

The Platinum Metals Report

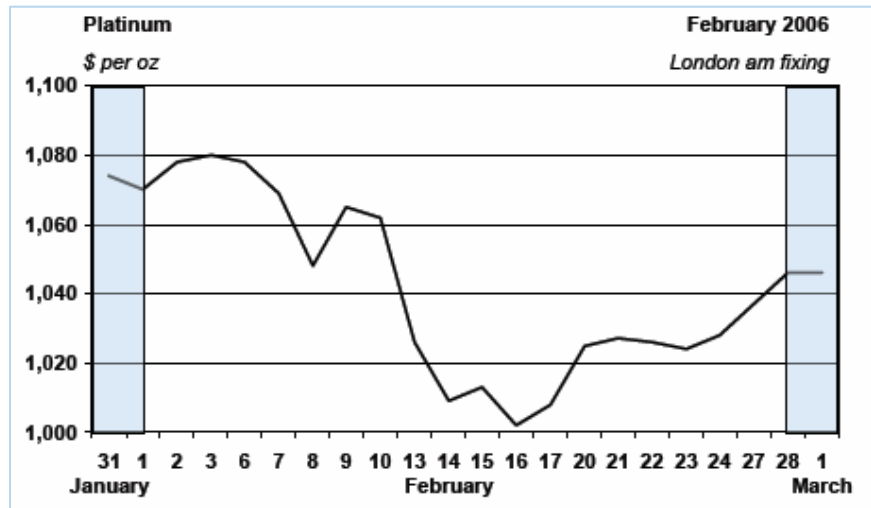
www.platinum.matthey.com

February 2006

Johnson Matthey

PLATINUM

Platinum started February at \$1,070, just \$4 below the new all-time high set on January 31st. The price tracked the movements of the gold market, dropping to a low point of \$997 (16th Feb. pm fix) before recovering some lost ground. The final fix was \$1,051, showing a loss of \$19 over the month.



After pushing back through the \$1,000 level to new all-time highs in January, the month started without any obvious direction. However, some hedge fund buying of platinum and other metals, coupled with nervousness over the Iranian nuclear programme, lent support to the price. As gold inched up, platinum posted some small gains and rose to its monthly peak of \$1,080. The platinum price dipped slightly, to \$1,078, on the 6th with some selling in Asia and little buying activity in China following the New Year holiday.

As platinum lingered in unexplored territory, fund liquidation in a number of commodities removed support from the price. As a result, the price tumbled to \$1,048 on the 8th with most future contracts on TOCOM ending limit down. Once this selling was completed, platinum bounced back on the 9th to \$1,065, helped by a \$10 recovery in gold.

However, this respite was only temporary and the downward slide restarted on the 10th and accelerated on the 13th, partly prompted by a firming dollar. The confirmation (on the 13th) by Angloplats of planned increases in annual production from 2.45 million ounces of platinum in 2005 to 2.7-2.8 million in 2006 then allowed the price to continue to slip lower.

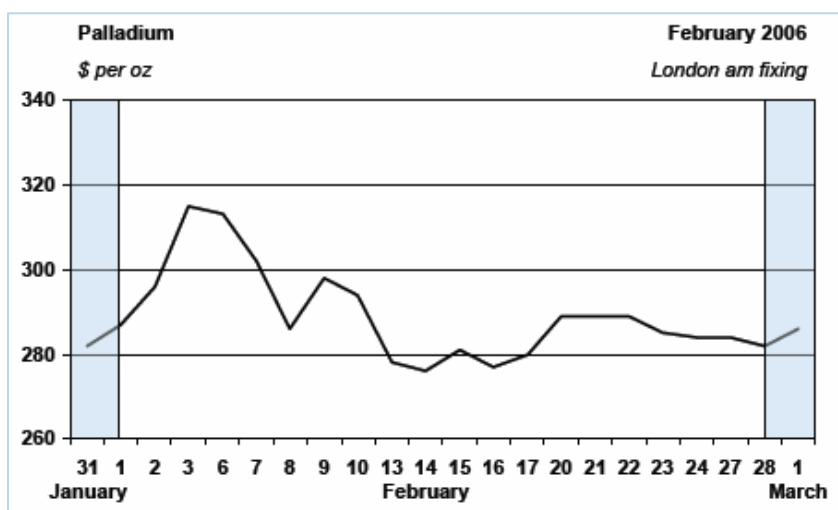
The bottom of this movement came as platinum hit its monthly low of \$997 (London pm fix) on the 16th at the same time as many other commodities. This represented a significant correction from the recent bull run experienced by platinum and most other metals. From here, it recovered, with fund short covering in Japan and Chinese jewellery purchases nudging the price back over \$1,000.

Although the gold price was flat for the second half of the month, platinum drove on and maintained a positive momentum in a relatively quiet market. During the week of the 20th of February, it crept upwards without testing the boundaries of its new range of \$1,020 to \$1,035. As gold recovered some energy on the 27th and 28th, platinum also gained traction and rose to \$1,051 at the final fix of the month.

Platinum fixing prices – February 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,080.00	997.00	1,041.40
£ per oz	614.25	574.80	595.80
€per oz	900.65	839.60	871.75

PALLADIUM

Palladium dropped \$1 over February, starting at \$287 and closing at \$286. Despite this seeming tranquility, there was considerable volatility with the price rising and falling almost ten per cent, and reaching a high of \$315, its highest since April 2004.



With platinum still strong at record levels, the palladium price received considerable support from its sister metal over the first few days of the month. Starting at \$287, it moved up to fix at \$296 on the 2nd, with heavy trading. Buying from hedge funds which considered this metal to be undervalued compared to the other precious metals then forced palladium significantly higher, to fix at \$315, a high for the month, on the 3rd.

A sell-off of gold and other metals removed support from the palladium price on the 6th and 7th. This combined with heavy selling on the fix (believed to be of Russian origin) to send the price down, as quickly as it had risen, to \$286 on the 8th, where it found some support from physical purchases. On the 7th, Norilsk Nickel confirmed that it signed a deal to supply DaimlerChrysler with some of its palladium requirements for autocatalysts. Nymex long interest from speculators peaked on the 7th at more than one million ounces before dropping 30,000 ounces below that level over the following weeks.

Gold and platinum both moved higher on the 9th and dragged palladium with them to \$298. However, it quickly fell back towards its lowest point of the month, at \$273 on the 16th, without testing the \$300 barrier again. This drop was partly driven by expectations

of a US interest rate hike, leading to a firmer dollar and weaker oil and metals prices. Norilsk's announcement on the 13th of a likely decrease in annual production of palladium from 3.13 million ounces of palladium in 2005 to 2.9 – 2.95 million in 2006 did not appear to provide any support to the price. Interestingly, for the longer term, Norilsk also revealed details of its platinum group metal reserves for the first time which were higher than many market commentators had expected.

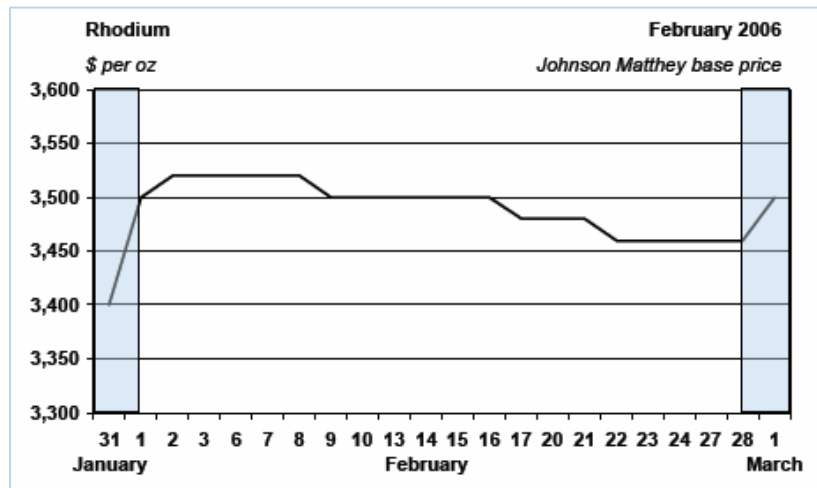
After a slight recovery to fix at \$280 on the 17th, the palladium market quietened considerably and the metal traded in a very narrow range for recent weeks of \$280-\$290.

Palladium fixing prices – February 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	315.00	273.00	289.30
£ per oz	178.65	157.40	165.50
€per oz	262.95	229.90	242.15

Although the price did not appear to be affected by any market developments over this period, eyebrows were raised at Swiss data showing imports of 500,000 ounces of palladium in January. Stillwater Mining also confirmed that it was on target to complete sales of the metal it received through its 2003 deal with Norilsk Nickel, again with little obvious impact on the price, which closed at \$286.

OTHER PLATINUM GROUP METALS

February was a quiet period for rhodium as it traded in a narrow range close to \$3,500. The price jumped \$100 from the end of January to start the month at \$3,500. After this, price movements were small and followed a downward trend. The final price, on February 28th, was \$3,460.



A quiet month saw the rhodium price drift sideways, decoupled from activity in the other precious metals. The price initially rose to its peak of \$3,520 on the 2nd. Soft demand at this level caused a series of small drops as traders probed the market for bids. These finally emerged on the last day of the month, providing some support to the final price of \$3,460.

The position was somewhat different in the other metals. Ruthenium started February at \$90 and closed at a four-year peak of \$105, driven by good, constant physical demand. The iridium market was also strong, with steady industrial buying pushing the price higher. Over the whole month, iridium posted a \$20 rise from \$205 to an end-point of \$225, its highest since early 2004.

© Johnson Matthey Plc, 2006.

Prices in charts and tables are London fixings or their equivalents in other currencies, unless otherwise stated. The information, text, graphics and links contained in these pages are provided for information purposes only. Johnson Matthey Plc does not warrant the accuracy or completeness of the information, text, links and other items contained in these pages and accepts no responsibility for any loss which may arise from reliance on information contained herein. To read our full disclaimer, please visit: www.platinum.matthey.com/info/disclaimer.html