



Platinum: The Best Precious Metals Play for a Recession

Description

Gold has [performed solidly](#) in recent months, as growing fears of a recession and the ongoing trade war between the world's two largest economies, the U.S. and China, continues to weigh on the global economic outlook. This has seen many investors elect to boost their exposure to safe-haven assets — the most widely recognized being gold. That has given all precious metals, including [platinum, a boost](#); platinum is up by almost 13% since the start of 2019, although that is well behind gold's 16% and palladium's whopping 34% gain.

Platinum has been one of the worst-performing precious metals and has failed to keep pace with palladium, another member of the platinum group metals, which keeps soaring to record highs. Palladium's stunning performance since mid-2016 has sparked considerable speculation that platinum will be the next precious metal to soar.

Will it bounce back?

Platinum was hit hard by the Volkswagen emissions scandal, which emerged in 2015, causing the popularity of diesel-powered automobiles to nosedive. This had a sharp impact on the white metal, because it is a critical material used in the fabrication of catalytic converters for diesel-powered vehicles. While this has led to a significant decline in demand for platinum, the growing consensus among analysts is that the metal is poised to recover.

A combination of an increasingly positive outlook for gold because of fears of a global recession and market correction, growing demand for platinum, and supply disruptions will give the white metal a healthy boost. Analysts are expecting global demand for platinum to expand by 5% and that disruptions to South Africa's mining industry, which is responsible for producing 68% of the world's platinum, will drive prices higher.

There is also some speculation that as palladium continues to climb higher, auto catalyst manufacturers will start to substitute cheaper platinum for palladium, which is a key material used in the manufacture of auto catalysts for gasoline-powered vehicles.

An attractive way to play higher platinum is development-stage miner **Ivanhoe Mines** ([TSX:IVN](#)), which has shot up by 39% for the year to date. Ivanhoe's flagship asset is the Platreef mine development located in South Africa in which it has a 64% interest.

Platreef is purported to be the world's largest precious metal deposit, which, on completion, is expected to be the world's largest platinum group metals mine and has reserves of 17.6 million ounces of platinum, palladium, rhodium, and gold. On commencing commercial production, Platreef is expected to be among the world's lowest-cost producers with cash costs of US\$371 per ounce of precious metal mined, making it a highly profitable operation in the current favourable operating environment. Ivanhoe is also developing the Kamoakakula, Western Foreland, and Kipushi projects, which will further diversify its reserves and earnings as they progress toward commercial operations.

What makes Ivanhoe particularly appealing is that it also benefits from higher palladium, rhodium, and gold prices because of the polymetallic characteristics of the ore body, making it an even more appealing play on the promising outlook for precious metals.

Foolish takeaway

There is every indication that platinum is due for a rebound and will catch up with other precious metals as demand grows. Ivanhoe is an attractively valued play on firmer platinum and will rally further once platinum commences its next leg up, making now the time to buy.

Nonetheless, as a development-stage miner operating in a variety of difficult, potentially unstable jurisdictions, it is not a low-risk investment. There is a multitude of hazards that could impact its operations and prevent it from bringing the Platreef mine to full commercial operations in accordance with its projections. For that reason, it is a speculative investment.

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