



## IS PLATINUM AS GOOD AS GOLD?

Gold is a special investment asset in high demand due to COVID-19, but has the pandemic made platinum more precious?

Gold is widely recognised as the asset least correlated to other asset classes. In times of increased global risk more investors turn to gold as a risk hedge and as a store of value - its longstanding primary role. Platinum is seen by many gold investors as an industrial metal, vulnerable to economic downturns, but two developments during the global pandemic may have changed that.

Clean air experienced during the pandemic has given the world a glimpse of what is possible if air quality and climate change are successfully addressed. However, the negative economic impact of COVID-19 could further impede efforts in this regard, with the necessary funding becoming even more limited.

One development that has gained momentum, notwithstanding the unfolding global crisis, is the growth of the 'hydrogen economy'. Increasing numbers of national governments are recognising - through tangible strategies, policies and initiatives - that the use of hydrogen as a fuel for primary power and transportation is the most cost-effective and sustainable route to a better climate future.

Platinum sits in the sweet spot for facilitating the hydrogen economy due to its use in not only generating green hydrogen, but also in

fuel cells for fuel cell electric vehicles (FCEVs). FCEV growth is currently being led by heavy duty trucks and trains, with passenger cars a longer-term prospect. As the hydrogen economy and the FCEV market grows, it will create significant demand for platinum; this provides a robust basis as a long-term store of value.

In the meantime, as society transitions away from internal combustion engine (ICE) vehicles to electric ones - both battery and fuel cell - platinum demand will also benefit. The ongoing squeeze on public funds and the ensuing lack of funding for infrastructure such as electricity charging points, combined with the ongoing need to achieve more stringent emissions standards, which will require the ICE tail to be as clean as possible, means that demand for mild-hybrid diesel vehicles should rise. Platinum use could also rise as a consequence; mild-hybrid vehicles are equipped with platinum-based autocatalysts.



## Current market trends

Investor demand for gold during the pandemic has grown since the general collapse of asset prices in mid-March, with gold exchange traded fund holdings up by US\$49 billion or 20 per cent. Interestingly, since the platinum and gold price lows of 19 March 2020, at \$599/oz and \$1,474/oz respectively, platinum has significantly outperformed gold, rising 58 per cent versus gold's rise of 32 per cent. Importantly, for the first time in years, sentiment towards platinum is turning positive.

Platinum's price outperformance when compared to gold is no anomaly. In the two years subsequent to the price lows of the Global Financial Crisis (GFC) in late 2008, platinum's weekly returns

outperformed those of gold by between 30 per cent and 65 per cent.

After the GFC, platinum's price performance was not solely due to growing investment demand; exceptionally strong platinum jewellery demand and limited supply growth maintained positive investor sentiment despite very weak automotive demand.

In 2020, platinum market fundamentals have improved appreciably, with strong Chinese platinum imports, strong platinum bar and coin demand, growing recognition of platinum substitution for palladium in autocatalysts, as well as supply losses. The situation in 2020 has many similarities with the GFC and many gold investors may well now view platinum as more precious.

### Contacts:

Brendan Clifford, Investor Development, [bclifford@platinuminvestment.com](mailto:bclifford@platinuminvestment.com)

Trevor Raymond, Research, [traymond@platinuminvestment.com](mailto:traymond@platinuminvestment.com)

David Wilson, Research, [dwilson@platinuminvestment.com](mailto:dwilson@platinuminvestment.com)

Vicki Barker, Investor Communications, [ybarker@platinuminvestment.com](mailto:ybarker@platinuminvestment.com)



DISCLAIMER: The World Platinum Investment Council is not authorised by any regulatory authority to give investment advice. Nothing within this document is intended or should be construed as investment advice or offering to sell or advising to buy any securities or financial instruments and appropriate professional advice should always be sought before making any investment. Images are for illustrative purposes only. More detailed information is available on the WPIC website: <http://www.platinuminvestment.com>