

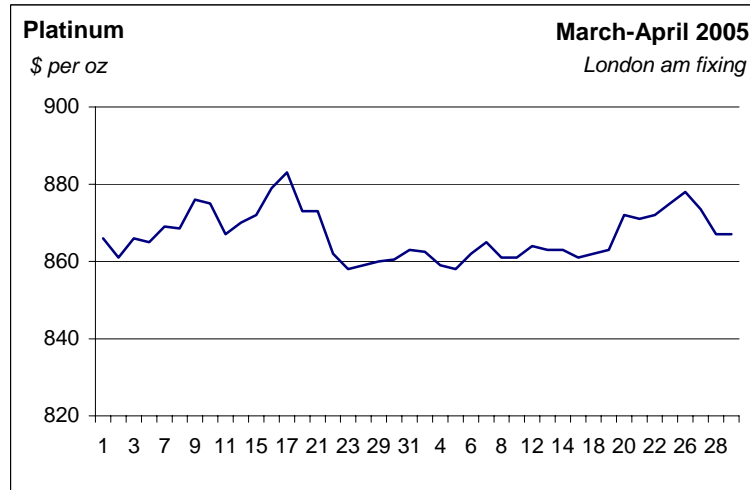
THE PLATINUM METALS REPORT

www.platinum.matthey.com

March-April 2005

Johnson Matthey

PLATINUM
Platinum pushes
briefly above
\$880 as dollar
weakens, then
slips back into
well-worn range



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After dipping briefly below \$860 at the start of March, the platinum price headed upwards as the US dollar renewed its weakening trend and investors increased their long positions in precious and base metals. Platinum peaked with a fixing of \$883 in mid-March but then fell rapidly back to \$860, where physical demand provided solid support. Throughout the remainder of March and much of April trading conditions were dull, the price meandering in a narrow range either side of \$860. From the 20th of April platinum staged another minor rally on the back of renewed speculative buying but this too petered out around \$880 and the metal ended the month quietly at \$867.

Platinum opened March with a fixing of \$866 and slipped to \$859 the following day on light long liquidation. However, on the morning of the 3rd the price rebounded to \$866 as investors in Tokyo began opening new long positions. This mirrored activity in the gold, silver and base metal markets and was triggered by a turnaround in foreign exchange markets. The US dollar, which had strengthened against other major currencies throughout much of February, started losing ground, leading to increased fund buying of hard commodities.

Over the next few days the platinum price climbed steadily as both US and Japanese based investors added to their long futures positions, tracking a similar investor-led rally in the price of gold. On the morning of the 9th the furthest dated contract on TOCOM passed ¥2,900 per gram, up from around ¥2,830 at the start of the month, and platinum fixed at \$876 in London. At this level, however, demand for physical metal from end users slowed; with little interest from buyers on either the London fixings or the Shanghai Gold Exchange, and traders on TOCOM taking profits, the platinum price slipped back to \$866 on the 11th.

The following week, physical demand for platinum picked up and fund buying continued. This combination pushed the price up to a peak fixing of \$883 on the 16th and 17th, and the most active TOCOM contract again passed ¥2,900. The move above \$880, however, was brief. Once again, the value of the dollar proved to be a key influence on the short-term direction of precious metal prices – on the 18th the dollar began strengthening ahead of an expected increase in US interest rates later that week, and platinum, gold and silver prices turned



downwards as funds closed out long positions and opened new shorts. The platinum price slid to \$873 on the 18th, fell below \$870 the following day, then dropped to \$862 on the morning of the 22nd following heavy selling by traders on TOCOM. The platinum price reached the low point of the month of \$858 on the morning of the 23rd, coinciding with a sharp sell-off in the oil market. However, support then arrived in the form of an upturn in demand for metal from Chinese buyers. With the selling by Japanese based investors also coming to an end, the price steadied and traded around \$860 for the next three days, before ending March on a slightly more positive note at \$864.

Platinum fixing prices – March 2005			
	High	Low	Average
\$ per oz	883.00	858.00	867.74
£ per oz	459.35	449.50	455.04
€ per oz	669.10	644.70	656.83

The quiet conditions in the platinum market seen in the final few days of March persisted well into April, the price becoming becalmed in a narrow range around \$860. Platinum dipped to \$855 on the 4th, the low point of the month, then traded between \$858 and \$865 through to the 19th. The price stability reflected reduced speculative activity in the futures markets: the net long position on NYMEX was almost unchanged during the first two weeks of April, and open interest varied little from day to day on TOCOM. This in turn was related to a fall in volatility in the foreign exchange markets, with the dollar:euro and dollar:yen exchange rates flattening out.

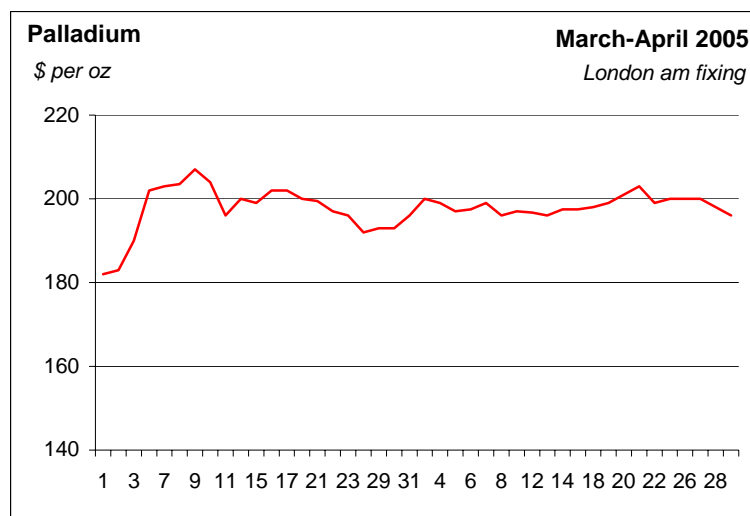
The lower, more stable platinum price proved attractive to end users, with demand from Chinese buyers in particular increasing, manufacturers taking the opportunity to purchase metal for jewellery production ahead of the May Day holiday period.

The platinum price came back to life from the 20th onwards as fund interest in precious metals was stimulated once more by another bout of dollar weakness. The net speculative position on NYMEX climbed from around 281,000 oz on the 19th of April to over 320,000 oz on the 26th, helping to drive the price up from \$863 to \$880 over the same period. Once again, platinum moved closely in line with gold as funds increased long positions across the precious metals sector.

Platinum fixing prices – April 2005			
	High	Low	Average
\$ per oz	880.00	855.00	865.29
£ per oz	461.45	451.35	456.65
€ per oz	677.20	663.20	668.48

Over the final three days of trading in April the platinum price fell back as investors took profits and physical demand from China fell away as the May Day holiday approached. The price dropped to \$870 on the 27th and ended the month at \$867.

PALLADIUM
Price rallies by
\$26 in four days,
then trades
quietly around
\$200



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Strong speculative buying of palladium in early March propelled the price from \$182 on the 1st to \$208 on the 4th. However, with plenty of physical metal on offer the price was unable to make any further gains, despite additional fund investment. A minor round of long liquidation pushed the price down to \$192 on the 24th, before renewed fund interest saw palladium edge up to end the month at \$198.50. Much less movement in the palladium price was recorded in April. The metal posted an opening fixing in London of \$200 and did not move more than \$4 from this level throughout the rest of a singularly uneventful month.

The palladium market was initially quiet in March, the price edging up from \$182 on the 1st to \$184 the following day. On the 3rd, however, fresh fund buying came into the market, possibly with the aim of squeezing the significant volume of new short positions that had been opened on NYMEX during February. If

this was the intention, it succeeded – a flurry of short covering was reflected in a jump in volumes bid across the London fixings. The price moved upwards in response, fixing at \$190 in the morning and \$193 in the afternoon. The climb in the price accelerated on the 4th as the fund buying and short covering continued, palladium moving above \$200 for the first time since early December 2004, and fixing at \$208 in the afternoon.

The price then eased back slightly but remained above \$200 for several days, supported by ongoing fund activity. Between the 1st and 8th of March a combination of short covering and new long positions being opened resulted in the net speculative position on NYMEX climbing from 714,000 oz to 884,000 oz.

On the 11th the palladium price followed the platinum market downwards, dropping below \$200 and fixing at \$196 and \$195.50. The dip, however, spurred yet more fund buying and the price edged back up to trade around the \$200 mark throughout the following week. Industrial demand, meanwhile, remained steady, whilst Chinese jewellery manufacturers continued to import significant volumes of metal.

By the 22nd the ongoing fund buying had taken the speculative position on NYMEX to the equivalent of just under 1 million oz, surpassing even the recent high of 987,000 oz in April 2004. The price, however, remained stubbornly anchored around \$200 and lease rates were unmoved at or below 1 per cent – both factors indicative of the plentiful availability of metal.

Towards the end of March funds began unwinding some of their long positions in palladium, in concert with a round of long liquidation in the platinum and gold markets as the dollar strengthened against other major currencies. As a result the palladium price slipped below \$200 once again, ending the month with a fixing of \$198.50.

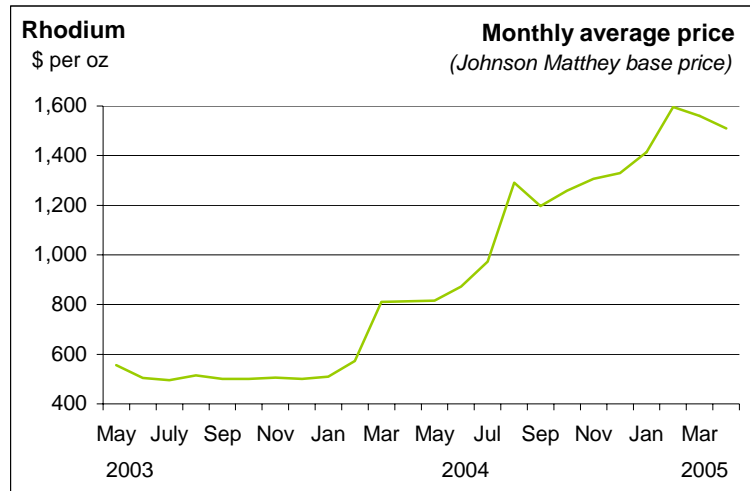
April turned out to be an even duller month than March for palladium traders and speculators. The price began April with a fixing of \$200, underpinned by a moderate volume of fund buying, but there was very little activity of note in either the physical or derivatives markets thereafter. Palladium consequently traded in a very narrow band between \$196 and \$203 for the entire month, ending April at the bottom of that range as funds began to scale back their very substantial long positions.

Palladium fixing prices – March 2005			
	High	Low	Average
\$ per oz	208.00	182.00	197.48
£ per oz	108.45	94.70	103.55
€ per oz	158.66	137.45	149.47

Palladium fixing prices – April 2005			
	High	Low	Average
\$ per oz	203.00	196.00	198.63
£ per oz	106.75	102.50	104.84
€ per oz	155.05	151.06	153.45

OTHER PGM

**Rhodium eases
back towards
\$1,500,
ruthenium edges
up, while iridium
holds steady**



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After hitting a peak of \$1,665 in February, slower demand from end users and increased offers of metal took some of the pressure out of the rhodium market during the second half of March and April, and the price settled back to trade close to \$1,500. Good industrial demand helped the price of ruthenium nudge upwards from \$55 at the beginning of March to \$67 by the end of April, whereas the iridium price was little changed over the same period.

The rhodium market began March quietly, the Johnson Matthey base price holding steady at \$1,525 for the first three days of the month. The price then started rising as fresh bids for metal came into the market (albeit for relatively small volumes) and rhodium reached \$1,600 on the 9th.

From the 14th onwards, however, dealers began reporting increased offers of metal, some of which was suggested to be of Russian origin. With interest from end users becoming light, the price slipped slowly downwards throughout the remainder of March and into April, settling at \$1,500 on the 5th. There was little activity in the market from then on, rhodium ending April at \$1,520.

The price of ruthenium, which had drifted downwards during the first two months of the year, turned gently upwards during March on the back of good industrial demand. The JM base price climbed from \$55 at the start of the month to \$61 by the 16th, then remained static through into early April. On the 11th of April the price nudged up to \$64, and added another \$3 on the 29th to end the month at \$67.

In contrast, the iridium price was static at \$145 throughout March, stable demand being comfortably matched by supply. During April the price edged up in tandem with ruthenium, rising to \$150 on the 11th and to \$155 on the 29th.