



# PLATINUM SET TO SOAR

BY WEIBIN DENG, *Head, Asia Pacific, World Platinum Investment Council*

While the Covid-19 pandemic negatively impacted the global economy on an unprecedented scale, investment demand for platinum has grown as increased global risk and monetary and fiscal policy responses to the crisis boosted the appeal of precious metals, including platinum.

In 2019, investment demand accounted for 15% of total platinum demand, a figure that is expected to rise to 21% in 2020. Prior to 2019, investment demand over the preceding six years ranged between 0–11%, with improving market fundamentals driving the recent growth in demand. Investors now see a compelling case predicated on the future demand growth for platinum. The World Platinum Investment Council (WPIC) forecasts that the large global market for platinum will record a third consecutive deficit in 2021, a situation not seen since 2016.

The platinum market has had to weather the turbulent economic impact of this year's Covid-19 pandemic, which has affected both demand and supply in a variety of ways. Supply in 2020 is down by 18% on pandemic disruptions and a severe converter plant processing outage in South Africa. At the same time, demand in 2020 is down by only 5% as economies have recovered quicker than expected and investment demand rocketed. This has caused a platinum market deficit in 2020 forecast at 1.2 million oz. and another deficit of over 220 koz. in 2021.

Our partners in the United States, Europe and Japan reported a surge in consumer buying of platinum investment bars and coins in 2020. Similarly, through our Chinese partners, we were acutely aware of the response in China to the low platinum price, with sales of platinum on the Shanghai Gold Exchange (SGE) up significantly in 2020. This

**OUR PARTNERS IN THE UNITED STATES, EUROPE AND JAPAN REPORTED A SURGE IN CONSUMER BUYING OF PLATINUM INVESTMENT BARS AND COINS IN 2020**

was a prudent value response by long-standing manufacturers in platinum, from the industrial and jewellery sectors, increasing stock levels for short-term or long-term benefit. Our work and the efforts of our partners have increased awareness and availability of platinum and fuelled the exceptionally strong demand for bars and coins.

## WPIC IN ASIA

In 2017, WPIC entered China, platinum's second-largest market in terms of consumption, aiming to develop an investment market for platinum. We adopted a comprehensive strategy for market development. First, we addressed the lack of relevant market

information by providing high-quality platinum market content and insights for Chinese investors. WPIC disseminates its market research in Chinese to investors via social media (Wechat, Weibo, Tik-Tok and Bilibili), internet media and traditional media.

Second, we concluded strategic partnership agreements with domestic industrial bodies, including China Gold Association and Beijing Gold Economy Development Research Centre. These partnerships have helped WPIC to better understand and emulate the success of China's gold investment market and consolidate resources to assist our mission in China. We successfully added platinum into the key events for gold and precious metals in China and increased the visibility and investment awareness of platinum among domestic gold investors.

Finally, over last three years, WPIC has established product partnerships with domestic organisations, including Bank of China (BOC), Chunghai Platinum, Zijin Gold, Jingxin Gold and LPM Group. We assisted Chunghai and Jingxin to fabricate and launch the first platinum bars in China for retail investors, and offered ongoing support for their respective marketing and promotional activities. BOC is one of the few Chinese banks that already offer physically backed platinum trading accounts, as well as gold and silver products, to investors. WPIC stepped in to help by providing platinum content for its investor education initiatives and by supporting its marketing efforts. So far, we have trained more than 3,000 bankers across China and equipped them with platinum knowledge and risk management skills. The marketing impact we have had on BOC's platinum business is unprecedented in terms of the increases seen in both trading volume and the amount of physical platinum held.

## WPIC'S RECENT PLATINUM GROUP METALS SUMMIT IN SUZHOU, CHINA, FOCUSED ON THE STRATEGIC IMPORTANCE AND VALUE OF PGMs, PARTICULARLY PLATINUM

WPIC's recent Platinum Group Metals summit in Suzhou, China, focused on the strategic importance and value of PGMs, particularly platinum, in new energy and new material, amid the fast-growing hydrogen economy and fuel cell vehicle industry. Despite the pandemic, the summit attracted more than 400 attendees, along with 17,000 delegates globally who joined virtually. The market potential for platinum investment in China is huge, reflected by the success of gold, but its market infrastructure, particularly for trading, is still underdeveloped. To this end, WPIC has actively been working with domestic organisations on improving the market infrastructure and jointly develop a market ecosystem for platinum investment.

Japan is the most mature market for platinum bars and coins, with active two-way trade a feature for over 70 years. It also experienced unprecedented demand for platinum bars and coins in 2020. WPIC has two product partners in the country: Tanaka and Mitsubishi UFJ Trust and Banking, and provides support to their respective platinum products, accumulation plans and a physically backed platinum ETF. We have also partnered the Japan Bullion Market Association (JBMA) to increase the awareness and ownership of platinum by distributing our research and insights in the Japanese language, which has also raised the organisation's profile among Japanese institutional and retail investors.

In November 2020, ABC Bullion, Australasia's largest independent bullion dealer, partnered with WPIC and launched the first Australian platinum minted bar range to meet the growing demand. This is the latest development indicating a strong potential for platinum investment in the Asia Pacific region. WPIC is keen to work with more partners and bring this unique metal to investors in Asia Pacific at a time of unprecedented levels of investor interest around the globe.

## IN NOVEMBER 2020, ABC BULLION, AUSTRALASIA'S LARGEST INDEPENDENT BULLION DEALER, PARTNERED WITH WPIC AND LAUNCHED THE FIRST AUSTRALIAN PLATINUM MINTED BAR RANGE TO MEET THE GROWING DEMAND

### OUTLOOK FOR 2021

Platinum plays a key role in decarbonisation and the growth of green hydrogen. Material demand growth from this will be realised within 5 to 10 years. However, the interest of many investors, who had not previously considered platinum, has been piqued by this strategic underpin to its long-term demand. When these investors take a closer look, they will see platinum's deep discount to gold and palladium and the cost effectiveness and low CO<sub>2</sub> of the mild-hybrid diesel powertrain, which greatly enhance the likelihood of platinum investment demand growth.

Since the platinum and gold price lows of 19 March 2020, at US\$599/oz. and US\$1,474/oz. respectively, platinum has significantly outperformed gold, rising 55% versus gold's rise of 33% by the end of August. With investment demand and platinum's fundamental outlook up in 2020, this significantly enhances its attractiveness.

### ABOUT WPIC

Headquartered in London, the World Platinum Investment Council (WPIC) was formed by the leading platinum producers in 2014. Today, our members include Anglo American Platinum, Impala Platinum, Northam Platinum, Royal Bafokeng Platinum and Sedibelo Platinum. WPIC's mission is to stimulate investor demand for physical platinum through both actionable insights and targeted development: providing investors with the information to support informed decisions regarding platinum and working with financial institutions and market participants to develop products and channels that investors need.

In working with major financial institutions such as commodity exchanges, investment product developers, fund managers and banks and brokers, WPIC's aim is to form a global platinum market ecosystem to jointly develop platinum investment products and expand distribution channels suitable for investors at the regional level. For example, we have partnered with refiners, mints, wholesalers and retailers who are deeply involved in providing physical platinum investment products, such as coins and bars, for investors. Through these partnerships, we aim to ensure that attractive platinum investment products are available to investors in major investment markets around the world.



**WEIBIN DENG** is WPIC's regional Head for Asia Pacific. He joined WPIC in 2017 from BNP Paribas and set up its China office in Shanghai. He previously worked in New York and Singapore for 16 years, serving global banks in the commodity market, including BNP Paribas, JP Morgan, Credit Suisse, and Bank of America. Prior to WPIC, he helped BNP Paribas set up its China commodity desk for nonferrous metals and precious metals business.