

PLATINUM FUTURES

New ingot and sponge monthly contracts will offer domestic mechanism to hedge price risks in China

Guangzhou Futures Exchange (GFEX), a Chinese national futures exchange dedicated to green commodities essential for the energy transition, revealed the details of its proposed platinum and palladium futures contracts during Shanghai Platinum Week 2024 (SPW).

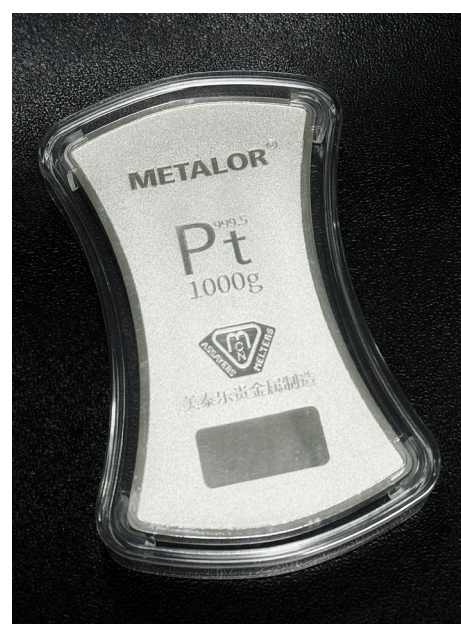
The RMB-denominated new contracts will be the first platinum and palladium derivatives available in China and mark a significant milestone in global platinum group metals (PGMs) markets, representing a significant shift in the way both metals are purchased and traded as well as how price risks are managed, for domestic market participants in China, but also internationally.

Key features of the new products from GFEX include twelve, monthly contracts, rather than the quarterly contracts typically offered by other exchanges, providing increased hedging flexibility and more frequent opportunities for settlement. Participants will also be able to opt to offset a position or to take delivery of either form of the metals if they hold contracts to expiry. Uniquely, platinum and palladium in the form of both ingots and sponge (pure metal in powder form), as opposed to just ingots, will be accepted if delivery is required. The ability to take delivery of sponge could be transformative for industrial users of PGMs, as well as automakers, as this is the main form typically used for their manufacturing purposes. No other exchange in the world currently allows delivery of sponge.

The new futures contracts will provide a mechanism for businesses in China involved in the PGMs market to hedge price risk and therefore better manage their operations. For example, the removal of price risk will allow platinum jewellery and investment product fabricators to reduce premiums on platinum products as well as the discounts applied on buyback.

Investment demand growth

GFEX's announcement comes at a time when platinum investment demand in China is experiencing significant momentum, boosted by an increased availability of investment products, including China Gold Coin's 10g and 100g Dragon platinum bar series and a 1kg bar produced by Metalor. Last year, investment demand in China for coins and bars under 500g grew 37% year-on-year to 52 koz.



Picture credit: Metalor

At least a further 100 koz of demand came from platinum bars in the 500g to 1kg range. This year, further growth is forecast, with coin and small bar (below 500 g) investment demand alone expected to reach 60 koz.

Established in 2021 to create one of the most influential and important annual events for the global PGMs sector, SPW is co-organised by the World Platinum Investment Council, Anglo American plc, China Gold Association, and the China Precious Metals Industrial Committee.

This year, the conference and exhibition attracted more than 500 delegates from over 300 organisations, with online attendance reaching more than 770,000. Thirty-seven different organisations exhibited a wide range of products, from platinum investment bars, jewellery and hydrogen fuel cells to AI-related semiconductors, highlighting the diversity of PGM applications. Shanghai Platinum Week 2025 will take place 7-9 July next year.

Contacts:

Vicki Barker, Investor Communications, vbarker@platinuminvestment.com

Edward Sterck, Research, esterck@platinuminvestment.com

Brendan Clifford, Institutional Distribution, bclifford@platinuminvestment.com



NOTICE AND DISCLAIMER: © 2024 World Platinum Investment Council Limited. All rights reserved. The World Platinum Investment Council name and logo and WPIC are registered trademarks of World Platinum Investment Council Limited. No part of this report may be reproduced or distributed in any manner without attribution to the publisher. The World Platinum Investment Council is not authorised by any regulatory authority to give investment advice. Nothing within this document is intended or should be construed as investment advice or offering to sell or advising to buy any securities or financial instruments and appropriate professional advice should always be sought before making any investment. Images are for illustrative purposes only. More detailed information is available on the WPIC website: <http://www.platinuminvestment.com>