Can the palladium market continue to defy gravity?

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Palladium prices have risen from US$316/oz in January 2016 to US$2,329/oz today, representing an impressive 637% gain in just under 5 years. The big question investors want to know is where will the prices go from here? To get a feel for the answer, today I look at palladium supply and demand and what the industry expects.

Palladium prices have had an impressive rally since January 2016 up 637%

Source

2020 palladium supply vs demand forecast

Palladium supply decreased in 2020 due to COVID-19 related supply disruptions from South Africa, but palladium demand also weakened in 2020 due to a slowdown in conventional car sales due to COVID-19.

According to the world's largest palladium producer, Norilsk Nickel, 2020 global palladium supply is forecast to fall 14% and demand is forecast to fall 16%. Effectively balancing a market that was previously in deficit. This forecast suggests that palladium prices should remain relatively high in 2020, especially if auto demand continues to pick up in Q4, 2020.

Palladium (Pd) supply estimated to fall 14% and demand to fall an estimated 16% in 2020

Source

Mid term palladium demand continues to look strong as tightening auto-emissions rules are requiring larger volumes of palladium in exhaust systems (75% of palladium demand comes from catalytic converters). By 2030 onward 100% battery electric vehicles (EVs) may be taking significant market share that palladium auto demand begins to decline. At that point the EV and battery metals such as lithium, cobalt, copper, nickel, manganese and graphite should be doing very well as EV sales start to dominate.

In the mid term new palladium supply is expected to continue to be slow to come online as palladium is usually mined as a by-product of nickel or platinum mining. In the long term high palladium prices will most likely lead to more supply and some price reductions for palladium.

Best palladium performers on Sept. 30, 2020 from InvestorIntel's Palladium Watchlist

Source

A palladium company we have been watching lately is Canadian Palladium Resources Inc. (CSE: BULL | OTCQB: DCNNF | FSE: DCR1). Canadian Palladium is an exploration stage company that has a 100% interest in the East Bull Palladium Property in the Sudbury Mining Division in Ontario, Canada. The company recently found high grade palladium at their East Bull Palladium Property. Canadian Palladium also owns the Tisova Copper/Cobalt Project which gives them exposure to the EV metals market in the longer term. You can click the link below to read more.

- Canadian Palladium strikes high grade palladium at their East Bull Project

The palladium market continues to perform very well in 2020 despite COVID-19 related supply and demand issues. In the short term palladium demand should continue to recover as global auto sales recover. In the mid term palladium demand is expected to remain strong due to tightening emission standards globally. Norilsk Nickel forecasts the medium term outlook for palladium as neutral and the long term outlook as positive. Longer term, by 2030, palladium demand should begin to fall as we move faster to EVs and conventional internal combustion Engine (ICE) car sales decline rapidly.