

The Platinum Metals Report

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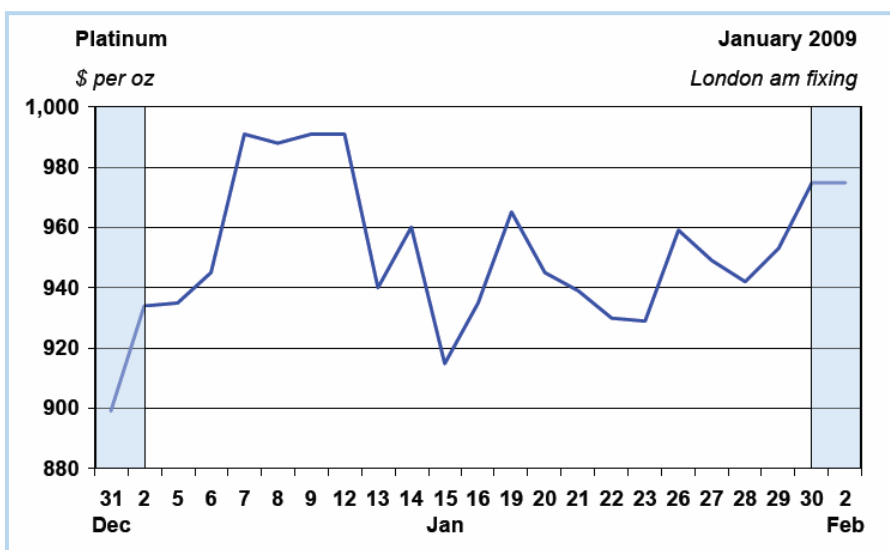
January 2009

Johnson Matthey

January was a second consecutive quiet month for platinum group metals trading. While the prices of both platinum and palladium rose somewhat, the gains were small and investors viewed \$1,000 and \$200 respectively as the key resistance levels. The poor state of the global economy and continued weak production and sales of passenger vehicles maintained some downward pressure on the metal prices which almost balanced the effect of some steady buying by investors. The prices of iridium and ruthenium both fell in January as did that of rhodium.

PLATINUM

The platinum price recorded its third successive monthly gain during January. It started the year at \$934 and rose to record a monthly high of \$1,000 before falling back to only \$915 in the middle of the month. However, physical buying in Asia and through the European Exchange Traded Funds came to the rescue and drove platinum back to close the month at \$975.



Net long speculative positions increased on NYMEX and on TOCOM, suggesting that some investors were starting to return to this market.

Platinum opened the year at \$934 on January 2nd, some \$35 above the final fix of 2008 amidst quiet trading conditions, as it followed other commodities including gold higher. The poor state of the global economy was much in evidence and the first signs of government intervention appeared on the 5th when the Chinese government announced a plan to help the automotive industry by reducing purchase taxes on new vehicles. This added some energy to the market but platinum fell back to \$920 at the second fix of the day as the US Dollar strengthened on the prospects of domestic tax cuts.

However, physical demand for platinum remained strong with 288kg changing hands on the Shanghai Gold Exchange (SGE) on the 5th and a further 404kg on the 6th. With Japanese investors also strong buyers of platinum bars, the price ignored further negative

news stories from the automotive sector and rose to \$1,000 at the second fix on the 7th. This proved to be the high point for the month as it drove weighty sales of metal into the spot market, driving the price back down to \$988 the next morning.

Platinum stayed close to this for the following few days despite a deteriorating macroeconomic environment. Poor US employment data weakened the dollar and allowed platinum to challenge the \$1,000 mark several times. However, investors could not drive the price over this level and it fell back on each occasion. The general dynamics in the market were well-illustrated by a widening price differential between sponge and ingot (the sponge discount) which showed strong purchasing by investors and the jewellery industry but weak demand from the autocatalyst and industrial sectors.

The temporary closure of a shaft at the Impala Lease Area due to an accident there could not lift the price any higher and instead, it fell back on the 12th as Japanese investors deserted the market due to a holiday there. The US Dollar rose on the prospect of cuts in European interest rates and worries over deflation drove gold sharply lower. Platinum was dragged down to \$925 in the spot market the following day before healthy sales in

Shanghai provided some support. The price stabilised at \$931 at the second fix on the 13th and rebounded to \$960 in London the following morning, helped by closures of another two shafts in South Africa.

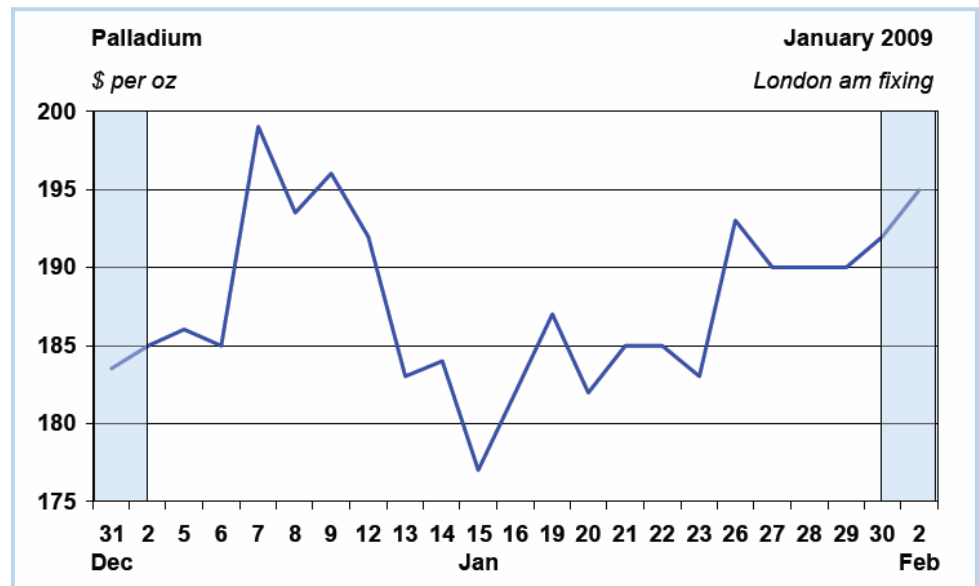
Platinum fixing prices – January 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,000.00	915.00	951.35
£ per oz	698.45	625.00	659.05
€per oz	765.00	665.70	717.25

However, the dollar rose again and fears of deflation hit gold once more, driving all the precious metals lower. Platinum fell to a monthly low of \$915 on the 15th amidst yet more negative news on the car markets in Europe and elsewhere. Strong buying on SGE once more provided some support and platinum was able to follow gold higher, rebounding to \$943 on the 16th. The platinum price briefly peaked at \$965 on the 19th but could not hold onto these gains and had slipped back to the \$930 level by the 22nd in thin trading conditions ahead of Chinese New Year.

When Chinese New Year started on the 26th, most market participants were worrying that an absence of physical buying from the jewellery market could drive the price lower. However, platinum received some assistance from the strong gold price and instead rose to an a.m. fix of \$959 in London. The price fell back a little but steady buying from investors through the futures exchanges and through the Exchange Traded Funds helped the price to firm and climb higher. Platinum closed the month at \$983, a full \$49 above its first fix of the year.

PALLADIUM

The palladium price strengthened during January despite the doom and gloom surrounding the automotive market. With investors having priced in at least some of this negative news already, palladium Exchange Traded Fund positions grew throughout much of the month.



However, the price remained almost range-bound between strong support close to \$180 and firm resistance around the \$200 mark.

Palladium started 2009 at \$185, marginally higher than it had ended the previous year. A weak US Dollar and some investor interest forced the price higher on the 6th to a second fix of the day of \$196.50. This was despite Toyota's news that it would shut all of its Japanese vehicle plants for 11 days in response to low vehicle demand. Palladium, however, briefly ignored the general negativity in the market on the following day. With the \$200 barrier now firmly in sight, investors started to push palladium higher. As platinum broke through the \$1,000 level, palladium reached its monthly high of \$202.50 at the second fix on the 7th. The climb in the price was halted by some investor sales of metal and palladium fell back to \$193.50 the following morning.

Later on the 8th, news emerged that Mazda planned to fit a low-loaded pgm catalyst on one of its vehicles (the Mazda 3). However, the market was unmoved and investors instead tried to push the price over \$200 as the US dollar weakened briefly in response to high unemployment data. Palladium reached \$199 at the second fix of the day before falling back to \$196 on the 9th. Having failed at this level, the palladium price was now rather weaker and, as the US Dollar rose on the 12th (on the prospects of another cut in interest rates by the European Central Bank), palladium followed platinum lower. It slipped to \$183 on the 13th and to \$181 on the 14th. Further investor sales of metal and weak European car production data further depressed the price which dipped to a monthly low of \$177 at the morning fix in London on the 15th.

On the 16th, the US Government provided further funding to Bank of America to help fund losses sustained from its takeover of Merrill Lynch. The House of Representatives also announced a \$825 billion economic support plan. Both of these moves helped to

calm the equity markets somewhat and provide some optimism. A range of commodity prices benefited, with palladium reaching \$185 at the second fix of the day.

Palladium fixing prices – January 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	202.50	177.00	188.00
£ per oz	140.55	120.90	130.25
€per oz	152.55	132.55	141.75

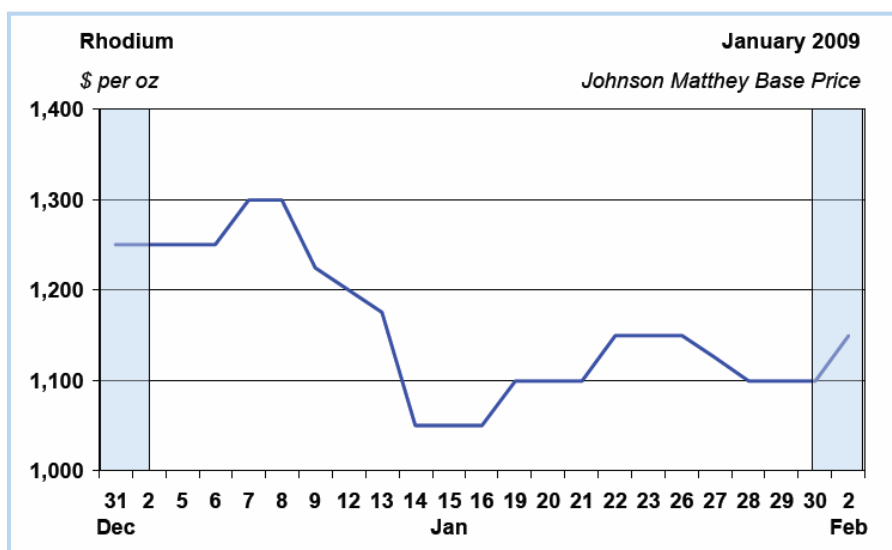
Palladium now remained rangebound between \$180 and \$190 with little buying or selling evident. However, some purchasing was seen through the ETFs in Europe and this slowly applied upwards pressure to the price. On the 26th, news emerged that President Obama was

planning to allow individual US states to adopt tighter vehicle emissions standards than the federal rules. This injected a little energy into the palladium market and the price climbed out of its range to \$193 that morning in London. However, the excitement quickly dissipated and palladium now remained becalmed close to the \$190 level.

There was one final attempt by investors to heave palladium back above \$200 but this failed and palladium ended the month at \$196, below its monthly peak but \$11 above where it had started the year.

OTHER PLATINUM GROUP METALS

The prices of all three of the minor platinum group metals softened during January as they were hit by weak industrial demand. Iridium fell \$10 while ruthenium lost 15 per cent of its value. The rhodium price fell too but there were signs of end user purchasing when the price neared the \$1,000 mark.



After what had been a very turbulent year in 2008, rhodium started 2008 more quietly at \$1,250. Poor automotive production and sales data emerged from every corner of the globe and physical demand remained quiet throughout most of the month. The first move of the year, however, was upwards as some small market bids drove the price to a monthly high

of \$1,300 on the 7th of January. However, reality intervened and rhodium quickly retreated to a monthly low of \$1,050 on the 14th. Market offers now returned again,

demonstrating that some activity remained in the automotive sector. The price rose in response, in very light trading, to end the month at \$1,100.

Ruthenium began 2009 at a Johnson Matthey base price of \$100. Demand was soft as it had been throughout much of 2008, with the hard disk manufacturers able to meet most of their requirements through the use of recycled metal from their own processes. The price therefore fell to \$95 on the 6th of January and dropped a further \$10 on the 15th to end the month at only \$85. Iridium too suffered from slow demand and on the 16th the price fell from its initial \$435 to \$425, where it ended the month.

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