

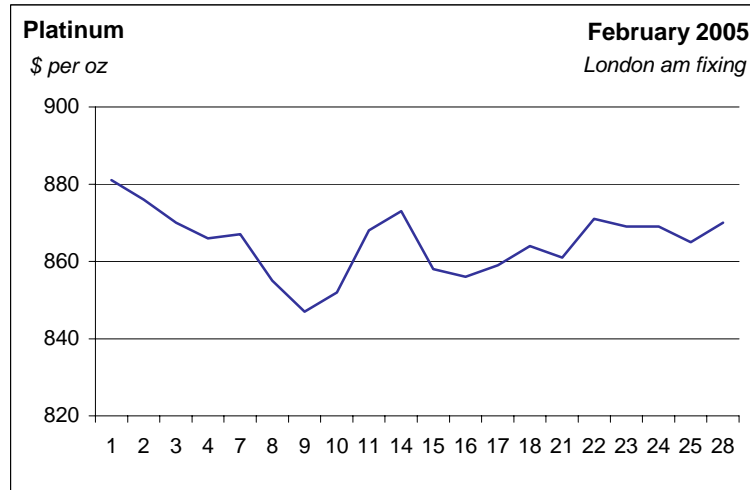
THE PLATINUM METALS REPORT

www.platinum.matthey.com

February 2005

Johnson Matthey

PLATINUM
Price slides to
\$847 on dollar
rally and Chinese
New Year, then
recovers



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Platinum began February firmly, fixing at \$881 on the 1st as the upward momentum seen in late January continued. However, fund selling came to the fore shortly afterwards, triggered by movements in the foreign exchange markets. With Chinese buyers also absent due to the Lunar New Year holiday, platinum fell to \$847 on the 9th of February. The price then staged a minor recovery and traded steadily above \$860 during the second half of the month.

A short-covering rally on TOCOM ensured that platinum began February strongly, the December 2005 contract on the Tokyo exchange jumping by almost ¥60 per gram on the 1st to a high of ¥2,887, before closing at ¥2866. The morning fixing in London was settled at \$881, up from \$869 the previous afternoon. The market then began to turn downwards, however, as the dollar showed signs of strengthening, notably against the South African rand. Platinum fixed at \$876 that afternoon and slipped to \$871 the following day.

With the dollar continuing to gain ground, fund long liquidation across the precious and base metals markets gathered pace on the 3rd and platinum fell further, fixing at \$864. After stabilising for a couple of days the price dropped sharply on the 8th and 9th – the absence of Chinese buyers from the physical market due to the Chinese New Year holiday plus further moderate volumes of futures long liquidation, particularly on TOCOM, combined to push the price down to \$847. By that point the rand had weakened from around \$1=R.6.01 at the start of the month to almost \$1=R6.28, whilst against the yen the dollar had climbed from ¥103.66 to ¥105.81.

On the 10th platinum price started to recover as profits were taken on short positions on TOCOM and new long positions were initiated. At the same time, the dollar began to weaken, leading to an upturn in fund buying across the precious and base metals markets. Bids for physical platinum also picked up in response to the price dip and by the close of trading in New York the metal had moved up to \$865 bid. The rally continued over the next two days of trading as the dollar continued to weaken, platinum fixing at \$877 on the afternoon of the 14th.



The 15th was marked by a sharp sell off by investors on TOCOM, possibly anticipating that Johnson Matthey's market update, released later in the day, would give a bearish outlook for the market. The price consequently lurched lower, fixing at \$858 in the morning, before edging up to \$860 in the afternoon. JM's report, however, was broadly neutral in tone and the platinum price traded steadily around \$860 over the next few days.

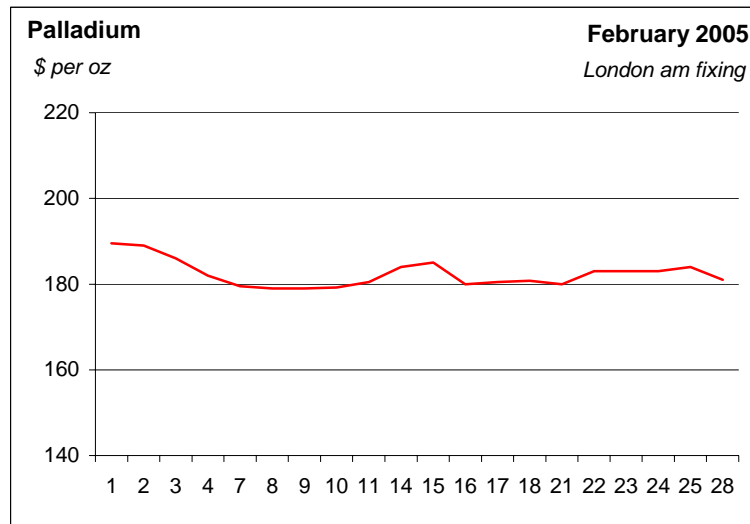
Another slide lower in the value of the dollar on the 22nd (linked to suggestions that the South Korean central bank might diversify its foreign currency reserves) gave renewed upward momentum to investor buying of precious and base metals. Gold climbed over \$430 for the first time since the end of 2004, whilst platinum rose to \$874 at the afternoon fixing. The price then settled back to trade between \$863 and \$870 through to the end of the month, well supported by the ongoing strengthening of the rand against the dollar.

Platinum fixing prices – February 2005

	High	Low	Average
\$ per oz	881.00	847.00	864.59
£ per oz	469.00	449.30	458.16
€ per oz	681.96	651.05	664.86

PALLADIUM

Price subsides to support around \$180, volatility & lease rates low



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Palladium slipped from \$190 at the beginning of February to \$178 on the 8th, in line with the falling platinum and gold markets. From then on there was very little movement in the price, which traded between \$179 and \$185 for the remainder of the month. Speculative interest in the metal remained relatively high but was comfortably matched by the good availability of physical metal, as evidenced by short-term lease rates close to zero.

Palladium opened February with a fixing of \$189.50, little changed from the previous day's close. The price edged up to \$190 at the afternoon fixing on the 1st but began to ease backwards the following day. As with platinum and gold, the palladium price came under pressure from investors reacting to the strengthening dollar. With physical demand from Chinese jewellery manufacturers also tailing off ahead of the New Year holiday, palladium slipped to \$182 on the 3rd and hit \$179 on the 8th. By then the net speculative position on NYMEX had fallen by around 30,000 oz to 678,500 oz as funds opened new short positions.

Palladium fixing prices – February 2005

	High	Low	Average
\$ per oz	190.00	178.00	182.21
£ per oz	101.05	94.05	96.56
€ per oz	145.81	136.71	140.12

Trade was very quiet for the next few days, the price creeping up to \$181 by the afternoon of the 11th. Fund buying of palladium then picked up as the dollar began to reverse its gains against other currencies but this had only a muted effect on the price, which reached \$185 on the 14th. Palladium then softened slightly once again and traded close to \$180 for the remainder of the month, despite a further increase in the net speculative position on NYMEX. Although lease rates increased marginally over the course of the month they remained very low, (3 month lease rates typically around 0.2 per cent, for example) a reflection of the continuing market surplus.

OTHER PGM

Rhodium rally reaches \$1,665 before easing as availability improves



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The rhodium market remained tight in February, the year-long rally in the price reaching a peak of \$1,665. When greater volumes of metal were offered to the market, however, the price eased back towards \$1,500. The prices of ruthenium and iridium weakened throughout the month, industrial demand for both metals being well covered by supplies.

The Johnson Matthey rhodium base price climbed rapidly from \$1,525 at the start of February to \$1,665 on the 11th, on the back of continuing speculative interest in the metal and good industrial demand. The availability of metal remained tight and with short term lease rates in the order of 25 per cent, interest from end users in buying rhodium rather than borrowing it remained high.

During the second half of the month the volumes of metal offered to the market picked up, particularly from secondary sources, and availability improved somewhat. The price fell back in response, dropping below \$1,600 on the 23rd and ending the month where it began, at \$1,525.

With physical demand remaining steady and offers of metal increasing, the easing of ruthenium and iridium prices seen in January continued into February. The unwinding of speculative positions, which had contributed to both metals setting recent highs during 2004, contributed to the price weakness. The Johnson Matthey base price for ruthenium fell from \$62 to \$55 during the course of the month, whilst iridium slipped from \$162 to \$145.