

## Trump’s policies and the PGM markets Part 1: US trade tariffs could reduce Pt and Pd demand by 1% and 4%

Trump’s threat to enact trade tariffs is causing tension in the platinum markets. This *Platinum Perspectives* addresses the potential negative impact of tariffs, which could reduce annual platinum demand by 100 koz or 1% to total demand if 25% tariffs are placed onto Canadian and Mexican automotive imports. In two upcoming *Platinum Perspectives*, we will discuss the impact on PGM demand from 1) Trump’s policies on emission standards and “green” incentives, and 2) the broader economic impact of Trump’s policies.

Trump’s tariff threats have been wide ranging and are likely being used as a stick to influence other policy areas. How, when or if tariffs will be enacted is unclear, with a muted range from 10% to 100% from 1<sup>st</sup> February where rates are gradually ratcheted up over time. Key partners, Mexico and Canada appear to be facing 25% tariffs. It is also unclear if strategically critical minerals like PGMs will be captured in the tariff net or if they will focus on actions that aim to redomestic industrial production to the US.

Looking at fig. 1 and implied lease rates as a guide to the market’s expectations for tariffs to embrace precious metals, platinum lease rates jumped in January, at one point pricing in an effective tariff in excess of 11%. This flowed through to a jump in EFP rates that have resulted in a flow of almost 90 koz of platinum onto NYMEX (fig. 4) which effectively creates a buffer for US platinum demand. Lease rates have eased in recent days, which suggests that either market concerns over tariffs have abated (Trump is going slower than feared), or NYMEX stocks are seen as a sufficient buffer. There has been a significantly smaller impact to palladium, suggesting the market is more relaxed about the availability of palladium in the US.

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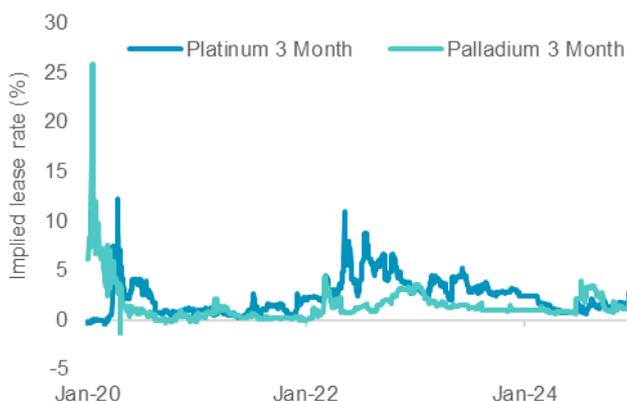
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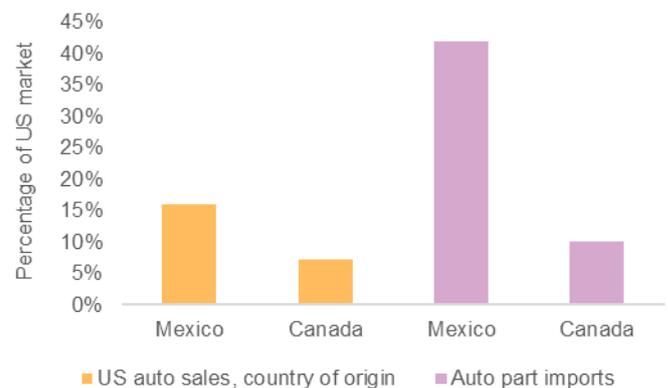
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**Fig 1. Implied platinum lease rates have jumped on tariff concerns, but eased in recent days.**



Source: Bloomberg, WPIC Research

**Fig 2. The interconnectedness of the N.A. auto industry means tariffs could be damaging for PGM demand.**



Source: Supplychaindive, Wards Intelligence, Global Data, USITA, WPIC Research

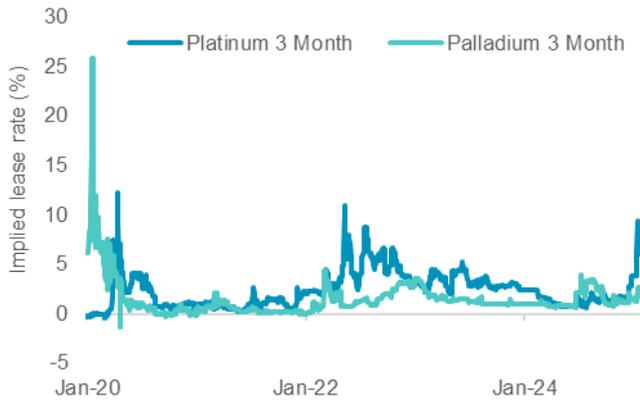
Near-term, the greatest impact of tariffs on PGM use in industry is on the automotive sector. Canada and Mexico in particular are in Trump’s crosshairs. However, the North American auto industry is interconnected. With Mexico and Canada cumulatively accounting for ~20% of finished vehicle imports and ~50% of parts to the US (fig. 2), it is difficult to see tariffs as being anything but damaging for vehicle production and associated PGM demand, at least in the near-term. Assuming the maximum negative impact (based on sales only and excluding part supplies), North American automotive platinum demand would shrink by 97 koz and palladium by 362 koz, 1% and 4% of total global demand, respectively. While the estimated automotive impact is more substantial on palladium than platinum, the relative availability of US PGM supplies is biased towards palladium (fig. 7), which may be influencing relative platinum/palladium lease rates.

*Trump’s rhetoric on tariffs has raised market concerns around the availability of platinum in the US, leading to inflows to NYMEX warehouses. However, the risk to automotive demand is to the downside, with palladium appearing more vulnerable than platinum.*

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

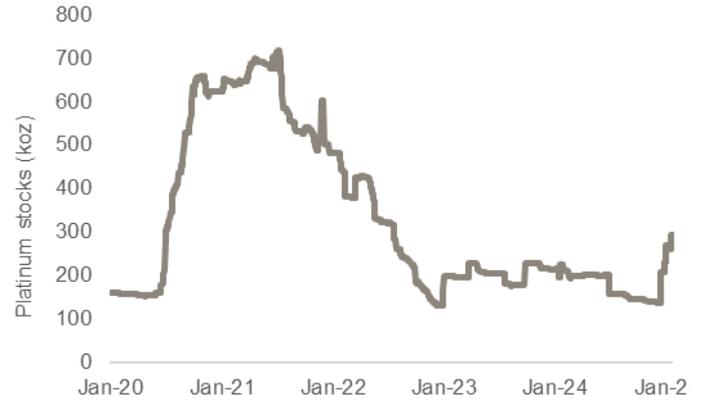
- WPIC research indicates that the platinum market entered a period of consecutive supply deficits from 2023 and these are expected to fully deplete above ground stocks by 2028f.
- Platinum supply remains challenged, both in terms of primary mining and secondary recycling supply.
- Platinum demand is 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: Platinum lease rates have jumped on Trump's tariff threats, but eased in recent days. Palladium has been less impacted, suggesting that the market has fewer concerns regarding near-term availability.**



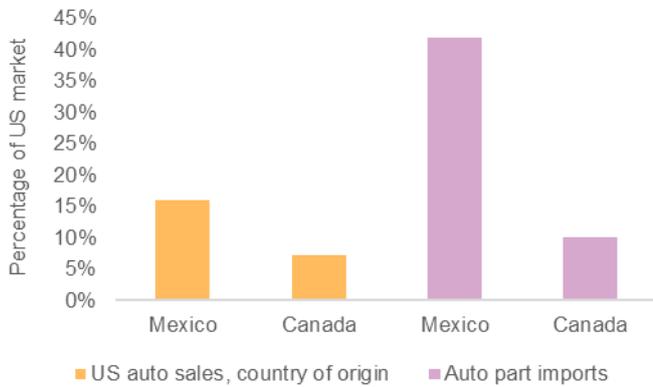
Source: Bloomberg, WPIC Research

**Figure 4: Higher lease rates have boosted EFP rates, which have enticed platinum on exchange, adding almost 90 koz to NYMEX stocks. This has helped ease some platinum availability concerns.**



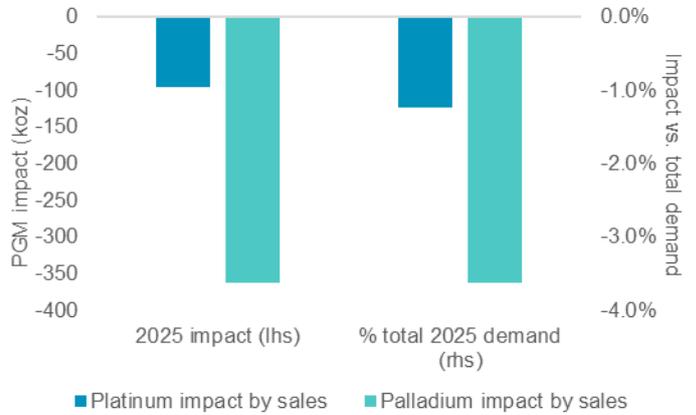
Source: Bloomberg, WPIC Research

**Figure 5: The US automotive industry is highly interconnected with Mexico and the US. Blanket tariffs could be highly damaging to near-term US auto demand.**



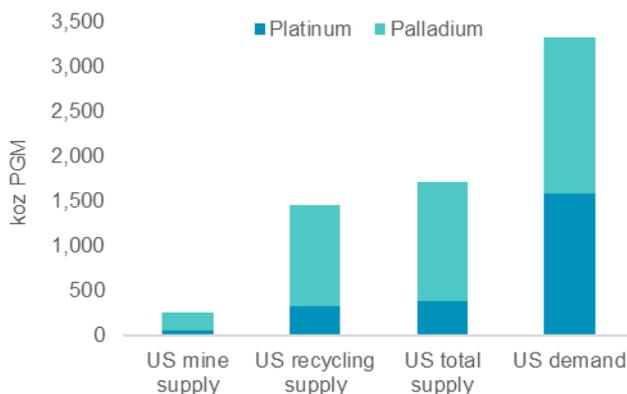
Source: Supplychaindive, Wards Intelligence, Global Data, USITA, WPIC Research

**Figure 6: Despite the market pricing in greater concerns regarding platinum availability, the downside risk to automotive PGM demand is biased towards palladium.**



Source: Metals Focus, WPIC Research

**Figure 7: On the other hand, platinum makes up a smaller component of US domestic supplies.**



Source: Sibanye Stillwater, Metals Focus, WPIC Research

**Figure 8: Market tightness is not translating into US\$ PGM price strength.**



Source: Bloomberg, WPIC Research

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