

The Platinum Metals Report

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July 2007

Johnson Matthey

Platinum was by far the most interesting of the platinum group metals markets during July. While the palladium price showed almost no volatility, platinum continued its bumpy ride and recorded its highest ever average monthly price.

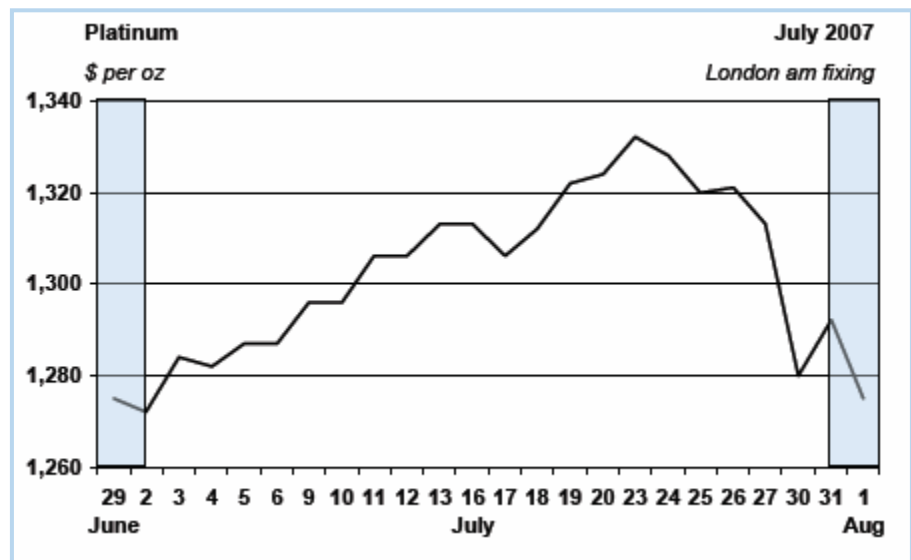
Key factors for the month's movements fell into three categories: supply disruptions (both real and potential), macroeconomic factors (in particular movements in oil, gold and the US Dollar) and a press release from Nissan which held out the possibility of reduced metal loadings for autocatalysts (see later for more details).

In terms of supply disruptions, there was speculation that, having not reached a conclusion so far, the South African wage negotiations could yet lead to strikes and could reduce pgm output. This had the effect of supporting the price in anticipation of what could become a tighter market. At the same time, various mines including Aquarius, Lonmin and Anglo Platinum reported figures for lost production or reduced sales for the year.

The slide in the value of the US Dollar throughout the month also supported gold and other precious metal prices as other countries bought into dollar-denominated assets. By comparison, the Nissan announcement proved temporarily bearish to the market.

PLATINUM

Platinum rose by \$20 in July, from an initial \$1,272 to a closing value of \$1,292. However, this does not tell the whole story as, in between these points, it spent much of the month above \$1,300 and recorded its highest monthly average price ever.



Platinum started the month well-supported by speculation that the ongoing South African wage negotiations could restrict supply. In thin trading on the 2nd, it moved higher from

an opening \$1,272, helped by good purchasing in Asia. Platinum then moved slightly higher at the London fixings on the 3rd (\$1,284 and \$1,281) as the US Dollar weakened against the Euro. However, there was considerable resistance on NYMEX as it neared \$1,300 in the October contract ahead of the quiet trading seen on US Independence Day.

Following this lull, the funds emerged as strong buyers on TOCOM on the 5th. Although this was followed by high volumes changing hands on the fix, the platinum price was unable to climb far. Fund buying on TOCOM and in physical metal followed on the 6th and stabilised the price at \$1,287. However, signs of the next upward movement came immediately from New York where the October contract breached the key \$1,300 level.

The dollar weakened once more on the 9th and oil neared \$75 a barrel, due to Turkey's action in massing troops on the Iraqi border. Gold climbed too and the pgms followed: platinum fixed at \$1,303 in London in the afternoon. NYMEX net long speculative positions rose almost 80,000 oz over the week to a weighty 600,000 oz on the 10th. This price rise then provoked profit-taking on TOCOM and elsewhere, causing the platinum price to dip below \$1,300 briefly.

The dollar continued its downward move the following day (July 11th), as the sub-prime mortgage contagion reappeared. In the platinum market, workers at Impala refused the company's latest wages offer. The South African NUM and Solidarity unions also declared disputes against Anglo Platinum. Consequently, the price strengthened to \$1,306. Anglo Platinum reported its results for the first half of the year on the 12th: these showed lower production and sales and an increase in pipeline stocks of platinum, and intensified the upward pressure on the price. TOCOM buying on Friday the 13th moved platinum to a new record high there of 5,127 Yen per gram (for the far-dated June 2008 contract) but it encountered resistance elsewhere and climbed only to a fix of \$1,313.

Platinum fixing prices – July 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,333.00	1,270.00	1,303.65
£ per oz	648.65	626.40	640.95
€per oz	964.85	928.35	950.40

Lonmin cut its full year sales forecasts on the 16th due to ore milling problems and refinery capacity. Further minor supply disruption came with subcontractors at Aquarius's Marikana and Kroondal mines dismissing staff who had taken part in an illegal strike (although they were reinstated relatively quickly). Interestingly, the first net redemptions (sell-backs) of metal in the London ETF were seen at this point. Further futures buying kept the platinum price firm and it peaked at \$1,333 in London on the afternoon of the 24th. NYMEX net long positions peaked too at their highest for ten years, 736,000 oz.

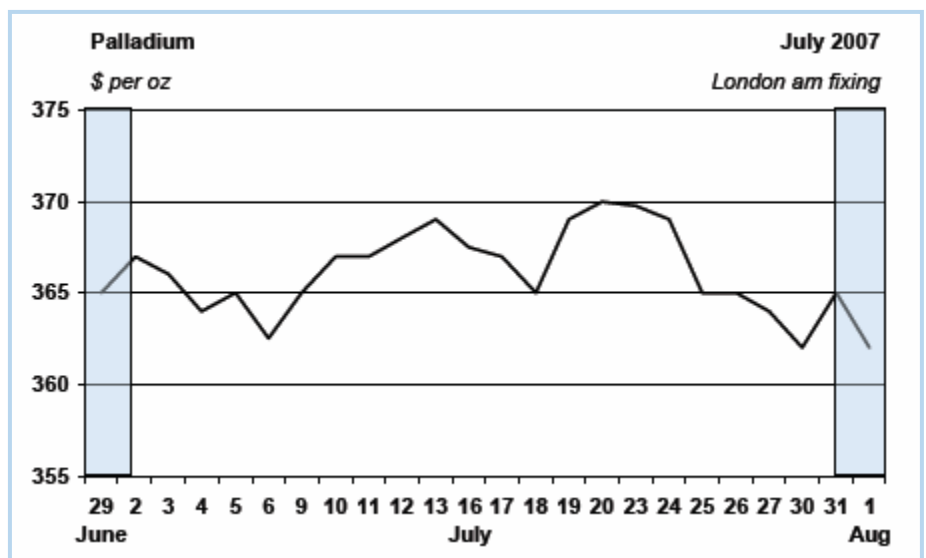
The US dollar finally reversed its downward trend against most other currencies on the 25th. This knocked gold \$10 lower and platinum softened too, driven partly by plummeting long positions on NYMEX. However, Japanese investor interest was not

diminished and over 100,000 oz were bought on TOCOM on the 27th, to keep the price steady at \$1,317 during the first fix. Market confidence was then rocked, though, by an announcement from Nissan that it could reduce metal loadings in some of its catalysts. The price responded by lurching lower, to \$1,284 later that day. Johnson Matthey's view is that it is unlikely to materially affect the positive outlook for increasing pgm demand in the automotive sector. [For a fuller view on this announcement, please visit http://www.platinum.matthey.com/media_room/11858024399050.html.]

Chinese end-users took advantage of this drop in the price, buying 278kg of platinum on the Shanghai Gold Exchange on the 30th. However, fund profit-taking followed and platinum weakened to a monthly low of \$1,270 that day. Industrial buying then strengthened in response to this and the platinum price firmed to close July at \$1,292.

PALLADIUM

The palladium price was almost motionless in July, drifting in less than a \$10 range. It started off at \$367 and ended at \$365 without ever moving more than \$5 in either direction. Nonetheless, large volumes of metal changed hands on many of the fixes, showing some degree of investor interest.



Palladium opened the month quietly at \$367, and drifted slowly lower over the first few days of the month, aided by a slight decline in net long speculative NYMEX positions from 1.38 million ounces at the end of June to 1.32 million ounces on July 3rd. It reached as low as \$362.50 at the a.m. fix on the 6th before physical buying in gold lifted all the precious metals higher. Palladium reached \$368 on the 9th as NYMEX positions rose back to the 1.38 million ounce level.

Palladium fixing prices – July 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	370.50	362.00	366.25
£ per oz	182.70	177.40	180.10
€ per oz	270.35	264.80	267.00

Although palladium was offered at \$370 on the spot market over the following days, the investment community was uninterested and the fix price shifted little, settling at \$366 on the 18th. This was despite a strike at the Stillwater mine between the 11th and 17th. Gold moved to a ten week high on the 19th and palladium saw high volumes

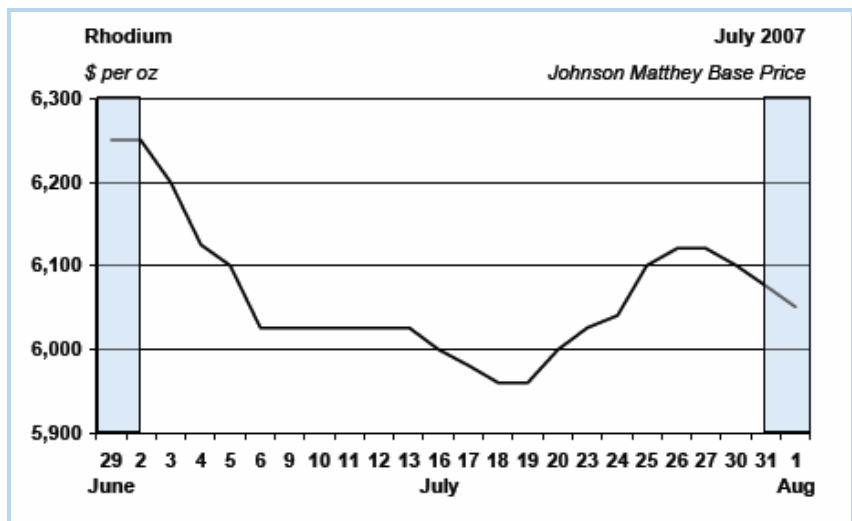
changing hands on the fixes. As gold touched \$680, the next day, palladium crept to its July peak of \$370.5.

Over the following days, the strengthening of the US dollar drove profit-taking in all of the precious metals. Additionally, Nissan issued a press release stating that it could reduce pgm loadings on some of its gasoline catalysts. Although most commentators saw this as simply part of the normal thrifting trend, market participants interpreted this as bearish for palladium demand and price. With some support eroded, palladium softened and fell back to \$362, the monthly low, on the 27th before rallying slightly to end the month with no clear sense of direction at \$365.

OTHER PLATINUM GROUP METALS

Rhodium fell \$200 in July from an initial \$6,250 to \$6,050 having dipped briefly below \$6,000.

The rhodium market remained fairly illiquid throughout much of July, as shown by lease rates which remained firm. However, low levels of end user purchasing ahead of summer shutdowns in some industries drove the price down to \$6,025 on the 6th of the month. Liquidity started to improve with more offers of metal appearing but the price declined a little further to \$5,960 on the 18th. A small amount of buying reemerged and boosted the price back to \$6,120 on the 26th before disappearing once more and allowing the price to soften to a month-end \$6,075.



The ruthenium price entered July sliding lower, as it had been since February. It started at \$430 and with little buying interest evident, fell, to \$380 by the 9th. The price remained at this level until the 25th with indications that the market was firming. A few bids started to emerge, in particular from the Far East and the price started to move quickly upwards, ending the month strongly at \$440. By contrast, having fallen to \$450 at the start of June, the iridium price remained at this level for the whole of the month.

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