

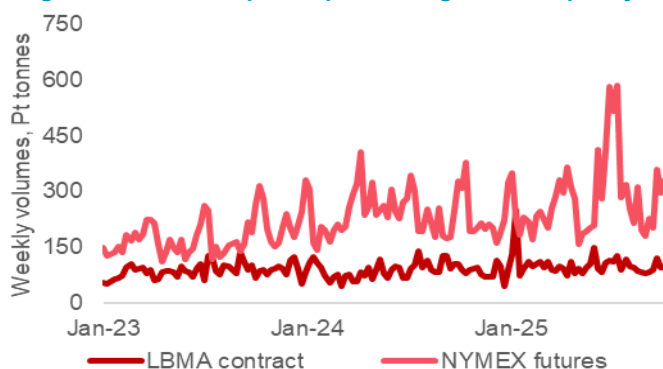
Launch of GFEX platinum and palladium futures and options supports China demand growth

Physically settled platinum and palladium futures contracts and futures options will commence trading on the Guangzhou Futures Exchange (GFEX) on 27 November 2025. GFEX will offer domestic participants an increased ability to hedge price risk as well as offering financial participants an alternative mechanism to gain exposure to platinum and palladium. These should support broader liquidity and improve global price discovery. Moreover, GFEX will publish daily exchange stock holdings which will add colour to China's metal inventories.

The characteristics of the 1kg per lot futures contracts are tabulated in fig. 3 and futures options contracts in fig. 4. The most unique aspect of the futures contracts is the ability to take delivery of sponge as well as the conventional ingot and bars; highly attractive to industrial and automotive end users. Domestically approved brands and directly imported LPPM good-delivery brands can be registered for GFEX warrants for delivery. Approved fabricators can register their future production as warrants under a 120% bank guarantee. GFEX futures will enable local end users to hedge price risk which would be advantageous across the jewellery supply chain, helping reduce margins and buyback discounts. This could support higher demand.

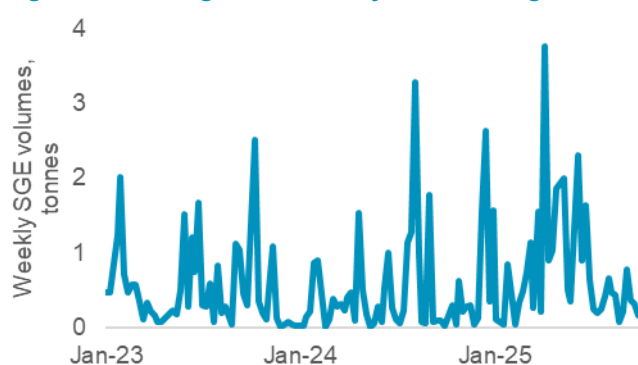
Contracts will not have Qualified Foreign Institutional Investor (QFII) status initially. However, previous GFEX contracts for lithium carbonate, industrial silicon and polysilicon have all had QFII status granted after initial domestic launch. For platinum and palladium contracts, international participation may align with plans for offshore warehousing agreements.

Fig 1. Futures and options provide significant liquidity*



Source: Bloomberg, LBMA, CME, WPIC, *there are 32,150.7 troy ounces per metric tonne

Fig 2. SGE trading flows one-way, constraining volumes



Source: Bloomberg, WPIC

As with other futures exchanges, exposure will need to be collateralised with physical platinum in exchange approved warehouses as margin against short positions. This may result in a demand draw as volumes increase. Exchange holdings will be published daily, bolstering data transparency.

GFEX's success will rely on attracting investment capital alongside physical market participants. Since SGE only offers one-way trading with purchase for delivery, GFEX is positioned to attract two-way domestic volumes. Platinum volumes have averaged around 0.8 tonnes per week on SGE, well below spot trading on LBMA at an average of over 200 tonnes per week. Looking at the comparative liquidity of derivatives, LBMA OTC swaps and options contracts and NYMEX futures trade an average of 90 tonnes and 230 tonnes per week respectively. In our view, GFEX is unlikely to take market share from LBMA and NYMEX and will likely support higher volumes globally given the increased arbitrage opportunity.

Despite being the largest consumer of PGMs globally, the closed nature of the China market combined with one-way flow on the SGE means that China has typically been a price taker, with only its varying levels of imports impacting international price discovery. Listing platinum futures in China, with future international participation, increases the influence of China's future demand expectations on global price discovery.

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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
- Elevated lease rates and OTC London backwardation highlight tight market conditions
- 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: Key attributes of GFEX platinum and palladium futures contracts

Trading Unit	1,000 grams per lot
Quotation Unit	Yuan (Renminbi) per gram
Price Limit	±4% of the settlement price of the previous trading day
Contract Months	February, April, June, August, October, December
Last Trading Day	The 10th trading day of the contract month
Last Delivery Day	The 3rd trading day after the last trading day
Delivery Form	Ingot, sponge or powder
Delivery Location	Designated delivery warehouses of the Exchange
Minimum Trading Margin	5% of the contract value

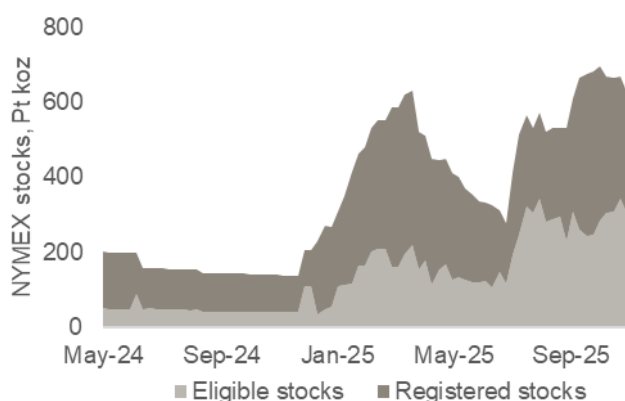
Source: WPIC Research from GFEX

Figure 4: Key attributes of GFEX platinum and palladium futures options contracts

Contract Type	Call option, Put option
Trading Unit	1 lot of relevant platinum or palladium futures contract
Quotation Unit	Yuan (Renminbi) per gram
Price Limit	The same as that of the platinum futures contract
Contract Months	February, April, June, August, October, December
Last Trading Day	The 5th trading day of the month preceding the delivery month of the underlying futures contract
Expiration Date	The same as the last trading day
Strike prices	Interval varies depending upon T-1 underlying volatility
Exercise style	America

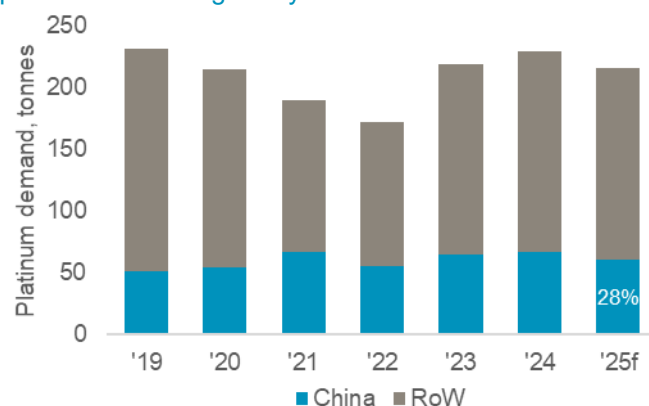
Source: WPIC Research from GFEX

Figure 5: GFEX stocks as collateral will build but may (similar to NYMEX) also attract excess warehousing



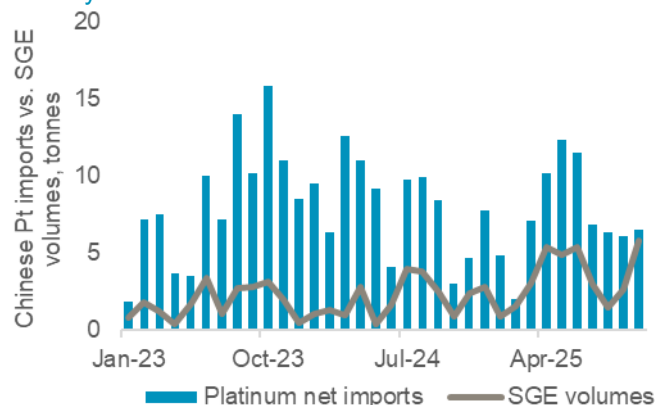
Source: Bloomberg, WPIC research

Figure 6: China is the single largest end market for platinum demand globally



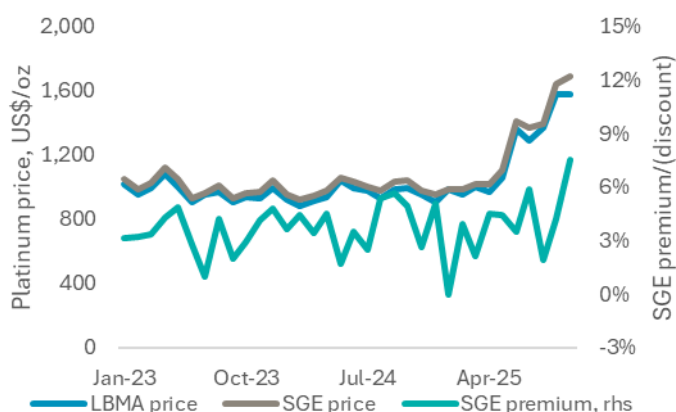
Source: Metals Focus 2019-2024, WPIC research

Figure 7: One-way flow means SGE volumes only make up a proportion of China's platinum imports. A recent trend higher may be a function of growing investment and jewellery demand.



Source: Bloomberg, WPIC research

Figure 8: SGE platinum prices track LBMA, but increased liquidity in China could change price discovery dynamics



Source: Bloomberg, WPIC Research

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