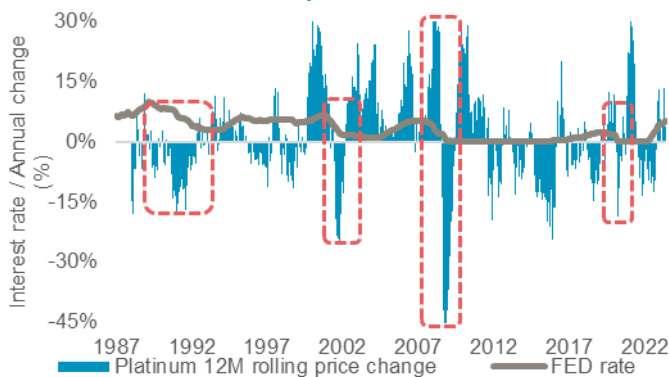


Projected platinum supply/demand deficits should provide price support through economic downcycle

Analysis shows that the platinum price typically trends lower during economic down-cycles in combination with interest rate cuts. However, as the platinum market is forecast to enter a period of sustained deficits due to down-cycle resistant factors, we expect prices to prove more resilient during this cycle, or move higher.

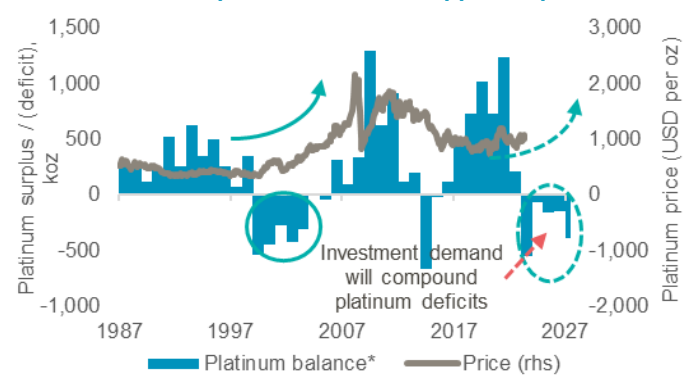
Global inflation peaked during the second half of 2022 and entering the second half of 2023, successive major central bank rate hikes. These appear to be concluding as yield curves suggest that rate cuts and the start of an economic downcycle are expected in 2024. Gold prices historically benefit during periods of decreasing interest rates (Fig. 1, overleaf), whereas platinum prices typically decrease (below left). A pattern is evident in platinum markets as rates decrease. Firstly, annual platinum demand growth decelerates (Fig. 3) which is explained by two thirds of platinum demand relying on industrial and automotive applications. Secondly, slowing demand growth can cause consumption-led surplus market balances (Fig. 4) and declining platinum prices. The trend of slower demand growth, market surplus and declining prices has occurred in three of the four primary rate cutting cycles of the past 35-years. The exception was the early 2000s. This period is unique because, since 1980, it was the only time platinum markets recorded over three consecutive years of consumption-led supply deficits —six consecutive deficits between 1999 and 2005. Since 1999 started “platinum’s super cycle”, this suggests sustained consumption-led deficits influence price setting more than the interest cycle (below right).

As rates decline, Platinum prices skew to the downside



Source: Bloomberg, WPIC Research

Sustained consumption-led deficits supported price rise



Source: Johnson Matthey 1987 to 21012, SFA (Oxford) 2013 to 2018, Metals Focus 2018 to 2023, WPIC Research *Platinum balance excludes investment demand

Whilst an interest rate down-cycle is expected to commence in 2024, our latest *Platinum Quarterly* ([link](#)) and two- to five-year outlook ([link](#)) project the platinum market to be moving towards a period with striking similarities to the early 2000's. The platinum market is forecast to move into deficit in 2023f, which will persist through 2027f. This is due to muted platinum supply growth in combination with resilient demand led by ongoing platinum for palladium autocatalyst substitution and the growth of the hydrogen economy, factors which are expected to be down-turn resistant.

While the scale of future consumption-led deficits are projected to be smaller than the early 2000's, investment demand will compound platinum supply/demand deficits (Fig. 6). During a down-cycle, declining interest rates narrow the spread between yielding assets and the metal, leading to higher investment demand (Fig. 5). This trend is more prominent with the advent of ETFs from the mid-2000's. **Accordingly, as the platinum market tightens with consecutive deficits, our expectations are that platinum prices will prove resilient to the downside or increase if the cycle is similar to the early 2000's.**

Declining interest rates are typically associated with decelerating platinum demand growth, market surpluses and lower prices.

Where platinum has exhibited sustained market deficits, it has been a precursor to rising prices even during an economic down-cycle

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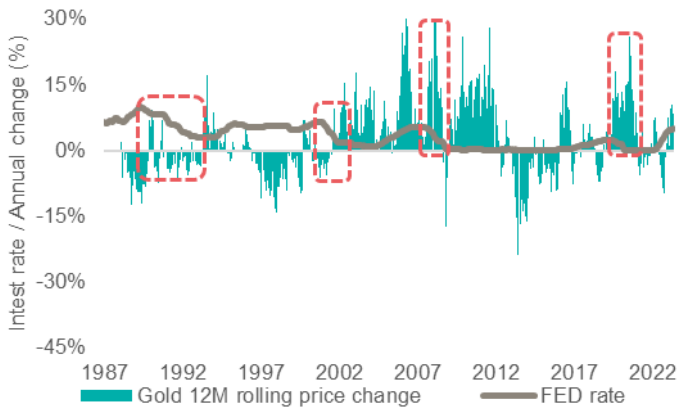
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Platinum's attraction as an investment asset arises from:

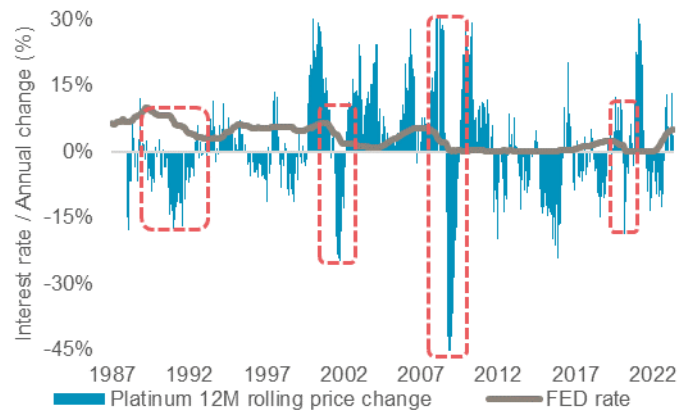
- WPIC research indicates the platinum market entering a period of consecutive deficits from 2023.
- Platinum can be considered a proxy for investing in the growing hydrogen economy given its use in electrolysers and fuel cells.
- Platinum supply remains challenged, hampered by electricity shortages in South Africa and sanctions against Russia
- Automotive platinum demand growth should continue due principally to substitution in gasoline vehicles.
- The platinum price remains historically undervalued and significantly below both gold and palladium.

Figure 1: Gold prices tend to respond positively during periods of declining interest rates



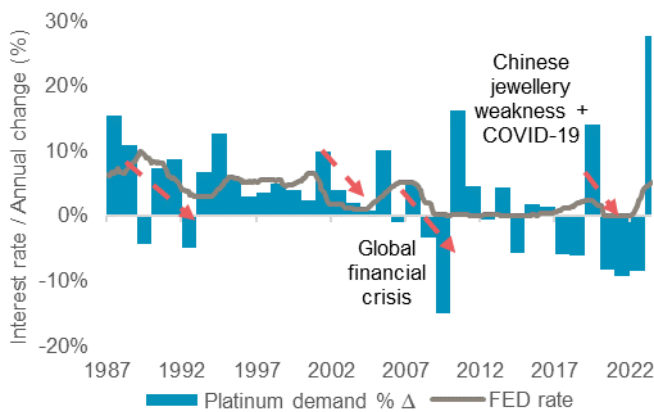
Source: Bloomberg, WPIC Research

Figure 2: With greater exposure to industrial demand, platinum prices decrease as interest rates are cut during periods of economic slowdown



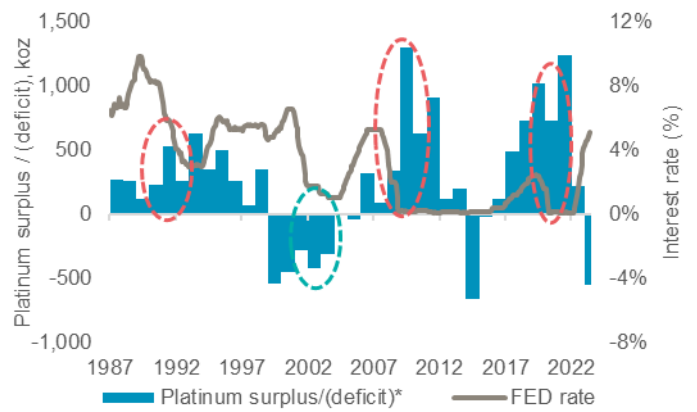
Source: Bloomberg, WPIC Research

Figure 3: The rate of annual platinum demand growth has always slowed during a rate cutting cycle



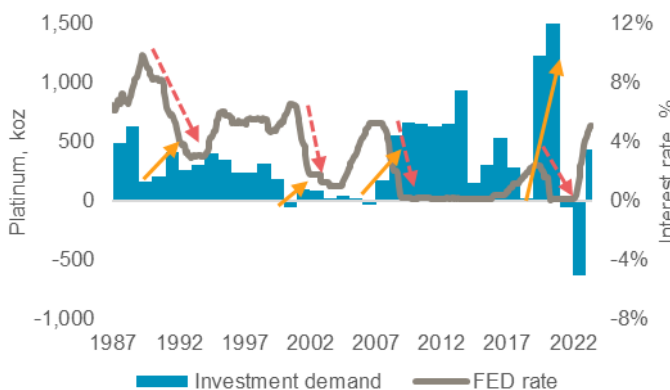
Source: Johnson Matthey 1987 to 2012, SFA (Oxford) 2013 to 2018, Metals Focus 2018 to 2023, Bloomberg, WPIC Research

Figure 4: In all but one rate cutting cycle, consumption-led platinum market balances have been in surplus



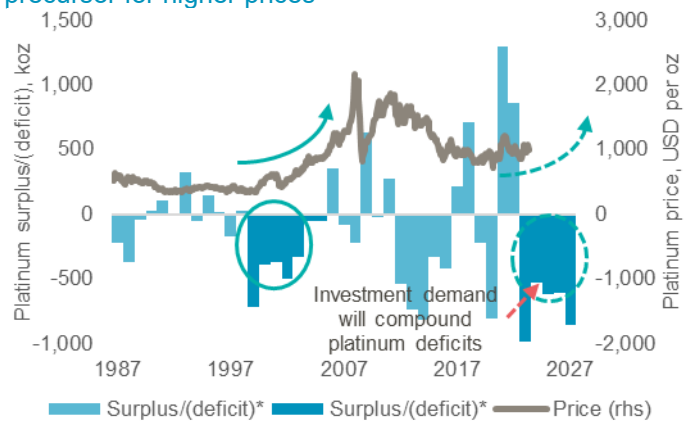
Source: Johnson Matthey 1987 to 2012, SFA (Oxford) 2013 to 2018, Metals Focus 2018 to 2023, Bloomberg, WPIC Research *Platinum balance excludes investment demand

Figure 5: Platinum investment demand increases as interest rates decline



Source: Johnson Matthey 1987 to 2012, SFA (Oxford) 2013 to 2018, Metals Focus 2018 to 2023, Bloomberg, WPIC Research

Figure 6: Sustained deficits from 2023f, similar to the early 2000's enhanced by investment may be a precursor for higher prices



Source: Johnson Matthey 1987 to 2012, SFA (Oxford) 2013 to 2018, Metals Focus 2018 to 2023, Bloomberg, WPIC Research *Platinum balances include investment demand

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