

What has driven platinum to multi-year highs?

Publicato il 21 febbraio 2021

Mobeen Tahir

Director, Research

Platinum prices have hit a 6-year high in February following a strong bounce back this year from a prolonged period of weakness. Given prices are still meaningfully below previous peaks seen between 2008 and 2014, the key question is whether there is significant firepower still in this possible rally. We outline some of the recent and potential future drivers of price.

A look at the markets

Platinum's gains have outshined those of other precious metals meaningfully so far this year. This is partly due to the metal 'recovering' from several years of price weakness. Platinum draws almost 85% of its demand from the automotive industry, particularly in diesel engine vehicles. The gradual decline in demand for diesel cars has been the primary headwind for the metal in recent years.

But investor sentiment towards platinum is getting stronger. Net speculative positioning in platinum has risen sharply since November last year, although it remains within one standard deviation above the preceding five-year average. A potential trigger for this could have been platinum's cheapness relative to gold, given the gold to platinum ratio was hovering close to record highs in November. It has come down since then but remains high relative to historic levels. This indicates that sentiment towards platinum is not overly stretched.

Holdings of platinum in exchange-traded products worldwide have, however, reached record levels (see figure below). But do the metal's fundamentals support this optimism among investors?

Figure 1: Platinum held in exchange-traded products is at record highs



Source: WisdomTree, Bloomberg. From April 2007 to 18 February 2021.

Historical performance is not an indication of future performance and any investments may go down in value.

A look at the fundamentals

On the demand side, car sales are expected to recover post-pandemic. Despite the structural shift away from diesel engine cars, this could provide platinum with a demand boost in the year ahead. On the supply side, concerns still abound on Covid-related mining disruption in South Africa – the world’s largest platinum producer. According to the World Platinum Investment Council, platinum had a record supply deficit in 2020 and is expected to remain undersupplied in 2021, albeit to a lesser extent. A supply deficit should, in principle, be supportive of prices.

A look into the future

Positive investor sentiment might not be limited only to a short-term boost in fundamentals. In addition to platinum continuing to make a case for itself as a cheaper potential safe-haven alternative to gold, its demand may rise with the advent of fuel cells. Fuel cells have the potential to become a viable alternative to battery technology for propelling electric vehicles. The technology not only requires platinum to catalyse the reaction between hydrogen in the fuel cell and oxygen in the air, but it also requires the precious metal in the production of hydrogen.

Jaguar Land Rover has recently announced its intention to test fuel cell powertrains within the next 12 months as it attempts to electrify its entire fleet by 2025. This is merely one of many examples of major

automakers seeking to explore this technology's potential. It is difficult to completely disassociate the growing interest in electric vehicles with platinum's recent rise.

Unless noted otherwise, data has been sourced from Bloomberg as of 18 February 2021.

Related products

+ [WisdomTree Physical Platinum](#)

Important Risks Related to this Article

Important Information

Marketing communications issued in the European Economic Area (“EEA”): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

For professional clients only. The information contained in this document is for your general information only and is neither an offer for sale nor a solicitation of an offer to buy securities or shares. This document should not be used as the basis for any investment decision. Investments may go up or down in value and you may lose some or all of the amount invested. Past performance is not necessarily a guide to future performance. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

The application of regulations and tax laws can often lead to a number of different interpretations. Any views or opinions expressed in this communication represent the views of WisdomTree and should not be construed as regulatory, tax or legal advice. WisdomTree makes no warranty or representation as to the accuracy of any of the views or opinions expressed in this communication. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares or securities in the United States or any province or territory thereof. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States.

Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.