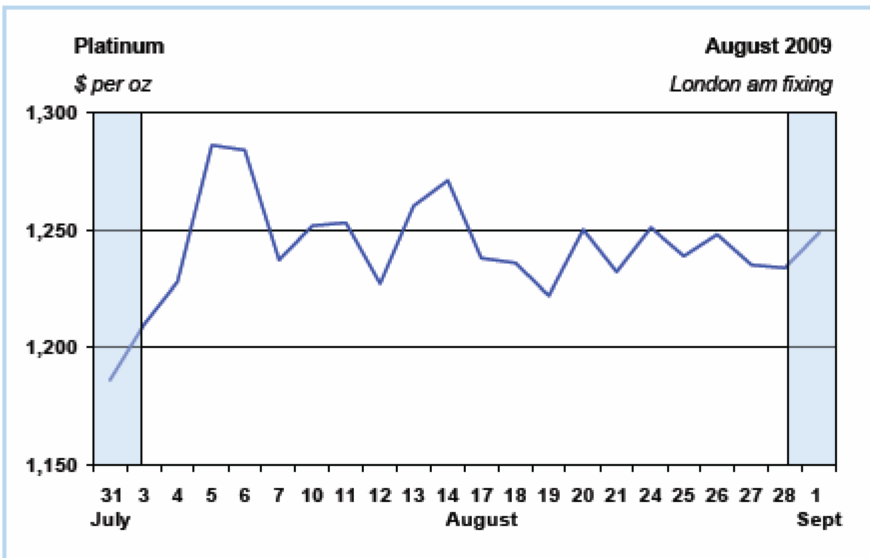
Although the Northern hemisphere summer is traditionally a quiet period in the platinum group metals markets, the prices of both platinum and palladium gained ground during August. Platinum climbed some $35, aided by increasing net long speculative futures positions and by worries over disruption to South African supplies of this metal. However, the performance of the palladium price was considerably stronger as it gained more than ten per cent, driven onward by a growing improvement in the outlook for the automotive industry and by intense investor interest. The minor metals markets were, however, quiet, with rhodium moving relatively little and no change at all in the prices of ruthenium and iridium.

PLATINUM



The platinum price rose from an initial $1,210 at the start of August to end at a relatively strong $1,244, assisted by a weak US Dollar and a strong gold price. Market conditions were quiet but strong buying was seen in China and elsewhere in Asia whenever the price fell, accentuating its volatility. Although ETF investors added little metal to their holdings, net long speculative positions increased strongly on NYMEX and on TOCOM, reflecting worries over South African production and helping to firm the platinum price.

Platinum's final fix of July was $1,189. It quickly gained ground, though, as it moved into August: news that the US legislature was to extend the funding for the Cash for Clunkers car scrappage scheme supported the price which moved to an initial August fix of $1,210 (on the 3rd of the month). This marked the low point for the whole month of August and, with a weak dollar providing some assistance, platinum followed most of the commodity complex higher to a second fix of $1,215 later that day. Ford also announced that its July sales in the USA were higher than the previous month's figures, maintaining the buoyant mood in the market and powering platinum higher.

On the 4th, the release of positive US economic data weakened the dollar at the same time as Honda announced a small increase in its planned vehicle production. Taken together, these boosted the platinum price to $1,236 at the second fix of the day. The threat of a strike at ESKOM, the South African power utility – something that would hit platinum output – emerged in the media after this fix and platinum rose strongly in the spot market in New York before climbing to a monthly high of $1,286 at the morning fix in London on the 5th. Although the reopening of Impala's Shaft 14 allowed the price to slip marginally lower, these strike concerns and a range of mildly positive news from the automotive sector continued to support platinum close to this level for the remainder of the 5th and 6th. Later, in New York trading, the US Federal Trade Commission announced new rules to curb "excessive speculation" in the oil markets. Worries that these rules might later be extended to other commodities spilled over into platinum, driving the price sharply lower to $1,237 on the morning of the 7th despite strong buying on the Shanghai Gold Exchange (SGE).

Platinum did bounce back to $1,260 at the second fix on the 7th but the threat of a strike at ESKOM began to recede and the price softened to $1,242 on the 10th despite quiet growth in net long speculative positions on NYMEX (to ten year record levels). The price climbed higher the following day despite some strength in the US Dollar but selling emerged on TOCOM on the 12th, sending platinum to a low of $1,227 before substantial Chinese physical demand emerged.

Later that day, ETF Securities announced that it was to launch platinum and palladium Exchange Traded Funds on the Tokyo Stock Exchange. This added some nervousness to the market, helping to outweigh the selling seen on NYMEX. Good sales on SGE followed on the 13th and when Platmin sacked striking workers at its Pilanesberg mine on the Western Bushveld, platinum clambered back to $1,264. On the 14th, autocatalyst scrap processors A1 estimated that platinum recoveries from spent catalytic converters could be almost a quarter lower than in the previous year despite the various national scrappage programmes. This provided just enough momentum to propel platinum to a peak of $1,271 at the first fix of the day.

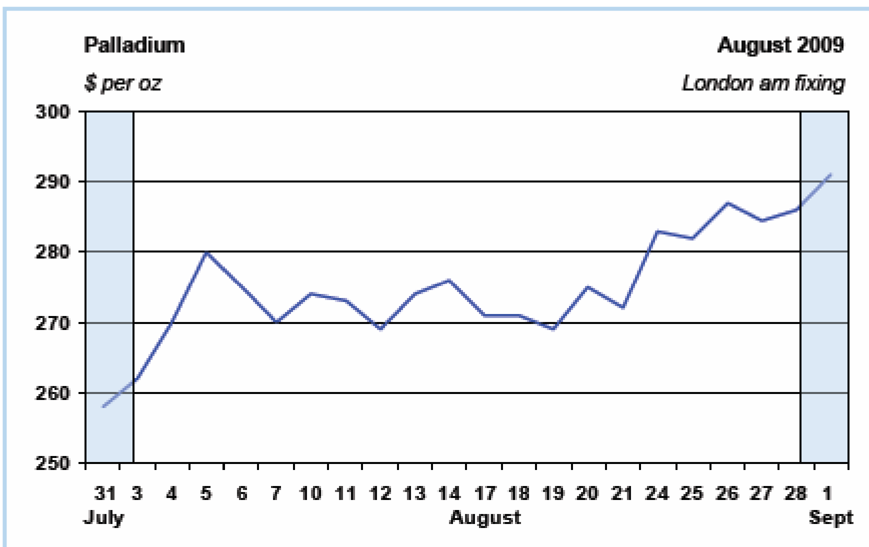
Platinum fixing prices – August 2009			
	High	*Low*	*Average*
$ per oz	1,286.00	1,210.00	1,244.65
£ per oz	768.00	718.55	751.85
€ per oz	893.70	847.65	872.55

The US Dollar intervened once more on the 17th. The South African National Union of Mineworkers (NUM) mentioned the possibility of a strike at the Impala Lease Area, something that would normally firm the metal price. However, concerns over the stability of the Chinese economy prompted a flight into the dollar and instead sent platinum crashing lower, to $1,238 that day and to $1,221 on the 18th before support emerged from SGE purchases and from investor buying. Chinese equities fell lower again on the 19th but substantial buying of metal could now be seen in Shanghai from the jewellery industry and the platinum price edged higher. Although the NUM rejected a pay offer from Impala, the narrow distance between the positions of the two parties in the negotiation led the market to discount the threat of a significant strike. Short covering did, though, inject some energy into the precious metal complex and helped platinum to recover to $1,250 in thin conditions before it ran into stubborn resistance.

The impending end to the US Cash for Clunkers scheme provided the spur for investor sales of platinum and the price dipped back to $1,232 on the 21st before a fall in the dollar against other major currencies and the launch of the Japanese platinum-based Exchange Traded Fund drove platinum back up to $1,251 on the 24th. However, news that the NUM had suspended its proposed strike at Impala and that a proposed strike at Murray and Roberts Cementation (contractors at a number of South African mines) had also been suspended took the heat from the market: platinum dipped lower to $1,239 on the 25th.

Later that day, news that a number of workers at Impala's Lease Area had nonetheless gone on strike (with losses of 3,000 oz of platinum output per day) was almost ignored by the market. Even when contractors at Aquarius's Kroondal and Marikana operations also went on strike on the 26th, platinum could only climb as high as $1,248. The NUM rejected Impala's pay offer later that day (and the striking staff at Kroondal and Marikana were sacked) but a strong US Dollar applied downward pressure on platinum which fell back instead of rising. Although the Impala strike spread to its Marula operations on the 28th, the market remained steady and with little metal changing hands, platinum traded the month out quietly but firmly at $1,244.

PALLADIUM



The palladium price continued to strengthen significantly during August as investors showed a healthy appetite for the metal and some optimism returned to the automotive industry. Net long speculative NYMEX positions continued to grow to very high levels and when ETF investors showed their interest in palladium in the second half of the month, the price inched higher, outperforming platinum and approaching the $300 level.

Palladium started August positively, climbing from a final July fix of $256 to an initial August fix of $262 on the 3rd, with the news that the US Congress was to move to triple the cash available for its cash-for-clunkers scheme. With investor appetite for risk returning, the US Dollar weakened and this proved to be the lowest point for the palladium price during August. News that Ford's July sales in the USA had risen compared to twelve months previously added some further positive energy to the price which climbed to a second fix of $268 that day.

On the 4th, threats of a strike at ESKOM in South Africa firmed the platinum group metals and news of strengthening German car sales combined with the weak dollar to drive palladium onwards to $280 on the 5th. Stillwater then revealed good results for its mine production for the first half of the year and noted that recycling volumes of end-of-life automotive catalysts were improving. This proved enough to stop the price rising further. On the following day, worries that the US Federal Trade Commission's decision to curb "excessive speculation" in the oil markets could yet affect the precious metals drove a sell-off in both platinum and palladium, with the price of the latter slipping back to $270 at the first fix on the 7th. This downward move was prevented by strong support at $265 on the 10th and, although the threat of an ESKOM strike receded and Impala reopened Shaft 14 at its Lease Area, palladium remained above the $270 level.

Palladium fixing prices – August 2009			
	High	*Low*	*Average*
$ per oz	289.00	262.00	275.50
£ per oz	176.75	155.60	166.45
€ per oz	201.25	183.55	193.10

However, on the 11th, worries over the robustness of the Chinese domestic economy surfaced and drove a flight into the dollar as a safe haven and despite Aquarius's comments that the picture for the automotive market was improving, palladium dropped below this mark to fix at $269 on the 12th. News of the impending launch of a Japanese Exchange Traded Fund provided some support for the price but, as importantly, investors purchased 25,000 oz of metal through the London fund, the start of a buying spree that would last for the remainder of the month. Investors now seemed to focus on the positive prospects for the palladium price if and when the global automotive market were to recover.

Reports that the US auto makers were starting to increase production, albeit gradually, provided a further boost to the price which climbed to $277.50 on the 14th, assisted by A1's comments that the automotive recycling market remained well below 2008 levels despite the range of national scrappage schemes in place. Following the weekend, further worries over the Chinese economy strengthened the dollar and forced a sell-off of the platinum group metals, with palladium finding support above $265 again. Thin trading volumes allowed the price to dip as low as a second fix of $268 on the 18th but investors applied enough pressure to prevent the price falling further. Instead, some short covering in the precious metals sector firmed the price which rose to $275 at the first fix on the 20th before running into substantial selling. The positive news that GMAC (General Motors' old finance arm) was to return to providing credit for vehicle leasing was outweighed by the impending end of the US vehicle scrappage scheme (which was running out of assigned funds). However, palladium only dipped to $272 later that day before ETF purchasing and growing long speculative NYMEX positions forced the price higher.

Palladium returned to $275 at the second fix in London on the 21st and a strong Euro, and speculative buying, drove it onwards to $283 on the 24th. The next day, workers at Impala downed tools in protest over the length of time wages talks were talking. This helped the palladium price to climb as high as $288 that day. Growing industrial unrest in the South African mining industry continued to provide support over the following days but the palladium price had temporarily run out of steam as investor interest was met by substantial selling. However, the price fell no lower than $284.50 on the 27th before speculators drove the price upwards to end August at its monthly peak of $289.

OTHER PLATINUM GROUP METALS

All three of the minor platinum group metals had a quiet month during August. Rhodium started at a Johnson Matthey Base Price of $1,625 and threats of a strike at ESKOM (the South African electricity utility) pushed the price up to a peak of $1,700 from the 7th to the 17th of August. However, with speculative buying in Asia weaker than in the preceding months, the price could not sustain itself at this level and it softened to end the month at $1,650. Low levels of industrial purchasing of ruthenium and iridium supported the prices of those metals at $90 and $425 respectively throughout the entire month.