

The Platinum Metals Report

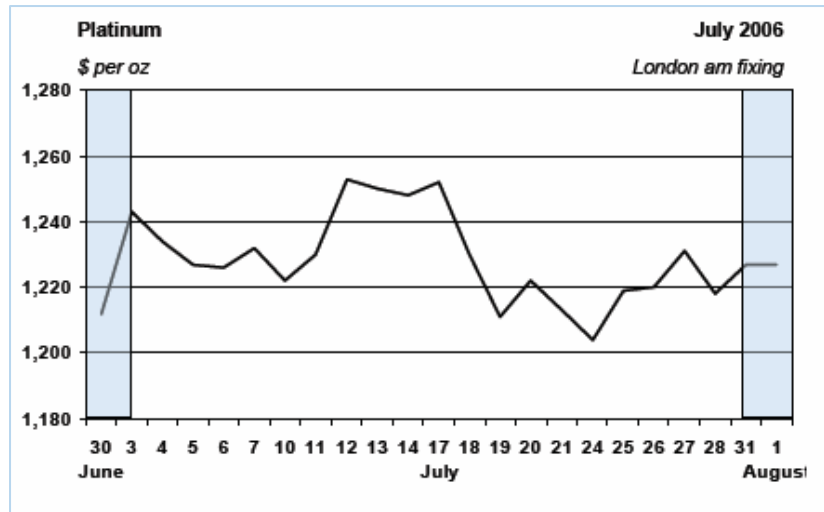
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July 2006

Johnson Matthey

PLATINUM

After a roller-coaster June, July saw a much calmer platinum market with lower volatility and no real sense of direction. The platinum price started at \$1,243 and gently trended downwards over the month, ending on a slightly weaker note at \$1,227.



Following all the excitement of record prices in May and high volatility in June, the markets were quieter in July. The platinum price showed much lower daily variation, moving largely within a range of \$1,200-\$1,260. As might be expected in the Northern hemisphere summer months, trading levels were low.

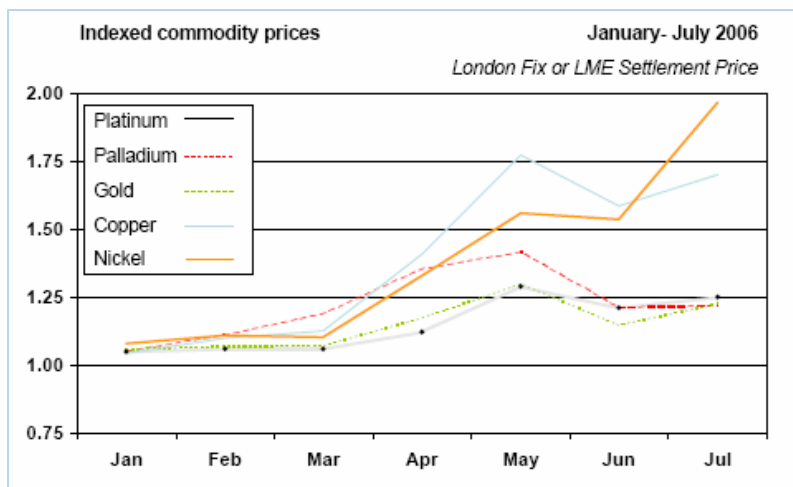
A quiet start to July, with the New York markets closed, saw platinum climb from its resting point of \$1,226 (London pm fixing) at the end of June to \$1,243 on the 3rd. The test-firing of a number of missiles by North Korea sent oil to new record high prices on the 6th. Despite this, the platinum price drifted down to \$1,226 on the same day. In a thin market, with few purchases, prices showed no definite direction for several days.

On the 12th, oil and precious metal prices rose sharply in response to terrorist bombings in Mumbai and the invasion of Lebanon by Israel. The highest fix of the month was on the 12th at \$1,258 (London pm fix). Oil and gold prices moved upwards after this. The platinum market, however, resisted the temptation to simply move in lock-step and stayed around the \$1,250 level. Nonetheless, Nymex long positions rose from 166,000 oz at the start of the month to 246,000 oz on the 11th.

Platinum fixing prices – July 2006			
	High	Low	Average
\$ per oz	1,258.00	1,196.00	1,229.00
£ per oz	686.05	645.80	666.30
€ per oz	996.45	946.95	986.65

A nervous market saw the price stay near this level until the 17th, looking for external stimuli. This came as commodity prices fell across the board during the 17th and 18th. The pressure came from the US dollar moving higher and was despite the considerable ongoing tension in the Middle East. The net result was that gold and platinum both fell, platinum dropping quickly to fix at \$1,211 on the 19th.

Platinum hits its low point for the month on the 24th. It dipped below \$1,200 to fix at \$1,196 and some buying emerged as this point to lend support to the price. This slight recovery continued in Japanese trading early on the 25th as Tocom closed limit up for the June 2007 contract. This momentum dissipated quickly on other markets and the price moved sideways instead. Trading also recovered on the Shanghai Gold Exchange, over the month, with lower platinum prices leading to higher volumes bought compared to June.



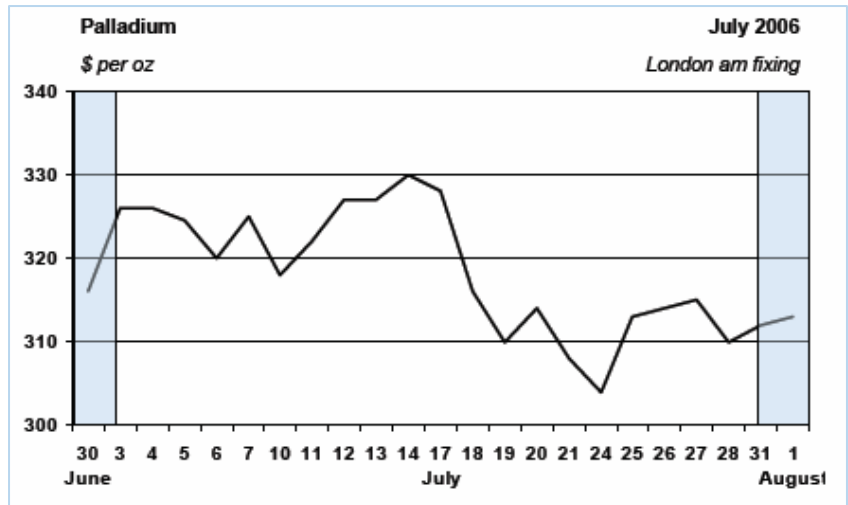
On the 26th, French car-maker PSA Peugeot-Citroen revealed its six monthly results and blamed part of its relatively poor performance on escalating platinum and aluminium prices. For interest, we show a graph (left) of a variety of average monthly commodity prices indexed to the start of the year (3rd January).

Gold rallied on the 27th, supporting the platinum price but the major events at the end of the month were the release of interim results from several mining houses. Angloplats reported an increase in platinum production to 1.34 million ounces for the first six months, slightly more than it had forecast. At the same time, Lonmin reported production of 750,000 ounces of platinum in the nine months to end June 2006, again an increase on the previous year. Neither announcement impacted upon the platinum price, which ended the month at \$1,228.

PALLADIUM

Palladium traded in a relatively narrow range of \$300-\$330 throughout July. Some support came from thin volumes of bids and from geopolitical events. The price started at \$326, some way from its recent highs above \$400. It then held firm for the first half of the month before drifting downwards, ending \$14 lower at \$312.

The start of July was uneventful for palladium with thin trading volumes and low volatility. The price moved between \$320 and \$330 for the first few days, a narrow range for recent months. A lack of buying interest on the 10th coincided with a slightly weaker gold price and palladium moved down to fix at \$318.



The increasing tensions in India and the Middle East forced all commodities higher on the 11th and 12th. Palladium moved with them but somewhat sluggishly. Prices only reached \$330, the month's high, on the 14th. From here, palladium followed platinum and other commodities lower on a strong dollar, with thin trading offering little support. July's low, \$304, came on the 24th, at the same point as platinum's nadir. The market did not seem ready to test the \$300 level and physical purchasing started to reemerge.

As with platinum, announcements of the half-yearly results of the primary metal producers had little impact on prices in this nervous market. On the 14th, North American Palladium reported a year-on-year increase in its second quarter palladium output from 48,000 ounces to 57,000 ounces at its Lac des Iles operation. On the 21st, Noril'sk Nickel raised its forecast for the whole of 2006 from 2.9 million oz of palladium to 3.05 million oz. This was in line with market expectations and had little effect on the metal price.

After recovering somewhat, again with low volumes of trading, the market seemed to settle for a price of around \$310 to see the month out. Palladium fixed on the afternoon of the 31st at \$309.5.

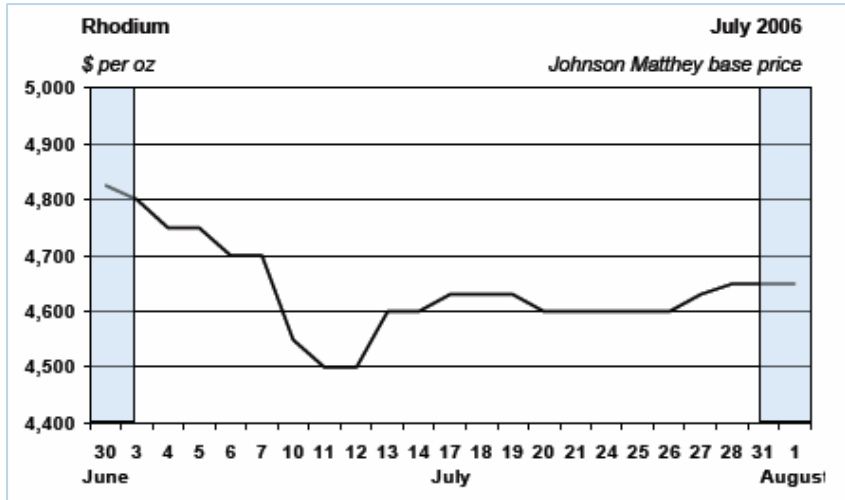
Palladium fixing prices – July 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	330.00	304.00	318.20
£ per oz	179.75	164.20	172.55
€per oz	261.05	240.80	250.60

Speculative long positions for palladium on Nymex increased throughout July, in common with platinum, despite a declining price. Starting the month at 630,000 oz, there was a substantial jump to 670,000 oz on the 11th and a final position (on the 25th) of 770,000 oz, an increase of 15 per cent.

OTHER PLATINUM GROUP METALS

Rhodium followed a different path to the other major metals in July. It continued to drop quickly from an opening \$4,800 to hit \$4,500 on the 11th and 12th. A recovery in the second half of the month saw it close on \$4,650.

Rhodium trading volumes were very low throughout July and the price continued its decline from



the recent highs. With the trend very much downwards, trading remained muted until the 12th. At this point, rhodium received a boost from the response of other commodities to developments in Lebanon. Some physical buying also added to this price rise. This demonstrated the continuing behaviour of many consumers in this illiquid market in buying at perceived lows. Cautious trading continued as the price stayed between \$4,600 and \$4,650 for the rest of the month with volumes more respectable.

Iridium prices remained entirely unchanged by any market activity, rock steady at \$400 throughout. Ruthenium, by contrast, having dropped \$5 from its record \$180, to enter July at \$175, took another \$5 downward step on the 12th to \$170 where it remained until the end of the month.

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