

The Platinum Metals Report

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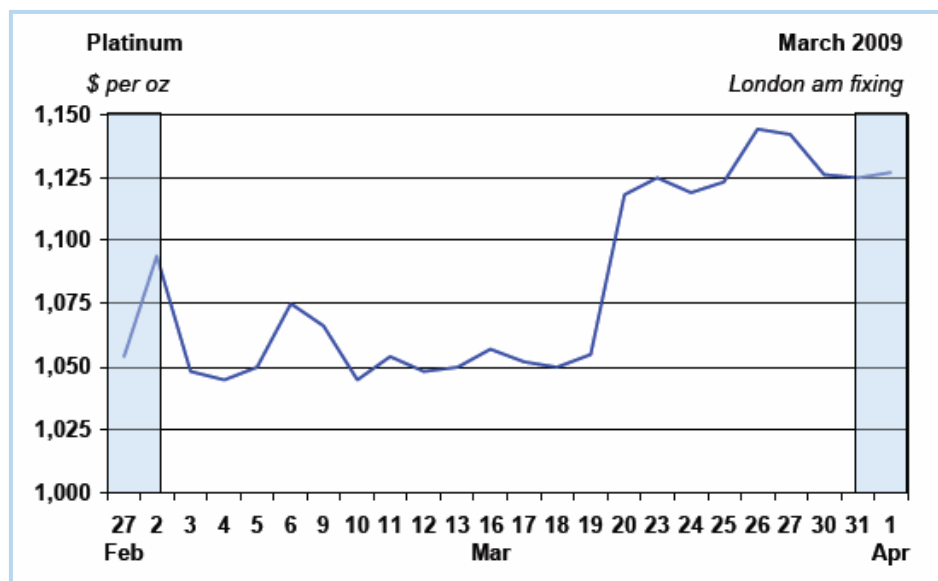
March 2009

Johnson Matthey

March was a month of two halves for the platinum and palladium prices: there was little movement in the first half of the month as slow industrial and automotive industry purchasing of these metals prevented them from gaining any momentum. However, later in the month, actions by the US government created a sense of optimism in the market and weakened the dollar, helping many commodity prices to strengthen. There was little activity in the minor metals markets despite some industrial purchasing: the prices of ruthenium and iridium did not change at all and, while rhodium lost some ground, it too benefited from the sense of optimism at the end of the month and recovered to end March only marginally below where it had started out.

PLATINUM

March saw the platinum price rise for a fifth successive month. It started out at \$1,094 and climbed to end the month at \$1,124 driven largely by investor interest – ETF positions increased by 90,000 oz during the month. Industrial and automotive purchasing remained weak (as shown by a large



discount for platinum sponge compared to the price of ingot) but purchasing of metal for investment and for jewellery manufacturing in Asia remained at elevated levels throughout.

Platinum's final fix of February was \$1,059, below its mid-month peak, and it opened March well-bid, particularly in Asia, driving the price quickly up to a first fix for the month of \$1,094. However, poor economic news continued to emerge, depressing the market: February proved to be the worst month for manufacturing within the Eurozone for 12 years and forecasts were released suggesting that personal computer (PC) sales would fall in 2009, for only the second time ever. The US Dollar remained strong but, with equity markets falling the following day, a range of commodities suffered selling to cover equity losses. Platinum fell to \$1,048 in London on the morning of the 3rd despite

strong purchasing by the jewellery industry on the Shanghai Gold Exchange (SGE) – something that was to continue to provide support for the price for the remainder of the month. Weak US car sales data forced the price lower again despite positive news from the German market where a scrappage scheme had boosted February automotive sales. With gold under pressure and falling towards the \$900 mark, platinum dropped to its monthly low of \$1,039 at the second fix on the 4th.

On the 5th, General Motors’ auditors revealed doubts about its ability to operate as a going concern over the longer term. This news hit equity prices and with the Dow Jones index falling to 1997 levels, investors turned to gold and the rest of the precious metal complex as a comparative safe haven. Despite any short to medium term negative impact on pgm demand from the GM news, investors bought into platinum, notably through the European Exchange Traded Funds, driving the price up to \$1,075 on the 6th amidst analyst comments on the strength of the Chinese platinum jewellery market.

Some profit-taking was seen and a fall in net long speculative positions on NYMEX eroded some support from the platinum price, sending it to a low of \$1,041 on March 10th. Platinum now established itself in a range, finding support from Chinese physical purchasing (including 283kg of platinum sold on the SGE on the 11th). ETF purchasing of gold diminished from its previously high rates and removed any momentum from the precious metal markets, leaving platinum drifting. The announcement of substantial quantitative easing by the Swiss central bank on the 12th provided some support for the gold price but platinum did not benefit substantially and, with investor interest limited, could only climb \$4 to \$1,052. Platinum challenged the top of its range on the 16th, climbing to \$1,057 before resistance stopped it in its tracks.

Amidst quiet trading conditions, platinum slipped back on the 18th to end the day still range-bound at \$1,044. Of note to the platinum market, Platinum Australia revealed that it had shipped the first concentrate from its Smokey Hills mine in South Africa. However, more important was the US government’s decision to inject huge amounts of money into the US financial system in the form of quantitative easing. This drove the US Dollar very sharply lower, and depressed bond yields: gold, which had fallen to \$890, bounced \$50 in after hours trading and almost every commodity benefited too, with platinum fixing at \$1,055 the following morning.

Gold continued its rise on the 19th and platinum was further aided by a US Government proposal to provide financial assistance to a range of parts suppliers in the automotive industry. Purchasing of platinum through Exchange Traded Funds and an increase in net long speculative positions on NYMEX impelled the price higher and platinum leapt to \$1,118 on the 20th. The downward pressure on the dollar continued after the weekend when details of the US

Platinum fixing prices – March 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,152.00	1,039.00	1,081.75
£ per oz	796.65	735.05	761.95
€per oz	867.90	782.65	828.80

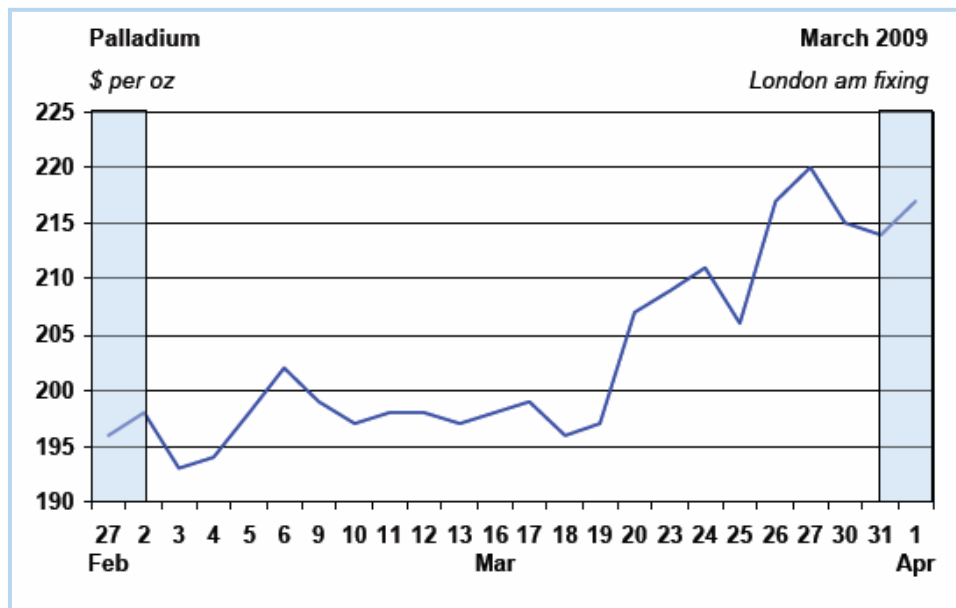
recovery plan were made clear (including the use of up to 1 trillion US Dollars to buy so-called toxic assets). Platinum continued to firm, peaking at \$1,131 at the second fix on the 23rd where very large volumes of metal changed hands.

The level of optimism in the financial markets was now markedly higher than before the details of the recovery plan had been made clear and, with some uncertainty removed from the market, gold suffered, sliding lower. The platinum price slipped slightly too, despite good bidding, to \$1,109 on the 24th. On the 26th, the suggestion that US Treasury Secretary, Tim Geithner, had shown support for the idea of a new global reserve currency created significant volatility in the precious metals markets. With investors keen to cling to any positive economic news they could find, the release of some stable economic data in the form of the US durable goods report appeared to be enough of a spur to drive platinum to its monthly high (and highest point of the year to date) of \$1,152.

The following day, gold met resistance in its climb and good investor purchasing could not quite balance weak physical demand for platinum. With Lonmin forecasting a surplus in platinum for the calendar year as a whole, investors took the opportunity to realise some of their profits and platinum drifted lower to end the month at \$1,124, below its mid-month peak but some \$65 above the final fix of February.

PALLADIUM

Palladium gained ground during March, rising from an initial \$198 to a peak of \$222 before slipping lower in the final days of the month to a final fix of \$215. While investor interest was substantial, there was little fresh investment in



palladium through the Exchange Traded Funds although net long speculative positions on NYMEX increased in the final week of March. Physical demand remained largely weak throughout but investors seemed determined to build a base for the palladium price above the \$200 mark. Although price movements were small in dollar terms, they were substantial in percentage terms as palladium climbed

more than sixteen per cent from its monthly low to its monthly high in only a little over two weeks.

Palladium's first fix of March was \$198 and it immediately ran into firm resistance which prevented it moving above the \$200 level. Palladium fixed at this level twice on the 2nd before making its first movement of the month: a weak gold price and a fall in equities drove a sell-off of a number of commodities. Palladium dropped \$7 to its monthly low of \$191 on the 3rd of March. Although palladium remained under pressure, enough investor interest remained to allow palladium to rise by \$3 the following day.

On the 5th, worries over the possibility of General Motors going into bankruptcy caused worries in the equity markets and drove investment in the precious metals. Palladium benefited despite the prospects of this disruption in the autocatalyst market and climbed to \$198 before investors finally pushed the price back above \$200 on the 6th, to a high of \$202.50. A small amount of profit-taking followed and, as gold softened, the price slipped back to \$195 on the 10th.

Palladium remained range-bound between \$195 and \$199 for the following week with investors still eyeing the \$200 level and weak physical purchasing restraining the price. The release of data showing rising Chinese February vehicle sales could not drive the price higher and copious numbers of negative automotive stories could not depress the price either. Investors made a concerted attempt to drive the price back over \$200 on the 17th but it stalled at \$199 and fell back to \$194 at the second fix on the 18th.

Every commodity price was driven sharply higher late that day as the US revealed plans to start a huge quantitative easing programme. The dollar fell and palladium moved up to \$197 the following morning and \$203 later that day. Having broken its shackles, palladium now gathered momentum, further aided by a rising gold price and by a US proposal to provide financial support to a number of automotive parts suppliers. The dollar continued to decline and gold investors targeted the \$1,000 point: palladium inched higher, to reach a peak of \$211 on the 24th.

Palladium fixing prices – March 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	222.00	191.00	202.60
£ per oz	153.45	135.60	142.70
€per oz	163.75	146.15	155.20

World equities rose strongly on the 23rd and 24th, encouraged by an American plan to buy up to one trillion US Dollars worth of "toxic assets". With investment funds adopting a slightly less cautious attitude than in recent months, the gold price fell and dragged palladium back down to \$206 on the 25th where it found support once more from rising net long speculative NYMEX positions.

Investors quickly regained their appetite for palladium. On the 26th comments by the US Treasury Secretary were interpreted as bullish for gold and bearish for the dollar and boosted the precious metals complex. Despite weak physical demand for palladium, the

release of strong data for palladium imports into China and Hong Kong also reinvigorated the market. Finally, on the same day, long-dead cold fusion stories re-emerged to drive the price to its monthly peak of \$222 in London in the afternoon.

A rise in the dollar and a pause in the upward movement in the gold price gave investors a chance to take some profits and palladium started to glide lower. It came under further pressure on the 30th when Rick Wagoner, GM's chief executive, resigned as the US Government rejected the turnaround plans of both Chrysler and General Motors. The price slipped as low as \$213 at the second fix of the day. However, investors seemed to feel that they had already priced this news in and almost disregarded it, forcing the price another \$2 higher the following day, allowing palladium to end the month at \$215, \$17 above where it had started the month.

OTHER PLATINUM GROUP METALS

March was a quiet month for all of the minor metals. Ruthenium and iridium did not move at all, remaining at \$80 and \$425 respectively throughout. There were reasonable levels of both buying and selling in rhodium but, with automotive production weak around the world, the price softened from its initial \$1,200 to record a monthly low of \$1,125 from the 19th to the 24th of March. A general belief from some investors that rhodium was cheap at this level encouraged some bargain-hunting and the price gradually strengthened, rising \$25 on the 25th of the month and climbing another \$25 on the 27th to end March at \$1,175.

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