

The Platinum Metals Report

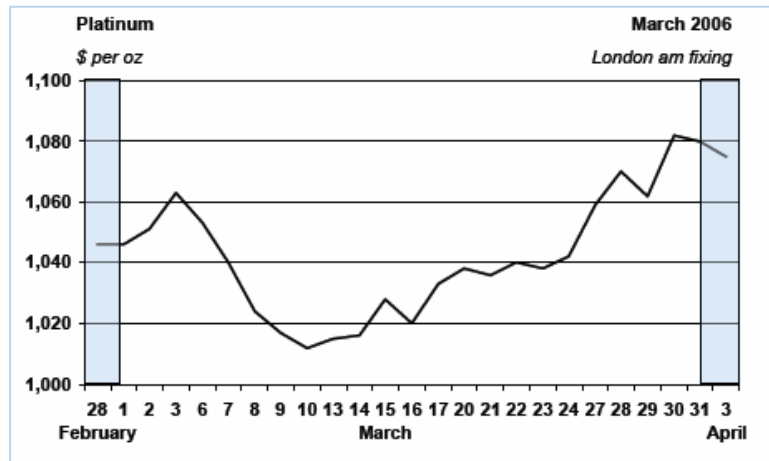
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Johnson Matthey

PLATINUM

The platinum price softened in the first half of March but recovered to post an all-time high of \$1,084. An early increase in the price from \$1,046 at the start of the month was followed by a weaker market. In the second half of the month, a surging silver price pulled platinum higher, helping it to close at a strong \$1,080.



Platinum started the month by continuing the increases seen at the end of February, moving from \$1,046 at the start of the month to \$1,063 on the 3rd. For once, the precious metals markets seemed to take their cue from silver which reached its highest point for 22 years, pushing above \$10. However, on the 6th and 7th, a weaker gold price kick-started liquidation of fund long positions in a number of the precious metals. With little bargain-hunting taking place, the price dropped to \$1,010 on the 8th before it found some support with physical buying in the Far East.

At these prices, there was particularly heavy trading on the Shanghai Gold Exchange, with more than 200kg changing hands on the 9th. Despite this appetite for the metal, the price decline continued, led by silver and gold, with platinum reaching its monthly low of \$1,006 on the afternoon of March 10th.

Platinum recovered some lost ground on the 13th and 14th as both gold and US equities moved higher. However, on the 16th, news that American oil inventories had risen depressed oil prices and this knocked platinum back to \$1,020. The price rebounded quickly from this point, driven by buying on the Shanghai Gold Exchange and fresh moves upwards from silver. Of longer term significance for the platinum market, Implats announced that it planned to increase its smelting capacity from 2 million ounces of platinum annually to 2.3 million ounces.

For the following week and a half, movements in the platinum price mirrored those seen in the larger silver and gold markets. As these metals moved to yet higher prices, platinum was pulled along and traded up to \$1,045. From the 27th, with the gold price

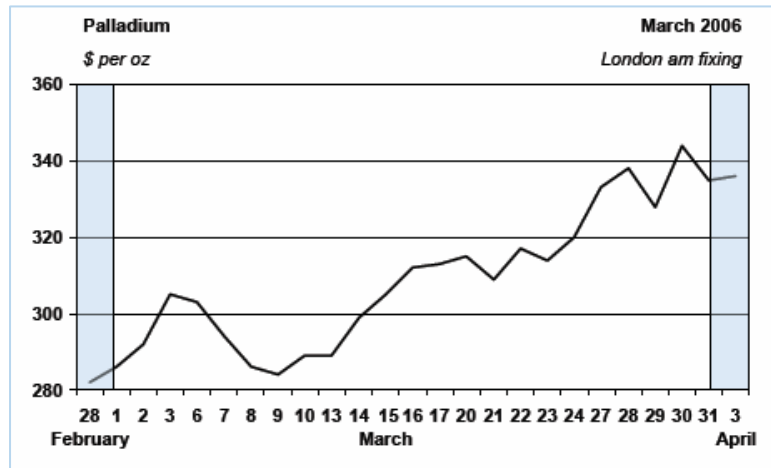
leading, platinum moved on more sharply to post a new all-time high of \$1,084 on the 30th (the high point for the month). Gold also hit its peak of \$584 on the same day, a 25 year record. The last day of the month saw heavy selling in New York as funds closed out positions at the end of the first quarter, and the price moved lower to finish at \$1,076.

Although platinum did post gains of \$30 over the month, there were no clear signs as to the longer term direction of the price. As a result, net speculative long positions on Nymex changed little throughout the month, starting at 224,000 ounces (February 28th) and ending at 217,000 ounces (March 28th).

Platinum fixing prices – March 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,084.00	1,006.00	1,041.50
£ per oz	623.00	581.65	597.10
€per oz	896.80	844.00	866.10

PALLADIUM

March was a positive month for the palladium price. The metal started near its February average, at \$286, but with heavy trading on the fix throughout the month, it outperformed platinum. It briefly reached a three and a half year high of \$345, but lost some ground to close at \$332.



Palladium set off strongly, moving from \$286 at the end of February to reach \$292 on the 2nd. On the same day, North American Palladium released its production figures for 2005, showing that annual production had dropped significantly from 309,000 ounces of palladium in 2004 to 177,000 ounces in 2005. Combined with buoyant gold and silver prices, this pushed palladium through the psychological barrier of \$300 to fix at \$305 on the 3rd. With this ceiling breached, the market began to see heavy trading on the fix.

The palladium price declined from the 3rd to the 9th, led by a fall in the gold price and some fund liquidation of precious metals and other commodities. It fixed at a low for the month of \$283 on the 9th before starting a recovery.

As with platinum, the second half of the month saw palladium following the lead of gold and silver as they pressed on to twenty-year highs. Buying on the fix and other physical demand also remained strong despite the increasing price. Palladium moved through the \$300 mark once more on the 14th. This released the downwards pressure on the price and

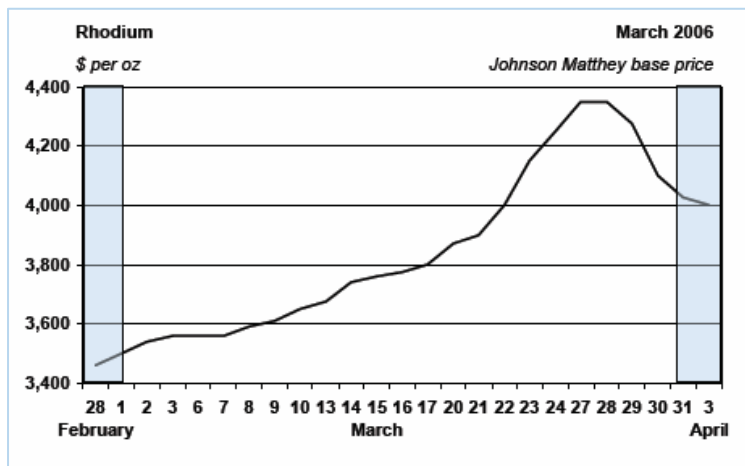
rejuvenated the market which began its search for a new level. With platinum and gold prices rising too, palladium continued in the same direction, posting \$338 on the 27th and a three and a half year high of \$345 on the 30th. The 31st saw some fund liquidation of long positions to close the quarter and the price softened to settle at \$332 at the last London fix of the month.

Palladium fixing prices – March 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	345.00	283.00	309.65
£ per oz	198.30	162.75	177.60
€per oz	285.35	237.40	257.45

Over the whole month, palladium recorded a significant gain of \$46. Alongside this, speculators in Nymex increased their long positions from an initial 973,000 ounces at the end of February to a hefty 1,082,000 ounces as of March 28th, signifying a general belief that the price could move higher despite relatively weak fundamentals.

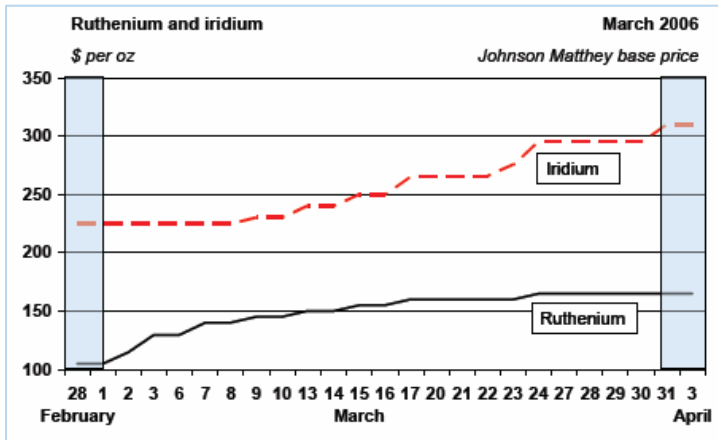
OTHER PLATINUM GROUP METALS

The rhodium price continued its long term climb through most of March. It pushed on from \$3,500 at the start of the month to reach a new fifteen year high of \$4,350 on the 28th. Following this \$850 leap, the market went into reverse and the price dipped back down to finish March at \$4,025, still 15 per cent up over the month.



Price movements were driven by an imbalance between buying and selling interest in the spot market. Solid physical demand was not matched by availability of metal in the open market and prices rose accordingly. As the market hits its peak on the 28th, this situation turned around with offers becoming more common and bids ever more scarce as buyers hoped for the price to drop to lower levels. In these circumstances, rhodium dropped as quickly as it climbed. As the price fell to near \$4,300, at the very end of the month, some buying returned to the market.

Ruthenium entered March on the back of a steadily rising price but with thin trading. Starting the month at \$105, it shot up to \$130 on the 3rd and \$150 on the 13th, driven by steady demand and few offers in the market. Moves by speculators to increase long positions in this minor metal also helped drive this price rise. Some profit-taking on the 14th reduced the upward pressure but the price still continued in the same direction, trading at \$165 at the month-end.



The iridium market was initially more stable than its ruthenium counterpart as the price held firm at \$225 for the first few days. Physical buying did finally push the price to \$230 on the 9th. From this point on, iridium accompanied ruthenium on its giddy climb, closing March at \$310.

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