

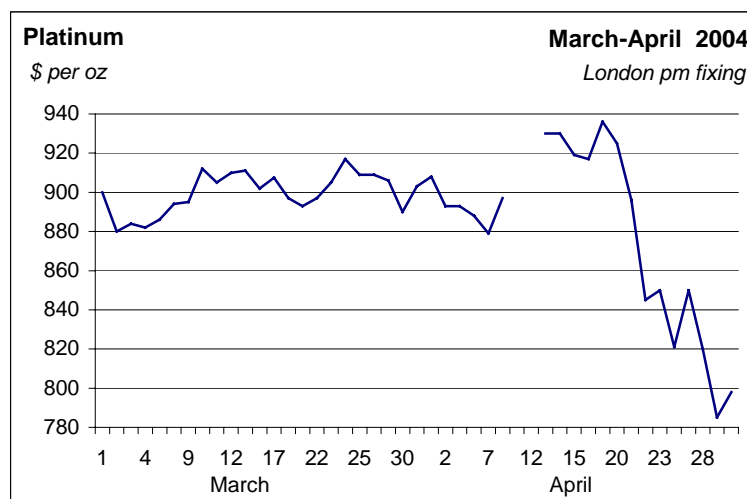
# THE PLATINUM METALS REPORT

www.platinum.matthey.com

March-April 2004

Johnson Matthey

**PLATINUM  
Peak of \$937  
followed by  
plunge to \$783  
as funds take  
profits**



[view Johnson Matthey base price data](#)

[click for other chart options](#)

**S**peculative buying of platinum futures, particularly via the Tokyo market, continued to sustain the price in the region of \$900 throughout much of March and early April, and on the 19th of April platinum fixed at a new 24-year high of \$937. However, a subsequent increase in the strength of US dollar on the back of growing expectations of a rise in US interest rates encouraged a sudden round of long liquidation profit-taking by funds across a range of commodities. The platinum price consequently plunged by more than \$150 to \$783

The platinum price began March strongly, hitting \$900 on the afternoon of the 1st in London, with fund buying of the metal's derivatives continuing to be the primary influence on the price. A degree of profit-taking took the platinum price down to \$878 on the 3rd but, after trading sideways for several days, further heavy speculative buying of platinum futures on TOCOM on the 10th drove the far dated (February 2005) contract over ¥3,1000 per gram for the first time since 1987. The spot price subsequently reached \$912 on the afternoon fixing.

The platinum price then drifted downwards over the following 8 days of trading as Japanese investor buying slowed in the face of a strengthening of the yen. Steady bids for physical metal helped to underpin the market, although the level of buying from the Chinese jewellery sector was noticeably slower compared with the same period the previous year.

Another surge of speculative buying, again principally via TOCOM, propelled the platinum price back over \$900 on the 23rd and 24th, the morning fixing on the latter being settled at \$923. However, profit-taking by funds on NYMEX then came to the fore as the end of the first quarter approached. With renewed strengthening of the yen also triggering a round of selling on TOCOM the platinum price rapidly subsided to \$888 on the 30th, before bouncing to end March at \$903.

## Platinum fixing prices – March 2004

	High	Low	Average
\$ per oz	923.00	878.00	899.54
£ per oz	506.95	474.70	492.34
€ per oz	755.94	710.82	733.30



The platinum market also began April firmly with an opening fixing of \$910. On the 2nd, however, the announcement by Umicore that it had developed a diesel oxidation catalyst containing a proportion of palladium in place of platinum provided the stimulus for some funds to close out long positions. The platinum price dropped to \$888 on the 2nd, then weakened to \$879 on the 7th with gold and silver also being sold by speculators.

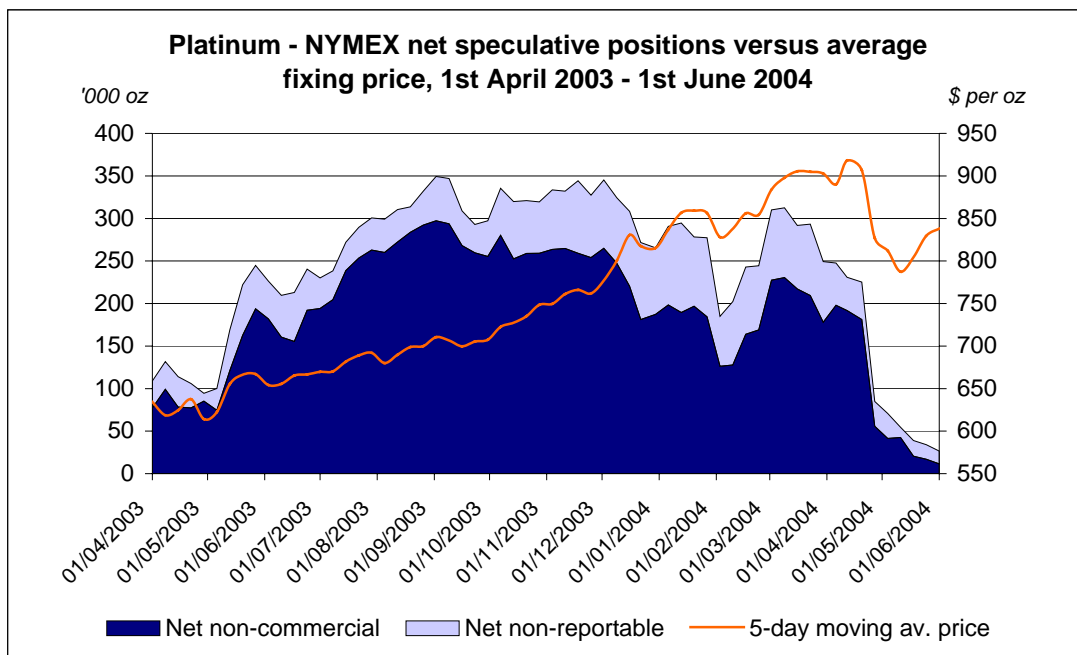
However, the platinum price began to rally rapidly on the 8th, climbing to \$897. Then, with the European and US markets closed for Good Friday on the 9th, funds operating via TOCOM were able to take advantage of the reduced liquidity and squeeze the price sharply higher. The February 2005 contract moved from ¥2,965 at the opening of trading on the 9th to ¥3,032 by the close on the 12th, then peaked at ¥3,072 on the 13th. When the London market re-opened after the Easter break the morning fixing was set at \$934.

Platinum fixing prices – April 2004			
	High	Low	Average
\$ per oz	937.00	783.00	880.43
£ per oz	518.45	443.60	488.49
€ per oz	784.56	655.37	734.65

The price then eased slightly over the course of the week, slipping to \$917 on the 16th. In light of the record price and volatility, physical trade in platinum was subdued. Only 44 kg of platinum were traded via the Shanghai Gold Exchange, the lowest weekly total (excluding holiday periods) since trading began in August 2003.

On the morning of the 19th April TOCOM investors forced the price up to another new recent high, the February 2005 contract passing ¥3,100 per gram as funds targeted short positions that had been opened the previous week in anticipation of a correction downwards. Platinum subsequently fixed in London at \$937.

The 20th April, however, saw the platinum price turn lower. Expectations of a near-term rise in US interest rates increased on the back of signs of the US economy continuing to strengthen, leading to a jump in the value of the dollar against most major currencies, including the yen and euro. Consequently, funds began taking profits on long positions in most hard commodities during Asian trading, a trend which accelerated on NYMEX later in the day. By the end of the 20th the platinum spot price had eased to \$917 bid.



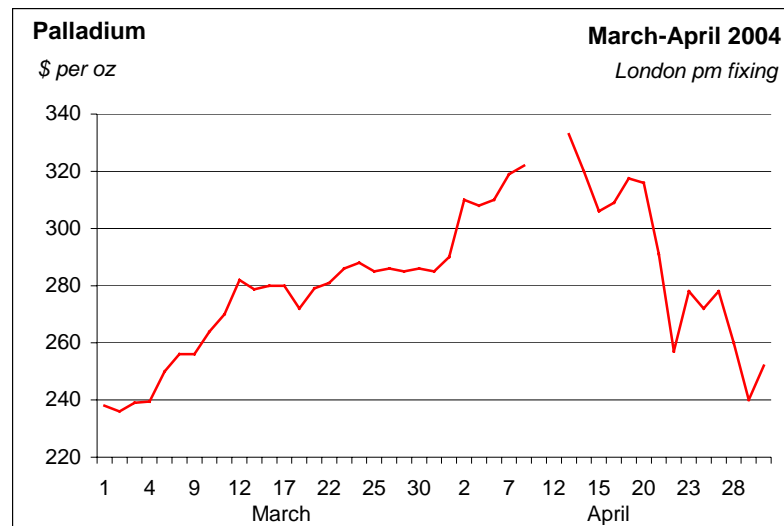
source: Commodity Futures Trading Commission, Johnson Matthey data



The selling pressure increased on the 21st as the dollar continued to strengthen and as the market fell, increasing volumes of sell stops began to be hit. The platinum price fixed at \$904.50 in the morning then \$896 in the afternoon. As technical indicators turned negative, additional sell orders from managed futures funds were triggered, exacerbating the plunge. The price slumped below \$850 on the 22nd, paused briefly around that level on the 23rd, then slid to \$821 on the 26th. The scale and speed of the fund selling is clear from the graph on the previous page – the net speculative position on NYMEX dropped from 225,000 oz on the 20th to just under 85,000 oz by the 27th.

The platinum price rallied briefly on the 27th, regaining \$850 on Asian speculative interest, but reports that the Chinese government would act more strongly to slow the pace of economic growth by tightening credit provided a reason for further long liquidation across most metals on the 28th, platinum falling back to \$820. With TOCOM closed the following day, sellers continued to have the upper hand and the platinum price crashed to \$783, before recovering slightly to end an extremely volatile April fixed at \$798.

**PALLADIUM**  
**Funds push**  
**price to peak of**  
**\$333 before**  
**sell-off sees**  
**slump to \$237**



[view Johnson Matthey base price data](#)

[click for other chart options](#)

**F**unds continued to increase their considerable net long positions in palladium even further during March and into early April 2004. With the volume of physical sales falling back from the high levels seen at the start of the year, the speculative buying finally had a marked impact on the price. However, the rally was extremely short-lived, the peak of \$333 being followed swiftly by a plunge to \$237 as funds took profits on a substantial proportion of their long positions.

The palladium market was quiet for the first four days of March, the metal trading just below \$240. From the 5th through to the 12th, however, the price climbed strongly, as fund buying of the metal picked up. By the 9th the net speculative position on NYMEX had grown to an equivalent 943,000 oz, an increase of over 60,000 oz in the space of a week, and the spot price neared \$260. Assisted by the ongoing rally in the platinum price, palladium continued to rise over the next two days, reaching \$282 on the 12th following a surge of speculative buying via TOCOM as the most active (February 2005) contract moved above ¥1,000 per gram for the first time in over a year.

Palladium fixing prices – March 2004			
	High	Low	Average
\$ per oz	288.00	235.00	268.99
£ per oz	157.90	125.75	147.64
€ per oz	236.52	188.94	218.75

The market then flattened off again as some funds scaled back their exposure, the net speculative long position on NYMEX slipping back under 900,000 oz. The price briefly dipped below \$280 on the 18th but then edged back up to trade between \$280 and \$287 through to the end of March.

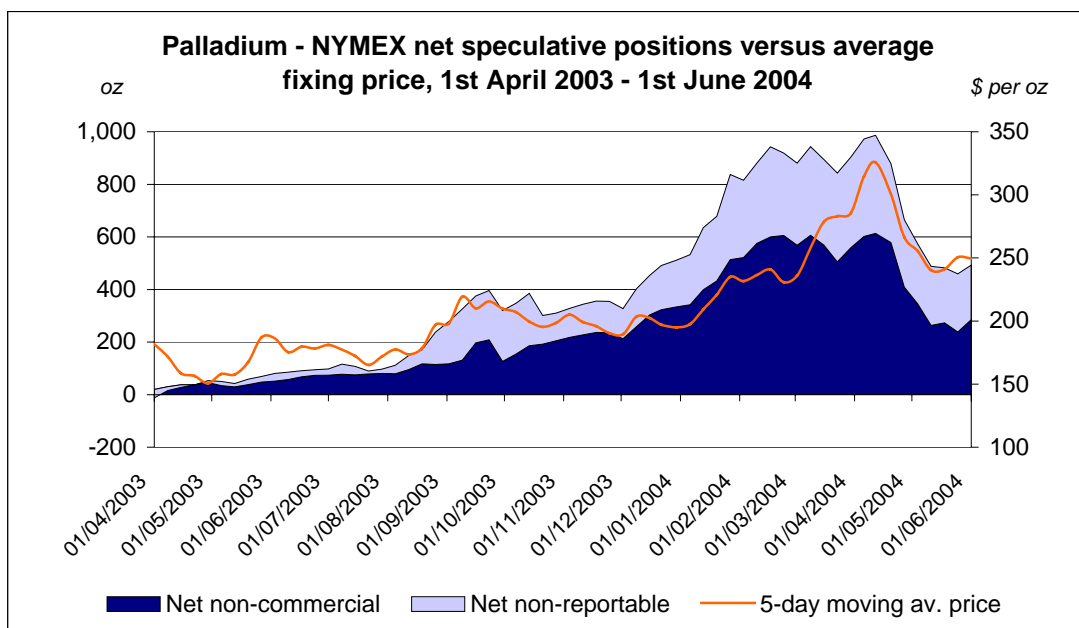
The palladium price gained a further boost in early April from another surge of fund buying of palladium futures. The trigger was the announcement that a diesel autocatalyst containing a proportion of palladium, in addition to platinum, had been developed. The price immediately jumped higher, fixing at \$315 in the morning, up \$25 from the previous afternoon's fixing. Over the next few days funds continued to be net buyers of palladium, adding to the already very substantial net long position in the metal. By the 12th the net long position on NYMEX had grown to the equivalent of 986,500 oz and the following day, when the London market re-opened after the Easter holiday, palladium fixed at \$333, the highest it had been for almost 18 months.

Palladium fixing prices – April 2004			
	High	Low	Average
\$ per oz	333.00	237.00	295.46
£ per oz	183.25	134.25	163.37
€ per oz	279.72	198.37	246.51

Buying of physical metal by end users, however, which had previously been steady at best, fell away to minimal volumes as a result of the sharp rise in the price. Several fixings passed without any bids for metal being placed.

On the 14th, however, the palladium market turned downwards as some investors started taking profits on long positions. The price fell to \$320 on the afternoon fixing, then slipped to \$306 the following day. The metal recovered some ground over the next three days of trading, reaching \$321 on the 20th, but on the 21st much larger-scale long liquidation hit the palladium market, in common with the other precious metals and most base metals markets. The price consequently plunged, falling to \$291, then to \$257 on the 22nd.

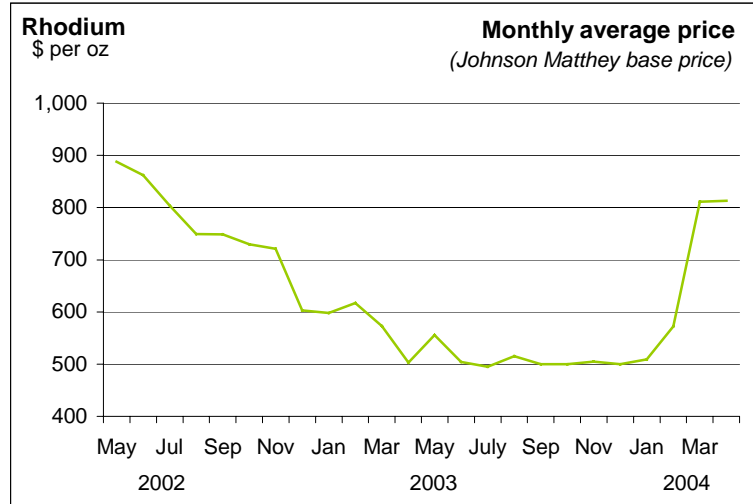
After a recovering briefly to trade between \$270 to \$280, the price slid again on the 28th and 29th as fund selling accelerated once more, dropping to \$237 before bouncing to close April at \$252. Between the 12th of April and the end of the month, fund long liquidation cut the net speculative long position on NYMEX by over 320,000 oz (see chart below), whilst on TOCOM the total open interest in the most active contract dropped from a peak of 20,131 contracts 323,600 oz) on the 20th to 13,420 (215,700 oz) on the 30th.



source: Commodity Futures Trading Commission, Johnson Matthey data

## OTHER PGM

### Fund interest boosts rhodium briefly to \$900



[view Johnson Matthey base price data](#)

[click for other chart options](#)

**T**he fund interest in the minor pgm that had developed during February continued in early March 2004. This, combined with an up-turn in industrial purchases, drove the rhodium price to a recent high of \$900. However, the speculative buying of rhodium soon began to dissipate and the price eased back. It was a similar story for ruthenium – initial price strength fading as fund interest in the metal waned. In contrast, the iridium market saw good buying during early March that pushed the price up by \$100 to \$230 and the price remained firm throughout April.

The speculative-inspired rally in the price of rhodium that had reached \$700 by the end of February 2004 continued into the first week of March. The Johnson Matthey base price for rhodium started the month at \$715, reached \$800 on the 2nd, then \$900 on the 3rd. The rally was also supported by good physical buying by industrial users. However, the fund interest in the metal quickly evaporated and between the 8th and 23rd March the price slipped downwards to settle at \$760.

April saw the JM rhodium base price strengthen again, but the rise was more subdued and was related more to solid industrial demand than to speculative buying. After moving up to reach \$830 on the 14th April, the rhodium price softened slightly to end the month at \$815.

The price of ruthenium held steady at \$75 during the first 10 days of March but then began to soften, in tandem with rhodium, as some of the speculative long positions that had been accumulated during February were unwound. The JM ruthenium base price had weakened to \$68 by the end of March, slipped to \$65 on the 1st April, then remained at that level for the duration of the month.

The iridium market was also propelled higher by ongoing fund interest during the first half of March, the JM base price climbing from \$130 on the 1st to \$230 by the 11th. In contrast to ruthenium, however, the price then held firm through to the end of April, dropping just \$10 to \$220 on the 27th, supported by improving physical demand from the electronics sector.