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Jewelers Want Platinum for Asians After Gold Vaults: Commodities
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Feb. 29 (Bloomberg) -- Platinum is luring jewelers away from gold after investors pushed up bullion prices to records escaping market turmoil.

Gold surpassed platinum as the most expensive metal used in jewelry in August for the first time since December 2008. Gold demand from jewelry makers dropped 3 percent last year, according to the World Gold Council. Platinum use climbed 1.8 percent, according to an estimate by Johnson Matthey Plc, a global marketer and distributor of the precious metal.

"Each time gold rallies and hits new key psychological levels, jewelry demand is impacted," said David Wilson, an analyst at Citigroup Inc. in London. "The switch last year, with gold overtaking, should be supportive for platinum jewelry demand."

Platinum jewelry's appeal is spreading, driven by China, which accounts for about 68 percent of consumption. In India, the world's biggest market for gold ornaments, the grayish-white metal's popularity is gaining among young women, with the switch partly explained by the surge in gold prices, Platinum Guild International country manager Vaishali Banerjee said in Mumbai.

"All retailers are reporting a strong uptake" in India, Banerjee said. "2012 will be a stronger year for platinum."

The yellow metal has climbed for 11 successive years and peaked at \$1,921.15 an ounce on Sept. 6 before retreating to close at \$1,784.23 an ounce in London yesterday, data on Bloomberg show. Platinum closed at \$1,718.50 an ounce the same day, up from a three-year average of almost \$1,546 an ounce.

'Platinum a Bargain'

"Consumers have begun to see platinum as a bargain since gold reached parity with platinum," Johnson Matthey said in its preliminary report for 2011. Even so, gold's use in jewelry still dwarfs that of platinum by a multiple of about 25. The gulf between consumption levels in rings, necklaces and bracelets signals the potential for platinum's growth.

Demand for gold from jewelers fell to 1,962.9 tons, or 63 million troy ounces, dragged lower by a 13 percent slump in the second half, the Council said. Jewelry accounted for 47 percent of gold purchases last year.

Platinum's use in jewelry rose to 76.7 tons, or 2.5 million ounces, according to Johnson Matthey.

Morgan Stanley in January forecast demand for platinum to rise, reversing its outlook for the metal in January from a report in April 2011. The bank expects jewelers' consumption of platinum to climb 8.9 percent this year and by as much as 36.7 percent from last year through 2017, compared with its earlier estimate of a 21.7 percent slump through 2016.

Gold Price Forecast

Gold's bull run may last for a further five to eight years, with the price of the precious metal more than doubling to as high as \$5,000 an ounce, Christopher Wyke, Schroders Investment Management product manager for emerging market debt, commodity and currency funds, said Feb. 24.

In the near term, gold probably will remain more expensive than platinum through next year, according to the median estimate of analysts surveyed by Bloomberg. Investment demand for gold in 2011 climbed 7 percent to a record 52.7 million ounces, or about \$79.2 billion, the Council said Feb. 16, boosted by concerns that economic growth would slow because of the euro region crisis.

Edel Tully, the UBS AG analyst who had the closest average forecast for the metal in the London Bullion Market Association survey for 2011 prices, takes a more conservative view on gold, estimating it will fall from \$2,050 this year to \$1,300 in 2015. She expects platinum to rise to \$2,031 from \$1,675.

Jewelry, Catalytic Converters

Jewelry is the second-largest application for platinum, accounting for 31 percent last year, while use in automobile catalytic converters slowed in the past five years, according to Johnson Matthey.

Even a resurgence in price may fail to take the shine off platinum.

“The end consumer that is going to buy platinum is less price sensitive,” said Jeremy Baker, the manager of Harcourt’s Belvista Commodity Fund, part of the Vontobel Group, which oversees about \$50.5 billion in assets. “The jewelry component is also growing a lot more in China and Asian markets. For that market, I wouldn’t say it is price sensitive.”

Gross domestic product per capita in China has more than doubled since 2000, according to the World Bank. The net worth of the 70 richest members of the National People’s Congress rose to 565.8 billion yuan (\$89.8 billion) last year, a gain of \$11.5 billion from 2010, according to figures from the Hurun Report, a Shanghai-based publisher of magazines that tracks China’s wealthy. The legislature has about 3,000 members, some of the Asian nation’s most powerful politicians and executives.

Chinese Demand

Chinese demand for platinum probably grew 2 percent to 52.4 tons, or 1.68 million ounces, last year, while India’s consumption reached 2.9 tons, or 93,200 ounces, last year, according Johnson Matthey.

In the U.S., where platinum jewelry mainly means wedding rings, Tiffany & Co. agreed to buy platinum directly from Billings, Montana-based StillWater Mining Co., starting last year. Tiffany celebrates its 175th anniversary this year.

Gold and platinum may face competition from another member of the platinum group of metals as producers seek to promote use of palladium for jewelry.

OAQ GMK Norilsk Nickel is looking for rising palladium demand from jewelers, Anton Berlin, head of marketing, said in an interview on Feb. 13. The Russian mining company accounts for 40 percent of global palladium sales and about 12 percent of platinum.

Palladium’s Properties

Palladium, at almost half the price of platinum, is used in jewelry to whiten gold in alloys. Jewelry accounts for 6 percent of consumption. It traded at \$710 an ounce on Feb. 28.

The metal is gaining attention in its own right for having the same rarity and strength as platinum, while being less dense and less expensive, said Stephen Webster, creative director of Garrard, the world’s oldest jewelry house.

Webster is also founder of Stephen Webster Ltd., which counts Madonna, Christina Aguilera and Sir Elton John among clients. Both Garrard and Stephen Webster Ltd. are owned by Californian billionaire Ron Burkle.

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