

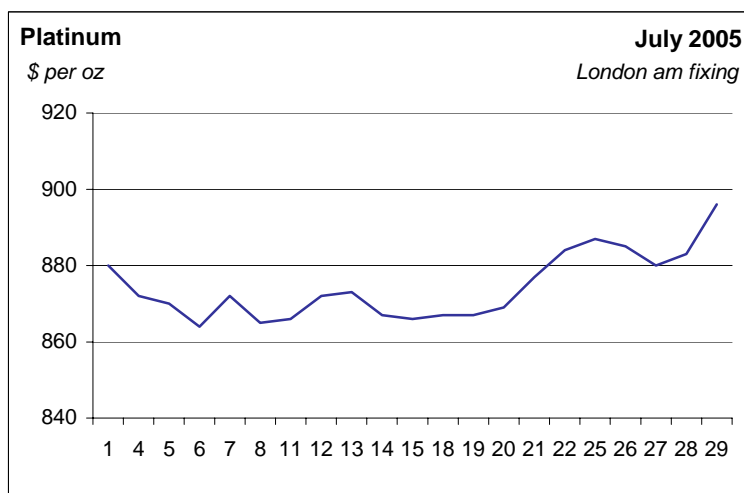
THE PLATINUM METALS REPORT

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July 2005

Johnson Matthey

PLATINUM
Chinese currency
reevaluation
triggers fund-
driven surge
towards \$900



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Fund long liquidation resulted in the platinum price sliding from \$880 to \$860 during the first three days of trading in July. However, the strong support for the price around \$860, which had been evident since the first quarter of the year, held once again thanks to an upturn in end user bids for metal. For the next two weeks the market was fairly quiet, platinum largely trading between \$865 and \$875. From the 21st onwards a strong rally developed as the Chinese revaluation of the renminbi triggered substantial fund buying across the metals markets, and by the end of the month platinum had neared \$900.

The platinum price began July under pressure from speculative long liquidation. A rise in US interest rates on the 30th of June led to the dollar gaining ground against other major currencies, which in turn encouraged a round of fund selling across the base and precious metals markets. Platinum fixed at \$880 on the 1st of July, down from \$884 the previous day, and slid rapidly to \$860 on the afternoon of the 5th. By then the net speculative position on NYMEX had been reduced to 315,000 oz, down by around 100,000 oz since the 28th June, as funds substantially cut back their long positions and stop-loss sell orders were hit. In contrast, activity on TOCOM was subdued, with overnight moves in the spot price largely dictating the direction of the market.

The drop to \$860 saw a pick up in bids for physical metal from Asian buyers on the morning of the 6th and the recovery continued into European trading, platinum fixing at \$864 and \$865. The price gained further ground on the morning of the 7th, following gold upwards in a short-lived reaction to the terrorist attacks in London and fixing at \$872 in the morning. By the afternoon, however, the price had begun to ease as fund selling came to the fore in New York once again and by the end of trading on the 8th platinum had slipped back towards \$860.

The start of the following week saw a slightly more bullish sentiment emerge in the platinum market. The price moved up from \$866 on the 11th to \$874 on the 13th, with good end user buying in Asia again providing some momentum. However, the market settled back down into the mid-\$860s over the next two days as the threat of strike action against pgm producers in South Africa appeared to recede.



The platinum market remained quiet for the next few days, with only small volumes trading across the London fixings and turnover on TOCOM continuing to be very light (fewer than 7,000 lots of the furthest dated contract were traded on the 19th, for example).

The Chinese government's decision to revalue the renminbi, announced on the 21st, gave a boost to most (dollar-denominated) metals prices. Although the actual appreciation of just over 2 per cent was relatively small, it had an immediate impact on trading sentiment, particularly for platinum. The price jumped to \$877 at the morning fixing, then quickly climbed past \$880 as a significant volume of fund buying came back into the market. The rally continued over the next two trading days, platinum reaching \$887 on the 25th.

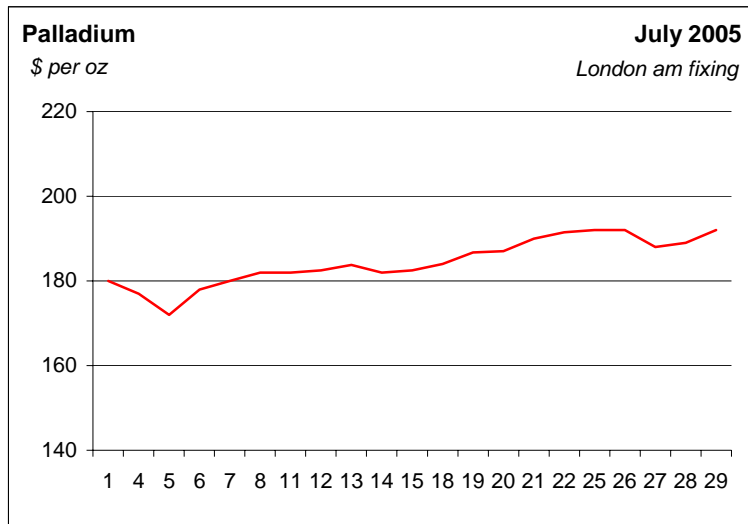
After easing back to \$879 on the 27th on light profit-taking, the price accelerated upwards over the final two days of the month. A resurgence of speculative buying on TOCOM led the move, as Japanese investors pushed the April 2006 contract firmly above ¥3,100. The spot price moved back over \$880 on the 28th, then surged higher on the 29th as further fund buying on TOCOM triggered short-covering. Large volumes of metal changed hands across the morning fixing in London and the price reached \$896. When trading in New York began, open interest on NYMEX jumped as US-based funds joined the buying, pushing the price up to \$899 offered by the close.

Platinum fixing prices – July 2005

	High	Low	Average
\$ per oz	898.00	860.00	874.04
£ per oz	510.95	491.75	499.05
€ per oz	739.85	713.15	725.55

PALLADIUM

Dip to \$172 followed by \$20 rally as market tracks platinum higher



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The palladium price dipped to its lowest level for almost two years in early July as a round of speculative long liquidation was seen on NYMEX. However, the price recovered as fresh fund buying came into the market and climbed steadily to peak at \$194.

The stagnation in the palladium price was relieved somewhat in July, firstly by a sharp sell-off of speculative long positions, followed by renewed fund buying.



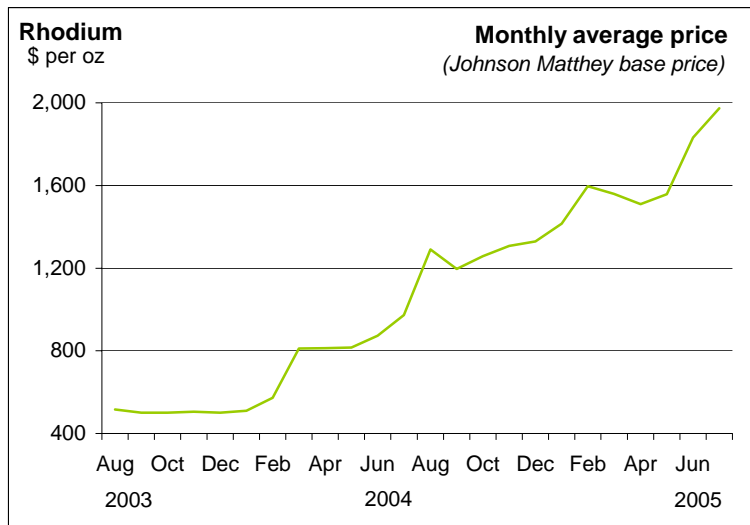
After having opened July hugging the \$180 mark, the palladium price then fell sharply on the 4th, hit by the liquidation of fund positions across all of the precious metals markets as the dollar strengthened. Good volumes of metal were offered across the fixings in London and the price dropped to \$173 in the afternoon. The speculative sell-off continued the following day as further long positions were closed out on stop-loss orders and new shorts were initiated. The price was settled at \$172 at both fixings, its lowest level for 23 months.

At that point, the platinum to palladium price ratio passed 5:1 for the first time – a clear buy signal for some managed futures funds. With bids for metal from end users also increasing the price began to recover in late US trade on the 5th. The market embarked on a steady upward tack as funds slowly began rebuilding their long exposure on NYMEX and demand for physical metal from Chinese buyers in particular remained firm. From a low of 428,000 oz on the 5th of July, the net speculative position had climbed above 450,000 oz by the 12th, pulling the price up to over \$180.

Palladium fixing prices – July 2005			
	High	Low	Average
\$ per oz	194.00	172.00	184.49
£ per oz	111.15	97.75	105.35
€ per oz	159.16	144.50	153.16

The price traded steadily between \$182 and \$185 through to the 19th, with good two way trade seen across the London fixings. From then onwards the price gained renewed upward momentum, helped by the rallies in platinum and gold, as funds stepped up their buying of palladium futures. The price passed \$190 on the 21st and peaked with a fixing of \$194 on the 22nd. After drifting briefly back under \$190, the palladium price firmed once more and finished July with a fixing of \$192.

OTHER PGM
Rhodium market
remains tight,
trading either
side of \$2,000



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The availability of rhodium remained relatively limited during July but with few buyers in evidence during the first half of the month the price drifted down to \$1,850. However, when offers of metal began to dry up the price climbed quickly, peaking at \$2,100. Little trade was conducted at that level, end user resistance becoming clear, and rhodium then slipped back to \$2,000. Demand for ruthenium continued to be robust and the price moved up steadily throughout July to reach \$85. Iridium initially shed \$5 to \$170 but then edged back up to \$175 in sympathy with the other minor pgm.

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