

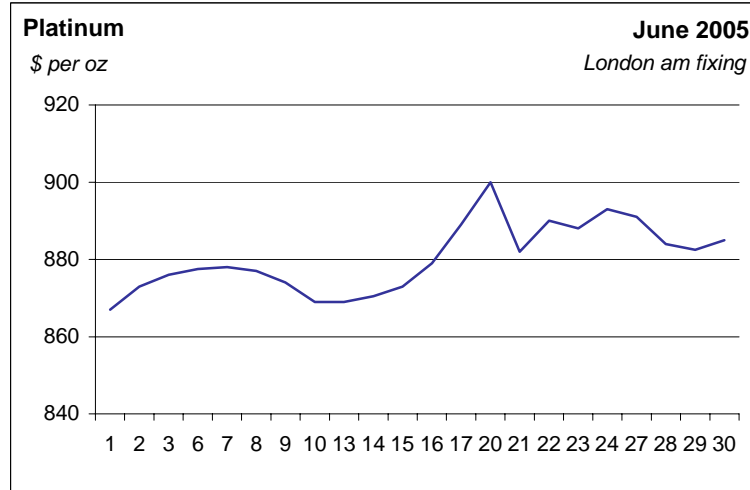
# THE PLATINUM METALS REPORT

www.platinum.matthey.com

June 2005

Johnson Matthey

**PLATINUM  
Fund buying  
drives price to  
\$900 before  
physical demand  
drops away**



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***The platinum price finally broke through long established resistance around \$880 in June, reaching a peak of \$900 on the 20th as fund buying pushed the speculative long position on NYMEX well above its recent highs. Although the price then eased back a little, it remained firm, trading above \$880 from the 22nd through to the end of the month. The pattern in platinum was reflected in other metals markets, as funds increased their exposure to commodities in response to movements in the value of the US dollar.***

After trading steadily around \$860 throughout the second half of May, platinum began June on the up. A decent level of speculative buying was seen on TOCOM on the 1st, and the morning's London fixing was settled at \$867, up from \$859.50 the previous day. The price continued to rise during the afternoon and reached \$875 on the 2nd, despite the fact that the dollar strengthened sharply against other major currencies.

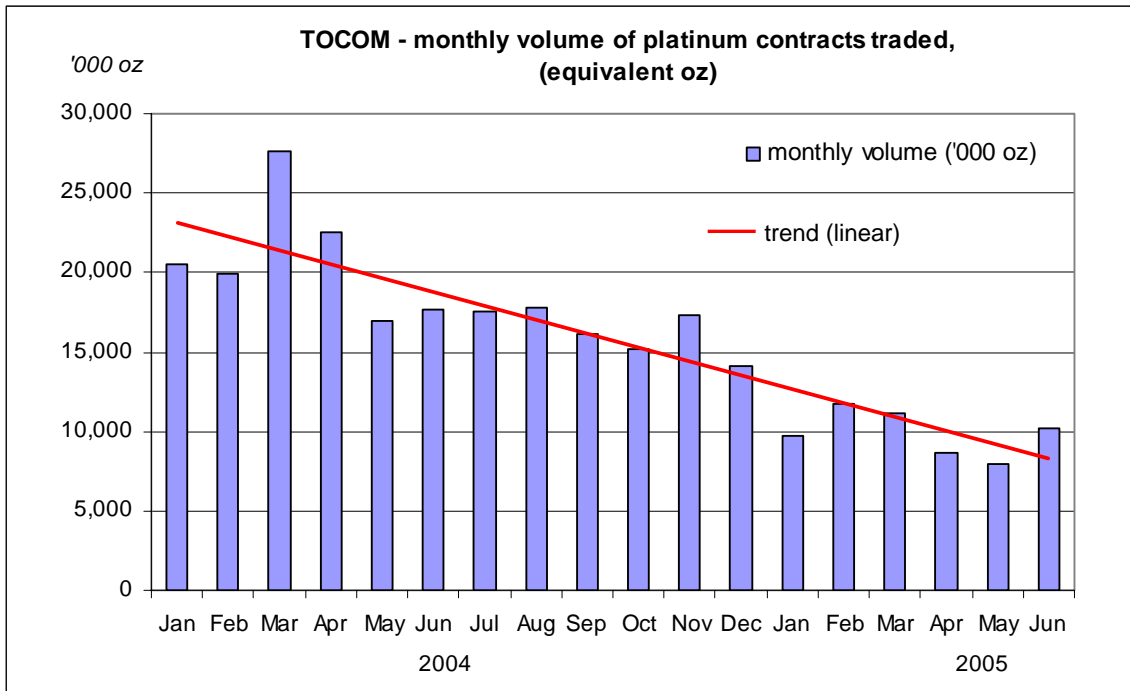
A significant appreciation in the US currency would typically be bearish for dollar-denominated commodity prices. However, the gains in the dollar seen at the beginning of June were primarily a result of funds selling the euro, following the French rejection of the proposed new European Union constitution on the 29th May, rather than buying the dollar on its own merits.

Investors closing out long euro positions and seeking alternative investments switched a proportion of their cash into the commodities markets, with oil, gold and copper prices all benefiting. For platinum, the generally upbeat trading sentiment was aided by positive comments about the market from Johnson Matthey on the release of its preliminary annual results.

Platinum remained firm over the next few days, trading either side of \$875. The price was supported by steady fund buying on NYMEX and the rising price of gold, which rallied from around \$416 at the start of the month to over \$425 on the 6th. By the 7th the platinum price had reached \$878, and the NYMEX net speculative position had climbed to 283,000 oz, up by around 80,000 oz since the end of May.



Trading on TOCOM, however, became increasingly thin, culminating with only 7,500 lots of the furthest dated contract (April 2006) being traded on the 9th of June, an exceptionally low level of turnover. Although volumes subsequently improved somewhat, the longer-term trend on TOCOM remained one of declining liquidity (*see chart below*), in line with a general decline in turnover in most other commodity contracts on the exchange over the same period. This may, in part, be a result of the general public reallocating a greater proportion of funds to improving Japanese equity markets. More recently, regulatory changes mean that commodity futures brokers can no longer market products directly to private individuals.



The rise in the platinum price towards \$880 resulted in bids for physical metal becoming lighter and with plenty of metal on offer platinum eased back to \$868 on the 10th. The following week started quietly, platinum trading close to \$870 on the 13th and 14th. From the 15th onwards, however, strong speculative buying from US-based funds flowed into the precious and base metals markets and platinum, gold, silver, copper and aluminium prices all began rising quickly.

Platinum fixed at \$877 on the afternoon of the 15th then jumped to \$886 the following day. With short covering on TOCOM contributing to the rally, platinum passed \$890 on the 17th and fixed at \$900 on the morning of the 20th. This marked the first time in 10 months that a fund-driven rally had had sufficient momentum to break the long established technical resistance just above \$880. By that stage the net speculative position on NYMEX had surged to almost 400,000 oz, (surpassing the recent high of 350,000 oz recorded in September 2003). The price of gold, meanwhile, surged to touch \$440 and the price of copper (for immediate delivery) set a new record high in passing \$3,600.

The trigger for the rush of fund buying of commodities (particularly those with supportive fundamentals) was a marked reversal in the value of the dollar. The US currency weakened from €0.8260 on the 13th to €0.8130 on the 20th, and lost even more ground against the rand, sliding from R6.9050 to R6.6375 between the 15th and the 20th.

Not surprisingly, the run up in the platinum price to \$900 led to a sharp drop in buying interest from end users. The volume of platinum traded on the Shanghai Gold Exchange, for example, fell from 239 kg on the 13th to zero on the 17th, and trade remained minimal over the next few days.

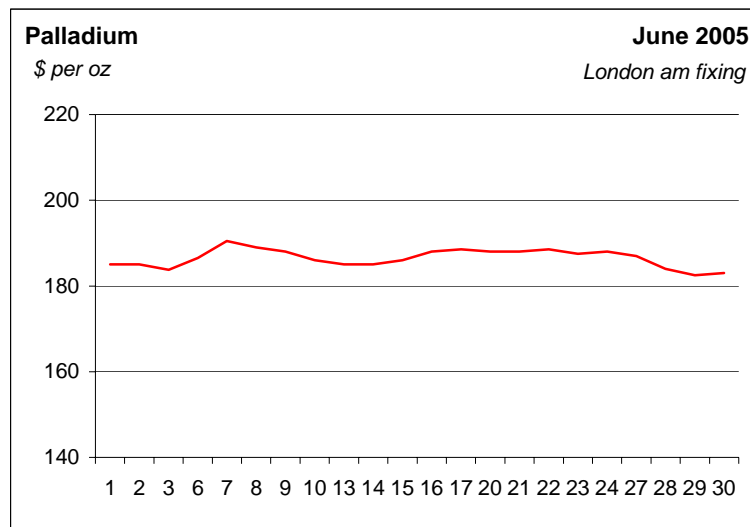
The spike in the platinum price, however, was very brief – a combination of profit taking by funds (as the dollar recovered ground) and the lack of bids for physical metal resulted in the price plunging by around \$20 in 24 hours, the afternoon fixing on the 21st being settled at \$879. Nevertheless, fund interest in the precious metals sector remained high and the platinum price edged back up to reach \$894.50 on the 24th, with the start of wage negotiations between South African pgm producers and unions adding to the positive sentiment.

Platinum fixing prices – June 2005			
	High	Low	Average
\$ per oz	900.00	867.00	880.23
£ per oz	493.15	476.25	483.91
€ per oz	742.88	704.61	723.74

The market became quieter over the final days of June but remained firm, platinum ending the first half of the year at \$884, up by a little over 4 per cent compared to January's opening fixing of \$848.

## PALLADIUM

### Price listless in narrow range around \$185



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**T**he palladium market remained moribund in June, with even less movement in the price than in May. The market was almost completely unmoved by the rallies in platinum and other precious and base metals. Funds, having cut back their long positions substantially the previous month, remained largely on the sidelines, and with supply still outweighing demand there was no stimulus from the fundamental side.

The palladium price opened June at \$185, closed the month at \$183, and did very little in between. The price did manage to edge up to a 'peak' of \$190.50 on the 7th, carried up by the strong rallies in platinum and gold. Palladium then drifted back a little and traded quietly between \$185 and \$189 until the 28th. The price then softened a touch, easing to \$182.50 on the 29th before ending the following day with a fixing of \$183 on very light volumes.

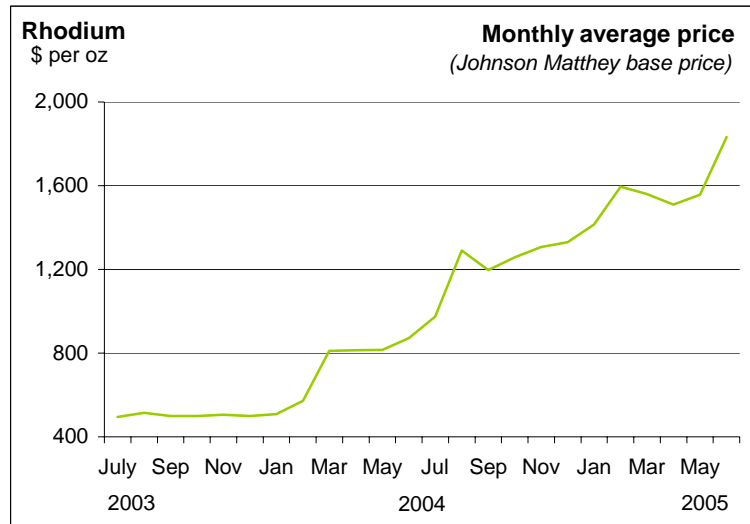
Palladium fixing prices – June 2005			
	High	Low	Average
\$ per oz	190.50	182.50	186.52
£ per oz	104.35	100.55	102.53
€ per oz	156.23	149.70	153.35

Although movement in the palladium price was minimal during the June, fund interest in the metal remained high. Open interest on NYMEX climbed throughout the month, reaching 14,067 contracts on the 28th – close to the all time high. After the substantial long liquidation seen during May, June was marked by a significant increase in non-commercial (primarily

hedge fund) short positions, which climbed by more than 80,000 oz to reach 262,850 oz by the end of the month. At the same time, however, investors also began adding new long positions, and there was a fall in the number of short positions held by commodity trade advisors and managed futures funds. As a result, the total net speculative position was little changed, slipping by just 15,100 oz to 486,400 oz.

## OTHER PGM

### Rhodium passes \$2,000 as end users and investors chase limited offers



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**The ongoing rally in the rhodium price accelerated in June, passing \$2,000 as buying interest outweighed the limited volumes of metal on offer. The minor pgm markets also gained ground, ruthenium moving up \$7 to \$76 and iridium adding \$15 to reach \$175.**

After having settled into a \$1,500 to \$1,600 range between March and May, the rhodium price rally gathered pace once again in June. The now familiar combination of restricted physical availability, high lease rates, good industrial demand and speculative buying drove the Johnson Matthey base price up from \$1,600 at the start of the month to a peak of \$2,040 on the 27th. The move above the \$2,000 mark stimulated a moderate upturn in offers of metal and the price eased slightly to end June at \$1,950.

The price of ruthenium continued on its recent upward track during June, driven but good demand for metal from a number of industrial end users. The JM base price rose steadily from \$69 to \$76 over the course of the month. Iridium moved up in tandem with rhodium and ruthenium, climbing from \$160 to \$175.