

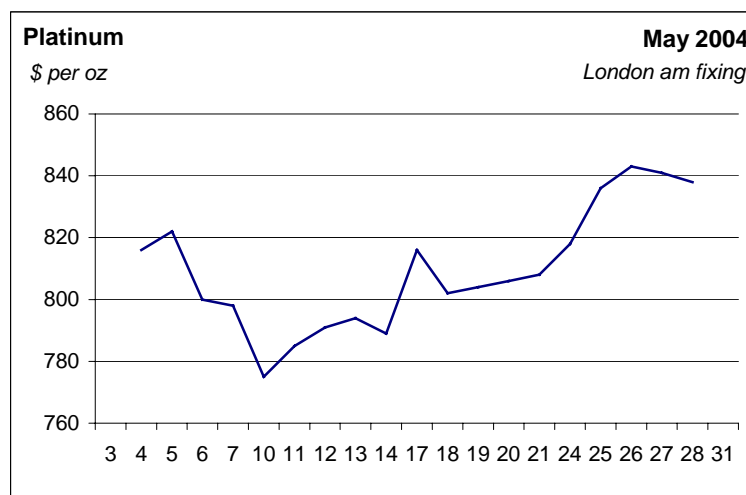
THE PLATINUM METALS REPORT

www.platinum.matthey.com

May 2004

Johnson Matthey

PLATINUM Price falls then rallies as investors react to moves in \$ exchange rate



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The relationship between US dollar and other currencies, particularly the yen, had a substantial bearing on the price of platinum during May via its strong influence on the actions of funds and other investors. Dollar strength during the early part of the month prolonged the long liquidation that had begun during the second half of April, sending the platinum price down to \$767 – a five month low. However, when the dollar weakened again, investor buying in Japan increased, leading a rally in platinum that reached \$845.

With both Asian and London markets closed on the 3rd May, very little platinum trade was conducted. When the London market re-opened on the 4th, the price jumped higher, continuing the bounce from the late April low of \$783. With many traders optimistic that the spate of fund long liquidation had run its course, the morning fixing was settled at \$816 and the price climbed further to \$824 in the afternoon.

However, further fund selling emerged on NYMEX on the 5th, and this intensified when TOCOM re-opened on the 6th as the US dollar started to strengthen against the yen. The platinum price slid back under \$800 then lurched down to \$767 on the 10th as expectations of an imminent rise in US interest rates continued to push the dollar higher against both the yen and euro. By the 11th of May the net speculative long position on NYMEX had fallen to 54,600 oz, a reduction of around 30,000 oz from late April.

In Asia, many Chinese jewellery manufacturers remained largely absent from the physical market, despite the fall in the platinum spot price – the weeks following the Labour Day holiday on the 1st of May are traditionally sluggish for the Chinese jewellery industry. However, in Japan, the fall in the platinum spot price took it below ¥2,800 per gram, whilst the April 2005 futures contract on TOCOM slid below ¥2,650, encouraging some investors to return to the market as buyers. The platinum price subsequently staged a minor recovery to \$785 on the 11th, then traded between \$789 and \$795 through to the 14th.



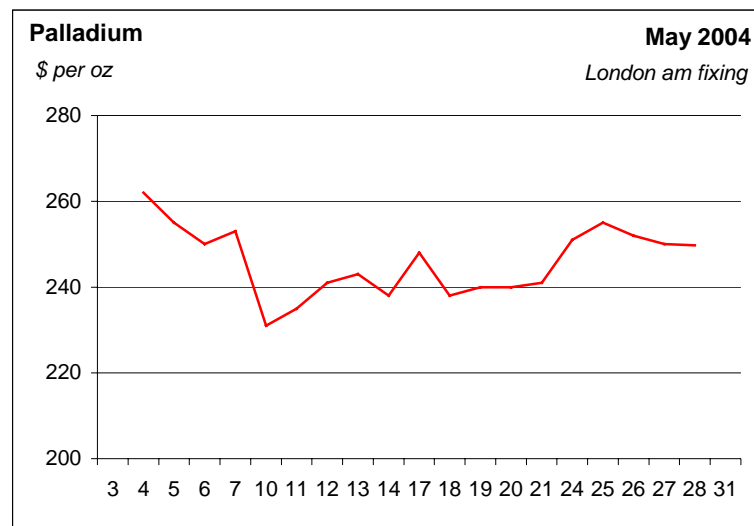
On the 17th, the platinum price jumped to \$820, primarily on the back of strong buying via TOCOM, investors perhaps expecting bullish news on platinum demand to emerge from Platinum Week in London. The April 2005 contract rose by ¥78 compared with the previous day's settlement to end the session at ¥2,862. There was little follow-through buying elsewhere, however, and the platinum spot price slipped back to towards \$800 the following day. The level of trade in both the futures and physical markets was generally quiet over the remainder of the week, and the platinum price edged slowly up to a fixing of \$810 on the afternoon of the 21st.

Platinum fixing prices – May 2004			
	High	Low	Average
\$ per oz	845.00	767.00	809.43
£ per oz	465.05	432.70	452.76
€ per oz	697.16	646.58	673.88

TOCOM trading again dominated the platinum market the following week. Renewed dollar weakness spurred a strong round of buying by funds and other investors on the 24th and particularly on the 25th, when the equivalent of just over 977,000 oz of platinum were traded via the April 2005 contract. The spot price was driven higher as a result, surging to an afternoon fixing of \$841.50. In contrast, there was little activity of note on NYMEX; funds continued to trim their remaining long positions and the net speculative long position had edged down to just 34,000 oz by the 25th, the lowest level since July 2002.

The last few days of May saw steadier trading in the platinum market, the price reaching \$845 on the 27th before easing to \$832 on the 28th as traders in London and New York closed out positions ahead of the holiday weekend.

PALLADIUM
Continued fund
long liquidation
pushes price
down to \$229
before market
steadies



[view Johnson Matthey base price data](#)

[click for other chart options](#)

Funds continued to cut rapidly their long positions in palladium during the first 10 days of May, continuing the heavy selling that was initiated in late April. The price fell from \$262 to \$229 as a result, mirroring the sliding platinum and gold markets. When the fund selling abated the palladium price bottomed out and volatility fell sharply. For the rest of the month the volume of palladium trade was subdued and, whilst still tracking platinum, movements in the price were muted.

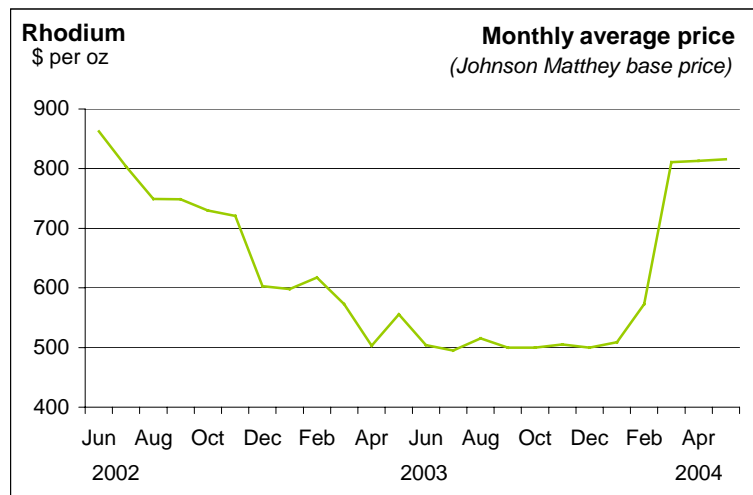
The concerted long liquidation of derivatives positions in palladium that began in late April flowed into early May, in common with the other precious metal markets. The selling, conducted principally via NYMEX and OTC deals, rather than through TOCOM, resulted in the palladium price sliding by 12.5 per cent from the opening fixing of \$262 on the 4th of May to \$229 on the 10th. The fund-led sell-off reduced the net speculative long position on NYMEX from around 665,000 oz at the end of April to 488,000 oz by the 11th May.

Palladium fixing prices – May 2004			
	High	Low	Average
\$ per oz	265.00	229.00	246.03
£ per oz	151.40	129.20	137.88
€ per oz	212.52	193.05	205.10

The fund selling then abated, however, enabling the palladium price to recover some lost ground. By the 12th, palladium had regained \$240, closely following the upturn in the platinum price. The price of palladium continued to track that of platinum for the remainder of the month, albeit in modest fashion. The start of Platinum Week on the 17th saw palladium rise to \$248 but then ease back to trade around \$240 through the 20th. Another minor rally began on the 21st and the palladium price regained the \$250 mark on the 24th. However, after fixing at \$255 on the 25th, palladium began to soften, easing to \$246 on the 28th.

OTHER PGM

Prices little changed as investors lose interest



[view Johnson Matthey base price data](#)

[click for other chart options](#)

Once the widespread long liquidation began across the gold, platinum, palladium and base metals markets in late April funds lost interest in attempting to squeeze the minor pgm markets higher. Nevertheless, the rhodium price remained relatively firm during May, supported by good demand from the auto industry. The Johnson Matthey base price for rhodium was stable at \$815 for much of May before ticking up to \$825 on the 27th. The iridium market was also steady, edging down just \$10 to \$210, whilst ruthenium softened from \$65 to \$60 over the course of the month.