

The Platinum Metals Report

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June 2007

Johnson Matthey

The summer trading lull seemed to arrive early and June was a quiet month for the platinum group metals markets, with activity lower than in recent weeks for all five metals. Movements in foreign exchange markets played a part in metal price fluctuations as did the trends in a range of other commodities, principally gold and, to a lesser extent, oil. However, what movements there were in the price were dominated by news of the new round of wage negotiations between miners' unions and the platinum producers in South Africa.

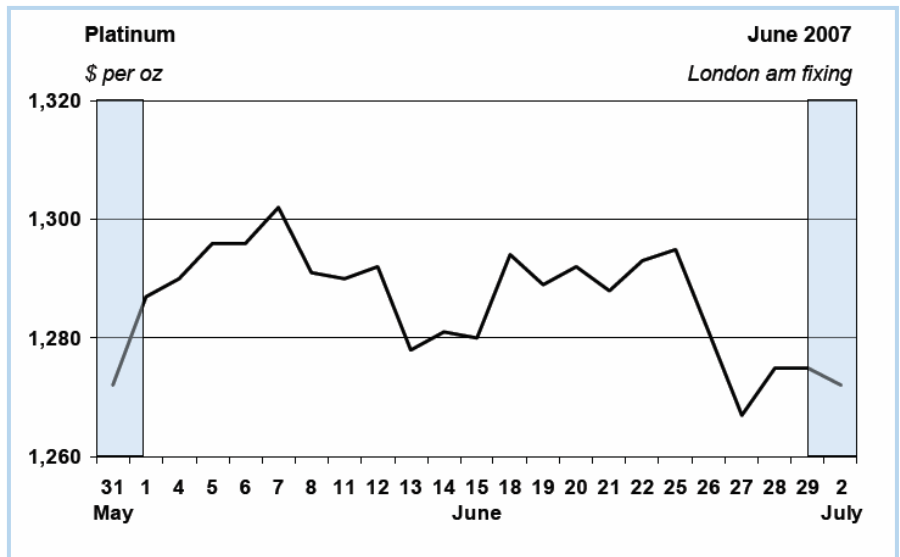
These negotiations over wages and conditions take place every two years in the South African mining industry but appear to be more fractious this time than in recent years. With food inflation running at 9 per cent per annum, initial union demands were for double digit percentage pay rises and there was initially a large distance between the two sides. However, throughout the month, this negotiating gap closed somewhat with the prospects of a strike diminishing if not disappearing. As a result, the support provided to the metal prices by the possibility of supply disruptions waned toward the end of the month, allowing prices to soften too.

PLATINUM

Platinum opened June at \$1,287 and climbed to a high of \$1,302 before slipping back to end at \$1,273, a loss of 1.1 per cent over the month. The key influence was speculation over industrial relations in South Africa.

Short covering and very healthy purchasing on the Shanghai Gold Exchange (SGE) on the first trading

day gave platinum some positive momentum. Moving from an initial \$1,287 (and \$1,280 at the end of May) it tested \$1,300 in the spot market in New York on the 4th before fund liquidation capped the price. General public sales on TOCOM also emerged on the 5th to keep the price at \$1,296. A bout of producer dehedging on the 7th supported the price of gold and helped platinum to fix at the month's peak of \$1,302. Stop loss buying was



activated and the price shot \$15 higher before a bout of aggressive selling reversed this. The general public was again a net seller of platinum futures on TOCOM on the 8th and platinum fixed at \$1,291.

Throughout this period, news emerged on the slow progress of wage negotiations between the major miners' unions and the primary producers in South Africa, lending support to the price. However, platinum remained unmoved on following days despite strong purchasing on TOCOM and a rising oil price. The Japanese government also gave some indication that it might look to establish or enhance strategic reserves of metals, including platinum, but this news had no impact on the market. In this surprisingly settled market, the platinum lease rate even softened.

On the 13th, US treasury yields rose, boosting the Dollar and making commodities less attractive. Platinum fell back and fixed at \$1,275 on that day. News that the National Union of Mineworkers (NUM) had declared a dispute (the first step in moving towards a legal strike) with Impala was balanced by an improved wage offer from Anglo Platinum and the price remained stable. On the 18th, however, the market's nervousness was exposed: Anglo Platinum announced a seven day shutdown of its Rustenburg operations as a result of recent fatalities there, with an expected reduction of 10-15,000 oz of refined platinum output in 2007. A weak Yen encouraged fund and General public buying on TOCOM too and platinum fixed at \$1,294 at the London am fix.

Separately, reports revealed that the combined uptake of platinum by the new exchange traded funds had approached 50,000 oz. Impala also announced the near-doubling of its five year capital expenditure plans, to enhance its pgm production over this period.

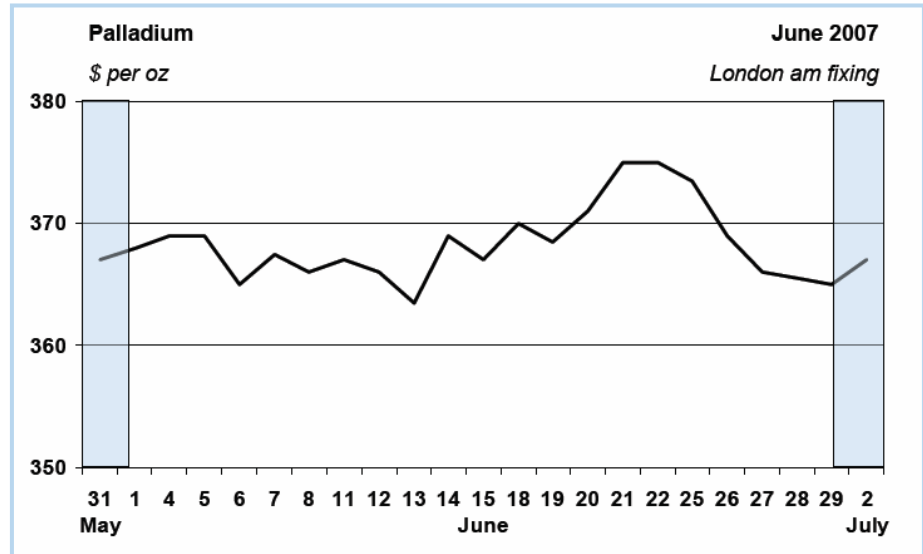
Platinum fixing prices – June 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,302.00	1,266.00	1,286.75
£ per oz	656.15	633.95	647.90
€per oz	968.15	943.40	959.00

With gold firming over following days, there was upward pressure on prices across the precious metal complex and platinum rose to \$1,301 on the 22nd as the NUM declared a dispute with Northam. A weakening Yen on the 25th saw some liquidation on TOCOM and the price dropped back.

Platinum then came under further selling pressure: market sentiment indicated a lower likelihood of significant supply disruption due to strike action as wage negotiations seemed to be making some progress. Fund long liquidations were seen and NYMEX long positions were reduced by 40,000 oz over the week, leading to a softening of the price to a monthly low of \$1,266 on the 27th. Chinese end users reacted fairly predictably by gobbling up 164kg of platinum on SGE on that day. As the NUM rejected Impala's latest pay offer on the 17th, the price rebounded, ending the month at \$1,273.

PALLADIUM

Palladium traded in an even narrower range in June (\$15) than the month before. It opened at \$368 and closed \$3 lower at \$365 but failed to encourage any excitement from dealers or investors over the month. The price was less affected than platinum by the prospect of South African strikes.



The palladium price was almost immobile throughout June, perhaps signaling the start of the calmer northern hemisphere summer trading conditions. Having started the month at \$368, it stayed within a two dollar range before it fell to fix at \$365 on the 6th. At this point, some reasonable purchaser interest was sparked and the fix volumes increased, with the price grinding its way sluggishly higher to \$369 at the second fix on the 8th. NYMEX long positions continued to grow slowly too, adding a net 40,000 oz to reach 1.27 million ounces in total before investment flows stalled.

The price slipped back to \$366 on the 12th and again prompted good buying interest on the fix. However, with platinum falling, palladium moved down to its monthly low of \$363.50 on the 13th. The recovery from this point started on the following day's morning fix when one buyer purchased 20,000 oz of palladium and single-handedly pushed the price back up to \$369. The prospect of industrial action in South Africa provided some support to the platinum price and the palladium price followed platinum higher over the following days. Good levels of fund and industrial buying on the 20th and 21st impelled the price to \$375, the month's high, on the 21st.

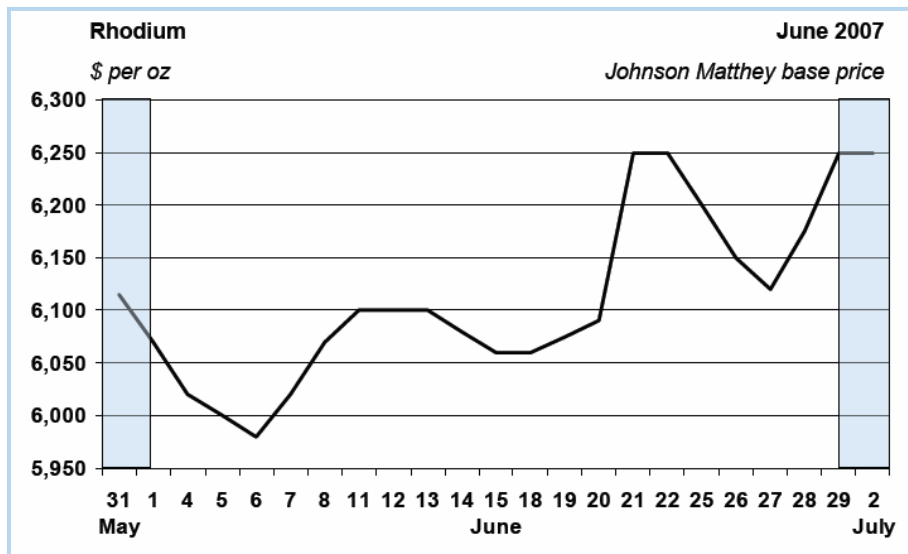
Palladium fixing prices – June 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	375.00	363.50	368.50
£ per oz	188.20	182.00	185.55
€per oz	280.15	269.85	274.65

Technical traders saw the breach of \$375 as a signal for a break out of this range into a new, higher one but, in the end, platinum

intervened. As the prospects of supply disruption through strike action decreased slightly, the platinum price softened and palladium followed to finish the month neutrally at \$365, despite NYMEX long positions rising once more.

OTHER PLATINUM GROUP METALS

In common with the other metals, the rhodium market was relatively muted in June compared to the rest of the year to date. The initial Johnson Matthey base price was \$6,070 and, although the price dropped briefly below \$6,000, it ended the month on the highs at \$6,250.



The tightness seen in the rhodium market in May continued throughout June. Although export licenses were issued in May to allow the shipment of rhodium from Russia, relatively little metal arrived onto the market. Rhodium started the month at \$6,070 but slipped slowly back to \$5,980, the month's low, on the 6th. It found support at this point and reversed its direction to reach \$6,100 on the 11th before buyers went quiet. Offers returned on the 14th and the price dipped to \$6,060 on the 18th where good levels of two-way trading were briefly seen.

The same market rumours that were heard in May (of end users being forced to buy metal in the open market to repay rhodium leased from automakers) re-emerged and the price started moving upward in response. Lease rates rose too, encouraging many companies to purchase metal rather than lease their requirements, further reducing metal availability and reinforcing the rise in the lease rate. Nonetheless, in quiet market conditions, the price stayed fairly stable and only climbed as far as \$6,250 by the month-end.

A slight softening of physical demand for iridium saw its price fall \$10 from the end of May to \$450, where it spent the whole of the month. Ruthenium slipped from an initial \$550 to \$460 on the 21st in similar market conditions before dropping further to \$430 on the following day, where it stayed for the remainder of the month. This marked the first point since December that the ruthenium price had been below that of iridium.

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