

US/European Daily Wrap

PLatinums 1day net & % changes, vs COT positioning

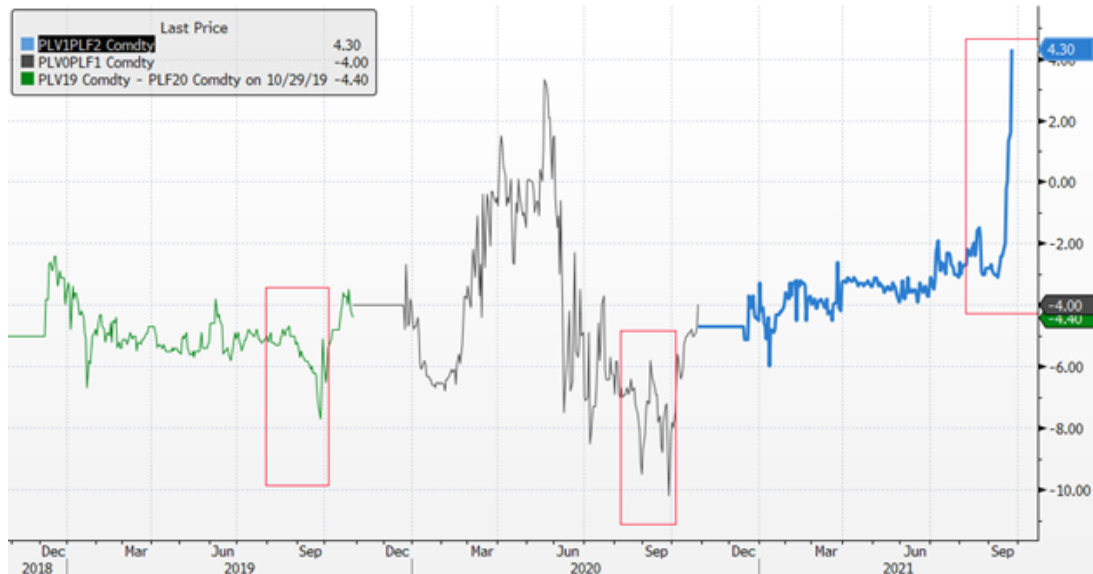
Peak COT shorts, of 1.5-2mn oz, drive >10% price rallies



PLAT Comdty (PLATINUM SPOT \$/OZ) plat 1day net % changes Daily 22SEP2016-24SEP2 Copyright© 2021 Bloomberg Finance L.P. 24-Sep-2021 15:37:09

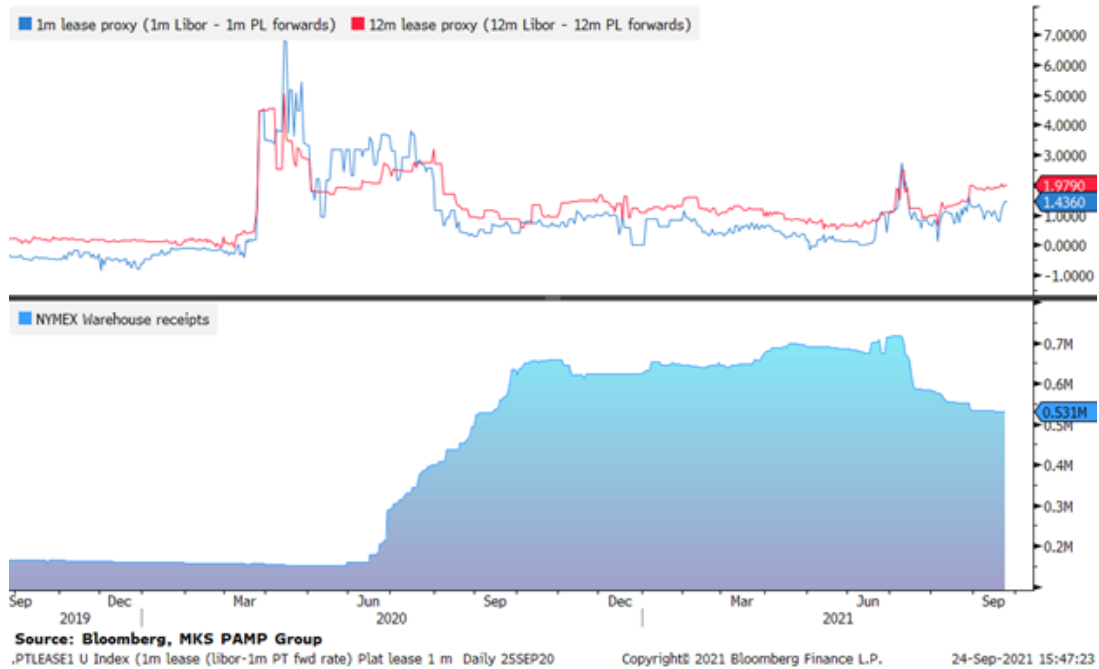
Platinum Oct - Jan switch

usually a contango, now tightening into first notice



PLV1PLF2 Comdty (PLATINUM SPREAD V1-F2) plat V/F spread Daily 21JUN2017-24SEP Copyright© 2021 Bloomberg Finance L.P. 24-Sep-2021 15:03:08

Platinum: 1m lease rates vs NYMEX Warehouse stocks some fundamentals (physical proxies) tightening up



- **Platinum was the clear outperformer this week, holding some gains of >3% (at one point it was up ~12% from the lows seen on the 20th).** That's historic for platinum, but especially considering Gold's performance was not supportive as it traded defensively post FOMC. The 21st/22nd move was the largest 1day % move since Feb '21 when platinum was breaking up though \$1200 ahead of Chinese New Year (which is reasonable back then since Q1 tends to be a very seasonally strong period for Platinum). The % move does seem outsized given its still such a cheaply priced asset under \$1000, and **while 1 or 2 "good days" doesn't make a trend, it is notable and warrants monitoring.** Chart 1
- Catalyst? There wasn't any major headlining catalyst (i.e.: SA supply risk, an major positive news around chips shortages, etc). If anything, **the macro backdrop was at one point against Platinum (US risk/stock plummeting earlier in the week on Evergrande, further Chinese growth fears, China out on holiday, lower Gold prices post FOMC, escalating chip headlines etc).**
- Who and why? **The paper market has been running very short (net short for 2 months now) so COT shortcovering can explain some not all of the repricing; they certainly are a large contributor.** Investors are short 1.44mn oz (current read, down from 1.5mn peak), with the previous 3 shortcovering periods seen in summer 2019 (+10%), Q1'19 (+17%) and Q3'18 (+14%). Those are outsized % rallies because all shortcovering periods occurred with Platinum <\$800 (is that the "price trigger" to begin unwinding?) AND positioning was much larger (> 2mn oz). **The average returns of 14% for those past 3 instances give some guidance of what could transpire; the high-low run the past 2weeks of ~12% has largely run its course, all else equal.** Chart 1
- **Substitution and/or industrial demand also be at play:** Chinese Platinum imports have been very strong due to HD demand (Q2 was a record for imports, with 2m oz already import YTD), so with price weakness, its possible of that continued demand. Even with the recent large repricings lower in PA and Rh, the gasoline autocatalyst is STILL more expensive, which supports the idea that substitution could technically continue (away from PA/RH to PT) especially on PT price pullbacks; the strong ~15% rebound in Rhodium (*the truth teller*) this week, also suggests that despite talk that OEMs have not been accumulating much inventory ahead of the expected 2023 pent-up demand kickoff when the chips issue is expected to be alleviated. **Industrial/Chem lease activity has ramped up and while there hasn't been very notable movements in front month lease rates, longer-term (12mo) lease rates are near 1yr highs.** Chart 3
- Futures/Roll interest: first notice is on Sept 30th and the Oct-Jan (V/F) switch has moved into a large back (that hasn't been the case the past 2 V/F rolls with the spread collapsing into first note day as lenders outweigh borrowers). **This is likely driven by a mix of 1) fresh spec**

interest into January/F contract (confirmed with some small inflows seen on today COT report) and 2) some nearby paper shorts rolling/borrowing aggressively. chart 2

- Overall, PT lease rates are bid, Zurich is in a backwardation, futures spreads are in a back, and sponge got somewhat tighter, yet consensus remains that Platinum is in real marked surplus... **Either these surpluses are getting tighter than the market expects (*market consensus has been wrong about PTs fundamentals before...*) and/or metal isn't getting to where its needed creating bottlenecks, market distortions and pockets of tightness.** The latter IS the new post COVID norm, and the only solver for supply/demand disconnects is price action. **Prices – physical indicators– need to rise further to incentivize the boatload of metal out of NYMEX warehouses... Then the (flat price) market can really get excited/rally**
- **The Bottom line is the bottom is in, and while the short term is fragile given the ongoing overhang of chip uncertainty, this week was a stellar performance amidst pockets of tightness that cannot alone be attributed to COT shortcovering.**

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