

# Can Platinum Market Deficits be Met by ETFs? Yes, But only at Much Higher Prices

By the World Platinum Investment Council



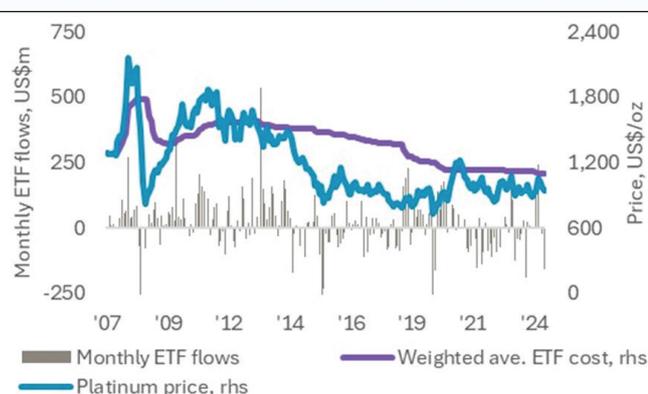
In our updated [two-to-five-year platinum market outlook](#), we expect platinum market deficits to average 769 koz from 2025f to 2028f. Drawing on above ground stocks (AGS) will be needed to supply the market, however, these are expected to be depleted during 2028f. A common argument is that despite depleting AGS, platinum prices will not respond to consecutive years of market deficits, since ETF disposals will fulfil metal shortfalls.

Platinum ETFs launched in 2007 and have accumulated around 3.2 Moz of physically backed holdings. This has supported platinum demand, but vice versa, disposals would result in ETFs acting as a source of supply. However, it is often ignored that platinum ETF demand stems from investors seeking a return on capital via platinum price appreciation. Hence, ETF disposals are

not price agnostic. By calculating the weighted average cost of metal held in ETFs, it is possible to estimate a price threshold required for metal to be sold.

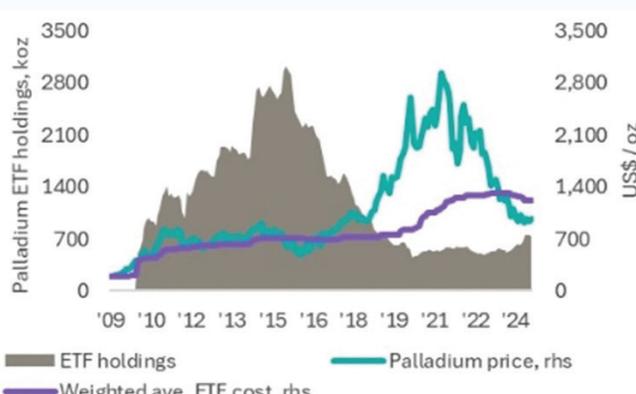
Palladium illustrates that the weighted average cost of ETF holdings is broadly the threshold at which ETF disposals occur in a market expecting consecutive years of deficits. From 2015 to 2020, palladium prices tripled, and ETF holdings declined from 3.0 Moz to 0.6 Moz. However, most disposals occurred after spot prices exceeded the weighted average cost of ETF holdings (Fig. 2). Accordingly, unless the platinum price sustainably trends above US\$1,100/oz, we do not anticipate large outflows and believe market deficits will only be met through the depletion of AGS. This could be compounded by the ongoing interest rate downcycle, which improves the competitiveness of non-yielding assets like commodity ETFs.

**Fig 1. Weighted average cost of platinum ETF holdings is estimated at US\$1,100/oz**



Source: Bloomberg, WPIC Research

**Fig 2. Most palladium ETF disposals occurred only after the spot price exceeded the weighted average cost**



Source: Bloomberg, WPIC research

This article is an abstract from a [WPIC Platinum Perspectives research report](#) that was first published in full on 15 October 2024. The opinions expressed in this report are those of the World Platinum Investment Council (WPIC) and are considered market commentary. They are not intended to act as investment recommendations. Full disclaimers are available on the WPIC website <https://platinuminvestment.com/disclaimer>.

