

Trump’s policies and the PGM markets Part 2: A number of potential headwinds for platinum demand and pricing

Trump’s economic policies are, in aggregate, expected to be negative for near-term platinum demand and prices. Protectionist activities and tariffs in particular are viewed as inflationary, which is likely to lead to a slowdown in the FED’s rate cutting trajectory and support a stronger US dollar. We note that our Platinum Price Attribution Model (PPAM, [link](#)), highlights the inverse relationship of platinum prices with the US 10-year yield and US\$:ZAR exchange rate respectively. Inflation will also pressure consumers’ pockets, which could negatively impact platinum demand from the automotive and jewellery sectors, where demand is positively correlated to the platinum price (per our PPAM).

President Trump has implemented a 25% tariff on imports from Mexico and Canada, with an incremental 10% added to existing China tariffs. **A universal global tariff has yet to materialise, which does mean that the feed-through market impact is likely to be more nuanced, at least to begin with.** That said, the US is a net PGM importer, at around ~560 koz of platinum p.a. (7% of global demand) and ~400 koz p.a. of palladium (4% of global demand). With metals included within the tariffs, and given limited scope to increase US domestic output, this could result in a shortage of metal in the US and a jump in [lease](#) and EFP rates. Recycling constitutes ~80% of US domestic supply and the Stillwater mine would require substantially higher prices to reverse the ~40% capacity rightsizing undertaken in 2024. The Lac de Iles mine in Canada risks losing the US as an export destination given, for the time being, SA PGMs aren’t facing tariffs.

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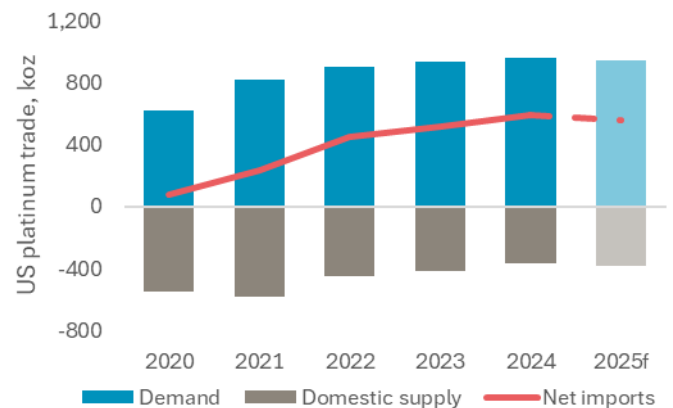
3 February 2025

Fig 1. US inflation and interest rates could remain elevated



Source: US Bureau of Economics, WPIC Research

Fig 2. The US is a net importer of >500 koz platinum p.a.



Source: Metals Focus, WPIC Research

While tariffs may support US domestic metal prices, the broader macro-overlay points to downside risks to platinum prices. The US’s tariffs will invariably be inflationary given the country’s annual trade deficit is approaching US\$1.0T. In parallel, stricter immigration policies will likely raise US labour costs; again inflationary. Higher inflation risks the need for rate hikes. Higher rates support US\$ strength, with both factors negative for platinum prices. Our price attribution model imputes a +100bps change in US yields leads to a -US\$24/oz platinum price change and a +ZAR1.00 change leads to a -US\$60/oz platinum price change (Fig. 3). In addition to the macro factors, higher inflation will likely weigh on consumer spending, adding to an economic slowdown. North America accounts for ~15% of automotive platinum demand and ~25% of platinum jewellery fabrication (Fig. 6). A slowdown in consumer spending would reduce platinum demand through lower new vehicle and jewellery purchases. In 2024, North America’s cumulative platinum automotive and jewellery demand exceeded 900 koz with our price attribution model imputing that a 100 koz change in demand would impact platinum prices by between US\$23 and US\$28/oz.

A universal global tariff has yet to materialise, which does mean that the feed-through market impact is likely to be more nuanced, at least to begin with.

That said, whilst tariffs may support US domestic metal prices in the short-term, the broader macro-overlay points to downside risks to platinum demand and prices.

Platinum’s attraction as an investment asset arises from:

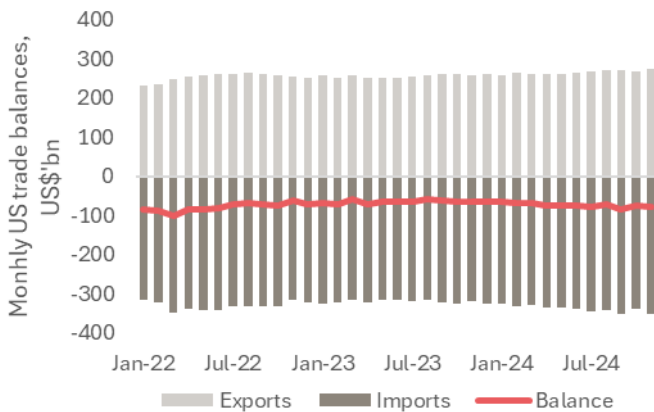
- WPIC research indicates that the platinum market entered a period of consecutive supply deficits from 2023 and these are expected to fully deplete above ground stocks by 2028f.
- Platinum supply remains challenged, both in terms of primary mining and secondary recycling supply.
- Platinum demand is benefitting from its use across a diverse set of end markets.
- Platinum is a critical mineral in the global energy transition underpinning a key role in the hydrogen economy.
- The platinum price remains historically undervalued and significantly below the price of gold.

Figure 3: WPIC has utilised multiple regression analysis to create a multi-factor model, where six independent variables play an important role platinum price setting (see the full report [here](#)).

Variable	Underlying change	Impact on Price
Automotive demand	+/-100koz	+/- \$28
Jewellery demand	+/-100koz	+/- \$23
Gold Price	+/-100\$/oz	+/- \$68
Interest rates	+/-100bps	-/+ \$24
USD:ZAR	+/-1 USD:ZAR	-/+ \$60
NYMEX % Net Long	+/-10% Long/OI	+/- \$37

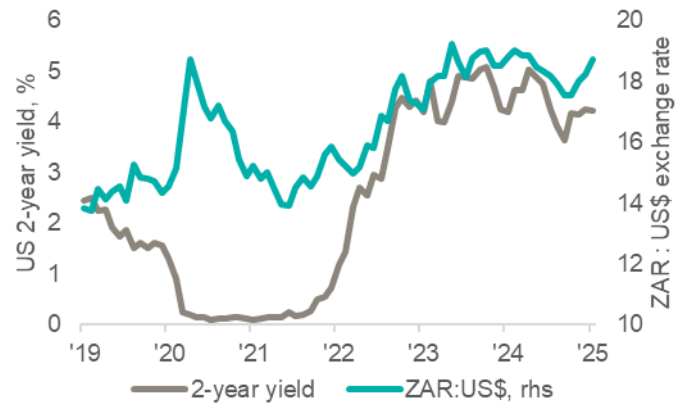
Source: WPIC research

Figure 4: The US runs a monthly trade deficit of between US\$60B and US\$100B



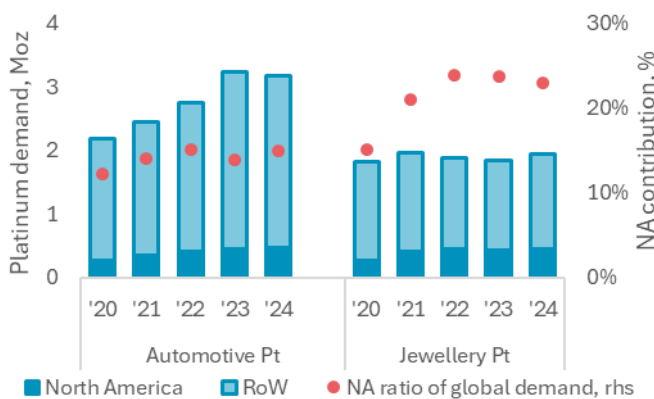
Source: US Bureau of Economics, WPIC Research

Figure 5: Elevated US yields will likely support US\$ strength which typically weighs on US\$ denominated commodity prices



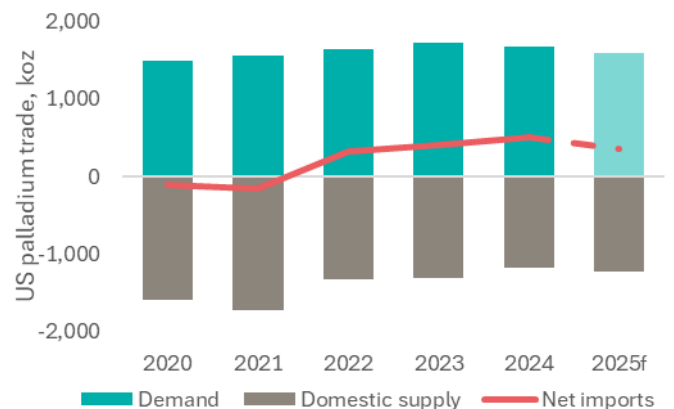
Source: US Bureau of Economics, Bloomberg, WPIC research

Figure 6: North America accounts for 15% and 25% of annual platinum automotive and jewellery demand respectively



Source: Metals Focus, WPIC Research

Figure 7: The US is a net importer of ~400 koz pa. of palladium p.a.



Source: Metals Focus, WPIC Research

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