

NEW FUTURES

Platinum and palladium futures and options debut on China's Guangzhou Futures Exchange



Trading in platinum and palladium contracts on Guangzhou Futures Exchange (GFEX) has begun, marking a significant milestone in global platinum group metals (PGMs) markets, as platinum and palladium derivatives become available domestically in China for the first time.

Weibin Deng, the WPIC's Regional Head, Asia Pacific, reflects on the opportunities that this development creates for the platinum market in China, and how it could positively influence platinum investment demand.

Why is the launch significant?

This launch is transformative for China's PGMs market. For the first time, domestic industrial users and fabricators have a direct, regulated tool to hedge against global platinum and palladium price volatility. Previously, many were exposed to this risk without an efficient hedging mechanism.

The ability to enter into platinum and palladium futures contracts enhances price stability for key industries and it is expected to narrow the spreads on platinum jewellery and investment products – meaning lower premiums for buyers and smaller discounts on buybacks.

Ultimately, this boosts consumer confidence and supports demand growth, while also encouraging a more robust domestic recycling ecosystem.

What has prompted GFEX to make these products available now?

This initiative directly supports China's national strategic priorities. GFEX's mandate is to develop financial instruments that serve the real economy. Given the government's strong focus on the energy transition and decarbonisation, platinum and palladium have been prioritised. The approval of these products aligns with the national agenda to secure supply chains and manage risk for these essential raw materials.

How has platinum's status as a critical mineral been an influence?

China considers platinum a critical mineral with strategic value due to its importance in new energy technologies like hydrogen fuel cells and electrolyzers to produce hydrogen. However, China has negligible domestic PGM resources and relies on imports, as well as recycling supply, which it is trying to encourage.

Investment in physical platinum is a natural mechanism for attracting metal into any geography, providing a pool of liquidity to supply future industrial demand. This is particularly important for China given its lack of significant domestic PGM mining resources. GFEX's platinum and palladium futures enhance that liquidity, as well as being supportive of industrial development and growth.

What are the contracts' key features and how do they align with other markets?

GFEX offers innovative bi-monthly contracts, similar to those offered by Japan Exchange Group, with frequent opportunities for platinum and palladium risk management. A truly unique feature is the acceptance of both ingots and sponge for physical delivery.

No other global exchange allows delivery of sponge, pure metal in a powder form which is most needed by industrial and automotive end users. This ensures that contracts meet the precise needs of the real economy.

Furthermore, the delivery mechanism is robust. Metal is accepted from both approved domestic refiners and international suppliers accredited by the London Platinum and Palladium Market, ensuring trustworthy and reliable physical settlement.

Will GFEX's platinum and palladium contracts promote greater integration with global commodities markets?

By making the contracts available to both institutions and individuals domestically and, in due course, internationally, GFEX creates a new, accessible RMB-denominated benchmark.

Enhanced cross-market arbitrage opportunities will increase market liquidity, opening platinum up as an investment to larger pools of assets under management.

For asset managers in China, it formally places platinum as a viable investment asset class. Market transparency will also be improved through the publication of GFEX's daily warehouse inventory updates.

Do you see this development changing WPIC's forecast for investment demand in China?

There may be a one-time demand uplift from platinum warehoused to back margin requirements, the stocks of which could increase as trading volumes on the exchange increase. (A margin deposit is the initial amount of money a trader must put down to open a leveraged trading position. It acts as collateral and is a percentage of the full value of the trade.)

WPIC's initial supply and demand forecast for 2026 does not currently reflect any investment demand increase from GFEX. Even without considering the potential upside from GFEX's platinum and palladium futures, however, physical bar and coin investment demand in China is expected to grow for the seventh consecutive year in 2026, reaching 453 koz.

What is WPIC's relationship to GFEX?

Strategically, WPIC is firmly committed to the development of the platinum investment market in China, and the country offers huge potential in this regard.

We are focused on building strong relationships with major organisations such as GFEX as we believe that this is the best way to nurture the growth in platinum investment product availability that is needed to meet growing investor demand.

Specifically, we are highly supportive of GFEX's initiative and have had an informal advisory role in the research and development phase of the launch process, providing platinum and palladium market insights.

We also assisted GFEX by enabling dialogue with relevant industrial third parties and by inviting the exchange to participate in London Platinum Week in 2024, and Shanghai Platinum Week every year since 2023.

Has the recent change in VAT rules on platinum in China affected the launch?

The impact of the new policy is complex and far reaching, but a key impact is that it creates a level playing field between the Shanghai Gold Exchange and other trading platforms, including GFEX. In our view, it will improve market efficiencies in

China, which we believe is supportive of GFEX's platinum futures contracts.



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