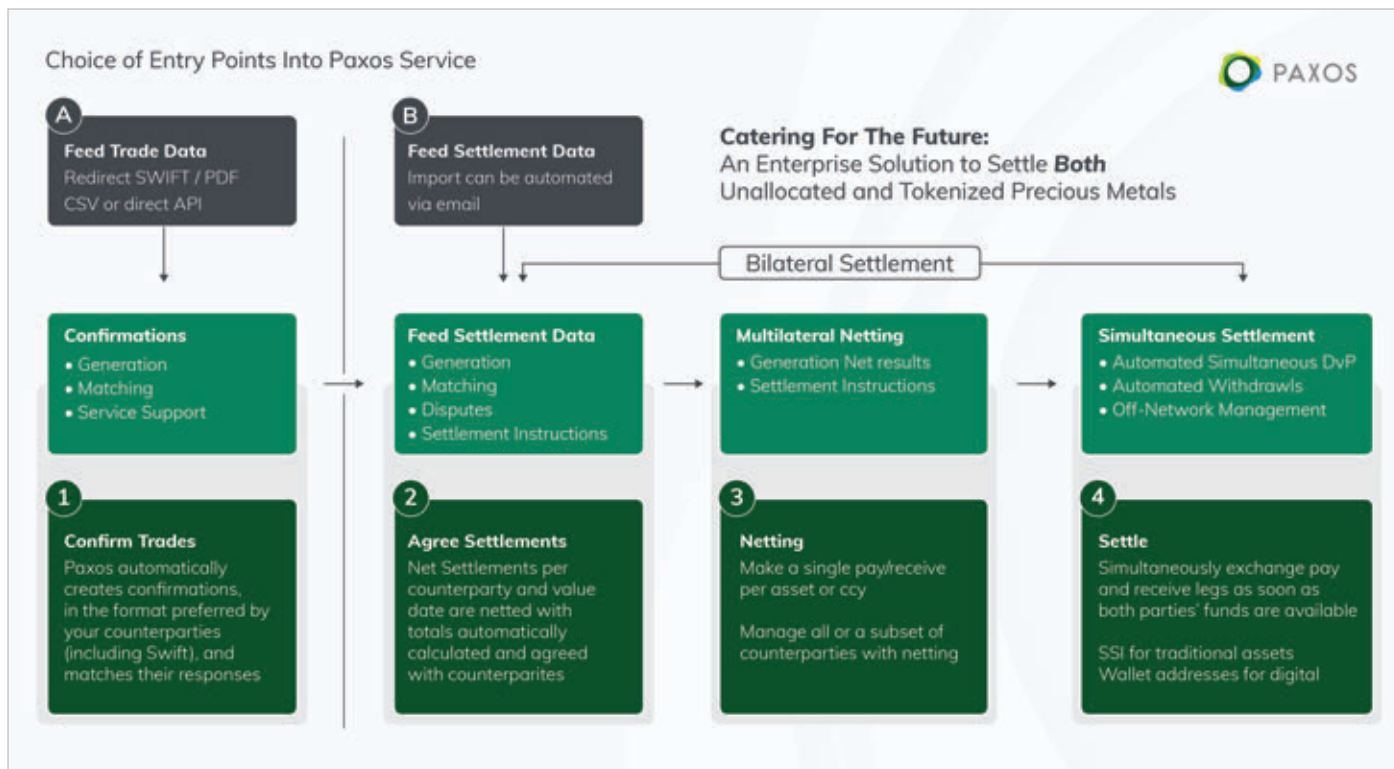
DEVELOPING THE RIGHT SOLUTIONS

Having standardised post-trade confirmations and settlement affirmations for its clients, Paxos is now focusing on settlement. Participants using the Paxos Settlement Service can safely settle LBMA good delivery precious metals against cash through one system. By layering its technology over a traditional cash account and an LPMCL metal clearing account, Paxos has

delivered a simultaneous settlement solution. Ownership of assets/cash changes only when both parties have funded their accounts, allowing settlements to be fulfilled simultaneously, removing inherent risks. Clients can leave cash and metal in their own Paxos accounts to settle further obligations, or it can be withdrawn automatically. Paxos envisions this solution being used in other regions.

To improve efficiency, Paxos is also working with leading market participants to allow for daily net funding of all precious metal settlements. Paxos Settlement Service will then facilitate bilateral simultaneous settlements before returning any net receipts back to participants. This additional feature will give clients even more flexibility with their settlement choices. This can reduce settlement risk, as funds are not released until all parties have funded their settlement obligations in their accounts.





Paxos believes digitisation is the way forward. Taking operational efficiency a step further, consider the impact of digitisation on settling cross-border precious metals transactions. Today metal is a cumbersome asset to settle; by digitising the asset you mobilise it, reduce costs and even allow for same day settlement. Paxos has demonstrated how this works with PAX Gold, a Paxos-issued digital gold token that is 100% backed by LBMA Good Delivery bars and regularly audited. Paxos is able to support peer-to-peer settlement of precious metal without needing to impose cut-offs, allowing the market to settle 24 hours a day and removing time zone issues, whilst eliminating logistical inefficiencies and high costs associated with moving physical gold. Now, replicate that regionally and consider how open the precious metals market can become for cross-border trading. Digitisation allows for gold to be used more effectively as an asset.

The solutions Paxos has introduced help reduce barriers to entry for new market participants. This is crucial as precious metals is a notoriously difficult market to enter due to the operational requirements like metals clearing accounts. By working with Paxos, more participants can enter the market, bringing a diverse liquidity pool and healthier market overall.

ABOUT PAXOS

Paxos Trust Company operates a regulated blockchain infrastructure platform. It builds enterprise blockchain solutions for institutions like PayPal, Interactive Brokers, Bank of America, Credit Suisse, Societe Generale and Revolut. The company has raised more than \$540 million raised from leading investors including Oak HC/FT, Declaration Partners, Mithril Capital and PayPal Ventures. The company has offices in New York, London and Singapore.



ANOUSHKA RAYNER has 25 years experience in the financial markets. She has worked in the foreign exchange market for HSBC, UBS, as well as leading electronic broking houses and NEX Optimisation, a group focused on post-trade solutions. Her role at Paxos is to bring efficiency to Commodities settlement and to mobilise the asset class through digitisation.

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THE CHANGING BUSINESS LANDSCAPE IN SOUTHEAST ASIA THROUGH THE LENS OF YLG

BY PAWAN NAWAWATTANASUB, CEO, YLG Bullion

YLG has been operating in the gold jewellery and bullion business for the last forty years. Our business partners include reputable financial institutions, fund managers, jewellery manufacturers, wholesale gold traders, licensed gold mining companies and LBMA-accredited refineries across the globe.

Given our geographic proximity, we have maintained a very close working relationship with our customers across Southeast Asia. Per our observation, the Covid-19 pandemic has completely changed the landscape of their business operations.

First, the lockdowns in many countries triggered a massive supply chain disruption, which led to material shortages. Customers no longer have the assurance that the bullion they ordered will arrive on time. Worst of all, the supply chain can be cut off with little warning, due to manpower shortages or flight suspensions.

This development has changed the way they order their stock. For example, during pre-pandemic times, they cast a wider net in search of competitive pricing, often venturing into other parts of the world such as Europe and North America. But now, they look for suppliers closer to home to minimise the risks of transport disruptions and shorten transportation time, which in turn, ensures the certainty of supplies.

Second, the back-to-back “just-in-time” ordering pattern that used to operate like clockwork for these customers, is no longer valid. Instead, customers are now adopting a “just-in-case” model in which they hold a larger quantity of stock. This is in anticipation of supply chain disruptions that may be triggered by another wave of virus infections.

NAVIGATING THE CHANGING LANDSCAPE IN SOUTHEAST ASIA

There is another distinctive observation among our Southeast Asia customers that is noteworthy. Over the past year, their preferred offtake and/or trans-shipment location has been Singapore, instead of other popular locations in Asia.

Given Singapore's strategic geographic location, this may not come as a surprise to many bullion counterparties and participants. One can reach most of the region's capitals by plane within three hours. Moreover, in five hours, one can reach major Asian cities in China, India, Japan, Hong Kong, and Taiwan.

Figure 1 shows import and export levels matching closely in 2020. Even when Singapore faced uncertainty in 2020, the volume grew compared to 2019. This demonstrates that even more business was done through Singapore.

Additionally, as far as physical bullion trading is concerned, Singapore for the past few decades has been the major trans-shipment centre serving Malaysia, Indonesia, Vietnam, Thailand, Cambodia and, to a smaller extent, China and India.

In addition, there are many well-established bullion banks, refineries and reputable gold traders that are ready to serve these customers in Singapore. Most importantly, the suppliers have financial prowess, international reputation, competitive pricing, ready stock in Singapore, ample supply for replenishment and timely release of gold for collection.

RESHAPING THE ROLE OF SINGAPORE

Another positive development has been taking place in the wealth management space, whereby more and more international investors, particularly Asians and Europeans, are buying and storing physical gold in Singapore.

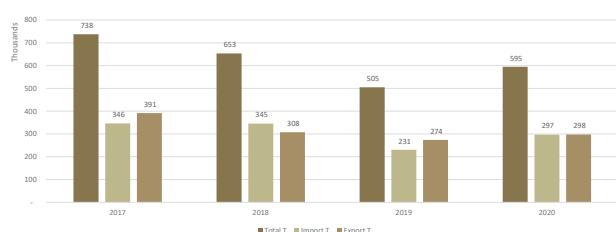
Singapore was ranked as the most preferred offshore wealth management hub, according to Asian Private Banker. The World Gold Council also noted that gold would play a more important role in the precious metals investment arena.

In our opinion, gold will certainly play a pivotal role in the wealth management industry. Although many other cities are also strategically located, what sets Singapore apart are other qualities that are critical when it comes to dealing with wealth, and in particular, precious metals. Singapore is ranked among the top four financial centres in the world. It has a low crime rate, and was recently ranked third by the Economist Intelligence Unit as the world's safest city. And all the international credit rating agencies have given the Singapore government a AAA credit rating with a stable outlook.

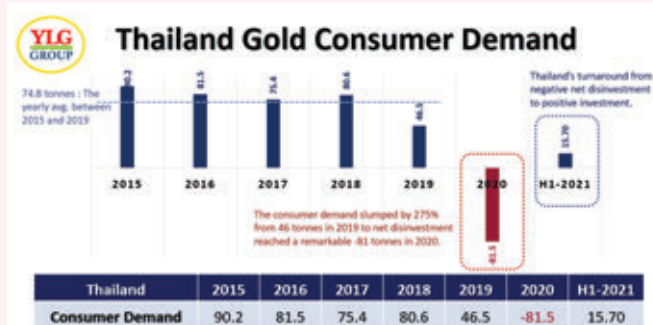
POSITIONING AND CONTRIBUTION OF THAILAND

On the other hand, Thailand, also plays a critically important role in the global gold industry. Before the pandemic, the data from World Gold Council for the period 2015-2019 shows that Thailand led gold consumption in Southeast Asia, and was sixth in the world after China, India, USA, Germany, and Turkey. Consumer demand per capita was 1.1 g per person per year – among the top tier in Asia after Hong Kong and Singapore.

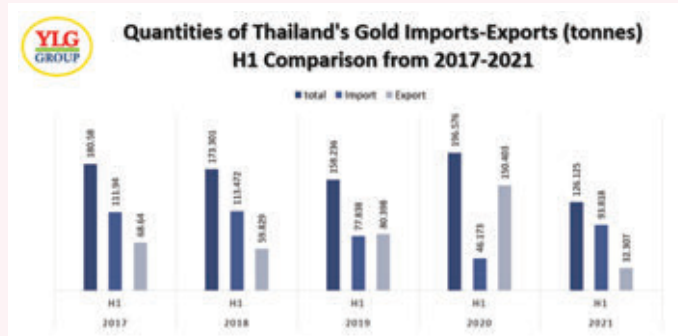
Figure1: Tonnage of Gold Imports and Exports in Singapore, 2017–2020



Source: SBMA. Data from Enterprise Singapore



Source: World Gold Council



Source: <http://www.customs.go.th>

But like many other countries, Thailand's economy was hit hard by the Covid-19 pandemic. The country's GDP fell by over 6% in 2020 and many workers, especially those related to the tourism sector, lost their jobs. A higher local gold price and concerns over shrinking incomes curtailed gold consumer demand for that year. Consumer demand slumped by 275% from 46 tonnes in 2019 to net disinvestment, which reached a remarkable 81 tonnes in 2020. The contraction was due to a combination of lower levels of gross buying and a fresh wave of selling back.

Even though the country is still battling its worst coronavirus outbreak, Thailand continues to show its resilience. The pullback in the local gold price during October 2020 and March 2021 was seen as a buying opportunity. With expectations of higher gold prices in the long term, investors responded with conviction, adding to their holdings.

Gold consumer demand in Thailand continued to recover although has some way to go before returning to pre-pandemic levels. Having been all but decimated by the pandemic between Q2 and Q4 2020, gold consumer demand recovered towards the end of last year and into Q2 2021.

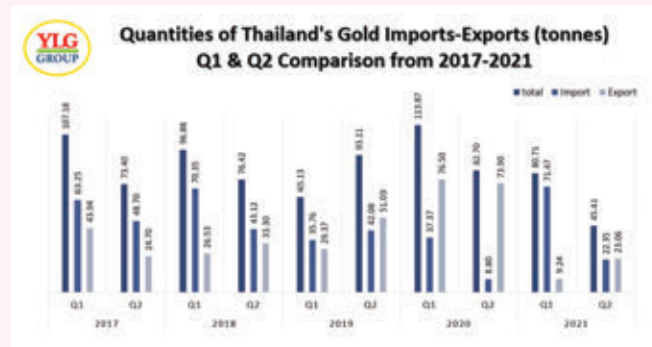
Gold consumer demand in Thailand totalled 15.7 tonnes in H1 2021, which marks a significant shift from the net sale of 32.4 tonnes seen in H1 2020. But longer-term comparisons show that it remains relatively subdued, falling short of the quarterly average and remains well below average first half-year levels too.

Retail demand improved as the price pullback enticed some investors to replenish their vastly depleted holdings; as a result, official gold imports rebounded. Thailand official gold imports totalled 93.8 tonnes in H1 2021, some 103.19% higher than H1 2020. On the opposite side, the country exported 32.3 tonnes of gold in H1 2021 – 78.5% lower year-on-year.

The outlook for the coming quarter is, however, cautious. As lockdowns are imposed in various areas of the nation in response to rising COVID-19 cases, consumer confidence has dipped. This is likely to impact gold demand in Q3, although the effect may be tempered by digital and omni-channel retail strategies being developed over the last year.

SOUTHEAST ASIA OUTLOOK

The tradition of saving gold has infiltrated into every Southeast Asia country's culture. Gold serves as a security, investment and gift for every occasion. Consumers believe that saving in gold is the best savings method. While those with high incomes prefer collecting gold bars, people in general prefer collecting gold jewellery.



Source: <http://www.customs.go.th>

Apart from the aforementioned factors, including inflation, value of money, urbanisation and rising income, the large unbanked population in rural areas also influences gold saving.

Singapore has started to allow business and official travellers from Germany and Brunei to use the Vaccinated Travel Pass (VTP) to enter the country. It is relaxing its border controls so we foresee that physical activities will soon pick up dramatically. Many of our Southeast Asia customers, accustomed to the efficiency of Singapore's suppliers, will undoubtedly return and make Singapore even stronger as the regional bullion centre navigating out of the post Covid-19 era.

Gold has always been well-loved by Southeast Asians for its beauty and intrinsic value. With vaccination rates growing, Covid-19 infections should taper off and economies will normalise over time. We envision a wave of pent-up buying interest in the jewellery sector. The long-awaited recovery for the physical market may soon emerge at the end of the tunnel.



PAWAN NAWAWATTANASUB is the CEO of YLG Bullion Singapore and the CEO and founder of YLG Bullion International. She has almost 40 years of experience in the jewellery industry and established YLG in Thailand in 2003. In 2012, she brought YLG to Singapore. She sits on the Board of Directors of the Thailand Gold Traders Association, and is a SBMA Committee member.

SBMA News

As Singapore pushes ahead with reopening its economy, SBMA has been busy with membership enquiries and are working to onboard new members, as well as with preparatory work for the association's Annual General Meeting to be held in November 2021. Look out for details on SBMA's website soon.

Here is an update of SBMA's activities in the past quarter:

SEPTEMBER 3, 2021: CEO Albert Cheng was invited to the judging panel of the Chuk Kam Design Competition and took the opportunity to catch up with Hong Kong market participants.

SEPTEMBER 20-21, 2021: CEO Albert Cheng attended the LBMA/LPPM Virtual Precious Metals Conference.

MEMBERSHIP

Onboarding of Derekdoris Limited as Foreign Associate Corporate Member.

SBMA's total corporate membership consists of 47 companies, including three Category 1 members, 29 Local Associate Corporate members, 14 Foreign Associate Corporate members, and one Affiliate members.

SBMA provides additional ad-hoc event management and marketing services for members who wishes to have more outreach and exposure to the precious metals industry. Should your company be interested to explore these options and for SBMA to further add value to your company, please contact Margaret at margaret.wong@sbma.org.sg for more information.

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Platinum Corner

According to data from China Customs, strong platinum imports into the country have continued in 2021, with a record 1.9 Moz imported over the first 7 months of 2021.

China shows a positive trend in the heavy duty (HD) production this year which grows the demand for platinum catalysts. Of more importance, the impact of tightening HD emissions regulations, i.e. China VI, which is required for all HD vehicles from July 2021, is also a key driver of automotive platinum demand growth in the country.

In H1 2021, Chinese HD diesel production grew by 20% to c.1 million units, as infrastructure and construction focused stimulus policies spur demand for HD vehicles.

Johnson Matthey (JM) expects platinum group metal loadings to treble to meet the tighter standards. JM forecasts platinum automotive demand in China in 2021 to rise 93% YoY, from

205 koz to 395 koz. Demand comes from c.1.9 million diesel light vehicles and c.1.55 million HD diesel vehicles this year. All HD vehicles produced from July 2021 have significantly higher loadings – c.13 g/HD diesel vehicle, based on the JM forecast.

China's industrial demand has also continued to pick up from last year's pandemic-impacted lows. Continued growth in glass capacity is expected to lift glass demand by 70% this year to 629 koz (China accounted for 93% of global glass platinum demand in 2020).

More Platinum Corner news, from the World Platinum Investment Council, can be found at: <https://www.sbma.org.sg/platinum-corner/>