

## Investment demand amplifies platinum's positive fundamental outlook, driving platinum revaluation

Physical investment demand for platinum has continued to grow strongly in 2021, following the record uptake seen in 2020. As outlined in our [December 2020 Platinum Perspectives](#), WPIC sees physical platinum investment as an essential element of demand and key in price discovery. More investors are owning physically backed platinum ETFs as a result of expectations of positive supply demand fundamentals, including the impact of investment demand itself, in sustaining growing market deficits.

Platinum's considerable industrial demand exposure to global economic recovery, plus the widening market acceptance of material demand growth from platinum for palladium substitution with new conservative public estimates of at least 1.5 moz of additional annual platinum demand by 2024, have created a strong thematic rationale for investment. **Indeed, in Europe and North America alone, physical platinum ETFs have added almost 960 koz to holdings since the start of last year, effectively amplifying the impact of positive market fundamentals.**

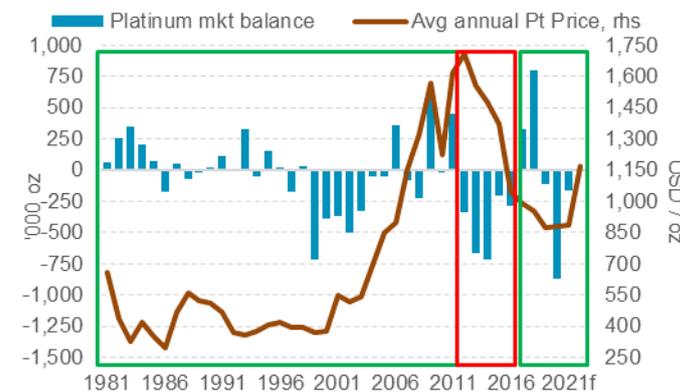
Our current *Platinum Quarterly* forecasts net physical investment demand of 726 koz this year, 250 koz ETF demand and 436 koz from bar and coin. The strength of both retail and institutional investor demand, in particular from North America and Europe, suggests upside risk in this 2021 forecast. Indeed, this current bar and coin forecast does not include the additional, unscheduled 40 koz of platinum eagles produced by the US Mint in May.

*Almost 960 koz have been added to holdings in US and EU ETFs since the beginning of 2020, a volume not immaterial to platinum price discovery*



Source: Bloomberg, WPIC Research. Note: Data as of 18<sup>th</sup> June 2021

*In 35 of the last 40 years, a normal relationship between balance and price (green boxes) has held. 2012-2016 unpublished vaulted stock liquidations*



Source: JM (1981-2012), SFA (Oxford) (2013-2018), Metals Focus (from 2019 onwards), WPIC Research

Further price support is, we believe, coming from the Chinese automotive sector. Higher heavy-duty (HD) diesel loadings, higher than previously expected HD production volumes (see Fig.4), plus platinum for palladium substitution in gasoline LV, is driving higher volumes of Chinese automotive sector spot platinum buying. We believe this effect has already been material in supporting platinum prices in the \$1,100 - \$1,200/oz range seen for much of this year, reducing the price impact of changes in futures positioning.

Platinum has outperformed gold so far in 2021, but has however lagged other global-recovery-exposed industrial metals. Platinum's delayed response to global recovery presents a significant investor opportunity, with the combination of Chinese spot buying and strong physical investment demand driving a likely revaluation.

*Platinum's weekly returns outperformed those of gold by 30-60% during post GFC deflation 2009-2012 and physical Pt demand surged above trend levels. We believe this scenario is likely to be repeated, adding to already strong fundamental-driven investment demand.*

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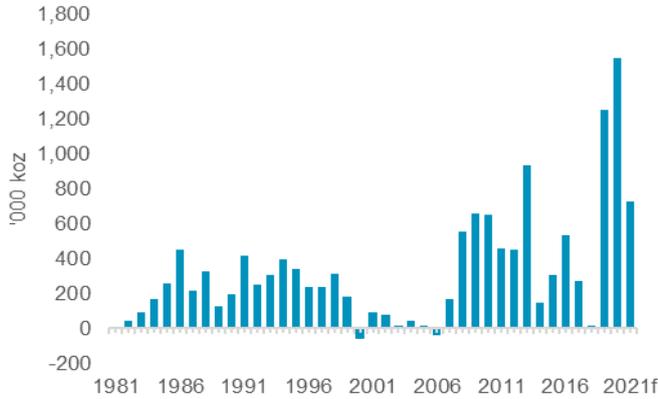
London W1J 9EF

June 2021

**Platinum's attraction as an investment asset arises from:**

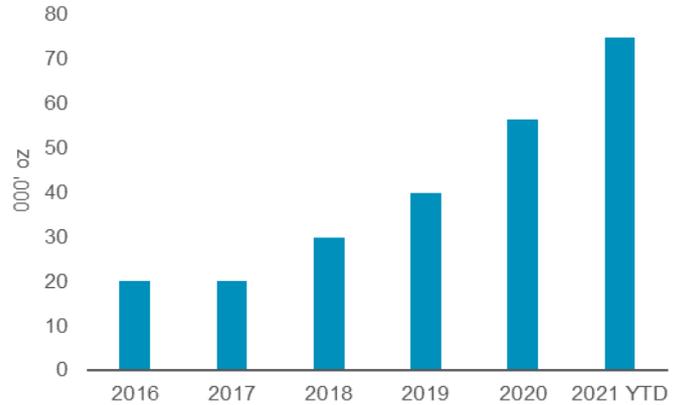
- Supply severely constrained for three more years despite some new investment in mining capacity
- Platinum price is near all-time lows relative to gold and at record lows relative to palladium
- Total PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance and price mismatches between palladium and platinum drives substitution
- Investment demand has surged as institutions begin to factor low price and positive fundamental outlook

**Figure 1: Annual Pt investment has seen positive physical investment uptake in 38 of the last 40 years**



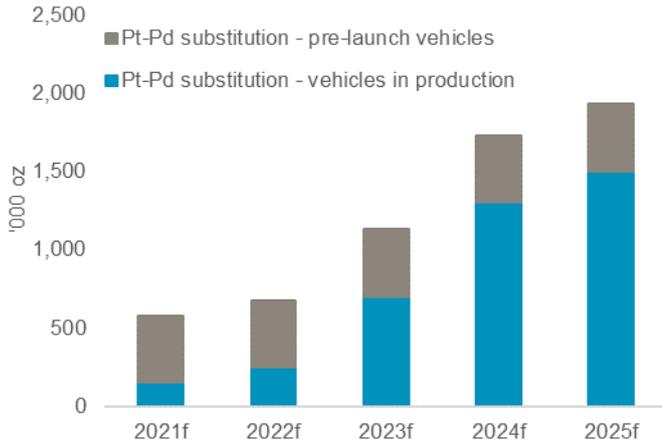
Source: JM (1981-2012), SFA (Oxford) (2013-2018), Metals Focus (from 2019 onwards), WPIC Research

**Figure 2: Increased US mint production of 1 oz Pt American Eagles in 2021, the 2nd highest annual volume recorded, shows the strength of retail investor demand**



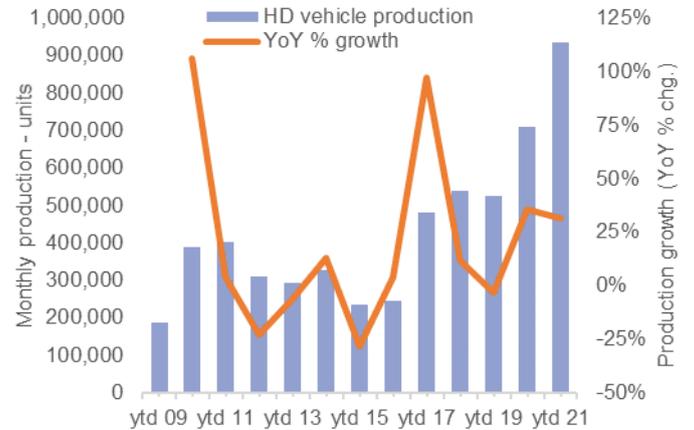
Source: US Mint, WPIC Research

**Figure 3: Conservative estimates of Pt for Pd substitution suggest c1.5 million oz of additional annual automotive Pt demand by 2024, and deep market deficits**



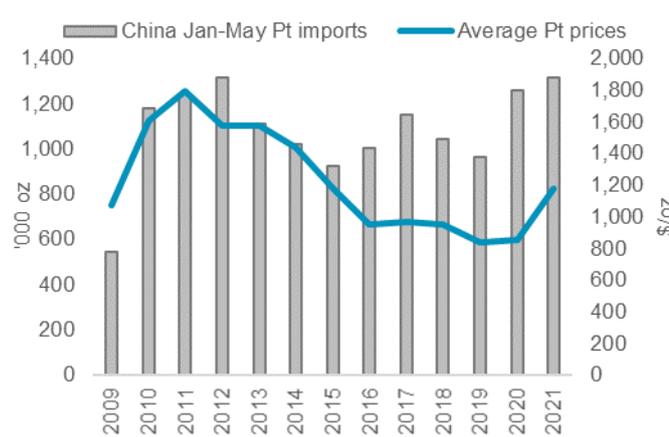
Source: WPIC Research

**Figure 4: Over the first 5 months of 2021, China has produced c.935k HD vehicles, 40% higher than current average monthly 2021 forecasts**



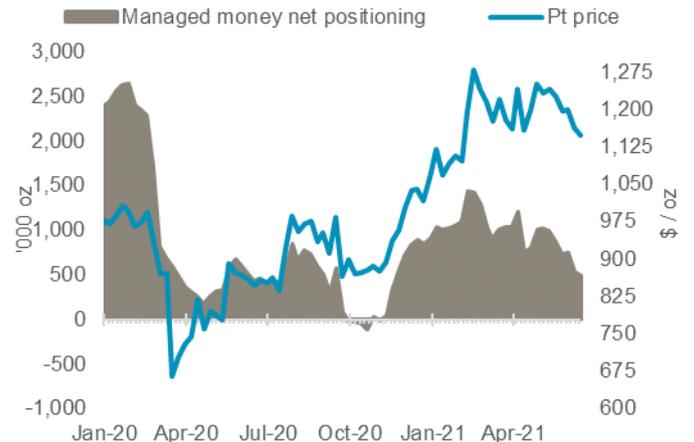
Source: China Automotive Information Net, WPIC Research

**Figure 5: Strong automotive platinum demand from China's HD sector in particular is driving spot metal buying and imports, providing further price support**



Source: China Customs, WPIC Research

**Figure 6: Platinum pricing trends have diverged from a traditional correlation with money manager net futures positioning, suggesting larger spot buying influence**



Source: NYMEX, WPIC Research Data as of 15<sup>th</sup> June 2021

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