

PLATINUM PERSPECTIVES

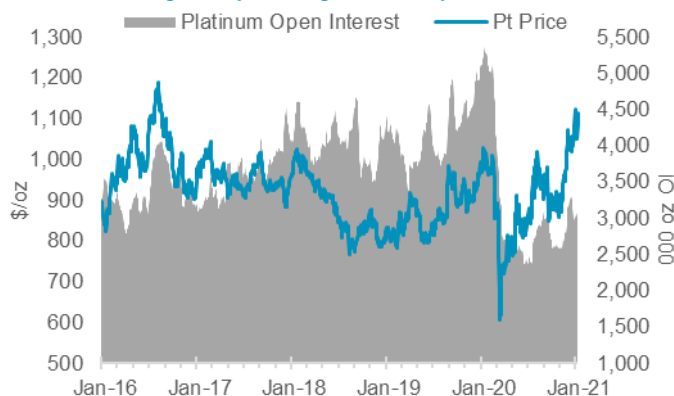
Despite gold-related volatility, platinum's demand growth outlook is driving more investor exposure

The platinum price has traded at over \$1,100/oz so far in January 2021, a 47% increase from its March 2020 lows and its highest price level since August 2016. **Despite this strong price performance, platinum is still undervalued versus its precious peer gold, and industrial substitute metal palladium.** Despite two years of consecutive deficits, with a third deficit projected for 2021, **platinum's automotive and industrial uses appear overlooked when compared with industrial metals such as copper.** What is driving the platinum price and what is holding it back?

The longer-term platinum price is driven by current and future expectations of supply and demand fundamentals. However, investor positioning based on fundamentals is typically placed in the NYMEX platinum futures market. This positioning can be infrequent and not of sufficient size to consistently prevent the short-term influence of gold price moves and systematic/CTA (commodity trading advisors) activity from driving short-term changes in the platinum price.

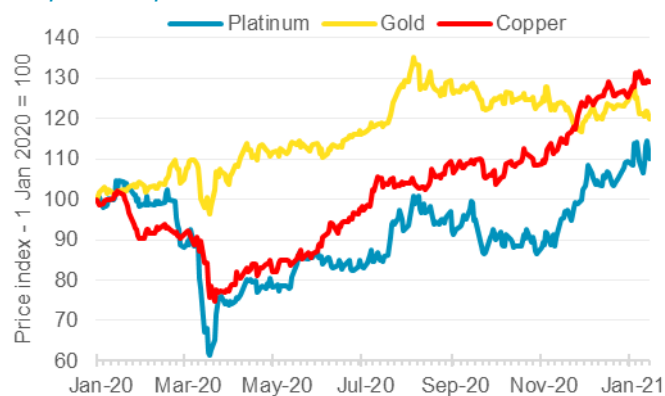
During H2-2020, platinum was strongly positively correlated with gold in three key periods - late July, mid-August to mid-October and early December. (Figure 1, p2) **During these periods, a 1% gold price change was typically accompanied by at least a 1.5% platinum price change.** Platinum's greater volatility, expected due to it being an appreciably smaller market than gold, is particularly attractive to systematic/CTA funds and exaggerated by their trades. Platinum-gold correlation is typically higher in a falling gold price environment.

NYMEX platinum futures and platinum price: The platinum price has recovered sharply since mid-March 2020, reaching 4 ½ year highs in early 2021



Source: NYMEX, Bloomberg, WPIC Research. Note: Data up to 15th Jan 2021

Indexed metal prices: Despite the platinum price rallying by 47% from March 2020 lows, it remains undervalued compared to precious and industrial metals



Source: Bloomberg, WPIC Research. Note: Prices up to 15th Jan 2021

In H2-2020, platinum also had periods of strong positive correlation with copper (Figure 2, p2), illustrating periods where platinum positioning reflected its non-precious uses. Expectations of copper's strong demand growth, from continued global recovery and renewable energy infrastructure investment programs, prompted investors to add significantly to COMEX copper net length, now at 3-year highs. In contrast, platinum's current investor net length (Figure 5, p2), though building, is less than half the levels of January 2020. This is despite platinum's strong demand growth potential, from substituting for palladium in gasoline vehicles for more cost-effective emissions reduction under tightening regulations and in decarbonising transport and heavy industry by facilitating the growing green hydrogen economy. Indeed, **platinum's positive industrial demand outlook should provide investors with a strong incentive to continue to build platinum exposure from current levels.**

In 2021, over 65% of platinum consumption is expected in automotive and industrial uses, suggesting significant scope for platinum's continued strong correlation with industrial metals as the global economy recovers

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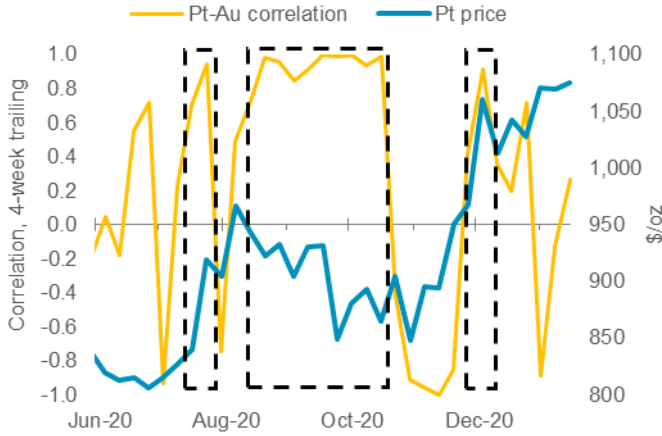
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Platinum's attraction as an investment asset arises from:

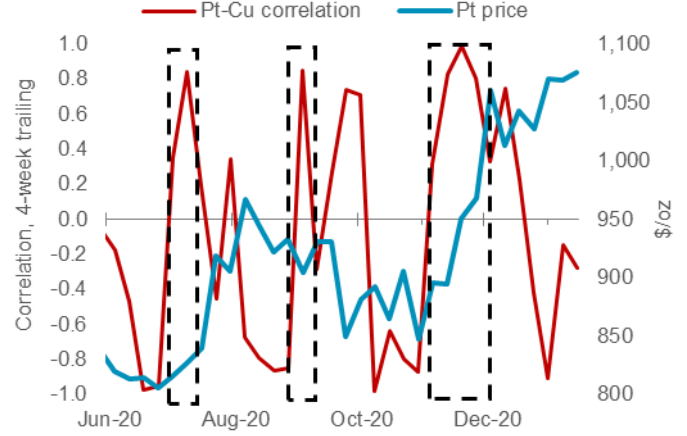
- Supply is relatively constrained with limited investment in new platinum group metal (PGM) mines
- Platinum price is near all-time lows relative to gold and at record lows relative to palladium
- Total PGM demand growth should continue due to increasingly restrictive emissions rules
- Market balance and price mismatches between palladium and platinum drives substitution
- Investment demand has surged as institutions begin to factor low price and positive fundamental outlook

Figure 1: Strong platinum price correlation with gold continues but disrupted by fundamental futures positioning



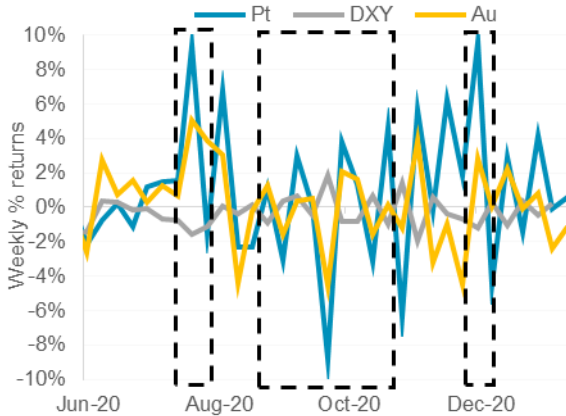
Source: Bloomberg, WPIC Research. Note: boxes indicate periods of highest correlation, data up to 15th Jan 2021

Figure 2: Periods of strong correlation with copper when NYMEX futures positioning reflects platinum's industrial uses



Source: Bloomberg WPIC Research. Note: data up to 15th Jan 2021

Figure 3: The platinum price remains more volatile than gold during periods of strong and weak correlation



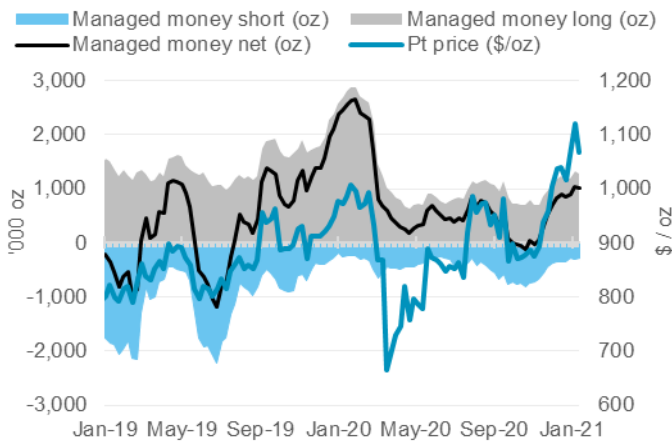
Source: Bloomberg, WPIC Research. Note: data up to 15th Jan 2021

Figure 4: Platinum remains significantly undervalued in comparison to gold, despite platinum's positive price performance since March 2020



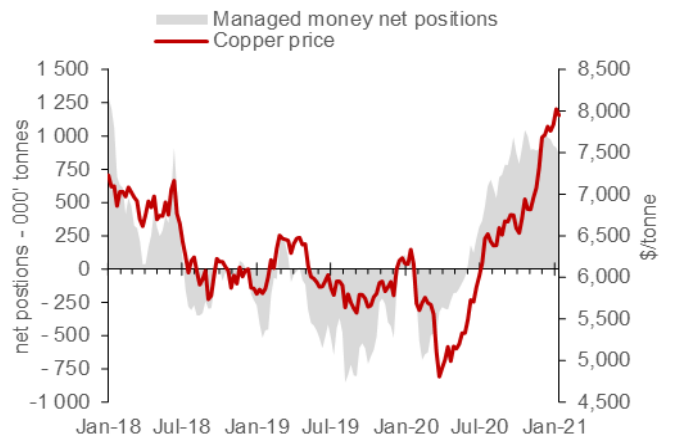
Source: Bloomberg, WPIC Research. Note: Prices up to 15th Jan 2021

Figure 5: NYMEX investor platinum net length, while building, remains well below levels in Q1 2020



Source: Bloomberg, CFTC, WPIC Research, Note: data up to 12th Jan 2021

Figure 6: In contrast, COMEX investor copper net length is now at its highest in over 3 years



Source: Bloomberg, CFTC, WPIC Research. Note: data up to 12th Jan 2021

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