PLATINUM PERSPECTIVES

Fear of Section 232 outcome in the US is key to PGM trade uncertainty and the availability of exchange stocks

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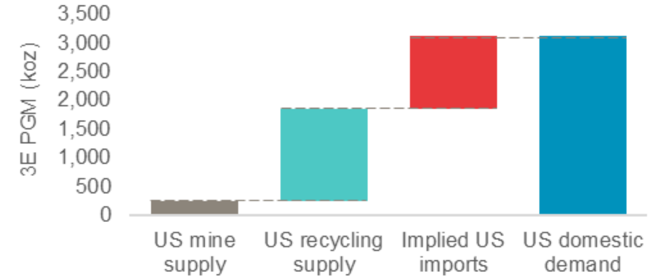
The US is net short PGMs (fig. 1). Accordingly, with the US's Section 232 (S232) investigation into critical minerals having likely concluded (albeit not yet made public), our base case is that PGMs are unaffected since disrupting imports may harm high value-add domestic sectors such as vehicle production. This aligns with the US reducing tariffs on China to maintain rare earth imports. However, the threshold for an adverse S232 outcome is relatively low, meaning that PGM tariffs or import quotas cannot be totally ruled out. Sustained fears of potential tariffs or quotas may impact the availability of CME warehouse stocks to help ease tight markets and soften high lease rates.

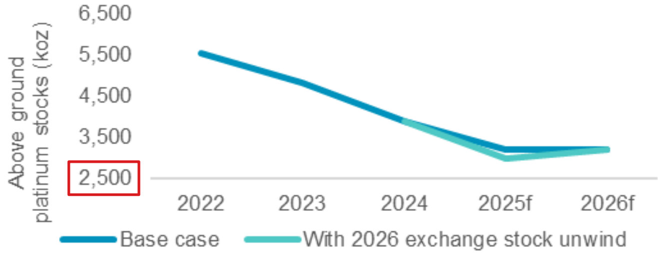
In April 2025, the US Department of Commerce commenced a S232 investigation into the risks posed by critical mineral imports (including PGMs) to national security. Identifying imports as a threat to national security can be as broad as them having a negative impact on the economics of a domestic industry if it means that the industry is unable to meet US needs during an emergency. Under this loose definition of a threat, it is conceivable PGMs are at risk of an adverse S232 recommendation since the US's PGM demand cannot be met by domestic supplies (fig. 1). We believe the completed S232 report was submitted to President Trump in mid-October 2025. Legally, it is the president who has sole discretion on whether to act on the document's recommendations (within 90 days). Trump has previously opted to ignore a S232 report in 2019 that concluded uranium imports were a threat to national security, albeit trade stances have hardened in the US more recently.

Fig 1. With limited domestic mine supply, the US is highly dependent on PGM imports (3E)



Source: Metals Focus, WPIC research

Fig 2. The timing of unwinding exchange stocks does not rebuild above ground platinum stocks



Source: Metals Focus, CME, Bloomberg Finance L.P., WPIC Research

Tariff fears have led to significant US onshoring of PGMs by end users and speculators. CME warehoused platinum stocks have increased from 270 koz at the start of 2025 to 624 koz (fig. 3). Our supply demand forecasts assume no trade barriers arise and that CME warehouse stocks unwind to ~420 koz by year-end and return to ~270 koz by the end of 2026f (fig. 5).

Our base case forecasts are that there are no S232 related tariffs or import quotas.

However, if one assumes the S232 outcome affirms harm and Trump agrees, then it is likely that some combination of scaling import quotas and/or tariffs will be enacted. In this scenario, onshored metal may remain trapped in the US. This would exacerbate our forecast platinum market deficit in 2025f (fig. 5). However, CME warehouse stocks will not remain elevated in perpetuity, instead they unwind at a slower pace. It is possible that even with tariffs or quotas, there could be some release of CME stocks if the tariff costs are less than exchange for physical (EFP) differential or the quota volumes are unrestrictive relative to historic imports.

However, the threshold for determining a threat to nation security is low meaning there is a non-zero chance of tariffs or import quotas.

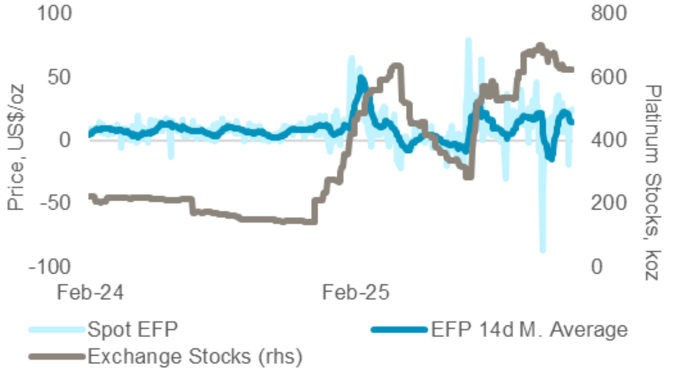
If Trump ignores an affirmative S232 recommendation or the S232 report finds PGM imports do not harm US markets, then a significant outflow of platinum from CME warehouses is likely. Although a drawdown of CME stocks from 670 koz to 270 koz in 2026f would push platinum markets into a surplus (fig. 5), there is no net impact on above ground stocks which will remain depleted after three years of substantial deficits (fig. 2).

A S232 outcome that affirms harm will likely maintain tariff fears and result in CME warehouse inventories remaining trapped in the US and unavailable to the broader market.

Platinum's attraction as an investment asset arises from:

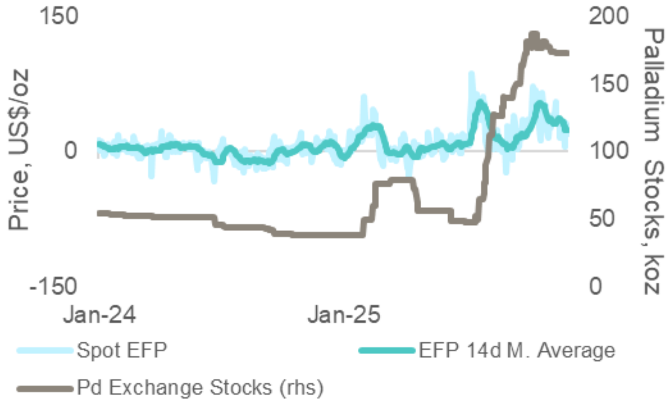
- WPIC research indicates that the platinum market entered a period of consecutive supply deficits from 2023, although a balanced market is forecast in 2026 it is not expected to alleviate current market tightness
- Platinum supply remains challenged, both in terms of primary mining and secondary recycling supply
- Although US tariffs present some downside risks to demand, these are likely offset by tailwinds to jewellery demand and Chinese investment demand
- Elevated lease rates and OTC London backwardation highlight tight market conditions
- The platinum price remains significantly below the price of gold

Figure 3: Tariff fears prompted a positive EFP, at its peak implying a ~5% risk adjusted tariff rate, driving platinum into CME warehouses, easing tariff risks and a negative EFP may release metal back to the market



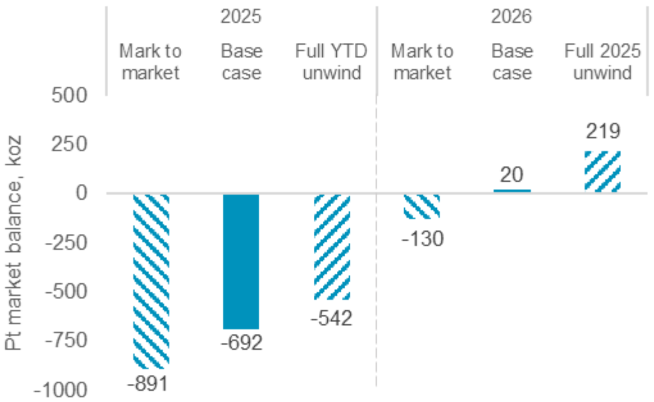
Source: CME, Bloomberg Finance L.P., WPIC research

Figure 4: CME palladium stocks have also risen, but the real acceleration in inflows occurred after the US started an anti-dumping investigation into Russian palladium



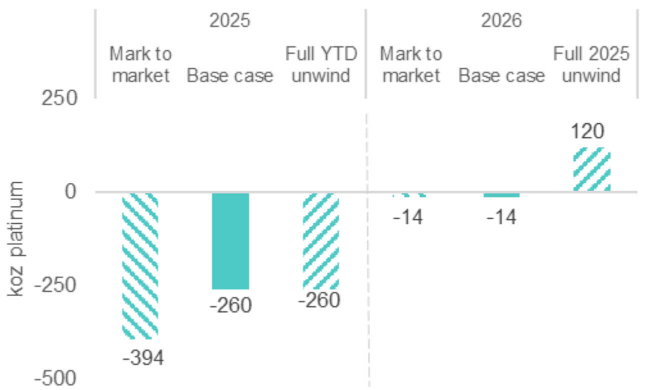
Source: CME, Bloomberg Finance L.P., WPIC research

Figure 5: If year-to-date exchange stock inflows stay at current levels, the 2025 deficit increases from 692 koz to 891 koz, if they unwind it reduces to 542 koz. If they persist into 2026 the market would be in a 130 koz deficit, if they unwind, the surplus increases to 219 koz



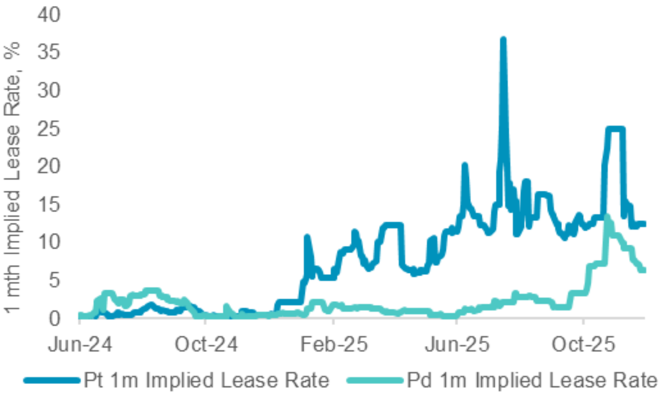
Source: Metals Focus, CME, Bloomberg Finance L.P., WPIC research, N.B. unwind is to the start of 2025 level of 270 koz, not to zero

Figure 6: We have not included palladium exchange stock movements in our 2025 deficit of 260 koz, doing so would increase the deficit to 394 koz. Unwinding exchange stocks in 2026 moves the market into a 120 koz surplus.



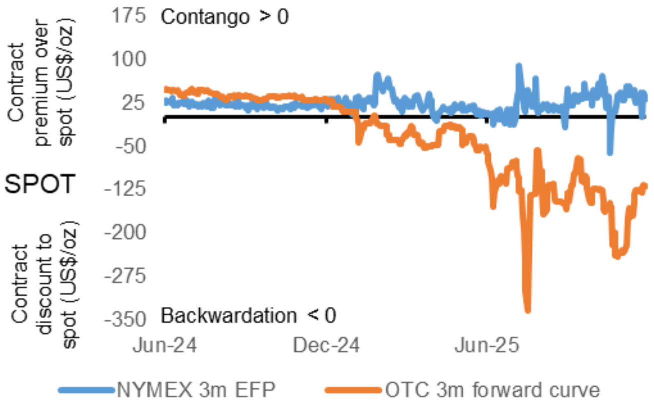
Source: Bloomberg Finance L.P., WPIC research

Figure 7: US demand for metal has contributed to the global shortage that has resulted in elevated lease rates.



Source: Bloomberg Finance L.P., WPIC research

Figure 8: A shortage of metal in the London market has resulted in strong OTC backwardation.



Source: Bloomberg Finance L.P., WPIC research

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