

# The Platinum Metals Report

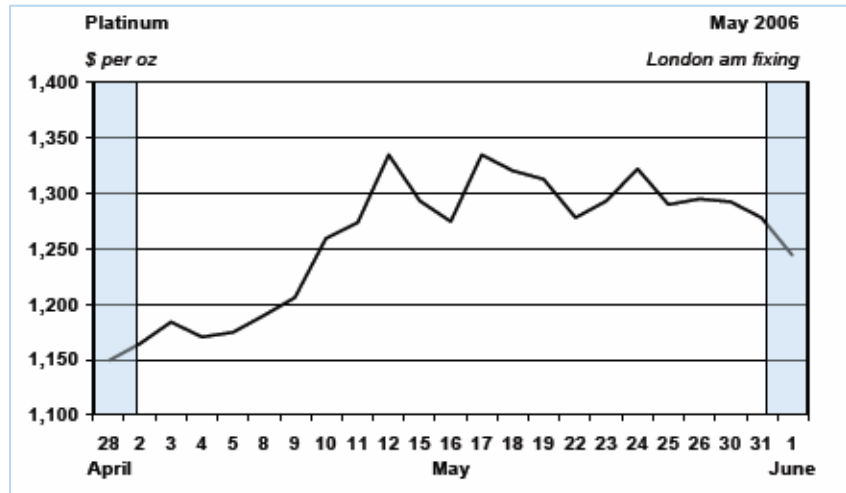
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May 2006

Johnson Matthey

## PLATINUM

May was an active month for platinum, seeing it rise from the month's low of \$1,164 on the 2<sup>nd</sup>, then pass swiftly through \$1,200 to reach record peaks of \$1,335 on the 12<sup>th</sup> and 17<sup>th</sup>. Though prices then slipped somewhat, platinum still ended May at a hefty \$1,280.



The tone for the majority of May was set early on with an upward trend in prices demonstrating a keenness within the market to test the \$1,200 level. The morning London fix on the 2<sup>nd</sup> marked the low point for the month at \$1,164. Copper prices pressed ahead and a note on the 3<sup>rd</sup> from the US Energy Information Administration, forecasting that oil prices would remain high through 2007, provided extra support to commodity prices.

After rising to a new record price of \$1,184 on the 3<sup>rd</sup> of May, a small amount of profit taking left the price fairly flat for the next two days with the market clearly keeping an eye on the \$1,200 level and with some fund interest evident.. Perhaps signaling the expectation that prices would increase, lease rates crept up a little. Lonmin's announcement on the 4<sup>th</sup> that its expansion plans were on track did nothing to diminish this sentiment.

Despite a relaxation in oil prices, platinum finally fixed above the \$1,200 resistance level on the 9<sup>th</sup> at \$1,206. The move was partly driven by speculative buying. With the downward pressure of this price ceiling released, the platinum price rose more quickly, fixing at \$1,259 twenty-four hours later. The price showed some decoupling from commodity prices in general and pushed on to fix at a new record high of \$1,335 (and above 1,000 Euros per oz) on the 12<sup>th</sup> before some profit-taking occurred. Gold was following a similar pattern and fixed at its monthly peak of \$725.75 at the same time.

A liquidation of some long positions and a short-term drop in prices brought out some pent-up industrial buying. On the 15<sup>th</sup>, Johnson Matthey released its annual review of the platinum market into slightly quieter market conditions, noting an increase of 160,000 oz

in annual demand with higher autocatalyst consumption but restricted sales to the jewellery industry due to ongoing high metal prices.

The action continued on the 16<sup>th</sup>, however, as a weak dollar prompted some Asian buying of gold and other pgms. As a result, the platinum price rose back to fix at \$1,335 again on the 17<sup>th</sup> amid thin trading and high volatility. Following this, the market trended downwards, reaching \$1,278 on the 22<sup>nd</sup>, with a softening oil price, a stronger dollar and some mixed indications from Zimbabwe about the Government's intentions on possible nationalisation of the mining industry. Some reductions in long positions on Nymex suggested a certain amount of profit-taking at these levels. Perhaps surprisingly, given the strong price, volumes traded on the Shanghai Gold Exchange remained reasonably steady.

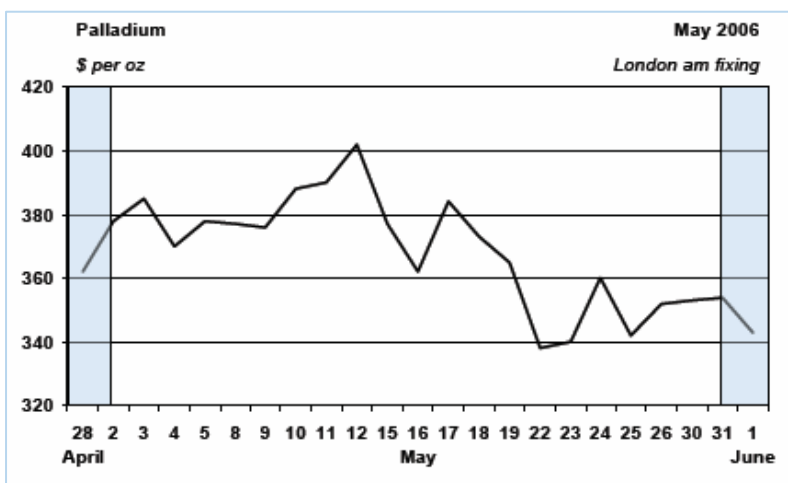
Once again, though, buying in gold led to a quick rise in the platinum price, back above \$1,300 for the third time to fix at \$1,322 on the 24<sup>th</sup> before a lack of buyer interest at this level brought the price down as quickly as it had risen. One sign of some market relaxation though, was a decrease in the one month lease rate from 5% to 3.5%.

After all this activity, the market seemed happy to move into a long weekend without a clear sense of direction, trading slightly lower each day, moving from \$1,290 on the 25<sup>th</sup> to end the month at \$1,280.

Platinum fixing prices – May 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,335.00	1,164.00	1,264.35
£ per oz	706.35	635.00	675.85
€per oz	1,035.15	922.0	989.30

## PALLADIUM

**Palladium prices lost their close link to platinum in May. They started with strong upward momentum at \$378 and hit a four year peak at \$404 on the 12<sup>th</sup> (simultaneously with platinum's all time high). The second half of May saw support fizzle out and prices drop to a month-end \$355.**



Since the start of 2006, palladium has underperformed most other commodities, particularly those with a stronger supply/demand balance. The beginning of May was no different, with the price staying flat until the 8<sup>th</sup>, albeit at levels not seen since February

2002. There was physical buying at this level, however, with some high volumes being traded on the fix.

The 9<sup>th</sup> saw the real start of activity on palladium as it accompanied platinum and gold to their record highs. The following day saw no decisive price movements as the \$400 barrier approached. North American Palladium released its first quarter production data, showing a drop from 52,500 oz of palladium in the first quarter of 2005 to 47,000 oz in the same period in 2006, but with little impact on the market. Finally, the fix price grudgingly rose above \$400 on the 12<sup>th</sup> (\$402 and \$404 am and pm respectively), accompanying platinum upwards, but showed little staying power and sagged back to \$377 on the following Monday. Johnson Matthey's market data was also released at this point, revealing a substantial increase in the use of palladium for jewellery and therefore some improvement in the relatively weak market fundamentals.

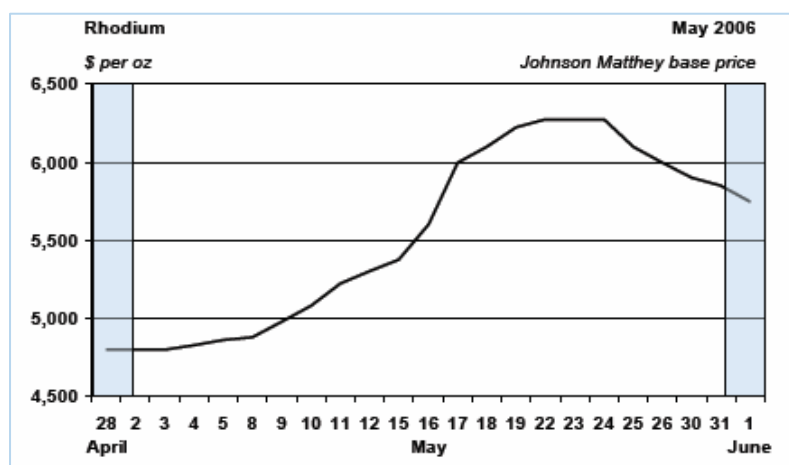
This information seemed to depress the market somewhat for the remainder of the month and the price trended markedly lower. Intraday volatility was also less than for

Palladium fixing prices – May 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	404.00	336.00	369.05
£ per oz	213.10	179.20	197.35
€per oz	313.20	263.10	288.85

platinum. Long positions on Nymex remained over the million ounce level despite the month's four year highs and volumes of physical purchases held up well over this period; nevertheless the price continued to creep downwards, ending up, in contrast to platinum, \$23 lower than it had been at the start of May at \$355.

## OTHER PLATINUM GROUP METALS

May was as active a month for the thinner rhodium market as it was for the other major metals. Starting at \$4,800, early indications were that this price might remain slightly uncoupled from the other pgms. The story did, in fact, seem to be simply one of an absence of offers for the first two thirds of the month; continual bids



drove prices up increasingly quickly with a remarkable rise of \$900 over the week from the 15<sup>th</sup> of May to the highpoint of \$6,275 from the 22<sup>nd</sup> to the 24<sup>th</sup>. At this level, even the

persistent buyers disappeared from view and after several days of extremely quiet trading conditions, the price turned around to end the month at \$5,850.

Both ruthenium and iridium were caught up in the excitement. Although they started the month at \$170 and \$350 respectively, upward pressure came from the price movements of the major platinum group metals. This led ruthenium up to record highs of \$180 by the 12<sup>th</sup>, where it stayed for the rest of May. Iridium jumped \$20 to \$370 on the 4<sup>th</sup> and followed this with two \$15 steps upwards on the 12<sup>th</sup> and the 15<sup>th</sup> to \$400, where it saw out the remainder of the month.

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