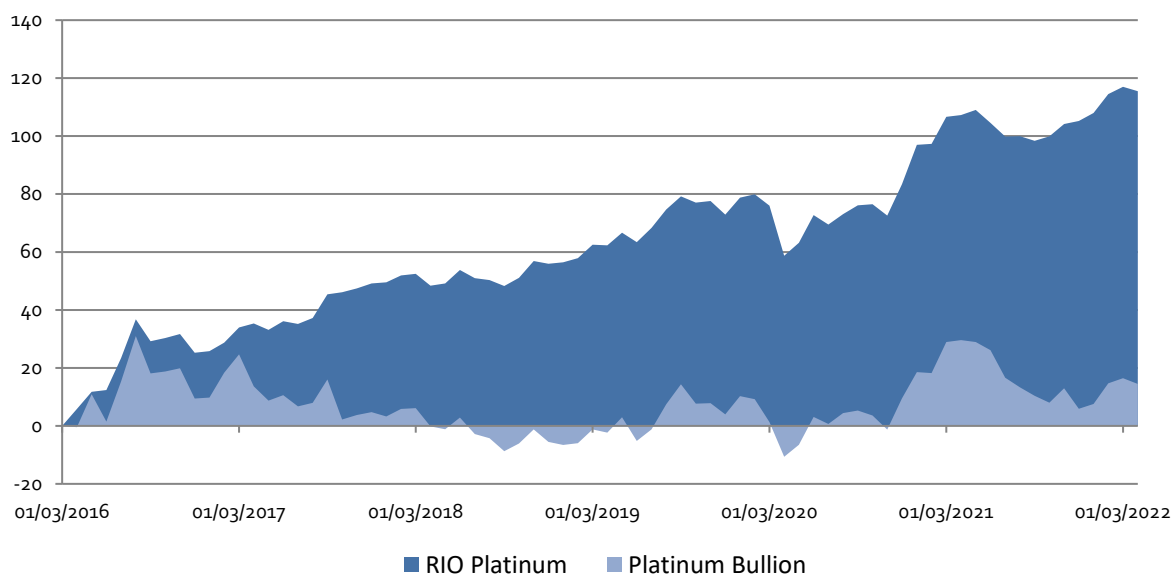




RIO PLATINUM ACCOUNT GBP



The above chart shows platinum's value over the past six years compared to the RIO Platinum Account GBP, an actively traded physical platinum investment.

An investment in spot platinum over the past six years would be very disappointing, but an investment in the RIO Platinum Account since launch over this same period, well it's a completely different story. Spot platinum in the past six years has produced 14.46%, the RIO Platinum Account has produced a gain of 115.46%; need I say more? Interestingly the account has never recorded a negative year since its launch six years ago.

Platinum

This metal's good fortune could arrive soon, arguably platinum is cheap. 15 years ago its value was double that of gold and historically platinum has been the more valuable, which makes sense as it is rarer. Historically platinum's value would be 1.25 times that of gold.

The supply of platinum is very centralized: over 70% of annual global supply comes from one region of South Africa, the Bushveld. This makes the market extremely vulnerable, for example, from strikes, and or political disruption.

On the supply front platinum mines continue to gradually recover from Covid-19 related operational disruptions. Supply has risen by 13% this quarter year on year. For 2021, total mine supply is expected to be up 25% on 2020 but recycling, another major source of supply, has declined by 9%, so actual supply is up by around 7%.

Meanwhile, because of the semiconductor chip shortage, car manufacturing has not grown by as much as originally forecast, up only 3% in 2020, and even less in 2021. This too has hit platinum's demand.

But there's good news; new regulations have heralded in the tightening of emissions, this in turn means that platinum used in catalytic converters must be increased. Some years ago palladium had replaced platinum as the main metal used by auto manufacturers, but the war has many questioning the supply of palladium, why? Well the world's largest producer is Russia! Additionally, palladium's value is far higher than that of platinum today. Our researchers have heard murmurings that a substitution is beginning to emerge. If the war in Ukraine continues I forecast that platinum will replace palladium and again be used in all types of engines.

The demand for new vehicles is set to increase as soon as chip shortages can be rebalanced, this is likely to be very good news for platinum.

Platinum is not in short supply, however if auto manufacturers switch from palladium to platinum, or should green hydrogen production increase, then the supply/demand trade will be on for sure!

For years platinum was in deficit. Annual demand was greater than supply and that pushed up prices. This may again be the case if auto makers switch to the use of platinum an industry change would represent a sizable upturn in demand.

There are building positives for platinum as demand from investment is also rising, both bars and coins have increased in the last few months. Finally, people have woken up and we have noted that inward investment to exchange-traded funds (ETFs) have fallen in favour of physical metal-based investment. Many are cashing out of ETFs, this bolstering the demand for coin and bars; this is good news for physical platinum products such as RIO's.

Platinum is also enjoying a resurgence due to green hydrogen; it would seem to be the best route to decarbonization. Platinum is used in water electrolyzers to produce green hydrogen, and also in hydrogen fuel cells, which can power fuel cell electric vehicles. Platinum is key to unlocking hydrogen and will thus be key to meeting global net zero targets.

But green hydrogen could be years away for the market to care now, and will the politicians of the world truly stick to their net zero targets?

Over the past year platinum has ranged in price between £675.59 and £901.09. The metal's value is currently at £745.80. Platinum looks set to rally in 2022/23 and in closing, platinum is a buy!

William Gray
The RIO Club