

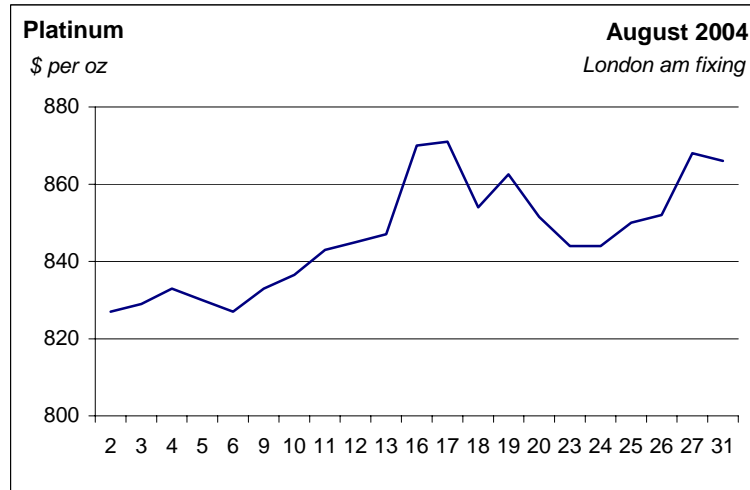
THE PLATINUM METALS REPORT

www.platinum.matthey.com

August 2004

Johnson Matthey

PLATINUM
Investor buying
on supply
concerns boosts
price to \$885



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The price of platinum gathered upwards momentum in August as investors reacted to the increasing possibility that mine workers in South Africa would strike. This outweighed the longer-term, positive implications for platinum supply of a sharp weakening of the rand versus the dollar. Speculative long positions on both NYMEX and TOCOM rose, driving the price from an opening fixing of \$827 to a peak of \$885 on the 16th. After briefly falling back under \$850, platinum climbed again and ended the month firmly at \$864.

The price of platinum began August strongly, fixing at \$827 in London on the morning of the 2nd, up from under \$820 at the end of July. For the rest of the week, however, the price was fairly stable, moving in a narrow band either side of \$830 despite a steadily rising speculative long position on NYMEX.

The following week the buying of platinum futures via both NYMEX and TOCOM accelerated and began to have an impact on the price. Platinum moved above \$830 on the 9th and passed \$840 on the morning of the 11th. By then the net speculative position on NYMEX had exceeded 110,000 oz, almost double the position held at the end of July. On TOCOM, volumes and open interest climbed as investors focussed on potential supply disruptions: a second South African union, Solidarity, declared a dispute with Anglo Platinum on 7th August, the National Union of Mineworkers having previously declared a dispute in late July.

The surprise rise in South African interest rates on the 12th resulted in the rand weakening sharply versus the dollar. Over the longer term, a weaker rand has positive implications for platinum supply from South Africa (as it makes the economics of planned mine expansions more favourable) and is in theory a bearish factor for the price. Investors, however, continued to focus on the short-term and on the 13th news of an unofficial strike at Lonmin's Karee

Platinum fixing prices – August 2004

	High	Low	Average
\$ per oz	885.00	824.00	847.39
£ per oz	482.50	449.70	465.27
€ per oz	718.61	677.41	694.99



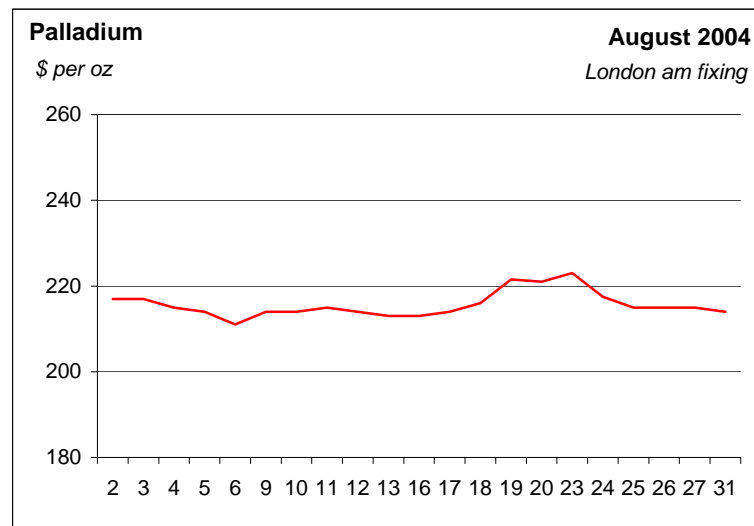
mine contributed to platinum moving up to \$857 at the afternoon fixing. At the same time, unexpectedly large US trade deficit figures resulted in the dollar weakening against the euro and yen, supporting speculative investment in both gold and platinum.

The speculative rally in the platinum price continued on the 16th; with the dollar weakening further, investors continued to build long futures positions in the metal (as well as in gold and oil) via TOCOM and NYMEX. The platinum price was fixed at \$870 in the morning and jumped to \$885 in the afternoon on the back of strong buying by US funds. The volume of physical metal traded, however, was minimal.

On the 17th the market turned as investors began taking profits; the platinum price dropped back under \$880, then slumped to \$854 on the morning of the 18th in the face of heavy long liquidation on TOCOM. By the afternoon of the 23rd platinum had fallen below \$840, triggering a modest upturn in demand for metal from end users. The price consequently began edging up again, a move that gained impetus the following day when the National Union of Mineworkers in South Africa declared wage disputes with both Impala Platinum and Lonmin. This encouraged Japanese investors to expand their long futures positions on TOCOM once again and the platinum price climbed to end August firmly with a fixing of \$864.

PALLADIUM

Little to report from dull summer trade



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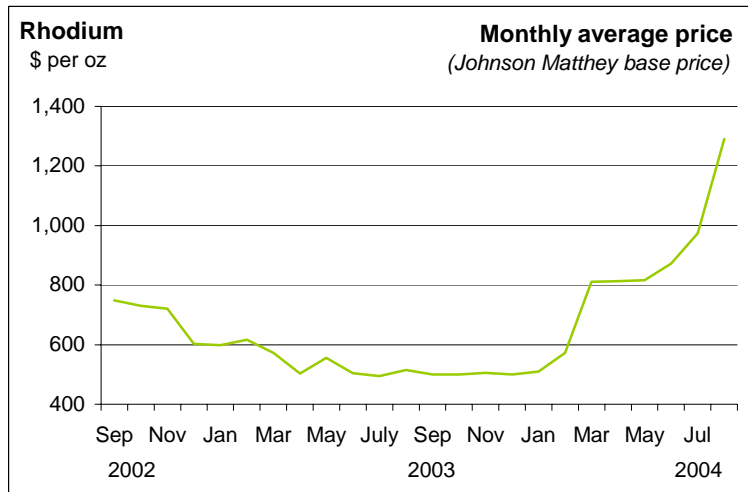
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After a dull July, the palladium market slipped further into lethargy in August. There was no fundamental news of note to move the market, and although funds increased their existing long futures positions the price held close to \$220 for the duration of the month.

Palladium opened August with a fixing of \$217, dipped to \$211, then struggled up to reach \$223 on the 23rd on the back of fund buying. The price then eased downwards to end August at \$213.75 – the odd seventy five cents being almost the only point of note from a very dull month. Although the net speculative position on NYMEX increased from just under 500,000 oz to almost 543,000 oz between the 10th and 24th, the availability of physical metal continued to be more than sufficient to cover hedging by counterparties to the fund buying of futures as well as steady industrial demand.

Palladium fixing prices – August 2004			
	High	Low	Average
\$ per oz	223.00	211.00	215.51
£ per oz	122.85	114.65	118.32
€ per oz	181.10	172.09	176.76

OTHER PGM
Speculators fuel
rhodium rally to
\$1,525 before
offers of metal
emerge



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The rhodium price continued to surge higher during early August, driven to a peak of \$1,525 by a squeeze on liquidity. At this level, however, metal began to be offered to the market and the price had eased back to \$1,250 by the end of the month. The Johnson Matthey base price for ruthenium edged up from \$60 to \$65 in early August but then remained stable; iridium was unchanged at \$205.

The fine balance between rhodium supply and demand was further exploited by speculative holders of metal during the first half of August. As lenders of rhodium held back from renewing existing leases and signing new loans, lease rates jumped. Consequently, some end users were forced to bid for spot metal, increasing the pressure on the price.

After opening August at \$1,070, the Johnson Matthey base price quickly ran up to reach \$1,525 on the 10th. The move above \$1,500, however, appeared to trigger an increase in offers of physical metal and the price began to ease. By the 20th rhodium had fallen back to \$1,250 and remained at that level for the remainder of the month.

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