PLATINUM PERSPECTIVES

World Platinum Investment Council

Platinum market deficit boosted by tariff-linked exchange stock movements that are unlikely to unwind anytime soon

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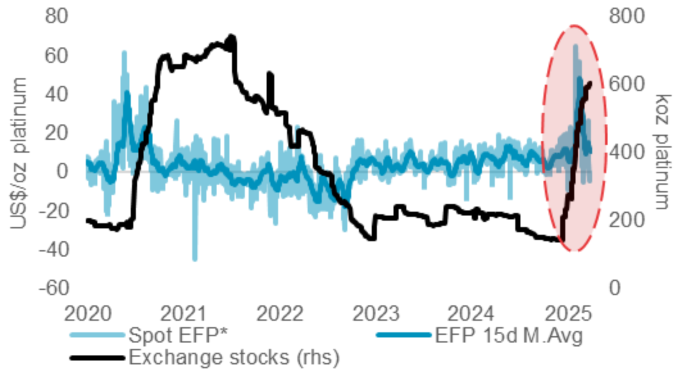
The fear that tariffs will result in platinum being unavailable in the US at current prices has resulted in a steepening of the forward curve and significant inflows into NYMEX approved warehouses. Whilst trade tensions persist, we expect exchange stocks to remain elevated, but if tensions ease, only with material exchange stock outflows from current levels would the forecast 2025 deficit of 848 koz begin to reduce.

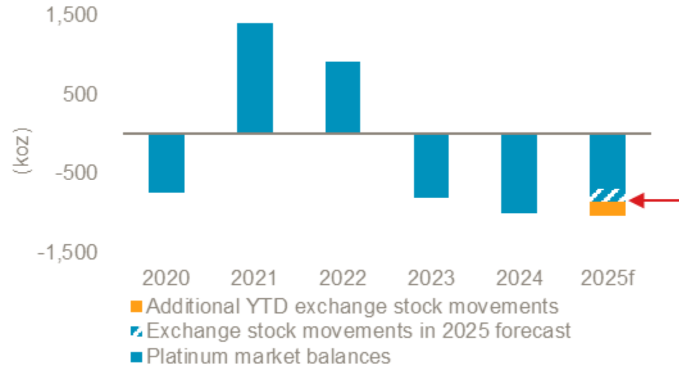
Tariff fears have distorted metals markets resulting in a rush of imports into the US ahead of them being enacted. The visible flows in platinum can be seen in NYMEX exchange stocks, which have risen by 460 koz since mid-December 2024 (+225%), which will for the most part be associated with short positions that look to capitalise on the significant increase in the Exchange for Physical (EFP) rate (fig 1). The EFP is the price difference between futures prices and the spot price, which, when it is large enough, creates an arbirtrage opportunity to be long in the prompt market and short in the futures. This peaked at an implied US$75/oz in the three month futures back in January at a time when a three month platinum lease would have cost US$60/oz before any credit spread. The steepness in the NYMEX forward curve (fig 3) that is driving the EFP opportunity likely reflects market concerns that tariffs may mean that platinum is unavailable in the US at current prices in one, three, six months etc. Buying a future today hedges some of that risk. Whilst flows into NYMEX approved warehouses are visible and likely most associated with the elevated EFP, it is likely that there has been an additional flow of material that has gone directlly to end users.

Fig 1. The elevated EFP has driven a major increase in exchange stocks



Source: Bloomberg, WPIC Research

Fig 2. Without a significant unwinding of exchange stocks, the 2025 deficit will be deeper than currently forecast



Source: Metals Focus, WPIC Research

We include exchange stock movements within investment flows, exchange stock inflows increase net demand, and outflows reduce net demand. For example, significant exchange stock inflows during COVID made a major contribution to the deficit in 2020 and subsequent outflows to the surpluses of 2021/22. Note that despite the recent inflows, exchange stocks remain 140 koz below their COVID peak, and the post COVID unwind only occurred as international transportation constraints eased. Clearly, what happens to exchange stocks through the rest of this year has a bearing on the supply/demand balance. Our 2025 deficit of 848 koz includes 150 koz of exchange stock inflows, whereas 328 koz has flown into warehouses year-to-date. Our estimated deficit therefore requires exchange stock outflows of 178 koz, which will only occur when there is certainty regarding platinum tariff risks (fig. 2). If anything, the growing intergovernmental rift between the Trump administration and South Africa is only likely to maintain PGM supply risk fears. As a closing comment, it is worth noting that the US is almost self-sufficient when it comes to palladium, whereas it is very short platinum (fig. 6) and this is clearly evident in the relative lease rates and exchange stock movements (figs. 7 and 8) with platinum clearly much tighter than palladium.

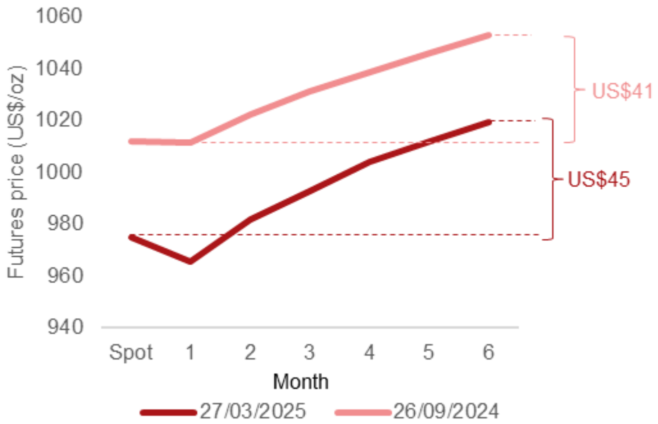
Without a significant unwinding of exchange stocks, the 2025 deficit will be deeper than currently forecast.

This requires a significant easing of trade tensions and US tariff fears, which seems unlikely in the current climate.

Platinum's attraction as an investment asset arises from:

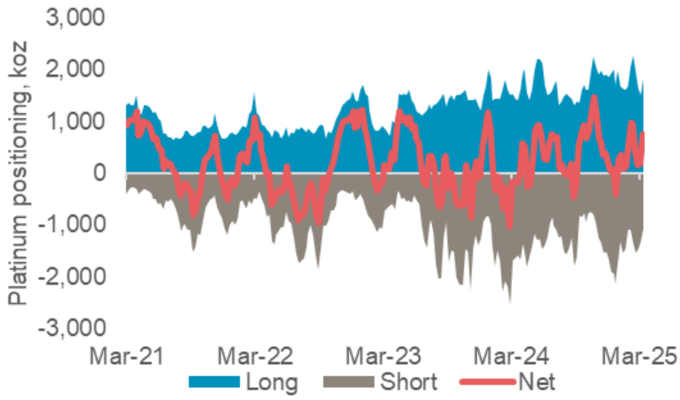
- WPIC research indicates that the platinum market entered a period of consecutive supply deficits from 2023 and these are expected to fully deplete above ground stocks by 2029f
- Platinum supply remains challenged, both in terms of primary mining and secondary recycling supply
- Trade tensions are distorting market flows and accelerating market tightening
- 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: The steeper forward curve relative to lease rates is driving the EFP and NYMEX flows. The 1 month backwardation shows tightness in the spot market.



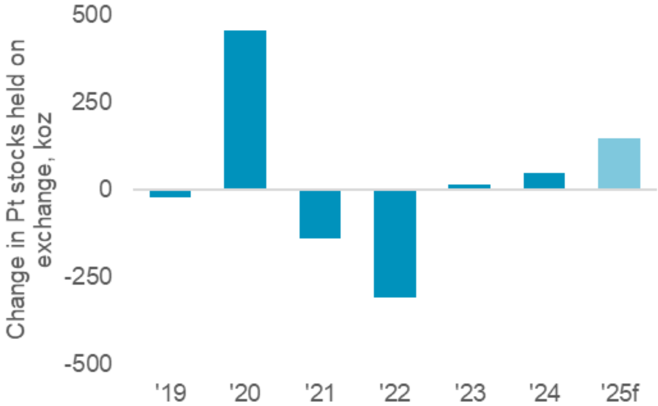
Source: Bloomberg, WPIC Research

Figure 4: Net managed money positions have remained cyclical with no clear directional shift in response to heightened EFP volatility



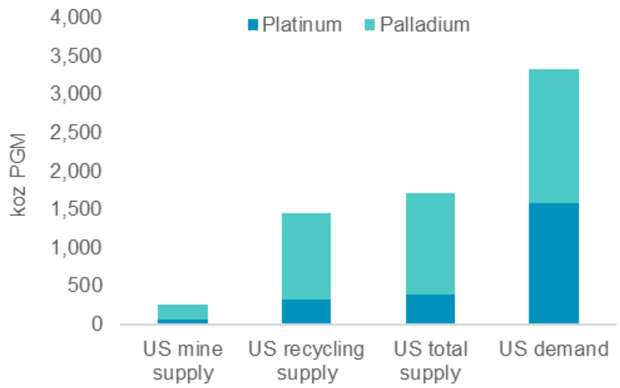
Source: Bloomberg, WPIC research

Figure 5: Exchange stocks movements are captured in our Pt market forecasts, within investment demand



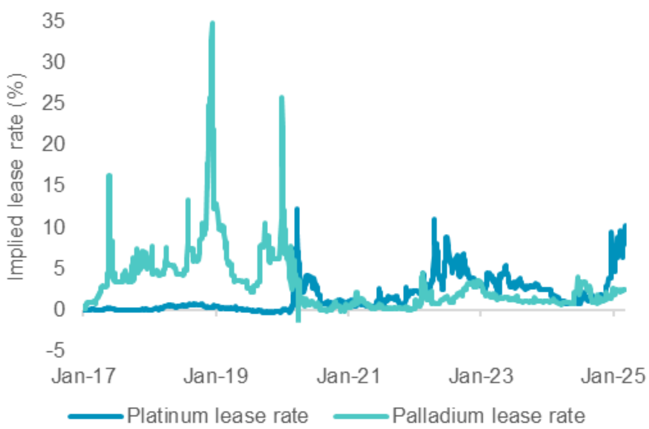
Source: Metals Focus, WPIC Research

Figure 6: Domestically, the US is almost self-sufficient in palladium but very short platinum



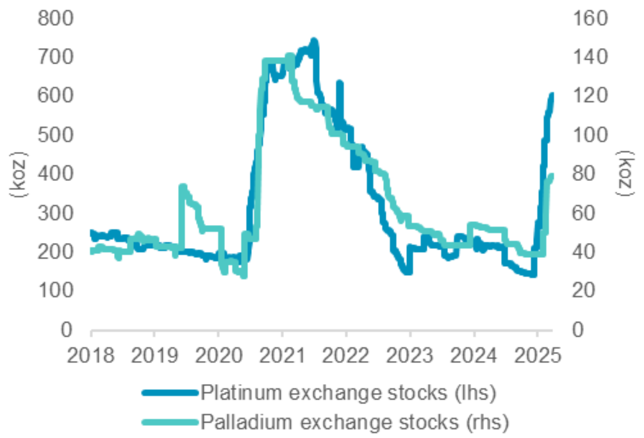
Source: Sibanye-Stillwater, Metals Focus, Bloomberg, WPIC research

Figure 7: The stronger reaction in platinum lease rates reflects more acute market tightness than for palladium



Source: Bloomberg, WPIC Research

Figure 8: Platinum exchange stocks have accordingly risen by more than palladium on a relative basis



Source: Bloomberg, WPIC Research

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