

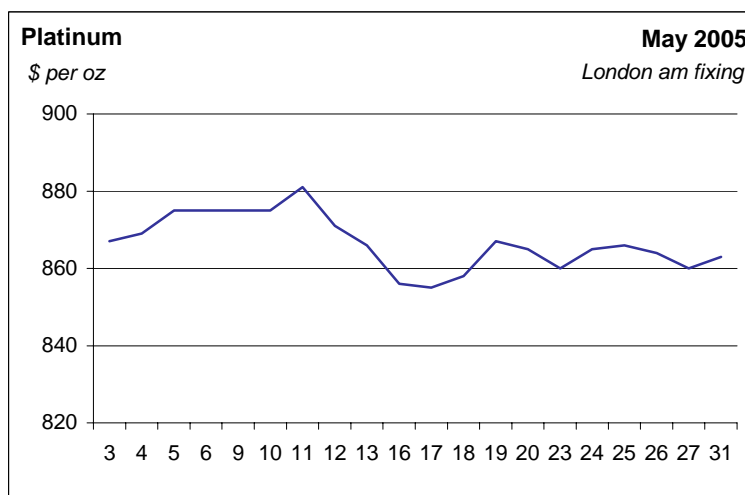
# THE PLATINUM METALS REPORT

www.platinum.matthey.com

May 2005

Johnson Matthey

**PLATINUM**  
**Price again fails**  
**to consolidate**  
**above \$880,**  
**drops back to**  
**solid support**  
**around \$860**



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***The platinum price chart for May was almost the reverse of April's – a brief fund-driven rally to just over \$880 during the first half of the month was followed by a quick slide back to around \$860, where good physical demand provided solid support. Both the physical and derivatives markets were quiet during the latter half of May and the price settled into a narrower trading range.***

Platinum began May quietly; the European markets were closed for a holiday on the 2nd and there was little action of note during US trading, the metal ending the day in the range \$868 to \$872. Not much happened the following day either, both fixings being settled at \$867. On the afternoon of the 4th, a moderate volume of fund buying came into the market and the price moved up to \$873. Volumes of physical trade, however, were light, particularly with Chinese buyers absent due to the Labour Day holiday.

The price traded steadily at or just below \$875 through to the 10th, when further speculative buying lifted the price to \$878 in the afternoon and to \$881 the following morning. At the same time, however, the US dollar had been strengthening quite significantly against the euro, rand and yen on the back of strong US economic data. During the afternoon of the 11th investors started closing long positions across the base and precious metals markets in reaction to the rising dollar and platinum slipped back to \$876.

This marked the seventh occasion since August 2004 that the platinum price had failed to consolidate a break above \$880. Reasons postulated for the strong price resistance around that level included selling linked to hedging of option positions, technical selling by commodity funds, and a fall-off in bids for physical metal by end users above \$880, with a combination of all three the mostly likely cause.

In any event, over the next few days the continuing rise of the dollar took over as the main influence on the metals markets, triggering fund selling and falling prices in platinum, gold, silver and copper. Platinum dropped to \$869 on the 12th, \$865 on the 13th, then to \$853 on the 16th as long positions were closed out. Significant volumes of metal were offered across the London fixings, whilst the net speculative position on NYMEX slid from almost 306,000 oz



to 209,000 oz between the 10th and the 17th. By that time the dollar: rand exchange rate had risen to R6.40, up from around R6.11 at the start of the month, whilst against the euro the dollar gained more than 2 per cent to almost €0.793.

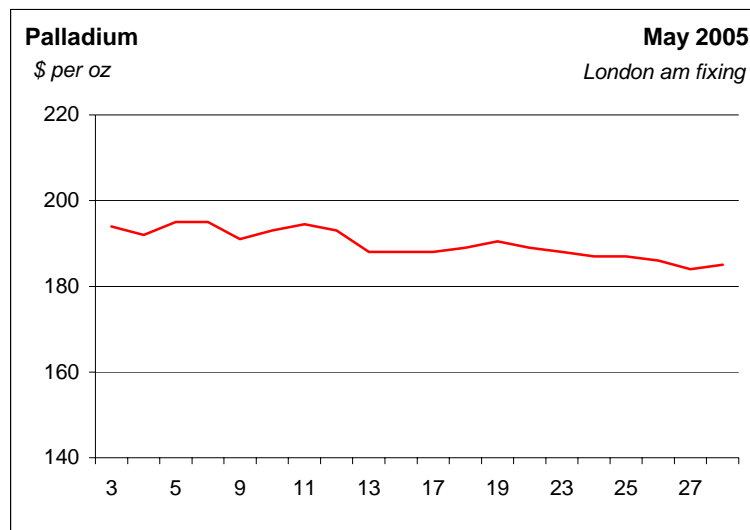
The fall in the platinum price below \$860, however, triggered an upturn in physical demand, particularly from Chinese buyers. Johnson Matthey also released its Platinum 2005 review, which gave a more positive outlook for the platinum market fundamentals than some analysts had been anticipating. Consequently, the price steadied and, as the fund selling came to an end, began to edge back upwards, recovering to \$860 on the 18th and fixing at \$867 on the 19th as some speculative short positions were covered.

From then on the platinum price traded more steadily, fluctuating between \$860 and \$867.50 through to the end of the month. Good support was provided by demand for the metal from end users, and there was little further change in the overall fund position on NYMEX, despite the dollar making additional gains against other major currencies. The solid fundamentals for platinum provided sufficient encouragement for those with long positions to hold on to them and deterred any significant shorting of the market.

Platinum fixing prices – May 2005			
	High	Low	Average
\$ per oz	881.00	853.00	866.50
£ per oz	474.20	453.45	467.01
€ per oz	692.13	674.27	681.99

## PALLADIUM

### Price slowly declines towards \$180 as funds cut back positions



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**O**n the face of it, the palladium market was *dismally dull* in May, the price drifting slowly down from the mid \$190s to the mid \$180s. However, when set against the fact that the net speculative position on NYMEX contracted by around 285,000 oz over the course of the month, the muted reaction of the palladium price was actually quite impressive.

The price of palladium had eased down from around \$200 to \$196 at the end of April, and remained close to this level throughout the first nine days of trading in May, fixing between \$191 and \$195.

On the 13th, the price was pressured by the stronger dollar and falling prices across the precious metals markets, slipping from \$192 to \$188. However, in contrast to platinum, the palladium price then held steady, trading at or very close to \$188 on both the 16th and 17th.



By then, the net speculative position in palladium on NYMEX had dropped by almost 120,000 oz to 668,000 oz as a result of both long liquidation and a significant volume of new short contracts being opened. In this context, the palladium price showed considerable resilience.

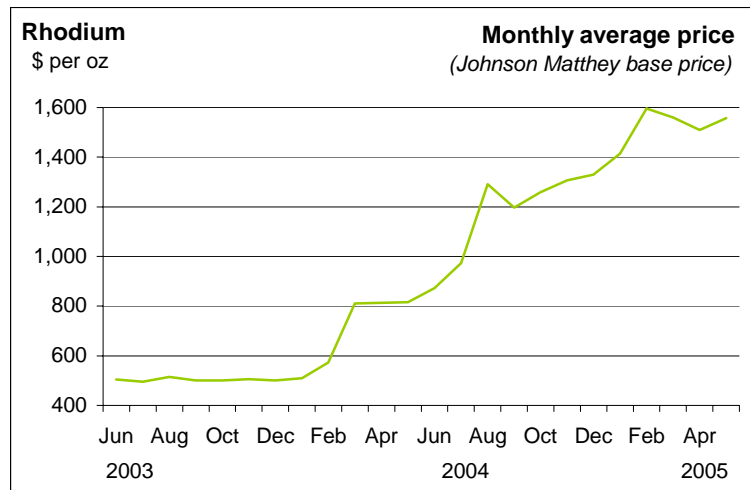
The remainder of May was even less eventful – the palladium price crept back over \$190 on the 19th, then gently subsided to \$184 on the 26th in the face of further fund selling, and ended the month at \$185. At the same time, the net speculative position on NYMEX had

Palladium fixing prices – May 2005			
	High	Low	Average
\$ per oz	195.00	184.00	189.73
£ per oz	103.70	100.85	102.26
€ per oz	150.87	146.00	149.31

fallen by another 166,000 oz to just over 500,000 oz as funds continued to add new short positions. The rather subdued response of the price to the fund activity was indicative of a willingness from the 'commercial' side of the NYMEX market (companies using futures to hedge price risk, rather than for speculation) to add to their long positions at prices below \$190, as well as continuing good demand for metal from the Chinese jewellery sector. There were also unconfirmed market rumours that significant option positions could be supporting the price.

## OTHER PGM

### Rhodium turns upwards again as offers of metal remain thin on the ground



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**A**fter having eased somewhat during April, the availability of rhodium began to tighten once again during May and the price moved up steadily to reach \$1,575. The ruthenium and iridium markets retained a firm tone during the month and prices for both metals edged higher.

The rhodium market began May steadily, the Johnson Matthey base price remaining unchanged at \$1,520 through to the 5th. Thereafter, a moderate increase in buying interest came into the market but failed to solicit any significant offers of metal. The price consequently pushed up to reach \$1,565 on the 12th, and edged up to \$1,575 on the 19th. The price then held firm at that level through to the end of the month, supported by lease rates in the 15 to 20 per cent range.

Ruthenium and iridium prices were sustained by solid industrial demand during May, the former edging up from \$67 to \$69 (the high point of the year to date) and the latter being marked up from \$155 to \$160.