

The Platinum Metals Report

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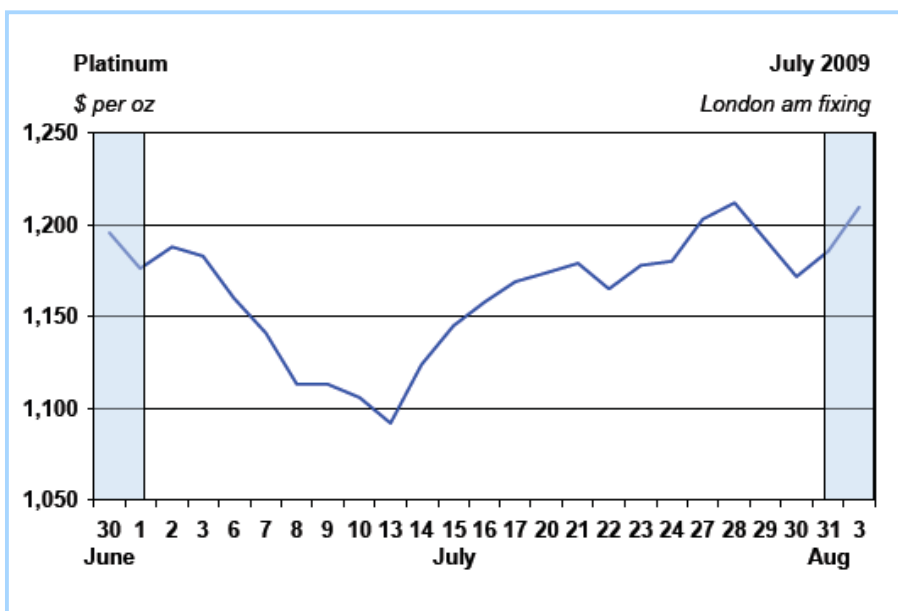
July 2009

Johnson Matthey

July was the second consecutive month when the palladium price outperformed the platinum price. Physical demand for both metals was low, as usual in the Northern hemisphere months, and investor interest was the key to a strong price performance: futures positions in both metals rose to very high levels, helping both metals gain some ground. Currency movements provided much of the day-to-day momentum behind the prices (according to the market's appetite for risk) but threats of supply disruption and a gradual improvement in the prospects for the global automotive market added some support. Rhodium benefited from the same supply issues in South Africa and the slowly growing positivity in the automotive sector but ruthenium and iridium, both heavily dependent on industrial purchasing, did not move at all during the month.

PLATINUM

After losing ground during June, platinum successfully struggled to gain \$13 in July. Net long speculative positions on NYMEX were key to this performance, falling to a minimum when the price hit a monthly low of \$1,092, and rebounding strongly at the end of the month to impel the price higher. The physical market, though, was less supportive of the price, with purchases of metal on the Shanghai Gold Exchange (SGE) comparatively low, and little metal being purchased by ETF investors.



Platinum's final June fix was \$1,186 but a strong dollar depressed commodity prices, sending platinum lower to a first fix of July at \$1,176 on the 1st. The Chinese jewellery industry showed its appetite for metal at this price with 173kg of metal traded that day. News that Anglo Platinum and the South African National Union of Miners (NUM) were making progress towards a wage settlement balanced the news that Aquarius did not see

the reopening of its Everest mine as a priority. Later, Ford revealed that its US vehicle sales were stabilising, forcing platinum up to a second fix of the day of \$1,188.

The market was quieter the following day although data from the French and German car markets revealed that national scrappage schemes were having a positive effect, boosting the growing sense of optimism amongst investors. With the US markets shut on the 3rd for the Independence Day holidays, some selling of platinum on TOCOM was countered by the purchasing of 122kg of metal on SGE. Perhaps of longer term significance – although of little importance to the price – was the news that Volkswagen had sold 5,000 clean diesel vehicles in the US in June, an impressive quarter of all of its sales.

On the 6th, investors moved back into the US Dollar as a safe haven due to concerns over the global economy. While gold remained supported by worries over ethnic violence in China's Xinjiang province, other commodities were dragged lower, with platinum falling to \$1,150 at the second fix that day. This prompted very strong purchasing on SGE and some industrial interest in platinum the following day. However, worries that the US Commodity Futures Trading Commission (CFTC) might seek to impose position limits for a range of commodity futures depressed the market, driving liquidation of long positions. Further dollar strength on the 7th and 8th and TOCOM selling outweighed yet more purchasing in Shanghai and platinum dropped to a pm fix of \$1,110 in London that day before moving briefly under \$1,100 in the spot market in New York.

Gold bounced over the \$900 mark on the following day, providing some support for the other precious metal prices. Healthy Chinese car sales data and some surprisingly strong industrial buying of platinum sponge kept the price above the \$1,100 level. A weighty 270kg of platinum was bought in Shanghai on the 10th reflecting the robust health of the Chinese jewellery market. News emerged of strong Chinese domestic economic growth, a strike and hostage situation at Eastplats' Crocodile River mine in South Africa and of General Motor's impressively quick impending exit from bankruptcy after only 40 days. However, these three bullish pieces of news had no impact on the market: investors instead followed the dollar, liquidating futures and physical positions, and sending platinum down to an offer of \$1,098 in London and a pm fix of \$1,095.

Platinum fixing prices – July 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,213.00	1,092.00	1,161.75
£ per oz	735.80	676.55	710.00
€ per oz	852.40	783.65	824.70

Platinum reached its monthly low of \$1,092 in London on the morning of the 13th despite the Euro weakening against the dollar on the release of poor Eurozone economic

data. Investors on TOCOM provided some support for the price, as did news that Sharp was increasing its production of LCD television panels. More important, though, were the comments later in the day from the US Treasury Secretary that he expected domestic economic growth to resume in 2009. This weakened the dollar and sent platinum leaping to \$1,124 the following morning. The dollar continued to weaken over the next few days,

providing upward momentum to the commodity complex but squeezing Chinese physical purchasing. An increase in US and European monthly automotive sales provided a further fillip. Tanaka KK's press comments noting strong sales of platinum investment products in Japan then helped push the price to \$1,158 at the second fix on the 15th.

Fund buying – on TOCOM and elsewhere – kept platinum moving higher and it crawled to \$1,169 on the 17th. On the 20th, Impala revealed that a fall-of-ground at its Number 14 shaft had killed nine miners and the price jumped to \$1,181 that afternoon. On the 21st, Impala announced the temporary closure of part of its Number 12 shaft for safety inspections but the market did not react. The next movement came, instead, on the 22nd with a falling Euro sending platinum back down to \$1,165. The news that Shaft 14 was expected to be shut for four weeks was largely ignored by the market.

However, on the 23rd, Lonmin revealed that although it had restarted its Number One furnace on July 15th, further slag leaks meant that it would be operated at low power (and low throughput) until a rebuild could be carried out in the final quarter of the year. This firmed the price and, with gold rising due to a strong Euro and net long speculative positions climbing on NYMEX, platinum climbed to \$1,186 on the 24th before running into strong resistance close to the \$1,195 mark. However, the launch of the snappily-titled “cash for clunkers” car scrappage scheme in the US on the 24th and a day of mourning at the Impala Lease Area on the 25th melted this resistance, allowing platinum to emerge above \$1,200 on the 27th, fixing at \$1,203 and \$1,211.

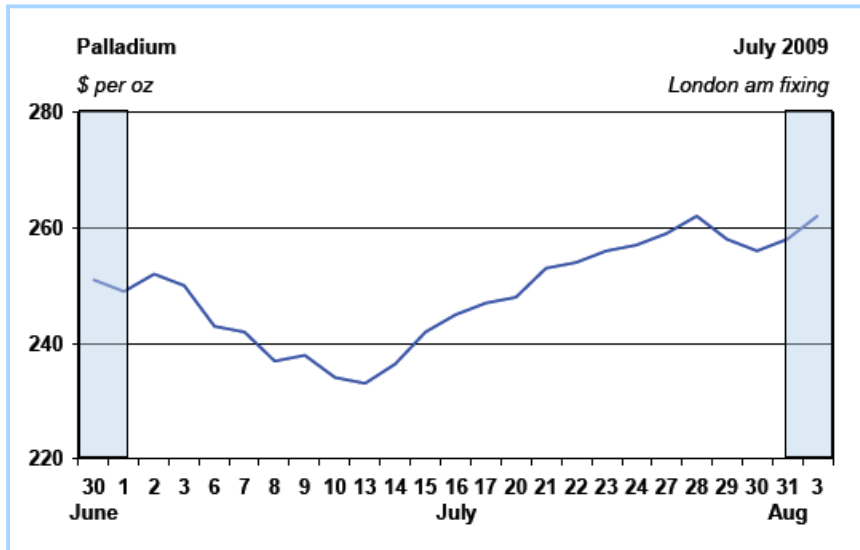
Anglo Platinum revealed that high cost shafts at Rustenburg and Amandelbult were to be put on care and maintenance and that it expected the second half of the year to move closer towards a deficit in the platinum market. With the dollar still weakening, this proved enough to drive platinum marginally higher to its monthly peak of \$1,213 on the 28th before investor selling was seen. Platinum, though, retraced its steps almost immediately, falling to \$1,171 at the second fix on the 29th under pressure from technical selling and a strengthening in the US Dollar as investors unwound positions prior to the month-end. Platinum now found some physical support, however, and inched higher to end July at \$1,189, little different from where it had started the month.

PALLADIUM

The palladium price performed strongly during July, rising \$7 from an initial \$249 to a final fix of \$256. Physical demand remained fairly weak throughout but speculation that the health of the automotive industry might be improving was accompanied by ETF purchasing and a substantial increase in net long speculative futures positions, helping palladium gain ground.

Palladium started July close to the \$250 level with a first fix for the month of \$249. Comments from China (later refuted) suggesting that a new global reserve currency was needed weakened the dollar and sent palladium through the \$250 mark to fix at \$253 that

afternoon. There was a range of positive automotive news on the following day from record monthly vehicle sales in Brazil to the boost in German car sales due to the scrappage scheme there. This provided some support for the palladium price and low levels of interest on the fixes on the 3rd saw the price remain almost flat at \$250.



The next significant move came on the 6th when concerns over the global economy drove investors back to the US Dollar as a safe haven, sending commodities sharply lower. Palladium dropped to \$243 at the first fix of the day and with the dollar remaining strong, palladium slipped lower to \$237 on the 8th before finding some support from investors. The same day, Stillwater received notice

of a petition from General Motors to cancel its palladium and rhodium supply agreement with Stillwater, albeit with no obvious effect on the price. Net long speculative positions on NYMEX started to fall on worries that the CFTC was considering imposing position limits on a range of commodity futures. This decline in the price prompted some further physical purchasing of palladium but did little to slow the fall. Gold bounced over \$900 as better-than-expected US unemployment claims weakened the dollar. Palladium, though, could only climb back to \$238 on the 9th.

Continued liquidation of long positions on the futures exchanges kept the pressure on the price and palladium slipped to a monthly low of \$232 on the 13th. Optimistic comments from the US Treasury Secretary on the outlook for the domestic economy weakened the dollar and palladium which climbed back to \$236.50 early on the 14th. The price kept on moving as speculative positions on NYMEX started to increase and news of a strike at Vale's Sudbury operations and a month-on-month rise in US automotive sales added enough positivity to the market to force palladium back to \$242 in London the following morning. A bout of Euro strength pushed palladium higher still before it met with increasing resistance near the \$250 level. However, investors took on the challenge and continued buying took the price to \$247 on the 16th. The Euro kept climbing against the US Dollar and when Impala announced a very serious accident at its Shaft 14 on the 20th, palladium finally climbed over the \$250 mark to fix at \$251 in London in the afternoon.

With the resistance broken, funds were attracted in greater numbers into palladium (net long speculative positions on NYMEX climbed from 895,000 oz in the middle of the month to a substantial 1.2 million ounces at the end of the month). The price rose to \$256

on the 21st before losing momentum. Fund interest continued, though, prompted by speculation on the possible launch of the US “cash for clunkers” scheme. Of note, General Motors’ request to cancel its contract with Stillwater was granted on the 22nd. Of equal interest (but also with limited impact on the price) legislation approving the hallmarking of palladium jewellery in the UK was passed on the 23rd.

Continued weakness in the dollar drove healthy physical purchasing of palladium in London on the 24th and the price started rising once again. The US\$1 billion “cash

Palladium fixing prices – July 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	263.00	232.00	248.45
£ per oz	159.55	143.65	151.80
€ per oz	184.80	166.25	176.35

for clunkers” scheme was launched and spurred the price onward to a monthly high of \$263 at the second fix on the 28th. A rise in the dollar (driven by the unwinding of investor positions prior to the end of the month) halted palladium in its tracks, sending it back down to \$254 on the 29th. On the 30th, though, Norilsk announced its production results for the first half of 2009. The news that palladium output was down reminded investors of the longer term fundamental story for this metal and helped it recover a small amount of ground to end the month at \$256, a rise of \$7 from the start of the month.

OTHER PLATINUM GROUP METALS

Rhodium performed strongly during July, aided by a turnaround in sentiment in the automotive sector, rising from an initial Johnson Matthey Base Price of \$1,450 to a closing price of \$1,625. There was no change in the prices of ruthenium or iridium which remained at \$90 and \$425 respectively throughout the month.

Rhodium started July softly at \$1,450 and with buying interest slow, it slipped to \$1,430 on the 2nd. Although it remained at this level for almost three weeks, it slowly built momentum: two-way trading reappeared and snippets of positive news on the automotive market slowly accelerated physical and speculative purchasing. This pressure finally tolled on the 23rd and rhodium broke out upwards, climbing to \$1,450 that day. Chinese purchasing was particularly strong and, as so often in the rhodium market, relatively small amounts of buying outweighed the offers available and rhodium started to climb quickly. It shot higher, to \$1,520 on the 24th and \$1,600 on the 25th and finally reached its monthly peak of \$1,725 on the 28th and 29th. At these comparatively elevated levels, buying weakened a little and rhodium slipped back to end the month quietly at \$1,625.

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