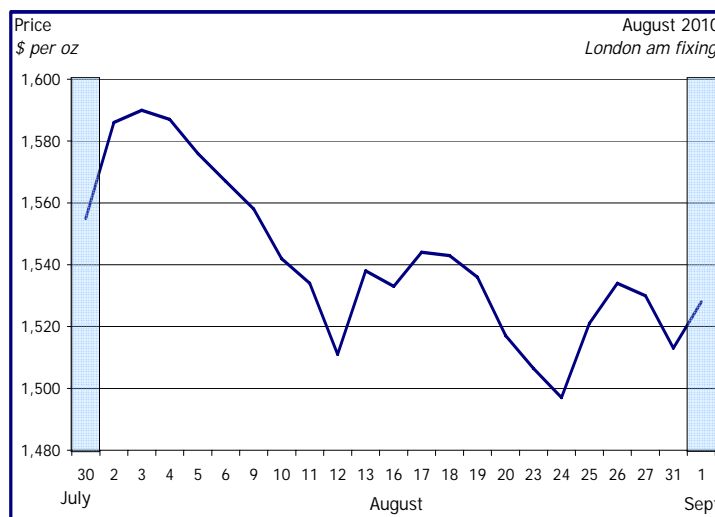


## The Platinum Metals Report – August 2010

Lingering concerns over the economic recovery dogged the commodities sector throughout August in thin trading conditions. The Federal Reserve's decision to make no change in its monetary policy and weaker Chinese economic growth data added to the negative sentiment, though pgm prices were propped up to an extent by adverse news from the South African mining industry. Lonmin was temporarily banned from selling its by-product base metals by the Department of Mineral Resources following the award of prospecting rights to a third party on part of its lease area, while wage disputes and the threat of strike action continued at Impala before being resolved towards the end of the month.

### PLATINUM

Platinum's first fix of August was a strong \$1586/oz, reflecting the supply-side concerns that had pushed the price up in the last few days of July, but also a wider rally of equities and commodities. The price continued to rise during the first few days of August, reaching a peak of \$1590/oz on the 3<sup>rd</sup> amid positive automotive data and continuing uncertainty in the National Union of Mineworkers (NUM) / Impala Platinum wage dispute.



Doubts about the global economic recovery were never far away this August and weak consumer spending and housing market data from the USA generated negative sentiment and a slide in commodities, with platinum reversing its earlier gains. The decline continued into the second week of August as the Federal Reserve's decision to leave its monetary policy unchanged and data from China suggesting a slowing of economic growth served to further depress global markets. Physical purchases of metal in Asia, together with South African supply concerns, helped prevent platinum from plunging even further. A modest recovery began on the 13<sup>th</sup> as the threat of strike action continued at Impala and the South African government's decision to suspend Lonmin's sales of by-product base metals was widely interpreted as adding to supply uncertainties. More positively, increased US manufacturing output data for July and strong company earnings results aided the recovery of platinum's price.

Platinum am Fixing Prices – August 2010			
	High	Low	Average
\$ per oz	1,590.00	1,497.00	1,541.12
£ per oz	1,003.80	965.80	983.56
€ per oz	1,214.40	1,169.95	1,192.60

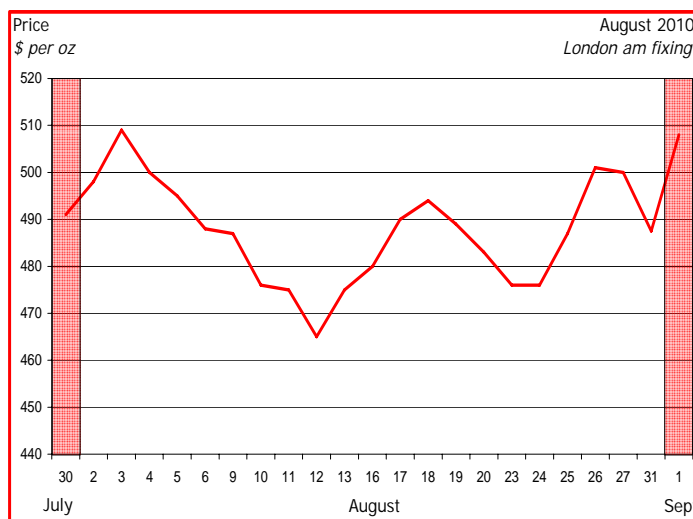
Once again, the positive sentiment did not prevail for long, poor US employment data stoked fears concerning the

sustainability of the global recovery and risk aversion set in, affecting the industrial metals. In thin trading, swings in investor confidence were more accentuated and platinum once again lost its gains of earlier in the week.

A proposed NUM strike scheduled for the 24<sup>th</sup> August at Impala's mines was called off on the 23<sup>rd</sup> pending further discussion between the two parties. In response to this news, and the general economic malaise, platinum dipped below \$1,500 for the first time in over a month, fixing at \$1,497 on the morning of the 24<sup>th</sup>. As this crucial 'floor' was breached, strong physical buying on the Shanghai Gold Exchange emerged to underpin a rising price, which was also buoyed by news of increased marketing activity for diesel in Japan. Platinum saw out the month at a relatively depressed \$1,513/oz as confidence faltered in anticipation of a mixed set of global economic data due out in the first few days of September.

## PALLADIUM

The first week of August saw palladium break the \$500 level for first time in almost three months, as the metal benefited from the wider rally in commodities during that time. Mirroring platinum, palladium's price plunged from the 3<sup>rd</sup> of August, bottoming out at \$465/oz on the 12<sup>th</sup>, wiping out the gains seen since mid-July. In particular, the negative outlook from the US and concerns that China's economy may be slowing caused palladium to slide, alongside other industrial metals.



From the 12<sup>th</sup> to the 19<sup>th</sup> of August, palladium was on an upward trend as South African supply issues came to the fore, and US manufacturing data suggested improved industrial output. Although palladium once again looked like breaking the \$500 level, the price fell on the 19<sup>th</sup> and 20<sup>th</sup> as the UK motor industry reported a fall in new car production in line with the ending of many European incentive schemes, and Chinese automakers looked like downgrading their sales targets.

Palladium am Fixing Prices - August 2010			
	High	Low	Average
\$ per oz	509.00	465.00	487.21
£ per oz	322.60	297.20	310.97
€ per oz	394.65	361.15	377.09

Downward pressure continued across the commodities sector as poor US employment data was reported, with palladium reaching

another low of \$476/oz on the 23<sup>rd</sup> and 24<sup>th</sup>, in line with a falling platinum price. After the 24<sup>th</sup>, a robust performance was seen by palladium as it withstood downward pressures and rallied to over \$500/oz on the 26<sup>th</sup>. Palladium dipped below \$500/oz once again on the 31<sup>st</sup> as fears resurfaced about the economic recovery on the eve of manufacturing reports from around the world. These turned to a 'risk on' mentality as August gave way to September and a more bullish outlook emerged, pushing palladium to over \$500/oz.

## OTHER PLATINUM GROUP METALS

Rhodium fell during the first week of August as it succumbed to the downward pressure on commodities, down to the JM base price of \$2,175/oz on the 6<sup>th</sup> compared with its starting price for the month of \$2,225. A good deal of buying interest continued into the second week of August, although this could not prevent rhodium from sliding to \$2,125/oz by Friday the 13<sup>th</sup>. The price remained at this level despite solid trading and an uncertain outlook for the automotive industry. Ruthenium also eventually succumbed to downward pressure and fell slightly to \$195/oz by the middle part of the month with softening

demand. For the whole month of August, Iridium stayed at the level of \$720/oz which it had reached in July.

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