



MARKET SPOTLIGHT

The view from London Platinum Week

Last week was London Platinum Week and the attendees were generally upbeat and more optimistic than last year, and the events were well attended. Perhaps this was because the platinum price had been showing some signs of life in the first few months of the year, rising from just under \$800/oz to over \$900/oz in April. However, as often seems to be the case in Platinum Week, the price fell, dropping \$37/oz to \$818/oz. Seasonally, platinum has had the strongest part of its year.

Given the large premium of the palladium price over platinum it was no surprise that the possibility for platinum to be substituted into gasoline autocatalysts was one talking point. Chinese jewellery demand has been declining for several years and Platinum Guild International (PGI) presented the latest view in the Jewellery Business Review.

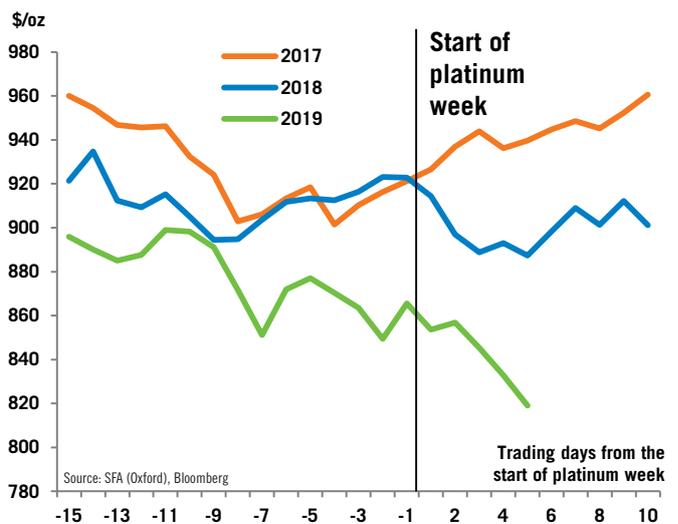
Substitution of platinum back into gasoline autocatalysts is a possibility. There are a few key criteria for automakers to consider before making a decision. There needs to be a large enough premium of palladium over platinum, with \$500/oz being suggested as a sufficient level. The premium reached that level in early January. The platinum and palladium market fundamentals are a consideration, with the availability of palladium a key issue. Since the platinum market is in surplus while palladium is in deficit, this should also push automakers towards substitution. In addition, there is an overriding need to adhere to emissions legislation. The increasingly complex aftertreatment systems used and more stringent emissions tests add to the cost and difficulty of changing formulations.

Companies are focusing on meeting increasingly tight emissions legislation, particularly in Europe and China, and are not in a position to expend time, money and effort on changing catalyst formulations. This suggests that the US is the most likely region where some substitution could occur.

The time from making a decision to investigate substitution to seeing a change in metal demand could be 2-3 years at a minimum. Substitution of 10% platinum in light vehicles in the US could amount to 200 koz of extra platinum demand in 2022, and a similar drop in palladium use, but that assumes that all automakers make the change.

Frederic Bühler, Global Head of Marketing & Sales for Pharmaceutical Ingredients for Heraeus, gave a presentation on Platinum's Growing Role in the Fight Against Cancers at the LPPM seminar. Platinum-based drugs continue to be a key part of the fight against cancer and with access to medical care expanding in developing economies, their use is likely to grow.

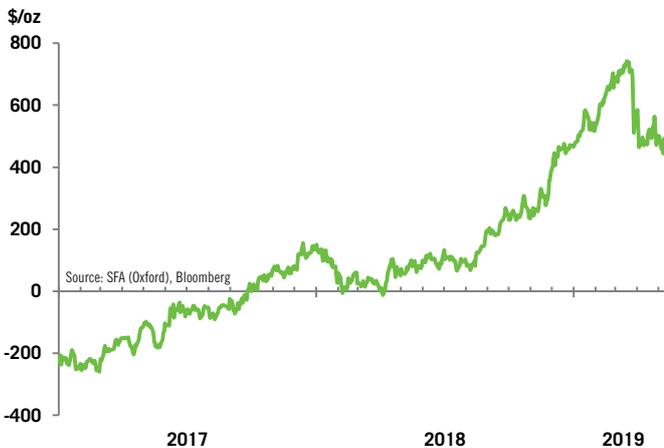
Platinum price around London Platinum Week





MARKET SPOTLIGHT

Palladium premium to platinum



PGI predicted a faster decline in China's platinum jewellery market this year. This follows a double-digit drop in 2018. Platinum jewellery demand from the region has halved in the last five years, although it still accounts for half of the global 2.4 moz market. The slower stock turnover than gold and the falling platinum price have discouraged retailers, and competition with white gold is increasing. High premiums over the metal price are causing continued declines in sales of platinum jewellery priced by weight, which still accounts for around three quarters of the Chinese platinum jewellery market. PGI highlighted the potential for growth from creating demand around major life events (e.g. birth of a child) and the growing millennial market, but more funding is needed to maximise returns.

Platinum jewellery demand is increasing in the rest of the world. India is the fastest growing market. Organised retail jewellery chains in India, which tend to stock platinum jewellery, are gaining market share. In addition, high margins on platinum jewellery are leading the metal to secure a greater share of the market. In contrast to sales in China, the low platinum price is proving beneficial in the US and Japan, both of which are expected to grow jewellery sales this year.

The large jump in ETF demand in Q1'19 has altered platinum market forecasts. WPIC (using SFA (Oxford)'s data) projects a surplus market of 375 koz after 785 koz of investment demand is taken into account. However, Johnson Matthey (JM) expects 858 koz of investment demand and predicts a market in deficit of 127 koz this year.

One other difference was that while SFA anticipates a decline in autocatalyst demand, JM projects a slight increase. This is attributed to growth in demand from heavy-duty trucks in China and India and a small rise in loadings on light-duty vehicles which offset a further decline in diesel car sales in Europe.

As the platinum market is projected to be in surplus and demand, excluding investment, is not growing the price is not expected to have much upside from current levels. For palladium, the market remains in deficit so the price should recover once the current correction has run its course.

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