

# Precious Metals Watch

Group Economics  
Financial Markets Research

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## Is platinum the new gold?

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- In recent years platinum has been out of favour
- ... but since 23 August platinum prices have recovered
- Most of the negative news from the car sector is in the price
- Platinum is not 'the new gold' or a safe haven asset for now, but an extremely cheap alternative to gold
- We have upgraded our platinum price outlook

### Introduction

From the start of this year to 5 July, platinum prices underperformed palladium prices and gold prices by a wide margin, with only silver price performing worse. Since July, silver prices have caught up with gold prices, outperforming all other precious metals. In our [report](#) released on 23 August we focus on our silver price outlook. Since 23 August platinum prices have taken off. It could be argued that platinum has been supported by safe haven demand, because the recovery in prices happened in an environment when risk sentiment was weak. We totally disagree with this idea, and we lay out our arguments below.

### Most negative news from the car sector in the price

Global catalyst demand accounts for around 40% of global platinum demand. As a result, platinum prices react more to developments in the car sector and to the outlook for global growth and global trade. A weaker car sector and weaker global growth and trade will result in a downward adjustment in expectations for platinum demand. Meanwhile, more stringent car emission regulation results in more platinum content for car catalysts. We think that most of the negative news on the car sector was reflected in the price even though we think that the trend of lower diesel demand will probably continue (which is widely anticipated).

### Stretched underperformance of platinum

Since 2016 the price of palladium has almost tripled, while platinum was out of favour. This pushed the platinum/palladium ratio into extreme territory, levels not seen before. This year, gold has been the precious metal that has rallied, while again platinum prices barely moved until recently. This has also pushed the gold/platinum ratio to a new all-time high. So, platinum prices had become so cheap relative to palladium and gold that its recovery was long overdue.

### Is platinum the new gold?

We are of the opinion that platinum is not the new gold. Platinum lacks the liquidity that gold has, it is not held by central banks in their official reserves, and it has fewer “currency” drivers (less sensitive on the US dollar and on rate developments). But there are some similarities. For example, a rally in gold prices often supports silver and platinum as well. In addition, more negative-yielding bonds will support gold, silver and platinum (see also our [Precious Metals Watch – Gold: Near term correction risk](#)). Finally, jewellery demand and investment demand are seen in gold, silver and platinum.

We have already challenged the general adopted view that gold is a safe haven as it will probably in future behave more like a risky asset because of negative rates elsewhere (gold doesn’t have negative rates). If we seriously question that gold is a safe haven, platinum is certainly not one. For an asset to be a safe haven, its market needs to be extremely liquid and platinum is relatively illiquid. This does not mean that platinum from time to time behaves like a “safe-haven,” but this in our view reflects the following factors.

First, platinum is the only cheap alternative in precious metals. Palladium has been expensive for quite some time, notwithstanding the expected supply shortage. Gold has risen significantly this year, and considering investor positioning, the rally has gone too far. We think investors have realised that the risk of a correction in gold prices is increasing, and therefore they have opted for the relatively cheap alternative: silver. Since silver has already caught up, platinum was the only cheap alternative left in precious metals that would probably profit if gold prices continue to rally, but at the same time with limited downside given prices were (and still are) at relatively low levels. In short, platinum is not the new safe haven, but investors feel it is a cheap alternative to gold with probably less downside risks.

### Our new forecasts

We have changed our platinum forecasts to reflect more upside. Despite our outlook for global growth and global trade and the decline in the share of diesel cars, we think that platinum prices have been depressed for too long. It is extremely cheap versus gold, silver and palladium, and we can hardly imagine a sharp sell-off in platinum prices. As a result, we expect an increase in platinum/gold, platinum/silver and platinum/palladium ratios.

#### Platinum is cheap compared to gold ...



Source: Bloomberg, ABN AMRO Group Economics

#### ... and palladium



Source: Bloomberg, ABN AMRO Group Economics

## ABN AMRO Gold and silver price forecasts

Changes and new forecasts in red/bold

<b>New</b>										
End period	29-Aug	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Gold	1,537	1,281	1,324	1,409	1,450	1,400	1,450	1,500	1,550	1,600
Silver	18.50	15.48	14.68	15.31	16.50	15.50	16.00	16.60	17.20	18.00
Platinum	925	795	804	835	<b>900</b>	<b>900</b>	<b>950</b>	<b>1,000</b>	<b>1,050</b>	<b>1,100</b>
Palladium	1,485	1,264	1,384	1,538	<b>1,400</b>	<b>1,300</b>	<b>1,250</b>	<b>1,200</b>	<b>1,150</b>	<b>1,100</b>
Gold/silver ratio	83.1	82.8	90.2	92.0	87.9	90.3	90.6	90.4	90.1	88.9
Gold/platinum	1.7	1.6	1.6	1.7	1.6	1.6	1.5	1.5	1.5	1.5
Palladium /platinum	1.6	1.6	1.7	1.8	1.6	1.4	1.3	1.2	1.1	1.0
Average	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020
Gold	1,303	1,308	1,450	1,425	1,371	1,425	1,475	1,525	1,575	1,500
Silver	15.7	14.9	16.00	16.0	15.7	15.8	16.3	16.9	17.6	16.6
Platinum	848	845	<b>863</b>	<b>900</b>	<b>864</b>	<b>925</b>	<b>975</b>	<b>1,025</b>	<b>1,075</b>	<b>1,000</b>
Palladium	1,324	1,391	<b>1,500</b>	<b>1,353</b>	<b>1,392</b>	<b>1,275</b>	<b>1,225</b>	<b>1,175</b>	<b>1,125</b>	<b>1,200</b>
<b>Old</b>										
End period	29-Aug	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Gold	1,537	1,281	1,324	1,409	1,350	1,400	1,425	1,450	1,475	1,500
Silver	18.50	15.48	14.68	15.31	15.25	15.50	15.75	16.00	16.25	16.50
Platinum	925	795	804	835	780	760	800	820	840	860
Palladium	1,485	1,264	1,384	1,538	1,300	1,200	1,150	1,100	1,050	1,000
Average	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20	2020
Gold	1,303	1,308	1,383	1,375	1,342	1,413	1,438	1,463	1,488	1,450
Silver	15.7	14.9	15.28	15.4	15.3	15.6	15.9	16.1	16.4	16.0
Platinum	848	845	807	770	818	780	810	830	850	818
Palladium	1,324	1,391	1,419	1,246	1,345	1,175	1,125	1,075	1,025	1,100

Source: ABN AMRO Group Economics

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