

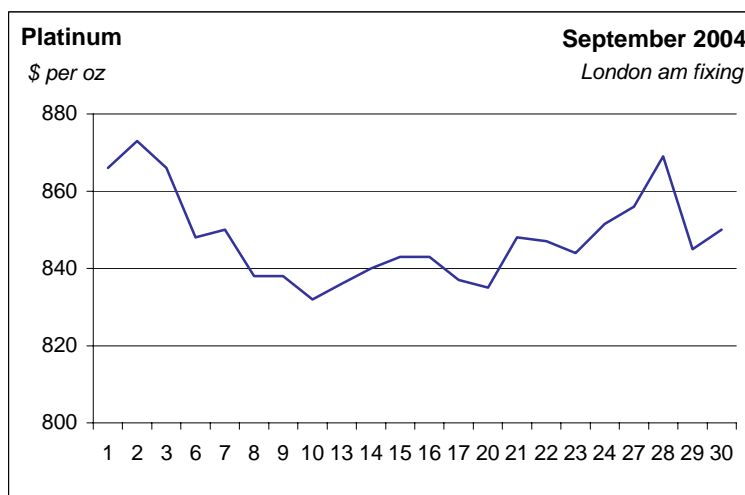
THE PLATINUM METALS REPORT

www.platinum.matthey.com

September 2004

Johnson Matthey

PLATINUM
Long liquidation to \$827 followed by rally to \$875 on South African supply concerns



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Platinum made a strong start to September, edging above \$870 as the market reacted to growing disputes between pgm producers and unions in South Africa. However, aggressive long liquidation by funds and investors across all precious metals markets saw the platinum price tumble by more \$45 to the month's low of \$827 on the 9th. A modest upturn in purchasing by industrial consumers and jewellery manufacturers in China was then followed by another sharp fund-driven rally. Platinum peaked at \$875 on the 28th on the back of the closure of Northam's mine due to a fatal fire and strikes being called at Impala and Anglo Platinum.

The platinum market began September in a bullish mood, following the declaration in late August of wage disputes between the National Union of Mineworkers (NUM) and South Africa's two largest pgm producers, Impala and Anglo Platinum. Platinum began September at a fixing price of \$866, then climbed to \$873 the next day in the wake of purchasing by funds and private investors on TOCOM.

The price eased to \$867 on the 3rd on the back of profit taking during European trading, a precursor to a more concerted round of long liquidation by funds and other investors across most base and precious metal markets the following week. Heavy selling on TOCOM pushed the platinum price below \$850 on the 6th, and when the US market re-opened on the 7th after Labor Day funds began closing out long futures positions on NYMEX. The platinum price slid to the month's low of \$827 on the afternoon of the 9th as the long liquidation accelerated. The fall in the price resulted in an upturn in demand for physical metal, notably from Chinese jewellery manufacturers, and platinum recovered to fix at \$832 and \$836 on the 10th.

Platinum entered a quieter and more directionless period in mid-month, trading either side of \$840 for several days. The platinum market remained subdued on the 20th, a public holiday in Japan, with two London fixes of \$835.

Platinum fixing prices – September 2004			
	High	Low	Average
\$ per oz	875.00	827.00	847.90
£ per oz	487.15	464.45	472.89
€ per oz	716.45	680.55	694.10



Later that day, however, news began to emerge that a serious fire at Northam Platinum had killed several miners and had led to production being suspended. This news – coming on top of the increasing likelihood of strikes at Impala and Anglo Platinum – sent the price up to a morning fixing of \$848 on the 21st as Japanese traders and investors returned to the market as buyers.

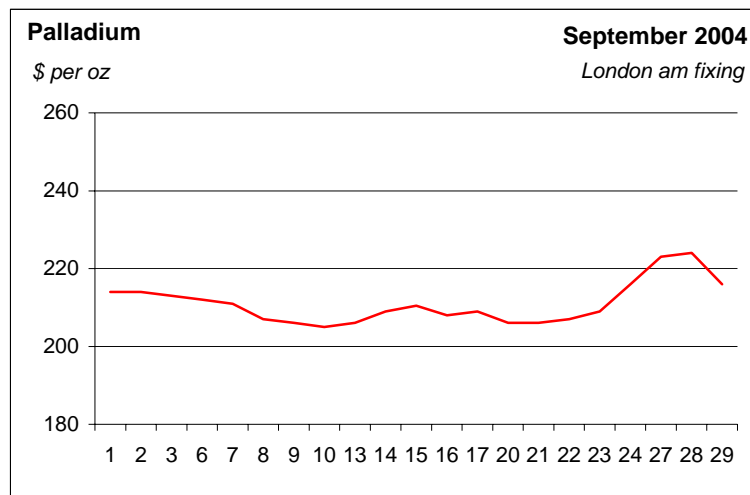
Platinum drifted back to \$841 on the 22nd, ahead of another public holiday in Japan, but began to move upwards once again on the 24th. The rally was triggered by a number of factors, including higher base metal prices, gains in the value of the rand against the dollar, and the continuing failure of the NUM and platinum producers to reach wage agreements.

Platinum climbed to \$855 on the 24th, then continued to move higher at the start of the following week as funds in the US and investors in Japan rebuilt significant long positions as the possibility of strike action intensified. When strike notices were issued by the NUM to both Impala and Anglo Platinum on the 28th the price jumped to the month's high of \$875. At that stage the net speculative long position on NYMEX had climbed to 196,000 oz, up from less than 110,000 oz two weeks previously. In contrast, however, end user demand for metal fell away as the price rallied.

The platinum price eased during the final two days of September as strike action had began at Impala on the 29th and at Anglo Platinum on the 30th. With the effects of the walk-outs already built into the price, and a majority of workers at Anglo reported for work, speculators started taking profits. As a result the price weakened to end the month with a fixing of \$854.

PALLADIUM

Price softens then firms as fund interest ebbs and flows



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Palladium edged downwards in early September, falling to a low of \$204.50 on the 8th, then traded quietly between \$205 and \$210 for the next two weeks of the month. During this period, speculators on NYMEX gradually reduced their long positions, but from the 23rd onwards there were signs of renewed investor interest. As a result, the price climbed to the month's high of \$224 on the 27th before losing impetus as the platinum price receded. Palladium ended the month at \$217.

Palladium opened September at a fixing price of \$214, and traded steadily at around this level until the 7th, when heavy selling on the London afternoon fixing depressed the price to \$209. The price continued to drift downwards, recording the month's low of \$204.50 on

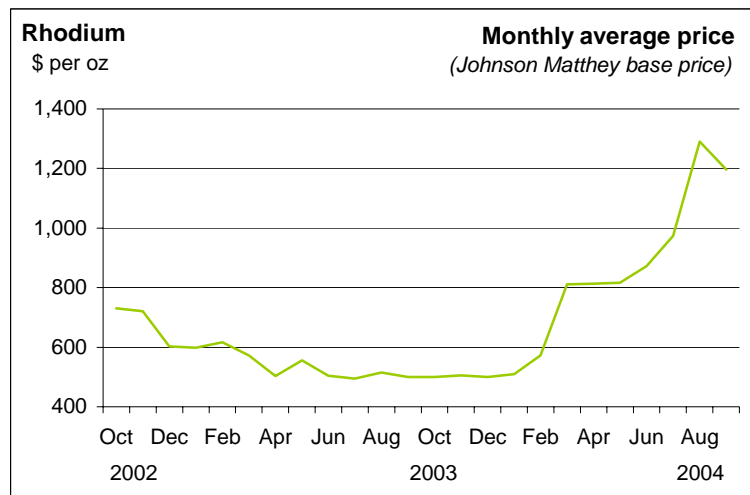
Palladium fixing prices – September 2004			
	High	Low	Average
\$ per oz	224.00	204.50	211.35
£ per oz	123.65	114.20	117.86
€ per oz	182.50	167.00	173.00

the 8th. Over the next two weeks, palladium traded quietly in a narrow \$205-210 price range. A change in investor sentiment was reflected in a decline in the long position held by speculators on NYMEX, from 526,300 oz at the start of the month to 475,100 oz by the 21st, a decline of 10 per cent.

Renewed fund interest emerged from the 23rd onwards, pushing palladium to the month's high of \$224 on the 27th as the speculative long position on NYMEX climbed by 18 per cent to over 562,000 oz. However, palladium was unable to sustain its rally and retreated to \$217 at the month end.

OTHER PGM

Rhodium price remains firm with availability tight



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The rhodium price continued to ease during the first half of September, falling to a low of \$1,100 on the 15th. Lower prices triggered an increase in consumer buying, and the price quickly recovered, reaching \$1,300 by the month end. The ruthenium price edged higher but iridium slipped backwards.

Rhodium opened September at a Johnson Matthey base price of \$1,250, down sharply from its mid-August peak of over \$1,500. It continued to come under pressure from selling during the early part of the month, edging downwards to \$1,200 on the 10th and a low of \$1,100 on the 15th. Consumer buying then emerged, lifting the price gradually back to \$1,180 on the 23rd. As the month came to a close, the price rallied sharply, reaching \$1,300 on the 29th under the influence of good industrial demand and a lack of availability.

The ruthenium price continued to edge higher during September, climbing \$9 to a month end price of \$74. Meanwhile, iridium moved down by \$5 to settle at \$200 at the month end.