

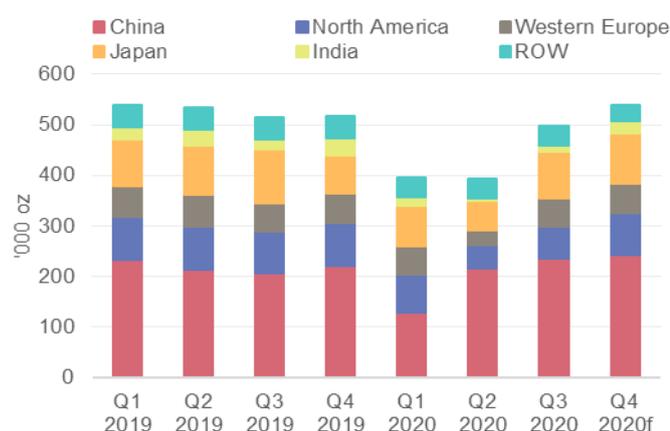
China's renewed appetite for platinum jewellery enhances global platinum jewellery rebound

The global platinum jewellery market has seen a dramatic 32% rebound in the second half of 2020, after a COVID-19 reduced first half. Volumes rose 27% quarter-on-quarter to 498 koz in the third quarter, close to pre-pandemic levels. Projections for Q4 2020 point to a 6% year-on-year increase, to 539 koz, the first since Q1 2017. More importantly, global jewellery demand in 2021 is forecast to grow by 13% (+246 koz) to 2,072 koz, the first annual growth in platinum jewellery demand since 2013.

China is key to the rebound in the fortunes of the platinum jewellery market. China jewellery demand grew 14% year-on-year in the third quarter and is expected to grow 10% year-on-year during the seasonally strong fourth quarter. **In 2021, the Chinese market recovery is expected to continue, with platinum jewellery demand climbing to a 3-year high of 926 koz.** The end of COVID-19 lockdown restrictions, development of new designs and marketing campaigns, both pre- and post-pandemic, have been important factors in the rebound. However, we believe platinum's price level, and deep discount to gold are key drivers.

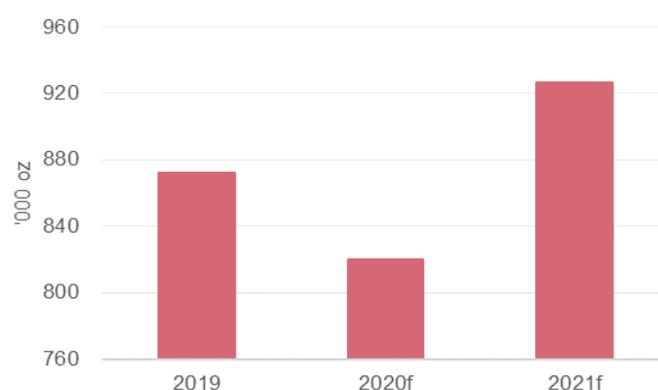
In March, the COVID-19-driven low platinum price and travel restrictions between Hong Kong and mainland China prompted platinum jewellery manufacturers in China, primarily in Shenzhen, to import more platinum than is typical. Indeed, total monthly platinum imports reached all-time highs of 635 koz in March. Higher stock levels, purchased at prices around \$600/oz, and the subsequent rapid rebound in the platinum price incentivised manufacturers to increase product volumes and choice. At the same time retailers were keen to promote and sell more platinum jewellery to compensate for lower sales of gold jewellery due to the high gold price; increased supply from manufacturers and consumer interest in new designs enabled this.

Global jewellery saw a strong rebound in Q3 2020, with this trend forecast to continue in Q4 2020



Source: Metals Focus, WPIC Research

China remains the largest jewellery market, driving the global rebound. China demand in 2021f is a 3-year high.



Source: Metals Focus, WPIC Research

Gold has traded at an average premium of c.\$975/oz to platinum since March, compared to c.\$530/oz in 2019. This relative pricing increases retailer interest in stocking platinum jewellery compared to gold jewellery as it reduces cash flow requirements. Historically, however, manufacturer and retailer margins benefited from a rising platinum price, a trend reinforced over the past two quarters. **A rising platinum price, with a continued wide discount to gold, represents a highly conducive environment to drive continued platinum jewellery demand growth in 2021.**

The gold price rallied by over 30% since mid-2019 with the platinum price up by only 2%. This together with platinum's -34% price fall in March (gold -11%) has driven platinum jewellery's current attractiveness versus gold jewellery

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Platinum's attraction as an investment asset arises from:

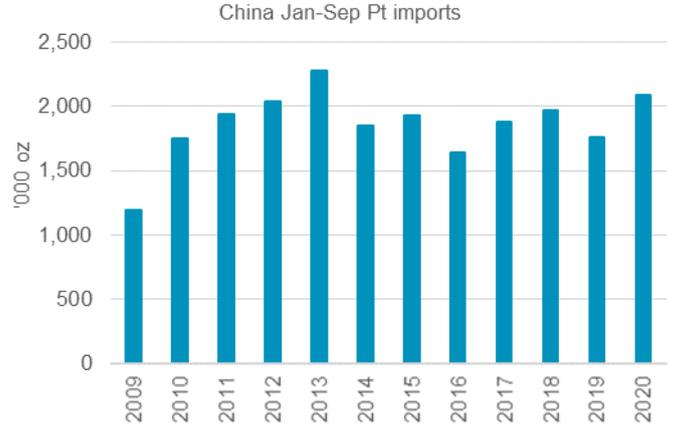
- Supply is relatively constrained with limited investment in new platinum group metal (PGM) mines
- Platinum price is near all-time lows relative to gold and at record lows relative to palladium
- Total PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance and price mismatches between palladium and platinum argues for substitution
- Investment demand has surged as institutions begin to factor low price and positive fundamental outlook

Figure 1: China monthly platinum imports surged to all-time highs of 635 koz in March in response to COVID-19 impacted platinum prices



Source: China Customs, Bloomberg, WPIC Research

Figure 2: China's YTD platinum imports are up 19% YoY, at 2.1 moz, the highest January-September import volumes for 7 years



Source: China Customs, WPIC Research

Figure 3: Platinum discount to gold widened significantly from late February, supporting fabricator margins for platinum jewellery



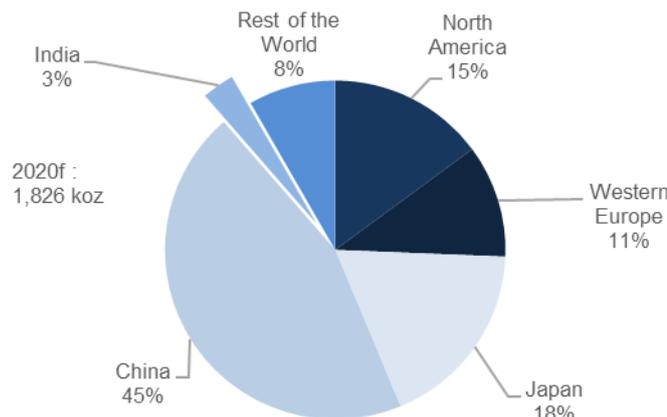
Source: Bloomberg, WPIC Research. Note: Data as of 24th November 2020

Figure 4: Gold's sustained upward price run since early 2019, has added to platinum's attraction in jewellery markets



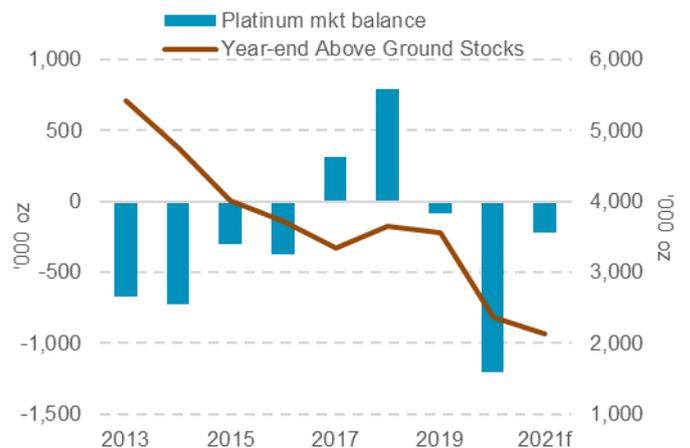
Source: Metals Focus, WPIC Research. Note: Data as of 24th November 2020

Figure 5: China dominates jewellery demand for platinum, accounting for an expected 45% of demand in 2020



Source: Metals Focus, WPIC Research

Figure 6: Strong demand growth, limited supply, consecutive deficits and declining above ground stock present a compelling investment case



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

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