

The Platinum Metals Report

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September 2009

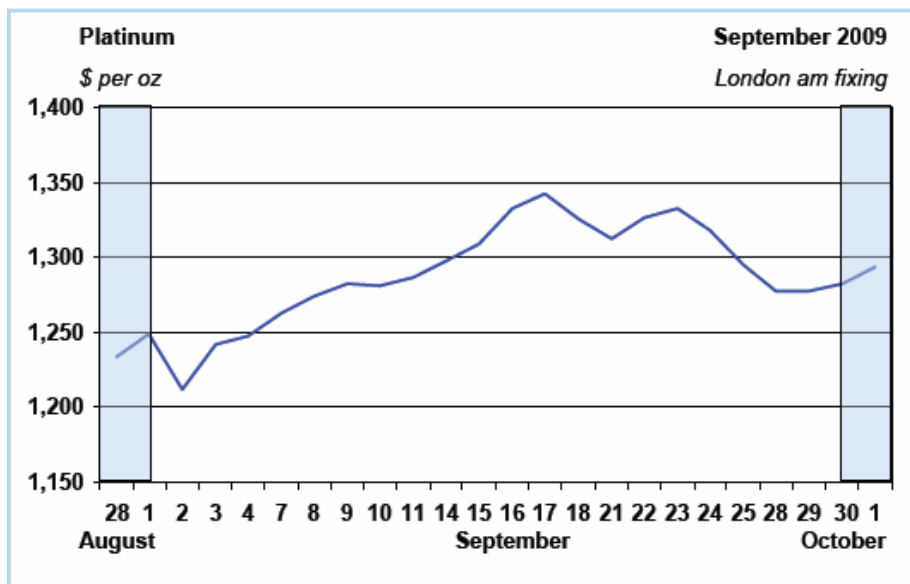
Johnson Matthey

A rising gold price set the scene for the precious metal markets during September. Investors continued to add to long physical and futures positions in gold and this momentum was, for once, more important than any movements in the US Dollar. When gold rose above the \$1,000 level, it encouraged futures and Exchange Traded Fund investment in both platinum and palladium, dragging the prices of these metals up to their highest levels for more than a year. However, when the gold price retreated at the end of the month, platinum and palladium fell back too although both did gain some ground throughout the month as a whole. The prices of rhodium, ruthenium and iridium all remained static throughout the month.

PLATINUM

The platinum price performed strongly during September, rising from an initial \$1,249 to a mid-month peak of \$1,343, encouraged higher by the buoyant gold price. Net long speculative positions on the futures exchanges and total physical holdings in the Exchange Traded Funds grew rapidly before faltering as the

gold price lost some ground. Platinum fell back to end the month at \$1,287, \$56 below its monthly high but still some \$38 above where it had started September.



Platinum's initial fix in September was \$1,249 and, despite some positive news from the automotive sector – the planned extension of the French scrappage scheme and a rise in US monthly automotive sales during August – the price began to fall, under pressure from a rise in the dollar. Aquarius announced that it expected to return quickly to full production at its Kroondal and Marikana operations following strikes at both and Impala announced that it expected to meet the National Union of Mineworkers (NUM) in an attempt to resolve the impasse at its Lease Area. This relatively positive news for

platinum supply weighed on the price which fell to its monthly low of \$1,210 at the second fix on the 2nd of September.

The gold price, however, provided staunch support, with worries over the global economy driving “safe haven” buying of that metal. Investors also started to move into platinum with net long speculative positions on NYMEX growing from 875,000 oz at the start of the month to 940,000 oz on the 8th of September. Comments from the NUM confirming that the strike at Impala was continuing firmed the price which leapt back to \$1,242 at the first fix on the 3rd, assisted by weighty purchasing of metal on the Shanghai Gold Exchange (SGE). The announcement of the end of the German car scrappage scheme and news of a wage agreement between Northam and the Solidarity Union in South Africa might have been expected to weaken the price but, with gold investors targeting the \$1,000 mark, platinum instead rose to \$1,270 on the nearby NYMEX October contract late on the 3rd.

As gold inched its way higher over the following days, the platinum price too crept upwards, reaching \$1,263 on the 7th before softening marginally to \$1,255 later that day as the NUM announced the end of the strike at Impala and an outline wage deal with Anglo Platinum. Once again, though, investors intervened. When a spell of weakness in the dollar allowed gold to surge over \$1,000 on the 8th, platinum was caught up in the excitement, with TOCOM investors keen buyers. The release of very good Chinese automotive production data reinforced the platinum price which rose to \$1,286 the following day.

Gold flirted with the \$1,000 level over the following days as a mixture of fund selling and buying occurred. However, the dollar weakened yet again on worries over the interventionist stance of the US administration and momentum buying through the ETFs took platinum from a second fix of \$1,292 on the 11th to a high of \$1,324 in the spot market late that day. This was followed by liquidation of long positions in Tokyo on the 14th but there was now stubborn support for the price close to \$1,300. Platinum fixed at \$1,298 that morning but news of a fatal accident at Impala’s Shaft 14 added some strength to the metal price, which bobbed back above \$1,300.

Platinum fixing prices – September 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,343.00	1,210.00	1,289.20
£ per oz	818.25	746.70	789.55
€per oz	911.15	852.10	885.25

Recurring concerns over possible future inflation levels in many countries hit the headlines again on the 16th. This hit the US Dollar hard and firmed the gold price too. Investors targeted

a range of commodities including oil and platinum climbed to \$1,350 in the spot market that day before halting and softening somewhat. There was, however, enough residual momentum remaining to impel the price to its highest fix in September – and its highest for more than a year too - of \$1,343 on the 17th.

Impala, though, reopened Shaft 14 and some profit-taking across the precious metal prices started to drive the price lower. A bounce in the dollar on the 18th depressed commodity prices and the announcement that the International Monetary Fund was to sell 400 tonnes of gold weighed on the market, with platinum falling to \$1,310 on the 21st.

News of another fatal accident at Impala – this team at 8 Shaft – firmed the platinum price on the 22nd. This was accompanied by healthy buying in Shanghai and was quickly followed by Ford’s comments that it expected US vehicle sales to reach 11 million units in 2009 but to rebound to 12.5 million units in 2010, sending platinum back to a temporary high of \$1,333 on the 23rd.

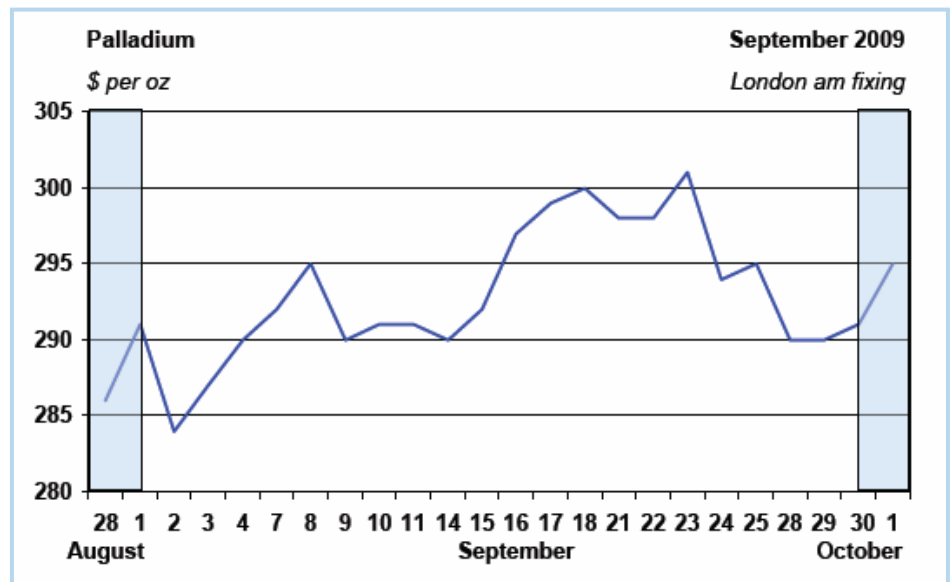
However, on the 24th, worries that many of the world’s central banks were to scale down their injections of liquidity into the global financial system drove a flight to the dollar. Gold slid back below \$1,000 and, with many funds looking to close their positions ahead of the end of the third quarter of the year, steady selling hit many commodities. Net long speculative NYMEX positions slipped back from 1.11 million ounces on the 22nd of September to a still substantial 1.03 million ounces on the 29th and ETF purchasing slowed to a crawl. Reasonable purchasing re-emerged on the SGE in response to the weakening price but could only slow the fall as platinum dropped below \$1,300 on the 25th and continued to drift lower, to \$1,270 on the 29th.

However, when the IMF raised its forecast for the short term prospects for the global economy, this proved just enough to stop the price and send it back to end September at a final fix of \$1,287 - a monthly rise of 3.0 per cent.

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.



The palladium price continued its gradual rise of recent months in moving from a final August fix of \$289 to a first fix of September of \$291. However, it met stiff resistance and, when the dollar strengthened, palladium slipped to a monthly low of \$283 on the 2nd. The first signs of investor interest emerged immediately with 25,000 oz of palladium added to the London fund that day. Investors clearly started to target the \$300 barrier, encouraged by the fact that gold was also approaching the \$1,000 mark. As gold rose on the 3rd, palladium bounced back to \$290 where it paused, waiting for further direction.

A slow trickle of positive news from many of the world's automotive markets firmed the palladium price to a degree and it climbed slowly up to \$292 on the 7th with investors chipping away at the resistance encountered increasingly close to \$300. On the 8th, palladium was boosted by news that Chinese automotive sales had risen by 90 per cent in August compared to the same month a year earlier. Palladium climbed further but, although gold cruised past its target of \$1,000, palladium could only grind its way to a fix of \$296 in London that afternoon.

NYMEX and ETF investors seemed now to lose interest. Gold too could not provide any direction as it fluctuated around the \$1,000 level and, although platinum moved higher, the palladium price steadily retreated to a fix of \$289.50 on the 15th. However, the elusive \$300 mark remained in sight and investor interest gradually returned. Net long speculative NYMEX positions started to increase again, from an already substantial 1.46 million ounces in mid-month to 1.55 million ounces on the 22nd.

Fears over the global economy – related to inflation on this occasion - returned on the 16th and drove the dollar down, providing support to all of the precious metals as well as a range of other commodities. Palladium jumped higher to fix at \$297 and \$298 that day. Investors were now suitably encouraged and drove palladium to \$299 at both fixes on the 17th before it burst through the \$300 level in spot trading in New York later that day for the first time since September 2008. The purchase of an additional 25,000 oz of metal through the London ETF drove palladium on to a monthly peak of \$304 on the 18th.

Palladium fixing prices – September 2009

	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	304.00	283.00	293.15
£ per oz	186.05	174.25	179.55
€per oz	206.65	195.95	201.35

A bout of dollar strength depressed metal prices on the 21st and palladium fell back to \$294 at the second fix before finding good investor interest in New York. It climbed back as high as \$302 on the 22nd before profit-taking intervened. The gold price

weakened and a number of funds started to close positions ahead of the end of the financial quarter, sapping the energy from the palladium price. NYMEX positions decreased dramatically, falling from over 1.5 million ounces on the 22nd to only 1.27 million ounces a week later. However, the palladium price remained robust, falling no further than \$287 on the 28th. At the very end of the month, the IMF raised its forecast for global economic growth in 2010, helping palladium gain a few dollars to end the month at \$294, some \$3 above where it had started.

OTHER PLATINUM GROUP METALS

None of the activity seen in the platinum and palladium markets was reflected in the prices of the other three platinum group metals. Despite some speculative buying in Asia, rhodium remained at a Johnson Matthey Base Price of \$1,650 throughout the whole of the month. Ruthenium and iridium were also becalmed, trading at \$90 and \$425 respectively during September.

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