

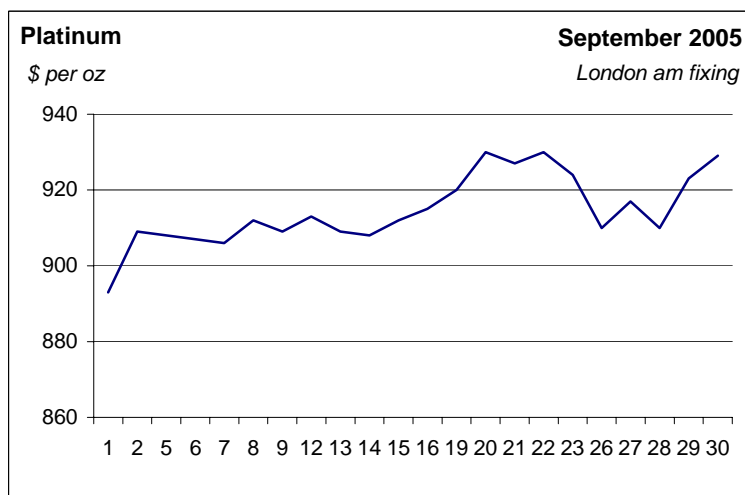
THE PLATINUM METALS REPORT

www.platinum.matthey.com

September 2005

Johnson Matthey

PLATINUM
Price reaches
\$930 as investors
follow strong
rally in gold



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Platinum established itself decisively above \$900 during September, ascending to a peak of \$930 during the second half of the month. The impetus for the climb was provided by a strong rally in gold, which gained nearly \$40 during the course of the month to fix at \$473 on the 30th – the highest price since January 1988. Speculative interest in platinum remained at a high level, with the net long position on NYMEX rising above 500,000 oz.

Following a dip below \$890 in late August, platinum began September on a positive note. After a fixing at \$893 on the 1st, it moved rapidly upwards to \$909 the next day as the impact of Hurricane Katrina on US Gulf oil production caused oil prices to surge.

The oil price softened slightly the following week and platinum edged lower, although strong interest from European buyers kept the price comfortably above the \$900 level. On the 8th, renewed buying by investors pushed platinum up to \$912 at morning fixing; however, it slipped back to \$909 the following day as the dollar strengthened slightly on expectations of an imminent increase in US interest rates. The conclusion of wage settlements at South African platinum mines helped to remove some of the uncertainty from the market, whilst reports of an explosion at Anglo Platinum's Polokwane smelter on the 7th had no discernible effect on sentiment.

On the 12th, the yen firmed in response to a landslide victory for Prime Minister Koizumi and the ruling Liberal Democrat party in Japan's elections. Japanese investors were heavy buyers of precious metals as a result but profit-taking in London reversed the gains and platinum fixed at \$910 that afternoon. The price trod water over the next two days, with an upturn in consumer interest offsetting speculative selling.

A second rally began to develop late on the 14th, and platinum climbed to reach a fixing price of \$919 on the 16th. The rise was fuelled by activity in the gold market: the price of the yellow metal moved decisively above \$450 for the first time since 1988, reflecting investor expectations that high spending in the USA on the recovery from Hurricane Katrina would be inflationary.



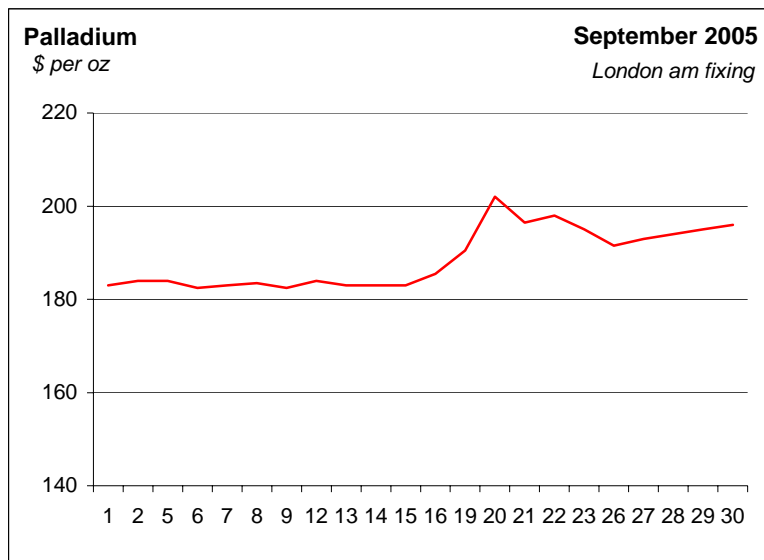
Asian markets were closed on Monday 19th, but strong trading in New York lifted platinum above \$920 and gold to a new high of \$464.50. As a result, precious metal prices were catapulted higher when TOCOM reopened the following day. Contracts for gold and platinum traded up by the daily limit, and platinum later fixed at the month's high of \$930. Precious metals eased slightly on the 21st, as the dollar strengthened following the decision of the US Federal Reserve to raise interest rates by a quarter of a point. However, the next day gold fixed at its highest level in eighteen years, lifting platinum back to \$930.

Platinum fixing prices – September 2005			
	High	Low	Average
\$ per oz	930.00	893.00	914.59
£ per oz	528.15	491.20	505.67
€ per oz	771.44	723.79	746.23

After easing back to \$921 on the 24th the price dropped further at the start of the following week, slipping to \$910. The dollar continued to make gains, while rallies on the Asian and European stock markets diverted investor attention away from precious metals. However, gold surged again during the final two days of September, setting a new 17 year high of \$473.40; this triggered renewed fund interest in platinum, which recorded a fixing price of \$929 at the month-end. The intensity of investor interest in platinum was reflected in the net speculative long position on NYMEX, which totalled over 505,000 oz on 27th September, up by more than 100,000 oz since the end of August.

PALLADIUM

Price pushed briefly above \$200 by flood of fund buying



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After a somnolent start to the month, the palladium market woke up during the second half of September, with the price edging above \$200 for the first time in nearly five months. Although it eased back to \$194 at the month end, the re-emergence of speculative interest was highlighted by a strong rise in the net long position on NYMEX to over 700,000 oz.

During the first half of September, palladium remained locked in the tight \$182-185 range that it had established in the latter part of the previous month. It remained resolutely unaffected by rising gold and platinum prices, and the lack of investor interest was reflected in the net long speculative position on NYMEX: at just over 325,000 oz on the 16th, this was at its lowest level for close to two years.



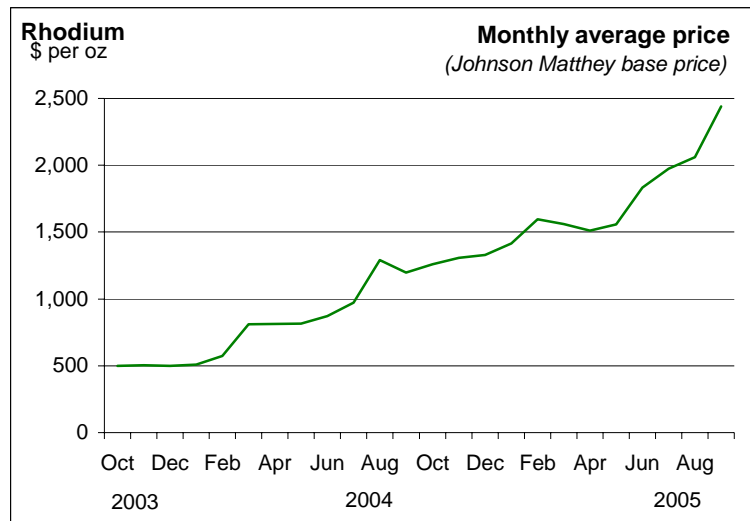
However, the price began to move upwards from that point onwards, ticking up to a fixing price of \$187. Palladium jumped by a further \$10 on the 19th as fund buying accelerated, then surged above the \$200 level for the first time since April the following day in the wake of aggressive buying and short covering on TOCOM. The net speculative long position on NYMEX provided a dramatic indication of the sudden turnaround in investor sentiment, almost doubling to a total of 605,000 oz on the 20th.

Palladium fixing prices – September 2005			
	High	Low	Average
\$ per oz	202.00	182.50	188.75
£ per oz	111.95	99.05	104.39
€ per oz	165.16	145.60	154.00

The price then eased back to \$190 on the 26th, falling in line with lower platinum and gold prices. Palladium then settled into a \$193 to \$196 trading range during the final days of September, fixing at \$194 on the 30th. Despite the softening in the price, the net long position on NYMEX continued to climb and totalled 710,400 oz on the 27th.

OTHER PGM

No relief for rhodium users as rally accelerates



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The rise of the rhodium price steepened in September, with the JM base price gaining \$570 to hit a 13 year peak of \$2,700. In contrast, the ruthenium price was unchanged at \$85, while iridium edged up \$10 to \$185.

As September opened, the JM base price for rhodium was set at \$2,180, having gained \$50 since the previous day. With industrial demand showing no signs of weakening and the availability of metal increasingly restricted, the price reached \$2,270 on the 5th. At this point, consumer buying eased off and the rhodium price stabilised temporarily.

From the 8th, industrial purchasing picked up again and rhodium began to rise once more. It climbed steadily over the next seven days and by mid month had reached \$2,500. At this point the price paused again but the respite was short-lived; market expectations that Russian selling would increase towards the year end remained unfulfilled and during the final week of September rhodium made further strong gains. It ended the month at a JM base price of \$2,700, the highest since September 1992.