

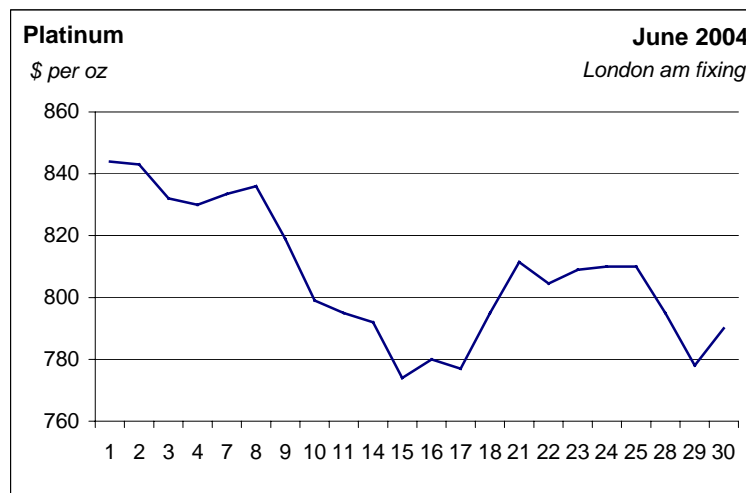
THE PLATINUM METALS REPORT

www.platinum.matthey.com

June 2004

Johnson Matthey

PLATINUM
Strengthening
US\$ triggers
slide from over
\$840 to under
\$780 as funds
go short



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The fundamentals of supply and demand continued to take a back seat to the influence of foreign exchange rate fluctuations on the price of platinum in June. When the dollar strengthened against major currencies during the second and third weeks of the month, funds and other investors closed out long positions on both TOCOM and NYMEX, dragging the platinum spot price down to a low of \$777. The price then staged a minor recovery but sentiment remained predominantly bearish. Towards the end of June, a combination of further long liquidation and new short futures positions being opened resulted in renewed price weakness. Platinum again slipped below \$780 before finding support from increased physical demand.

The platinum market was fairly quiet for the first few days of June, easing from an opening fixing of \$844 to \$829.50 on the 4th in line with weaker gold and base metal prices, before edging upwards to \$838 on the 8th. The volumes of futures traded on both TOCOM and NYMEX in particular were light, the net long position held by hedge and managed futures funds on the latter increasing by just a few thousand ounces to 34,600 oz.

The price of platinum began to fall rapidly on the 9th of June, when a marked strengthening of the dollar versus both the euro and yen triggered a round of long liquidation by funds and dealers. The selling started on TOCOM and continued into European trading, the daily fixings being set at \$819 and \$813. The spot price slid further in New York, falling below the 200 day moving average. The breach of this key technical indicator sparked further sell orders on NYMEX, as well as on TOCOM the following morning. The platinum price dropped below \$800, fixing at \$797 on the afternoon of the 10th as the dollar continued to strengthen.

On the 11th the dollar's rally came to a temporary halt, and with trade light due to the closure of the US market, the slide in the platinum price slowed, both fixings being settled at \$795. Activity on the 14th was also subdued but on the 15th the dollar jumped higher against both the yen and euro once more, again resulting in heavy selling by investors on TOCOM, the active April 2005 contract only just holding above ¥2,600. On NYMEX the net speculative position in platinum dropped to a little over 10,000 oz as new speculative short positions were opened and further longs were liquidated. Platinum fixed at \$777, the low for the month.



The fall in the price below \$780 stimulated an upturn in buying of both physical metal (bids from Chinese jewellery manufacturers increased) and futures. By the afternoon of the 17th the spot price had climbed back above \$780, fixing at \$783. Spurred by a sudden weakening of the dollar, the rise in the platinum price accelerated on the 18th and reached \$815 on the 21st as investors on TOCOM increased their long positions.

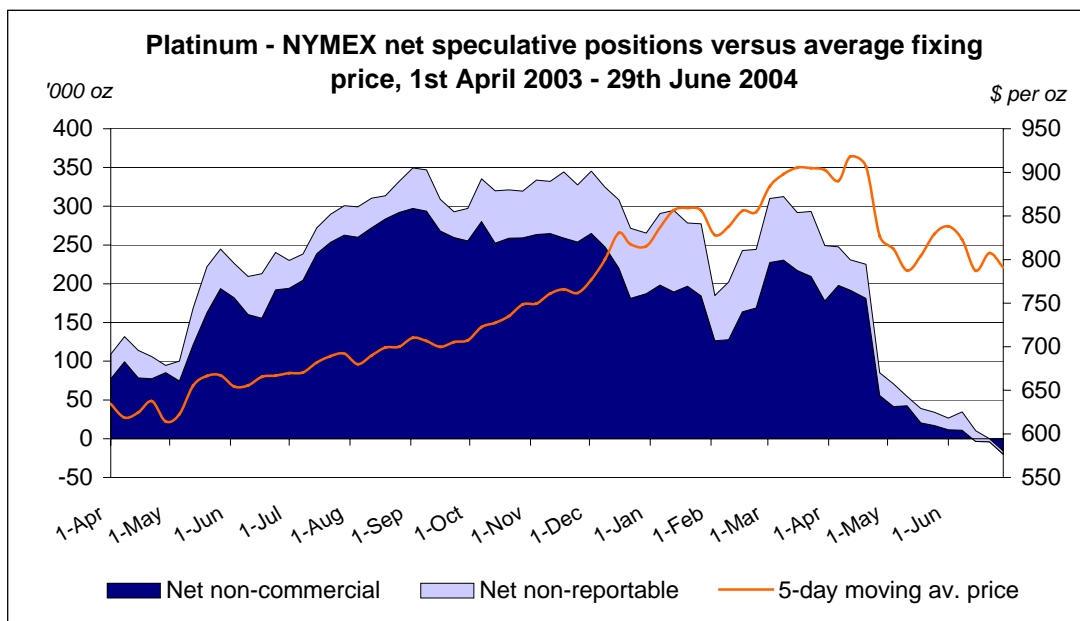
Platinum fixing prices – June 2004			
	High	Low	Average
\$ per oz	844.00	777.00	807.35
£ per oz	460.91	424.32	441.26
€ per oz	692.67	638.85	664.61

The speculative buying in Japan, however, was not mirrored by funds on NYMEX, who continued to reduce their total positions in platinum (and other commodities) in anticipation of an imminent rise in US interest rates. Consequently, the rally in the platinum price ran out of steam, the metal trading between \$804 and \$810 through to the 25th.

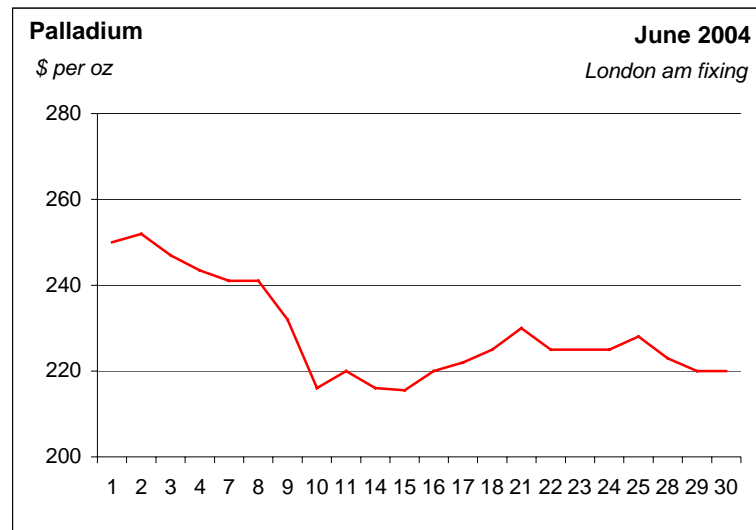
On the 28th, selling came to the fore on TOCOM – again related to foreign exchange rates – and many investors used the launch of the June 2005 contract to close out existing long positions, rather than roll them forward. The new contract started trading at ¥2,668 and slid to a low of ¥2,605, before recovering somewhat to ¥2,623 at the close. The spot price dropped to \$792 at the afternoon fixing in London, and continued to slide in later New York trading. The long liquidation carried over into the 29th, the far dated TOCOM contract falling below the closely watched ¥2,600 level and the morning fixing sinking to \$778.

By this time, the shrinking speculative long position on NYMEX had been outweighed by the growing fund short position, leaving the non-commercial side of the market in a net short position (15,950 oz – see graph below) for the first time since November 2001. As it had done earlier in the month, the fall in the platinum spot price below \$780 then encouraged an upturn in bids for physical metal, leading platinum up to end the month at \$793. This, however, was still some \$51 below the month's opening fixing.

The slide in the platinum price during June occurred despite the fact that the South African rand strengthened significantly over the course of the month (a factor that would have been seen as decidedly bullish for platinum six months earlier); Impala and Zimplats both announced labour disputes; and Chinese buying of platinum increased significantly. This reflected the changing sentiment towards platinum by funds and investors on the back of US dollar strength and the forecast and actual rise in US interest rates, coupled with relatively good physical availability of the metal.



PALLADIUM
Price slips from
\$250 to less
than \$220 in
sluggish trading



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The price of palladium followed that of platinum downwards during the first half of June, sliding from \$250 at the opening fixing to a low of \$215.50 on the 15th. From then on trading was slow, both for physical metal and on the futures exchanges. The price struggled back upwards to \$230 on the 21st but then softened again, ending June at \$217.

The fact that the palladium market remains in a position of substantial surplus was evident in early June: although funds increased their net long position in the metal by almost 50,000 oz to 546,400 oz between the 1st and the 8th, the spot price eased down from \$250 to \$241 over the same period.

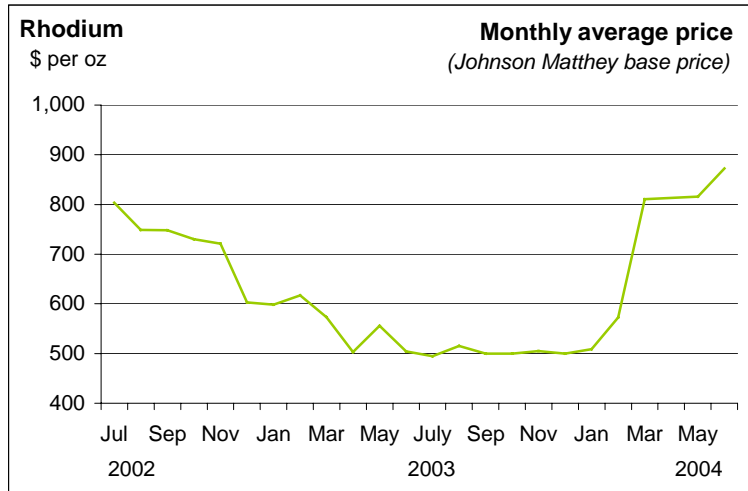
Over the next two days the palladium market lurched lower, reacting to the fall in the price of platinum. By the morning of the 10th the palladium price had dropped to \$216, and hit the low for the month of \$215.50 on the 15th.

Trading during the remainder of June was uninspiring – with steady industrial demand easily covered by offers of metal, and funds gradually unwinding long positions, the price moved listlessly between \$220 and \$230 until the final fixing of \$217 on the 30th.

Over the course of the month as a whole, the closure of long positions on NYMEX was almost exactly matched by a reduction in the volume of short positions, leaving the net speculative position virtually unchanged at 492,700 oz – still a large total by recent historical standards.

Palladium fixing prices – June 2004			
	High	Low	Average
\$ per oz	252.00	215.50	228.29
£ per oz	112.94	98.51	102.96
€ per oz	206.82	178.58	188.40

OTHER PGM
Rhodium rallies
to \$970 on
industrial &
speculative
buying



[view Johnson Matthey base price data](#)

[click for other chart options](#)

The rhodium market was buoyant during June. With availability of the metal tighter than for platinum or palladium, a combination of firm industrial demand and buying attributed to speculative interests spurred a rally during the second half of the month. The Johnson Matthey rhodium base price moved up from \$825 to \$840 between the 1st and the 3rd, stabilised through to the 15th, then ran up rapidly to reach \$970 on the 29th. In total contrast, the markets for both ruthenium and iridium were very quiet – the Johnson Matthey base price of each metal was stable at \$60 and \$210 respectively.

© Johnson Matthey Plc, 2004. Prices in charts and tables are London fixings or their equivalents in other currencies, unless otherwise stated. The information, text, graphics and links contained in these pages are provided for information purposes only. Johnson Matthey plc does not warrant the accuracy, or completeness of the information, text, links, and other items contained in these pages and accepts no responsibility for any loss which may arise from reliance on information contained herein. To read our full disclaimer please [click here](#).