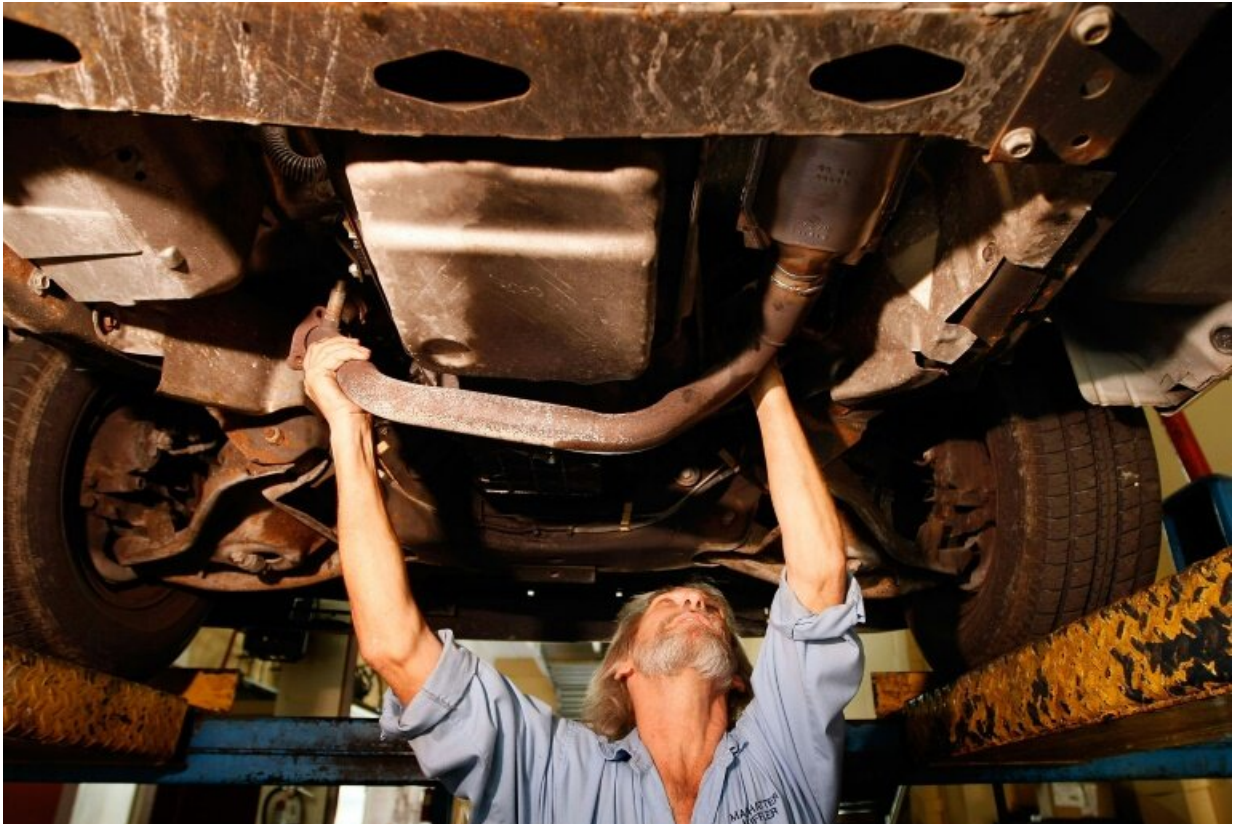


Rising star palladium shines brightly

March 3 2019, by Kevin Trublet With Andrea Palasciano In Moscow



Palladium is used to make catalytic converters for petrol engines

Palladium is blazing a record-breaking trail on supply deficit fears, fuelled by strong demand from carmakers as more and more consumers switch from high-polluting diesel to cleaner vehicles, experts say.

The precious metal, which is used in the manufacture of catalytic

converters for petrol engines, scored a record pinnacle on Tuesday at \$1,568 per ounce.

The commodity, which is mostly mined in Russia and South Africa, was also buoyed by supply-side woes and solid [demand](#) from China—despite a recent economic slowdown in the Asian powerhouse.

Palladium has rebounded sharply since striking a one-year low of \$836 per ounce in August, when it was rocked by a strong dollar.

"Demand for [palladium](#) in gasoline autocatalysts has seen strong growth over the last few years, driven by Chinese growth and a declining diesel market share following the Volkswagen scandal," said Renaissance Capital commodities analyst Steven Friedman.

Volkswagen's pollution-cheating "dieselpgate" scandal has also loomed large since 2015 because it hurt demand for diesel-powered vehicles in the longer term.

Germany's biggest carmaker lurched into crisis after admitting that it had fitted as many as 11 million of its diesel cars with software capable of fooling official pollution tests.

Golden palladium

In December meanwhile, palladium eclipsed gold in dollar terms for the first time in 16 years, and it has so far traded above gold for most of 2019.

It has benefited from weakening demand for high-polluting diesel cars that face tighter regulation worldwide.

In stark contrast, sister metal platinum—a key component in converters

for diesel engines—languishes not too far from a 10-year low that was struck last August.

Diesel accounted for 36 percent of new car registrations worldwide in 2018, according to data from automotive research consultancy Jato Dynamics.

That was sharply down from 44 percent in 2017, while the figure had stood at a record high 55 percent in 2011.

As a result, automotive demand for palladium jumped to a record high of 8.66 million ounces in 2018, up three percent from 2017, according to the world's largest palladium refiner Johnson Matthey.

Both platinum and palladium remain supported, to varying degrees, by tight global supply.

Tight supplies

"In 2018, the (palladium) market was in a structural deficit for the ninth consecutive year in a row," noted Russia's Norilsk Nickel, which is the world's biggest palladium producer.

And thanks to runaway prices, Norilsk Nickel enjoyed a 44-percent boom in net profit in 2018 to \$3.1 billion (2.7 billion euros) from 2017.

The palladium deficit shrank slightly last year, with global demand outstripping supply by 29,000 ounces in 2018, according to Johnson Matthey.

However, the situation appears set to worsen significantly this year thanks to tighter emissions regulation.

Johnson Matthey forecasts the deficit in 2019 to hit 1.0 million ounces.

"The deficit in the palladium market looks set to widen dramatically in 2019, with stricter emissions legislation forecast to stimulate double-digit rises in palladium demand from European and Chinese automakers," warned Johnson Matthey in its February market outlook.

The threat of strikes at South African mines—which together account for some 40 percent of global production—could worsen the situation.

But some analysts argue that a correction in the volatile palladium market is now overdue.

"The palladium market is probably one of the smallest commodity markets," Natixis analyst Bernard Dahdah told AFP.

"More likely one [market](#) player, someone is speculating by buying so much," he said, adding some commentators indicate Russia could be behind such a move.

By Friday on the London Platinum and Palladium Market, the price of palladium rose to \$1,540.93 per ounce from \$1,490.57 a week earlier.

Platinum meanwhile increased to \$863.14 an ounce from \$832.14.

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