

# PLATINUM PERSPECTIVES

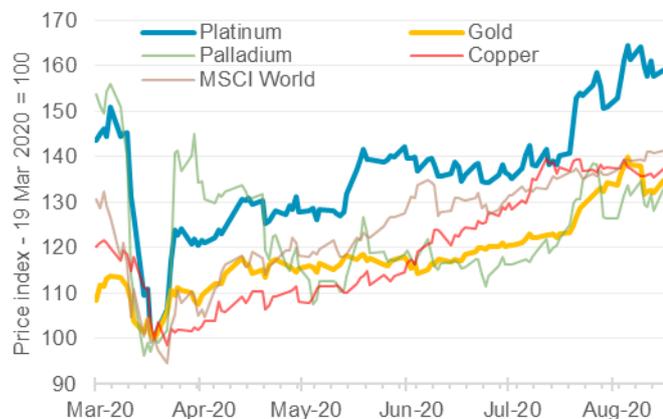
## The surge in global demand for precious metals highlights platinum's potential to outperform

Increased global risk due to the COVID-19 Pandemic has driven strong investor demand for gold as a risk hedge with **gold ETF holdings up 20% or \$49 billion in 2020**. Gold is traded by, invested in, and commented on by a significant number of diverse market participants. This means that macro events are typically fully priced-in quickly, and this now includes growing fears of a global recession and of intervention-driven inflation. **The price of gold is up 27% in 2020 rising to a new record high of \$2,067** on 6 August 2020, outperforming almost all other asset classes year to date.

Global platinum ETF holdings are up in ounce terms in 2020 by 6% (+202 koz) while AUM is up by 3% (\$89m) and the platinum price is 3% weaker. However, what may have gone unnoticed is that **since the platinum and gold price lows on 19 March 2020, of \$599/oz and \$1,474/oz respectively, platinum has significantly outperformed gold, rising 58% versus gold's rise of 32%**. Importantly, for the first time in years sentiment towards platinum is turning positive.

Platinum's price outperformance of gold is no anomaly. Over the two years from the price lows of the Global Financial Crisis (GFC) in late 2008, **platinum's weekly returns outperformed gold's by between 30% and 65%**.

*Platinum has outperformed most assets since the pandemic driven sell off in mid-March 2020*



Source: Bloomberg, WPIC Research, (1<sup>st</sup> March 2020 – 14<sup>th</sup> August 2020)

*Platinum outperformed gold for two years after the price lows of the Global Financial Crisis in 2008*



Source: Bloomberg, WPIC Research, (1<sup>st</sup> November 2008 – 30<sup>th</sup> November 2010)

After the GFC, platinum's performance was not solely due to growing investment demand; exceptionally strong platinum jewellery demand and limited supply growth maintained positive investor sentiment despite very weak automotive demand. **In the two years from the price lows of the GFC investors added 860 koz of platinum ETF holdings and 1 moz of net long NYMEX positions and jewellery demand grew by over 1 moz.**

**In 2020, platinum market fundamentals have improved appreciably**, as noted in our [July automotive](#) and [July market shortage](#) *Platinum Perspectives*. Strong Chinese platinum imports, strong bar and coin demand, growing recognition of platinum substitution for palladium in autocatalysts as well as supply losses, have turned investor sentiment positive. **Platinum's longstanding strong correlation with gold has rebounded to 0.7 since the COVID-19 pandemic unfolded. Consequently, many more gold investors may consider platinum as a proxy for gold on that correlation alone, with the added potential outperformance of platinum a further enticement.**

***In November 2008, the cost of 1 oz of platinum and 1 oz of gold was roughly equal at c\$800/oz, but platinum's returns were 30% to 65% higher over the next 2 years***

***In March 2020, the gold price fell less than most assets, but since then platinum's returns have been almost double those of gold***

Trevor Raymond

Director of Research

+44 203 696 8772

[traymond@platinuminvestment.com](mailto:traymond@platinuminvestment.com)

David Wilson

Manager, Investment Research

+44 203 696 8786

[dwilson@platinuminvestment.com](mailto:dwilson@platinuminvestment.com)

Brendan Clifford

Manager, Investor Development

+44 203 696 8778

[bclifford@platinuminvestment.com](mailto:bclifford@platinuminvestment.com)

World Platinum Investment Council

[www.platinuminvestment.com](http://www.platinuminvestment.com)

Foxglove House, 166 Piccadilly

London W1J 9EF

August 2020

**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: Platinum's correlation with gold has rebounded to 0.7 since the COVID-19 pandemic unfolded**



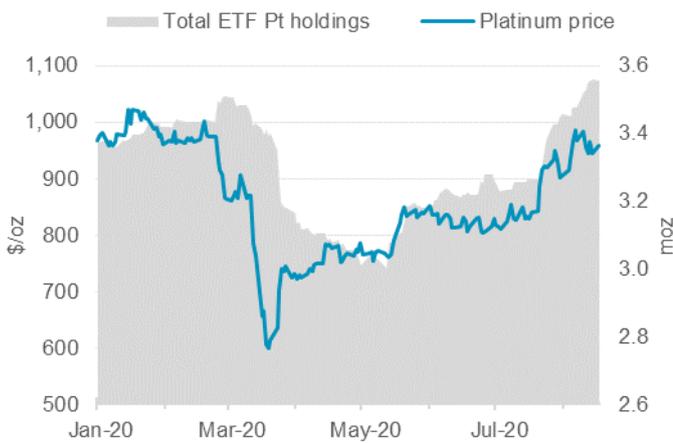
Source: Bloomberg, WPIC Research (as of August 17<sup>th</sup>, 2020)

**Figure 2: Platinum has a significantly lower entry cost than gold at present, yet currently with higher returns**



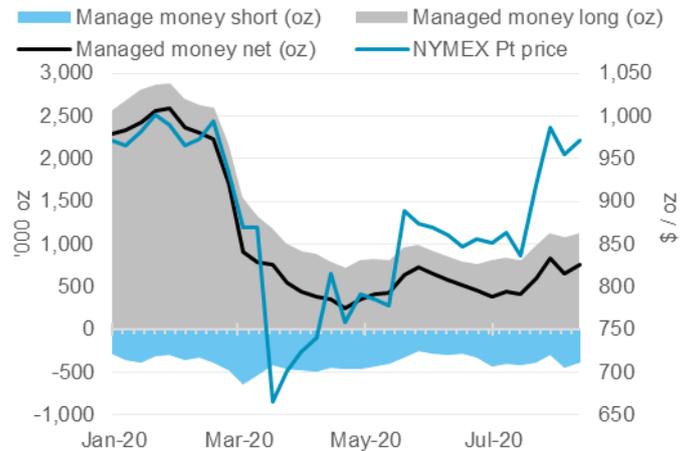
Source: Bloomberg, WPIC Research (as of August 17<sup>th</sup>, 2020)

**Figure 3: Physical platinum ETFs holdings have grown by over 565 koz since May 2020 lows**



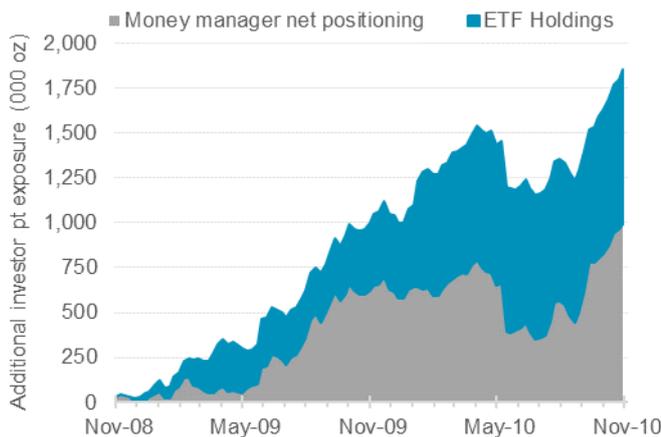
Source: Bloomberg, WPIC Research (as of August 17<sup>th</sup>, 2020)

**Figure 4: Investors added c.500 koz of NYMEX Platinum futures long positions since late April 2020**



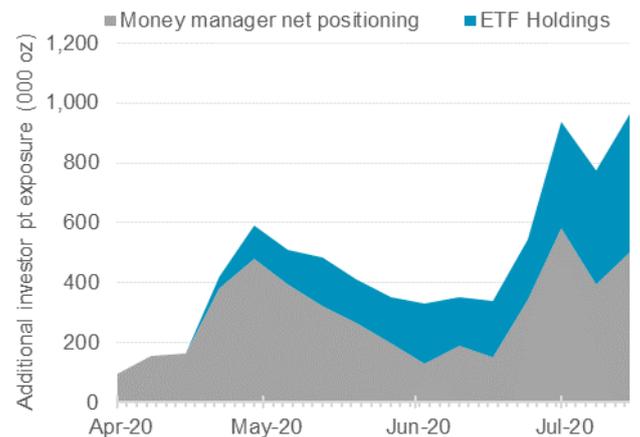
Source: NYMEX, WPIC Research (as of August 11<sup>th</sup>, 2020)

**Figure 5: Between 4<sup>th</sup> November 2008 and 9<sup>th</sup> November 2010, investor platinum exposure via NYMEX futures and physical ETFs grew by 1.85 moz**



Source: NYMEX, Bloomberg, WPIC Research, (4<sup>th</sup> November 2008 – 9<sup>th</sup> November 2010)

**Figure 6: Investor platinum exposure via NYMEX futures and physical ETFs has grown by almost 1 moz between April 21<sup>st</sup> and August 11<sup>th</sup> 2020**



Source: NYMEX, Bloomberg WPIC Research (as of August 11<sup>th</sup>, 2020)

**IMPORTANT NOTICE AND DISCLAIMER:** This publication is general and solely for educational purposes. The publisher, The World Platinum Investment Council, has been formed by the world's leading platinum producers to develop the market for platinum investment demand. Its 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.

This publication is not, and should not be construed to be, an offer to sell or a solicitation of an offer to buy any security. With this publication, the publisher does not intend to transmit any order for, arrange for, advise on, act as agent in relation to, or otherwise facilitate any transaction involving securities or commodities regardless of whether such are otherwise referenced in it. This publication is not intended to provide tax, legal, or investment advice and nothing in it should be construed as a recommendation to buy, sell, or hold any investment or security or to engage in any investment strategy or transaction. The publisher is not, and does not purport to be, a broker-dealer, a registered investment advisor, or otherwise registered under the laws of the United States or the United Kingdom, including under the Financial Services and Markets Act 2000 or Senior Managers and Certifications Regime or by the Financial Conduct Authority.

This publication is not, and should not be construed to be, personalized investment advice directed to or appropriate for any particular investor. Any investment should be made only after consulting a professional investment advisor. You are solely responsible for determining whether any investment, investment strategy, security or related transaction is appropriate for you based on your investment objectives, financial circumstances and risk tolerance. You should consult your business, legal, tax or accounting advisors regarding your specific business, legal or tax situation or circumstances.

The information on which this publication is based is believed to be reliable. Nevertheless, the publisher cannot guarantee the accuracy or completeness of the information. This publication contains forward-looking statements, including statements regarding expected continual growth of the industry. The publisher notes that statements contained in the publication that look forward in time, which include everything other than historical information, involve risks and uncertainties that may affect actual results. The logos, services marks and trademarks of the World Platinum Investment Council are owned exclusively by it. All other trademarks used in this publication are the property of their respective trademark holders. The publisher is not affiliated, connected, or associated with, and is not sponsored, approved, or originated by, the trademark holders unless otherwise stated. No claim is made by the publisher to any rights in any third-party trademarks

#### WPIC Research MiFID II Status

The World Platinum Investment Council (WPIC) has undertaken an internal and external review of its content and services for MiFID II. As a result, WPIC highlights the following to the recipients of its research services, and their Compliance/Legal departments:

WPIC research content falls clearly within the Minor Non-Monetary Benefit Category and can continue to be consumed by all asset managers free of charge. WPIC research can be freely shared across investment organisations.

1. WPIC does not conduct any financial instrument execution business. WPIC does not have any market making, sales trading, trading or share dealing activity. (No possible inducement).
2. WPIC content is disseminated widely and made available to all interested parties through a range of different channels, therefore qualifying as a "Minor Non-Monetary Benefit" under MiFID II (ESMA/FCA/AMF). WPIC research is made freely available through the WPIC website. WPIC does not have any permissioning requirements on research aggregation platforms.
3. WPIC does not, and will not seek, any payment from consumers of our research services. WPIC makes it clear to institutional investors that it does not seek payment from them for our freely available content.

More detailed information is available on the WPIC website:

<http://www.platinuminvestment.com/investment-research/mifid-ii>