

The Platinum Metals Report

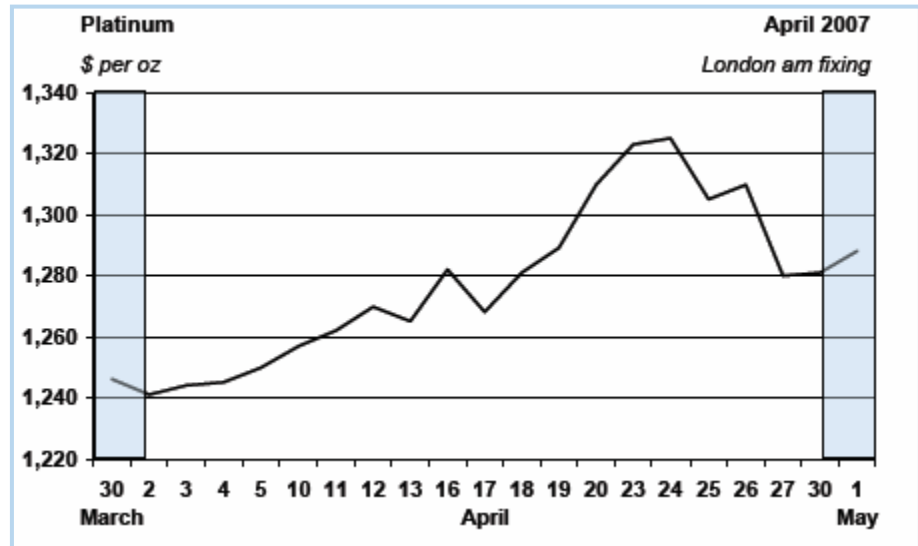
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Johnson Matthey

PLATINUM

The platinum price rose by \$45 in April from an initial \$1,241. Announcements of the impending launch of two exchange traded funds based on platinum drove the price to a high of \$1,325, assisted by supply disruptions from South Africa and from Russia. The



gold price stumbled back toward the end of the month and the platinum price fell back below \$1,300 to end the month at \$1,286, with high levels of speculative interest evident.

Platinum started April quietly with low fixing volumes. Although gold and oil prices found some support from tensions in Iran over the detention of British military personnel, the platinum price dipped to \$1,235 at the second London fix on the 2nd, marking the low point for the month. This tension dissipated relatively quickly and the oil price dropped as a result. However, gold traders had started viewing \$670 as the next target, supporting the price of that metal and, in turn, the price of platinum. With reasonable volumes of metal traded on the Shanghai Gold Exchange, the price crawled higher to \$1,250 on 5th April amid heavy fund purchasing of all precious metals ahead of the Easter holidays.

Continuing problems in the American sub-prime mortgage sector caused a degree of nervousness in the commodities markets and weighed on gold. However, platinum was able to capitalise on escaping its previous range of \$1,235-\$1,250. Fund buying on TOCOM and good physical demand added a few more dollars to the price which fixed at \$1,262 on the 10th. Activity on TOCOM briefly became more important and short-covering on the 11th supported the price before some profit-taking appeared on the following day. Nonetheless, a fall in the Dollar to its lowest for two years against the Euro pushed the price onward to \$1,270 on the 12th before it fell back to \$1,265 on the 13th, in line with gold liquidation as the latter metal failed to crest the \$680 mark.

After a second fix of \$1,269 on the 13th, the market was reinvigorated by an announcement from the Zurich Cantonal Bank that it planned to launch a platinum exchange traded fund (ETF) on 10th May. This would have a target size of 70,000 ounces of platinum in its first year, a small but not insignificant amount of metal. This contributed to a strong performance in New York trading, with a fix of \$1,282 the following morning. Some of the pressure was then released as information emerged from Norilsk Nickel that it was managing to meet its long term supply contracts despite having not yet received its new license for platinum export. One other story of note, that Implats was to buy the junior miner Afplats, had no discernible impact on the metal price.

Exchange traded funds

Exchange traded funds (ETFs) already exist in a number of commodities including gold, with the aim of simplifying consumer investment in them. In essence, shares in an ETF are traded on stock markets just as for conventional companies but the value of the shares is backed by allocated stocks of the physical commodity concerned. If a platinum ETF were to be launched along the same lines as some of the gold ETFs, this would be likely to require the purchase of a significant amount of the metal beforehand, with the effect of reducing metal liquidity. In a relatively closely-balanced market such as in platinum, this would have the potential to cause greatly-increased price and lease rate volatility. With palladium having shown large surpluses over recent years, the likely impact on price and metal liquidity could be expected to be lower.

The market therefore reacted apprehensively to the November rumours that a platinum ETF might be launched. With platinum prices falling rapidly back from their brief foray to \$1,400, comments by a number of analysts and industry participants calmed the excitement. With no sponsor forthcoming for such a fund and no evidence that any party had bought sufficient physical metal to back one, the prospects of an ETF rapidly receded and the price softened. However, the announcement by the Zuercher Kantonalbank (ZKB) and ETF Securities of their plans to launch platinum and palladium ETFs caused considerable market nervousness in April 2007.

The main feature of interest in the platinum market for the rest of April was the potential impact of exchange traded funds on the platinum market. In a closely-balanced market, most commentators envisaged some upward price pressure and increased volatility. NYMEX speculative long positions continued building to 483,000 oz from 406,000 oz a week earlier. However, lease rates did not immediately tighten and some profit-taking was seen from funds on the 17th, suggesting that some of the impact of a potential ETF had already been incorporated into the price. In fact, the price retreated to \$1,268 on that day before advancing once more under constant TOCOM purchasing on the 18th. The platinum spot price came close to the \$1,300 mark in New York but the pm fix was only at \$1,281.

The next price jump came on the 19th as ETF Securities announced that it would launch a platinum-based ETF on the 24th, in London. More details emerged on this and confirmed that it would be backed by physical, allocated metal. The fund size after one year of trading was anticipated to be close to that of the Swiss ETF previously announced. Market commentators pointed out that the London-listing of this ETF might make it more attractive to many investors and therefore more successful. The spot price jumped again, to over \$1,300, in New York, making up for an earlier fall in sympathy with a decline in the Shanghai stock market.

Lease rates tightened somewhat as did platinum forwards, but the response of the market was relatively restrained and platinum fixed at \$1,310 and \$1,317 on the 20th. Surprisingly, over 170kg changed hands on the Shanghai Gold Exchange that morning. Physical trading then remained quiet until the 24th as market

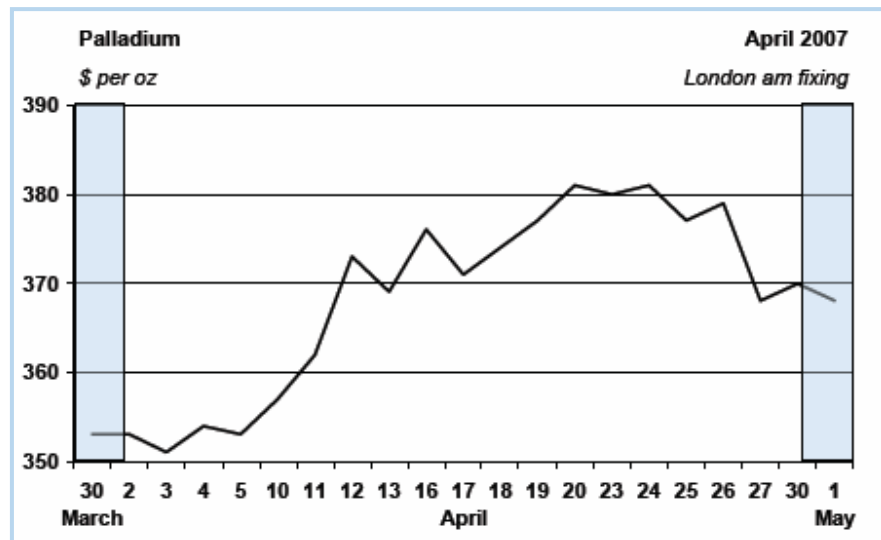
participants waited to see the effect of the first ETF in the platinum group metals. Fund purchasing, however, nudged the price higher to \$1,325 at the London am fix on that day.

With only slow purchasing of shares in the first ETF, news came from Lonmin that it had restarted its Number One furnace after a rebuild and that it would be operating by the end of April. This depressed the price and saw it fall to \$1,305 on the 25th before heavy purchasing by Chinese consumers provided support. Further bearish news then emerged as it was confirmed that a licence had finally been granted allowing Norilsk to resume exports of platinum. This news coincided with a fund sell-off of precious metals (driven by a rally in the US Dollar) and platinum rapidly dropped back under a spot price of \$1,300 in open trading in New York. Gold weakened further over the final days of April and dragged platinum lower, despite the build-up of very substantial speculative positions on NYMEX and high levels of investor interest on TOCOM. The final fix of the month was at \$1,286, three per cent below the peak seen one week earlier but 3.6 per cent up on the start of April.

Platinum fixing prices – April 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,325.00	1,235.00	1,278.35
£ per oz	663.50	628.60	642.45
€per oz	976.80	923.35	945.65

PALLADIUM

The palladium price rose by \$18 in April to close the month at \$371. Open fund interest on NYMEX increased substantially and the palladium price largely followed the price of platinum, peaking at \$381 before falling back somewhat. An exchange traded fund was launched in palladium, as in platinum.



Fund and investor activity were key to the palladium price in April, providing support in the absence of strong short term market fundamentals. Palladium started the month at \$353 and stayed range-bound between \$350 and \$360 until Easter with trading conditions largely quiet. Fund purchasing was seen, though, as net speculative long positions on NYMEX rose to 925,000 oz on the 3rd when palladium fell to its monthly low of \$350.50.

With gold also range-bound and platinum struggling to rise above \$1,250, the palladium price moved little. When platinum eventually moved out of its range, palladium was unable to capitalise and it closed at \$350.50 again on the 5th, ahead of Easter.

When the markets returned after Easter, a weak Dollar encouraged strong Japanese and Chinese support for gold and the rest of the precious metals and palladium immediately moved upward to \$357 on the 10th. Strong physical demand for palladium and continued fund purchasing then pushed palladium over \$360 for the first time since June 2006. Net NYMEX positions rose to above the one million ounce level. Technical traders then started looking at \$375 and even \$400 as the next potential target price points for resistance. Palladium climbed to \$373 on the 12th, aided by the Euro reaching a two year high against the US Dollar, but ran into the forecast resistance and dropped back to \$369 later that day as gold and platinum fell further.

The announcements by Swiss bank ZKB (the Zurich Cantonal Bank) of its plans to launch platinum and palladium ETFs added some interest to the palladium market but had more impact upon the platinum price. Nonetheless, the palladium price did respond, grudgingly moving to \$376 on the 16th and into a new range of \$370-\$380. On the 16th, North American Palladium also revealed good first quarter results for 2007 but with no impact on the market. The following day, limited profit-taking by short term investors and low volumes traded over the fixes caused the price to slip back several dollars. The net long speculative position on NYMEX continued to climb, showing the funds' appetite for palladium, by rising to 1.23 million ounces.

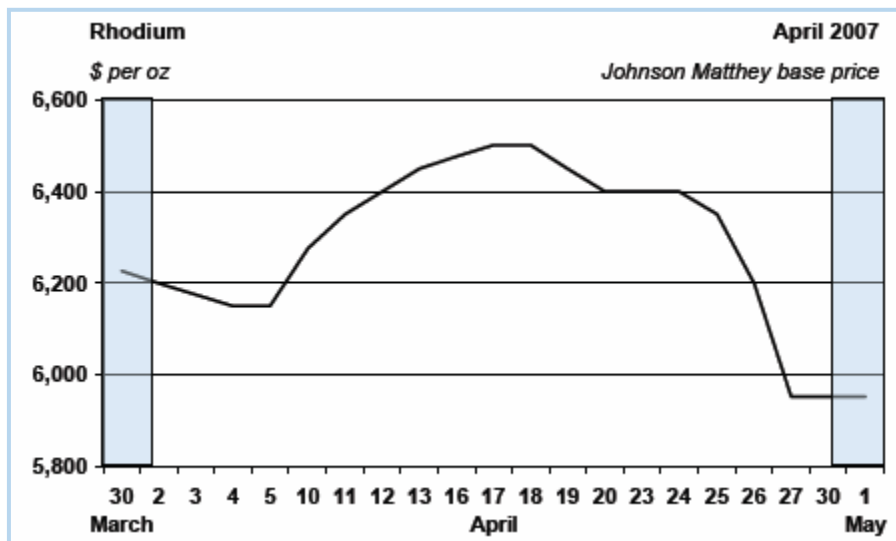
The fixing prices stayed in this \$370-\$380 range until the 19th: the first signs of upward pressure, though, came in New York on the 18th when spot prices briefly exceeded \$380. Although they fell back, the announcement of a second ETF, which, with the previously-announced ZKB ETF, could take an aggregate 400,000 oz of palladium, added some strength to the price. Palladium reached its high point for the month at \$382 on the 20th, staying just below that level for the following days, with futures long positions still increasing.

Palladium fixing prices – April 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	382.00	350.50	368.65
£ per oz	190.80	177.15	185.25
€per oz	280.85	261.55	272.70

As platinum fell back, approaching \$1,300 on the 25th, palladium gave up some of its gains and softened to \$377. A short term rally in the US Dollar took the edge off the gold price and palladium briefly fell to \$368 on the 27th before recovering \$3 to end the month five per cent higher than at its start at \$371.

OTHER PLATINUM GROUP METALS

The rhodium price fell by \$225 in April, closing at \$5,950, but showed some intra-month volatility. The hiatus in Russian supply to the market continued, placing upward pressure on the price before the announcement of the grant of the new export licence allowed end users to relax somewhat, taking the price back down below \$6,000.



April's initial rhodium price was \$6,175. This softened slightly with relatively weak demand, taking the price to \$6,150 on the 4th, where it stayed until the 10th. As the markets reopened after Easter, consumers looked to catch up on purchasing and bidding interest increased, driving the price sharply higher, to \$6,275 on the 10th and \$6,400 on the 12th. Although the speed of the climb reduced under the weight of the increased price, constant purchasing firmed the price which moved on to \$6,500 on the 17th.

Bidding interest was not sustained at this level and a mismatch of market offers and bids saw the price crumble slowly, dropping back to \$6,450 on the 19th and \$6,400 on the 20th, where it saw good levels of two-way trading. The announcement of the restart of Lonmin's Number One furnace on the 24th provided some prospect of improved rhodium liquidity later in the year and saw the price soften accordingly. The news from Norilsk Nickel that it had finally received a licence to export rhodium enhanced this sentiment and the price retreated back to \$5,950 on the 27th, the level where it ended the month.

The ruthenium price declined by \$60 in April, having started the month at a soft \$690. Lower levels of physical purchasing allowed the price to take a number of steps lower throughout April to a closing Johnson Matthey base price of \$630. The iridium market was quiet and the price was stable at \$460 for the whole month.

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