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Platinum Ignores Fundamentals; When Do Deficits Push Prices?

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Platinum and palladium prices are 16% to 24% below their 2014 peaks, even as further deficits in 2015 are expected to follow last year's record shortage. The outlook for prices amid further deficits depends on one's definition of available above-ground stock, which must be depleted to meet supply shortages. Lower premiums on sponge PGM, the metals in their industrial form, shows evidence of looser market conditions, after last year's record deficit.

Key Points (5 of 9):

- * Another Platinum, Palladium Deficit Year May Finally Push Prices
- * Secret Swiss Platinum Group Stocks Keep Deficit Prices at Bay
- * Platinum Loses Investor Love as Prices Fall While Deficits Rise
- * Collapsing Chinese Palladium Imports Lag Behind Auto Production
- * EU Auto Growth, Regulations May Aid Platinum-Palladium Ratio

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Another Platinum, Palladium Deficit Year May Finally Push Prices

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Platinum and palladium will be in deficit again in 2015, according to consensus. Deficits may be below a third of last year, which were the highest in more than 10 years, according to Johnson Matthey. Consensus expects deficits to finally aid prices, with palladium up 10% by year-end, near its record high. Platinum, up 15%, may still be below 2012, even after four consecutive deficits. Johnson Matthey will provide a 2015 estimate on May 22 at the Bloomberg-CME precious metals forum in London.

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Another Deficit Year for PGMs			
2015 Balance:	Platinum (000 oz)	Palladium ('000 oz)	Date
Barclays	-311	-537	April
Citigroup	-327	-1200	Feb
Credit Suisse	-500		Jan
Norilsk Nickel	-340	-500	March
TDS	-722	-1125	December
WPIC	-235		March

* Estimates collected by Bloomberg Intelligence as reported in public press
Source: News, Bloomberg Intelligence

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Secret Swiss Platinum Group Stocks Keep Deficit Prices at Bay

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Platinum metal deficits may fail to create any near-term support for prices this year amid above-ground stocks for platinum estimated as high as 18 million ounces and of palladium at 21 million at the end of 2014. Estimates vary depending on the definition of what counts as available inventory, with the World Platinum Investment Council's figures closest to those held by physical investors, excluding industry holdings. Norilsk says only about 30% of platinum and 50% of palladium stocks are immediately available.

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Above Ground PGM Stocks					
End of 2014 Stocks	Platinum (Moz)	Exc ETF	Palladium (Moz)	Exc ETF	Definition
Citi	9.7	-2.72 7.0		-3.1	
Metals Focus	6.9	4.2	14.4	11.3	Investor, ETF, All Industrial ex-use
Mitsubishi	11.1	8.4			
Standard Bank	15-18 (2013 Est less 1.1 Deficit)*	12.3-15.3	21 (2013 Est less 1.6 Deficit)*	18.3	Inc. Working Stock Closed + Open loop
Norilsk (Total)	9.00	6.3	12.0		Consumer, Stocks in progress, ETFs, Exchange
Norilsk (Immediate)		2.5		6.0	Exc Exchange, ETF, Consumer, In progress
WPIC		2.53			Exc ETF, Exchange, Working Inventories
Source: Bloomberg Intelligence		*Defined	* Calculated		

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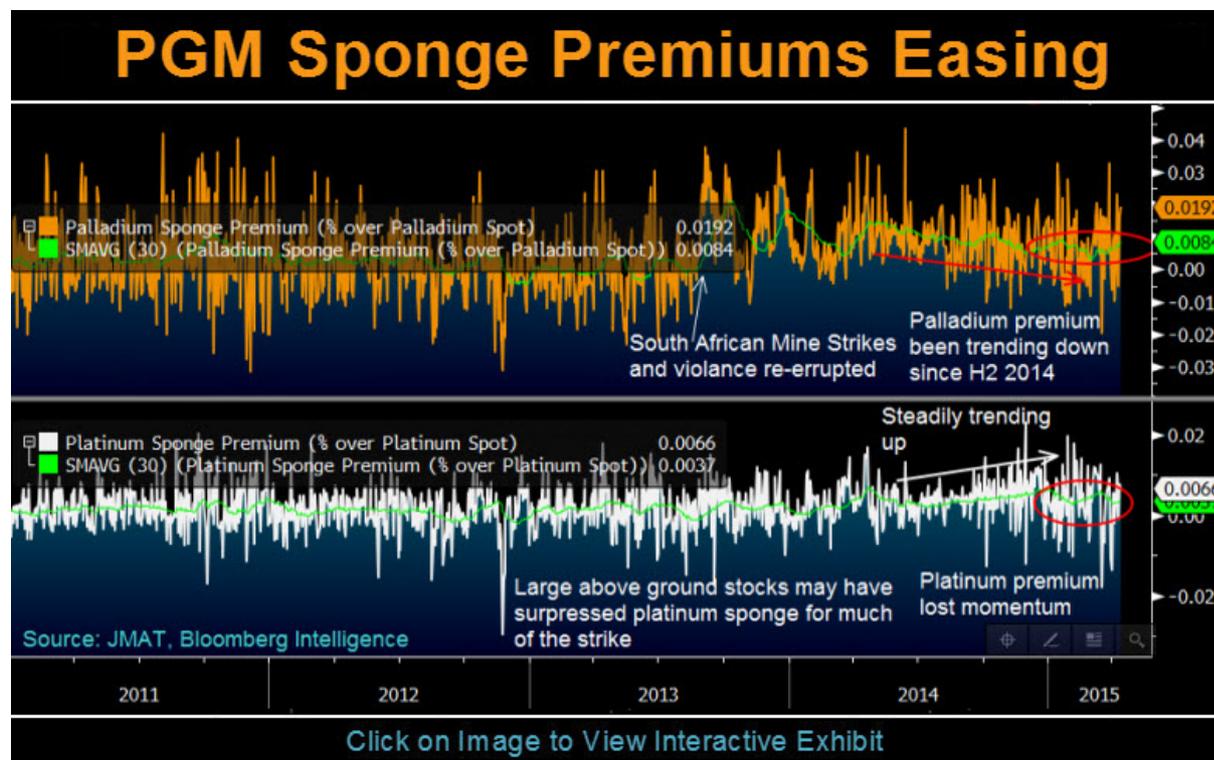
Sponge Premiums Suggest Squeeze Easing in Platinum and Palladium

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

The premium for sponge, or industrial-use platinum and palladium, has steadily declined this year, reflecting loosening supply chain conditions, after rising during a record 2014 deficit. The sponge premium rises when the industry has difficulty sourcing metal. The palladium premium rises when the industry has difficulty sourcing metal. The palladium premium leaped in late 2013 and is still well above historic levels due to stronger markets for gasoline-powered autos. Platinum is more in-line after falling gradually as strikes disrupted 20% of global mine supply.

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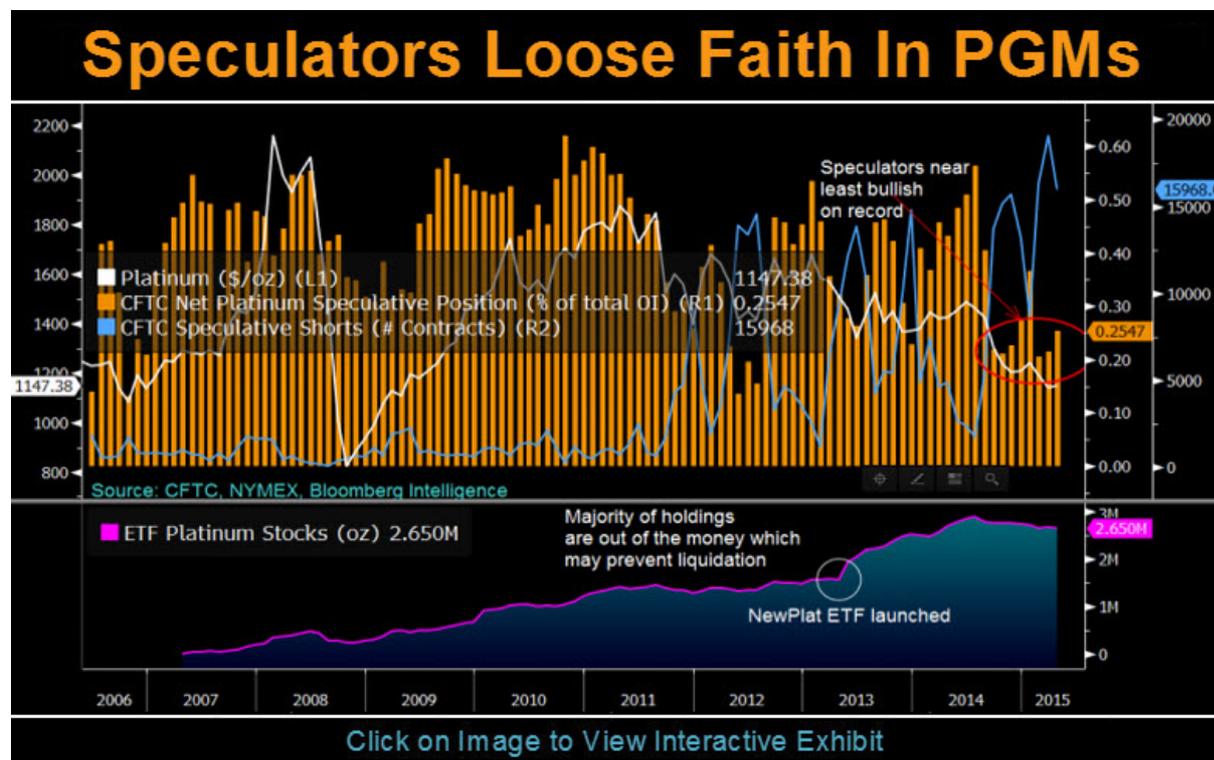
Platinum Loses Investor Love as Prices Fall While Deficits Rise

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Speculative short positions on platinum surged in March to a record as easing deficits met with already weak prices, down 13% in 2014 even with a record 1.13-million-ounce supply shortage. A similar surge was seen in palladium, though not a record. Falling prices may also be prompting investors in physical metals to liquidate with Japan turning into a net exporter last year. ETF holdings surged in 2013 and 2014 as new funds launched. Most holdings were purchased at higher prices, which may limit outflows.

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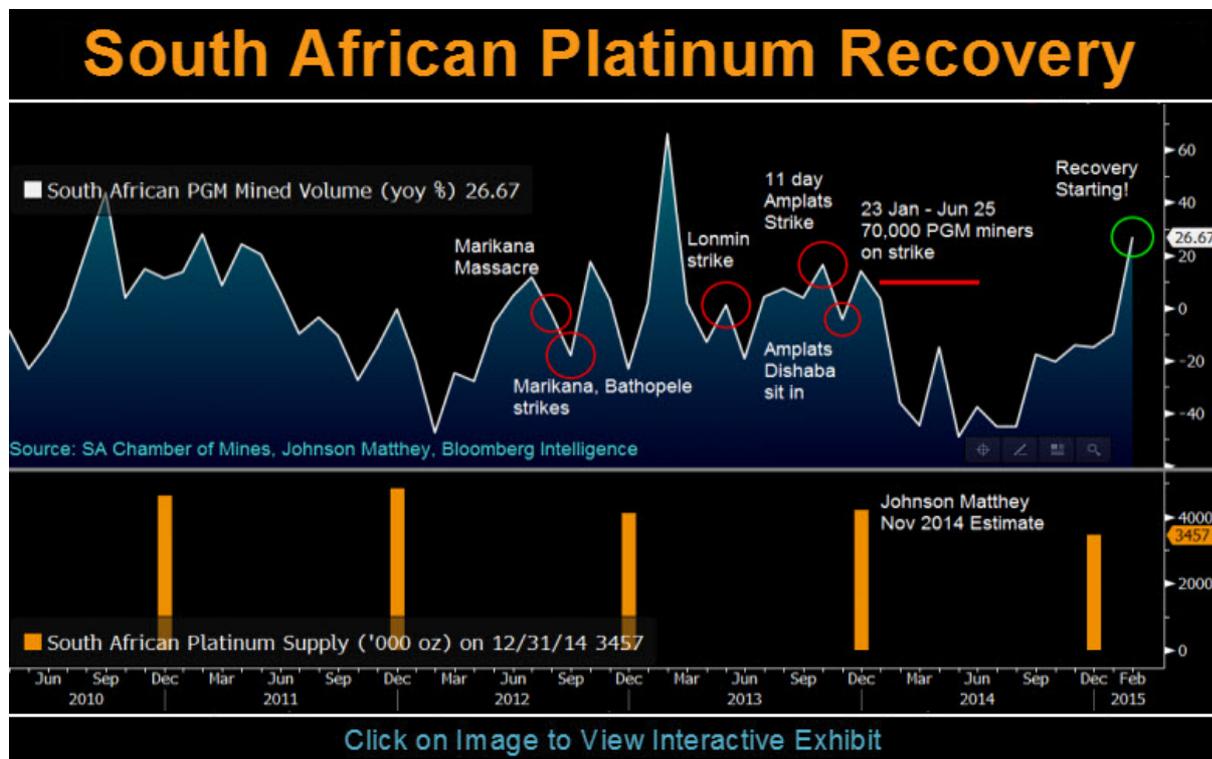
South African Platinum Output Makes Comeback Yet Hinges on Power

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

South African platinum group metals output rose 26% in February vs. the prior-year period, after strikes disrupted more than 1 million ounces of output in 2014, according to Johnson Matthey. The World Platinum Investment Council expects South Africa supply to rise 30% this year. Norilsk forecasts South Africa to return to full capacity of 4.4 million ounces. Power constraints may limit refining. Anglo American Platinum will perform refinery maintenance and build up concentrate stocks until power improves.

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Collapsing Chinese Palladium Imports Lag Behind Auto Production

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

A recovery in Chinese palladium imports has proved short lived even as auto production continues to grow. Total imports in September to February fell 35% vs. the prior-year period. Auto production, which dominates demand, rose 5%. Imports in 2012 and 2013 were similarly well below 2009-11 levels even as auto production rose 20%. Data from Johnson Matthey suggest that autocatalyst recycling in China is well outpaced by demand growth, implying that inventories built up over previous years are displacing imports.

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China Platinum Jewelry Demand Sends Stocks Down, Offsets Imports

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Chinese platinum imports fell to their lowest in at least six years in March, after a 22% drop in 2014. This came amid robust jewelry demand, suggesting that as with palladium, China has built up stocks that are offsetting imports. Chinese jewelry demand fell by a minimal 1.3% and will increase by about the same this year, according to the World Platinum Investment Council. Even with platinum prices at their six-year low, Shanghai Gold Exchange volumes of the metal are subdued as manufacturers use existing stock.

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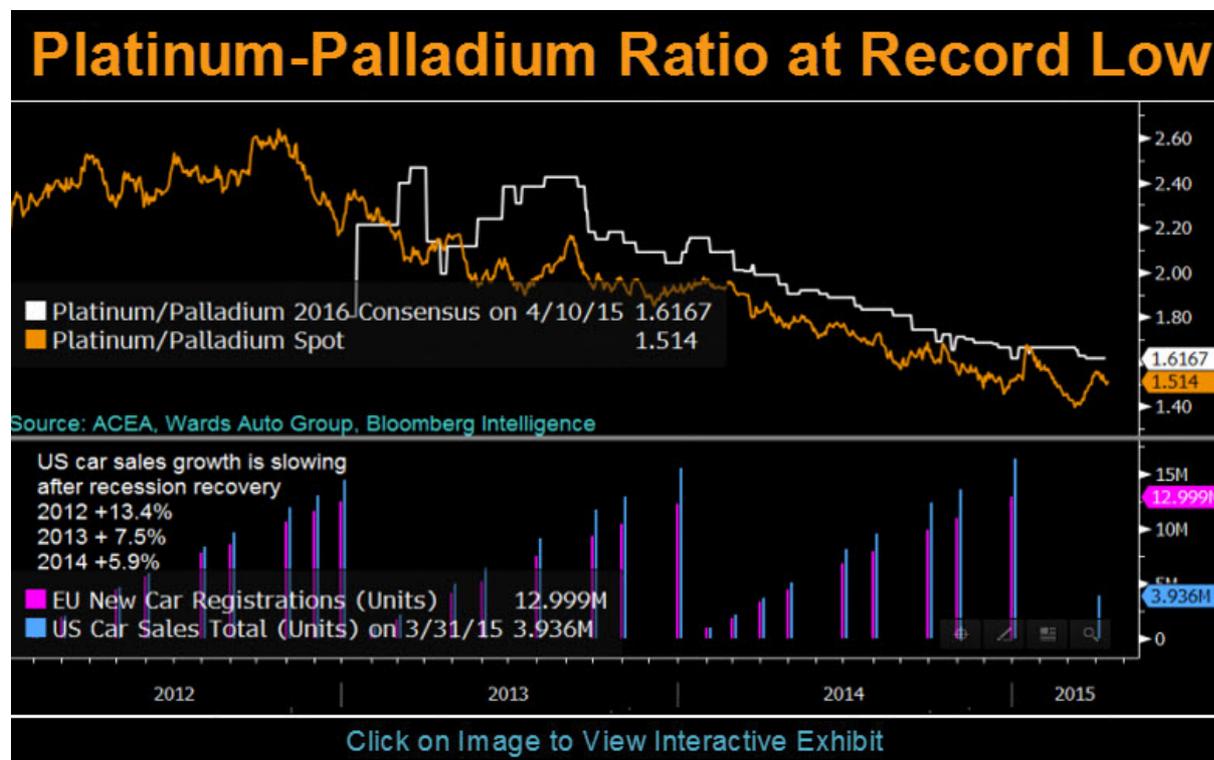
EU Auto Growth, Regulations May Aid Platinum-Palladium Ratio

Analysts: Oliver Nugent & Kenneth Hoffman

Apr 17, 2015

Platinum prices under performed palladium in five of the seven years since the global recession as a quicker recovering U.S. gasoline auto market and booming China compared with a sluggish EU dominated diesel and platinum auto market. The EU market did grow for the first time in seven years last year with new registrations up 5.4%. New Euro 6 emission regulations will gradually increase platinum loadings for many new models and combined with further auto growth may support platinum against palladium.

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