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Coverage –

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Can platinum replace gold or silver for investment?

Today the metal market is in great demand. Gold, silver, platinum and now palladium are the most preferred investment options.

Historically, platinum prices run in tandem with the precious metals group (gold, silver, platinum and palladium). However, there are a couple of distinguishing characteristics to the "Rich Man's Gold." Platinum usually leads the other metals in any valid new bull move - albeit accompanied by palladium. Additionally, platinum is much more volatile on the upside and downside than is gold.

Whereas during normal periods of rising precious metals prices, platinum enjoys a few dollars premium over gold, the platinum/gold spread widens considerably when the group is in a strong bull posture. In fact the platinum/gold spread has reached more than \$200 occasionally during the last two decades. No one can foresee the future, but in the next precious metals bull market, it may well repeat the performance.

Platinum till today is known as "the Rich Man's gold" and I don't find any reasons for this white metal replacing gold or silver as an investment window.



Although they are both precious metals the prices of platinum and gold respond in very different ways to different economic and monetary environments.

Platinum tends to outperform gold during prolonged periods of economic growth or perceived monetary stability and to underperform gold during prolonged periods when confidence in the economy and the financial system is deteriorating. This relationship occurs due to gold's status, a status that has developed over thousands of years, as the ultimate form of money outside the financial system.

Also, platinum is largely used as an auto catalyst, for jewelry, chemicals etc. the hard material costlier than gold and hence finished price of that particular product tends to be high.

Platinum is used more in diamond jewellery. However, when used along with diamonds the jewellery becomes more expensive due to the material cost.

It is an Indian's and especially woman's mentality over the last 400 years that they love glittering gold but compare platinum's shine to that of silver. After all, they both come from the family of white metals.

As far as the annual supply of platinum is considered, it is only about 130 tons - which is equivalent to only 6% (by weight) of the total Western World's annual mine production of gold - and less than one percent of silver's yearly mine production. Another amazing platinum trivia is the fact that more than twice as much steel is poured in the U.S. in only one day than the total world's platinum production in one year - it is indeed scarce!

Also unlike gold, there are no large inventories of above-ground platinum. Therefore, any breakdown in the two major supply sources would catapult the price of platinum into orbit.

Keeping these supply and cost factors in mind, I don't see platinum replacing gold or silver as an investment window.