



Platinum: The Other White Bullion

By Jeffrey R. Paunicka

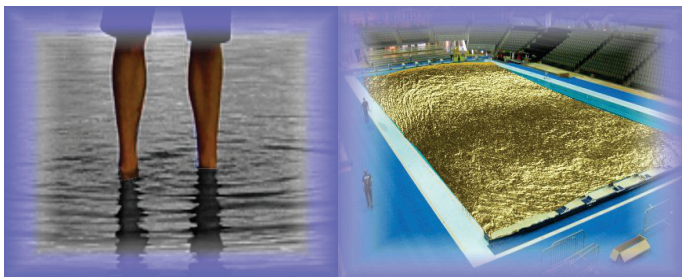
In the world of Numismatics we have the traditional products to work with: coins, currency, and bullion. The COVID-19 dilemma has also brought significant changes to our market with numerous cancelled trade shows, employment issues, and challenges to levels of disposable income. It has become apparent that collectors and investors have had to rethink strategies on how to wisely spend to make a difference for our futures. Since the crisis of COVID-19 started, the stock market dove to a low level that has begun to rebound in ways we have never seen before.

A fair portion of my time has been spent on recasting my portfolios to recognize the best returns on my investments. I have taken positions in silver and gold and played with options having very positive results. My research has gone deeper into looking for new opportunities that will provide me even better returns. In my digging through market data, I came across exciting information on platinum that is worthy of considering in keeping my portfolios diversified and again, profitable.

“Why invest in platinum?” was a big question, and the answer became clear. 1. Rarity. 2. Supply and demand, 3. Growth potential.

Rarity

Platinum is one of the rarest metals, occurring at very low concentrations in the Earth’s crust, it is 30 times more rare than gold. Consider this visual, all the platinum ever produced would only cover your ankles in one Olympic sized swimming pool. However all the gold ever produced would fill three Olympic sized pools.¹

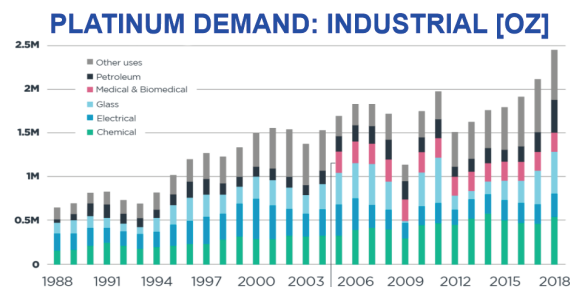


Supply and Demand

Typical uses of platinum are steadily increasing according to the World Platinum Investment Council. The only exception is the automotive industry as catalytic converters platinum are being replaced with palladium and a catalyst called Noxcat.^{2A} Manufacturing includes fertilizer production with conversions of ammonia to nitric acids, plus the production of silicone and non-toxic coatings. Even in Healthcare, platinum is a biological compatible metal. It is stable and unreactive with most body tissues. This provides use in surgical instrumentation, electro-mechanical/orthopaedic implants, and intraventional stents. All of which uses has increased dramatically.

Its unique properties have also seen heavy usage in renewable power situations. It has had heavy impacts on the production of clean hydrogen cells for power from forklifts to the space industry.^{2B}

Overall demand is down as well as supply due to the COVID-19 impact. But the investment side of owning platinum is up roughly 115%. That includes jewelry, coin and bullion. In recent years platinum has been almost half the price of gold, making it more affordable in the production of jewelry. That makes those precious rings and bangles easier on the wallet of the consumer. This investment demand is roughly 15% of the total use of platinum in the market and is increasing.



Supply Shortage

What grabbed my attention was its supply side of the economic equation was very limited. Platinum is only mined in basically two countries, South Africa (70%) and Russia.

I usually try to avoid taking financial positions in precious metal stocks that are related to mining for one reason; labor issues, Be it wage, environmental or social-political, the investment side of any precious metal should be considered to the metal as a commodity in itself and not mining issues. But with that said, mining concerns have limited the production in South Africa. Along with that, there is a considerable “barrier to entry” in the mining of platinum. It takes roughly 10 years for a mining operation to be effective. So new players in the market are few and far between.

Growth Potential

Platinum has not seen the increases in prices as gold and silver that we are experiencing in the COVID-19 recovery stage. Refer to the following chart comparing the percentage (%) price changes for a full year starting back in the summer of 2019. The chart shows that while gold and silver have increased 18% and 24% respectively, platinum remains below the level of where it was a year ago, at 80%. The price has yet to recover. As the recovery proceeds, there is more upward growth potential on the price of platinum. Combine that with manufacturing recovery, in my opinion, it is worth taking a position on this metal. Momentum and growth are two solid factors in picking winners.³

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About the Author

Jeffrey Paunicka is the President of Insight3, Portage Indiana. He has worked within the Financial Industry for 18 years and provides professional numismatic services. He holds an MBA from the University of Notre Dame and a BS in Chemistry from John Carroll University. He can be reached at (574)315-0238.

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Platinum Investments

The first obvious choice would be to buy Platinum coins. The United States Mint (www.usmint.org) has only a few numismatic platinum coins available. In fact they state that if you wish to purchase bullion style platinum to direct your inquiries to dealers. The British Royal Mint (www.royalmint.com) has a few platinum coins and a selection of bars available, but expect to pay steep premiums. I have also checked the Royal Canadian Mint (www.mint.ca) and Royal Australian Mint (www.ramint.gov.au) and was disappointed in the search results.



Liquidity

Attending coins shows (which is difficult right now considering the COVID-19 situation) and picking up platinum coins is a challenge since most dealers rarely have any in stock. That also made me think, "how would I safely liquidate any platinum when the time comes to do so?" Most dealers would either not be interested or would charge a hefty discount to take them. What made sense was the next alternative, buying platinum on the stock market. Not a paper representation, not a mining stock, but an equity that tracks platinum precious metal on the market and is secured.

Platinum ETF

An ETF is an Exchange Traded Fund that is bought and sold on the open stock market. There are basically 3 platinum funds, but I only suggest two of them for a simple reason. PPLT and PLTM are both "grantor trust" investments. That means they are settled daily and the holdings are on deposit in a secure financial institution. You are not buying a note that can be revalued for a variety of reasons. They are subject to audits providing additional confirmation of your holdings. The ETFs follow the platinum commodity price 24/7 and are valued at spot less a minimal management fee of roughly 0.5% that includes vault storage. That is not a bad proposition.

With today's brokerage accounts charging minimal or no transaction fees, that even makes it more advantageous to having a clean direct purchase or sale. Plus whenever you want to liquidate your position you sell it like a stock and its traded without a hassle at the current market price with the money going directly into your account.⁵

Risks

There is always some risk that comes with investing in precious metals. Prices for metals can drop during times of economic certainty. That can put a damper on heavy precious metal investors. Selling may be a challenge during times of economic volatility, as prices increase. Finding a buyer for physical metals at that time may be difficult. A position with an ETF relieves that issue. Precious metals provide a useful and effective means of diversifying a portfolio. The trick to achieving success with them is to know your goals and risk profile before jumping in.⁶



The Prediction

The current market has strong support for platinum at the \$900 per ounce level. It has movement to go up and justified to \$1,300 an ounce through the end of the year and the probability to go even higher if a serious supply shortage develops (watch the South African miners and the Zimbabwe government).⁷

Acknowledgments and cites from:

1. World Platinum Investment Council - www.platinuminvestment.com
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- 2B. Plug Power Inc. - NASDAQ: PLUG
3. Zacks Investments Research - www.zacks.com
4. Fidelity Investments - Active Trader - www.fidelity.com
5. Investopedia - Barclay Palmer - www.investopedia.com
6. Reuters - www.reuters.com
7. Kitco Metals - Peter Hug Global Trading Director - www.kitco.com