

European The Platinum Metals Report

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April 2008

Johnson Matthey

April was a less exciting month for platinum group metal prices than previous months had been. Platinum and palladium prices rose slowly over the first half of the month but fell during the second half, losing ground overall. Continued uncertainty on the impact of the South African power situation supported the prices as did bouts of weakness from the US Dollar against other currencies in the first half of the month. Amongst the minor metals, rhodium started to retrace its steps, regaining some of the ground it lost at the end of March. The ruthenium price continued to wither under weak physical purchasing while iridium was unmoved.

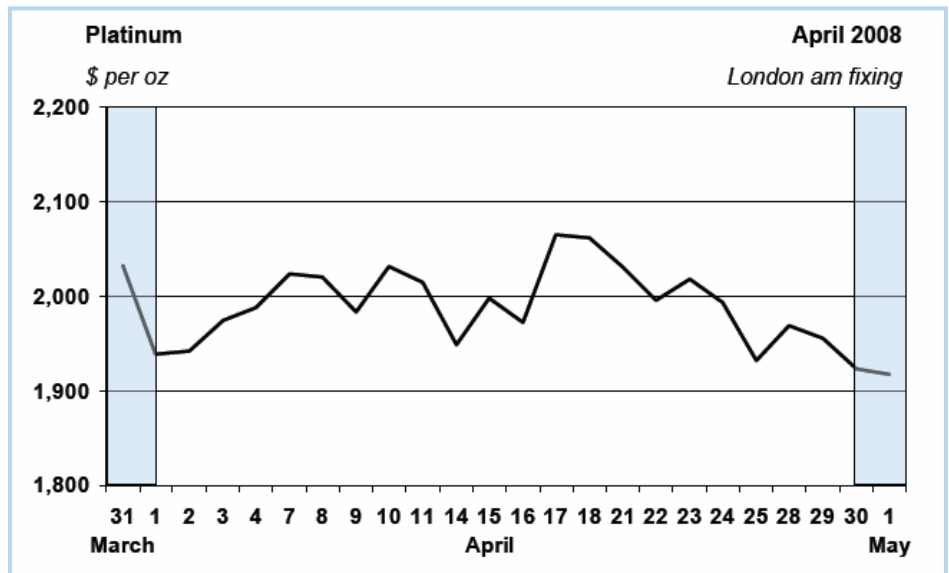
PLATINUM

April was a comparatively unexciting month for platinum despite a monthly range of almost \$150 between the highest and lowest points. The platinum price started the month at \$1,938 (some \$102 below the final fix of March) and dropped to a low of \$1,918. Concerns over South African production drove the price to a monthly peak of

\$2,065. However, the market remained broadly neutral and platinum frequently moved either side of the \$2,000 mark before declining to end the month at \$1,929.

Platinum fell heavily between the final fix of March and the first fix of April, dropping \$102 to an opening \$1,938. Volatility in the stock markets forced a number of institutional investors to liquidate long positions in commodities to meet losses and margin payments elsewhere. Gold fell below \$900 and platinum fell heavily too, dropping a further \$20 to a monthly low of \$1,918 at the second fix on the 1st.

The price rebounded slightly the following day as funds bought platinum futures on TOCOM and over 100kg was purchased on the Shanghai Gold Exchange (SGE) in response to continued concerns over the amount of electricity being supplied to the South African mines. Platinum fixed at \$1,942 in London on the morning of the 2nd. It continued to climb on the 3rd on news that not all of the South African producers were



receiving the advertised 95 per cent power allocation. Rumours of slower platinum jewellery demand (in response to the high price) capped the rise and platinum ran into resistance close to \$1,980, fixing at \$1,974 and \$1,975 on the 3rd. It broke through a spot price of \$2,000 late on that day but fell back quickly, establishing the pattern for much of the month to come.

Platinum moved back over \$2,000 in New York trading on the following day, helped by a weak dollar. It fixed at \$2,034 on the afternoon of the 7th despite news that Amandelbult would return to full production by mid-April. Platinum did find some support at \$2,000 with end-users purchasing metal steadily even at this price but it slipped lower on the 9th, dropping to \$1,983 on the first fix that day, possibly driven by news that Eskom had signed a contract for more power from Mozambique.

A rising gold price (and an oil price that was close to all-time records, at \$112 per barrel) dragged platinum higher on the 10th, to \$2,031. It stayed above \$2,000 for only two days, softening to \$1,949 on the 14th due to long liquidation driven by falls in a number of major stock markets. Metal purchases in Shanghai rose strongly in response: 226kg were bought that day.

The following day, platinum surged higher on Eskom's admission that more electricity blackouts were possible in South Africa. The price kept on moving and broke through substantial resistance to a monthly peak of \$2,065 on the 17th. Physical purchasing gradually diminished in intensity and the price slowly began to soften. Concerns over the credit crunch resurfaced on the 22nd and weakened the dollar, driving gold and the pgms downward to just below \$2,000. These worries were also reflected in a gradual increase in net long speculative positions on NYMEX from 389,000 oz on the 8th to 492,000 oz on the 22nd. ETF positions changed little, however.

On the 23rd, Lonmin cuts its platinum sales targets for the financial year (to September) from 860,000 oz to 775,000 oz. While this was bullish for the price, a second story emerged, from Mitsui Mining and Smelting, of a new silver catalyst for diesel engines which could theoretically cut platinum use. Although this technology is unlikely to have any meaningful impact on the platinum market (see http://www.platinum.matthey.com/media_room/120946909411112.html for more details), this was interpreted as a bearish signal. With these two influences opposing each other, the market was little affected and the price did not move significantly.

Platinum fixing prices – April 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	2,065.00	1,918.00	1,989.10
£ per oz	1,045.55	968.45	1,004.50
€per oz	1,297.25	1,227.90	1,262.95

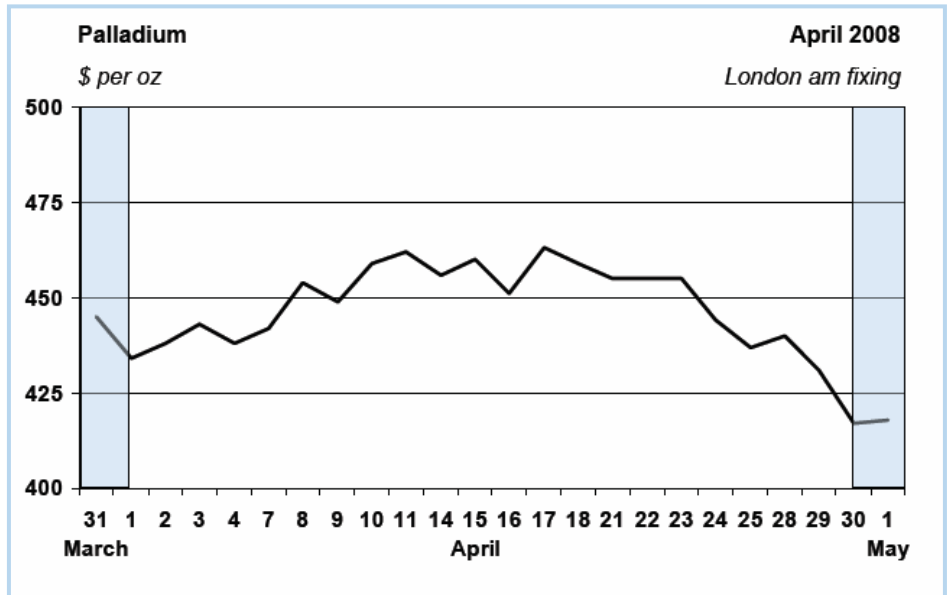
On the 24th, Aquarius announced first quarter 2008 output which was lower than the previous year but this could not prevent platinum dropping back below \$2,000 for the final time in the month. The price weakened again

following the second fix of the day as a number of investors sold long positions and

platinum fell back from \$1,994 to \$1,932 at the first fix on the 25th. Physical purchasing in Asia was reignited by this fall in the price but, with many market participants waiting on other, macroeconomic signals, platinum could rise no higher than \$1,969 on the 28th before dwindling to close the month at \$1,929, \$9 lower overall.

PALLADIUM

The palladium price followed the platinum price for most of April, with macroeconomic factors playing a key role too. It started the month at \$434 and closed near its monthly low at \$420, without having established a clear trading range. Exchange traded fund volumes increased marginally, from an initial 579,000 oz to a closing 589,000 oz but NYMEX long positions shrank, reflecting some profit-taking after the recent



price rise. The South African power crisis did have some impact but this was less clearly demonstrated than in the platinum market.

Palladium started the month at \$434, some way below its March peak but the price showed little clear direction. Gold fell below \$900 on the 1st as investors sold long commodity positions to release cash to cover losses elsewhere. Palladium dropped to a second fix that day of \$426 but recovered ground on the 2nd, driven by worries over the South African power situation. Palladium fixed at \$438 in London that morning and remained close to that level until the weekend. On the following Monday (the 7th) technical trading and investor interest pushed palladium over \$440 and it rose quickly to \$453 on the second fix that day.

Palladium did fall through the psychologically-important \$450 mark on the 9th but a resurgent gold price supported all of the other precious metals and palladium rebounded. With the oil price rising to near record levels on the 10th, investor interest in commodities resurfaced: large volumes of palladium changed hands on the fixes and the price rose again, sending palladium to a monthly high of \$469 on the 11th before meeting resistance.

The second half of the month saw investor interest slowly decreasing as some profits were taken. The price fell back by over 8 per cent during this period with NYMEX net

long speculative positions falling to just below one million ounces, the lowest since the start of 2008. Currency movements also intensified this decline.

The fall started on the 14th as long liquidation by funds in the platinum market carried over into the palladium market, driving the price of that metal down to \$456. Investor activity kept the price stable for the next few days, with strong support at \$440 and \$450 but selling being seen as the price approached \$460. Palladium reacted by settling between \$450 and \$460. This pattern was broken on the 23rd: poor German business confidence data caused the US Dollar to strengthen and drive precious metal prices lower. Palladium lurched to \$446 on the second fix of the day.

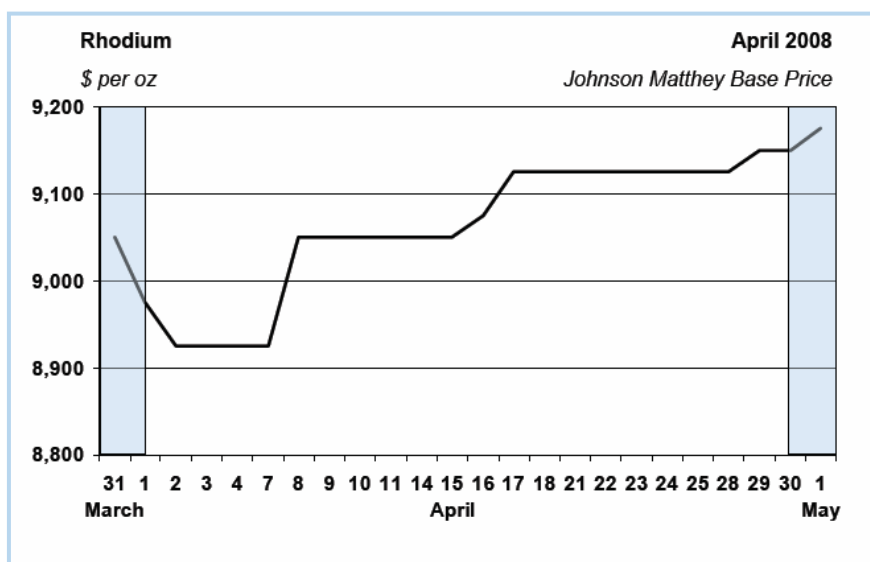
Market speculation that the US Federal Reserve's interest rate cutting might be over provided further strength to the dollar. With the first resistance barrier already broken, palladium slipped further, to \$434 on the 25th, before stabilising somewhat. Anglo

Platinum and Norilsk Nickel both released first quarter production data for 2008 which showed a decrease in palladium production but this did not provide any real support for the price. In fact, the last move of the month saw a rise in the value of the US Dollar against the

Palladium fixing prices – April 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	469.00	417.00	446.60
£ per oz	238.05	212.05	225.55
€ per oz	296.55	268.45	283.45

Euro knock the palladium price down to a monthly low of \$417 on the London a.m. fix on the 30th. Palladium ended April at \$420, some \$14 below where it had started.

OTHER PLATINUM GROUP METALS



The tightness in the rhodium market continued during April and the price climbed from an initial \$8,975 to a closing \$9,150, supported by steady buying interest from industrial and automotive consumers. The ruthenium price fell back due to soft end user demand while the iridium price remained static for the entire month.

Although the rhodium price softened toward the end of March, it still entered April at a

historically high level of \$8,975. The price continued to soften and rhodium fell to the monthly low of \$8,925 on the 2nd before it stabilised. Buying interest intensified over the

following days and the price eventually responded on the 8th by moving back over \$9,000, to \$9,050. The number of offers persisted in the market for the rest of the month and the price climbed slowly higher, ending the month positively at \$9,150.

The ruthenium price softened throughout April with physical buying comparatively soft. It started the month at a Johnson Matthey base price of \$425 and dropped back to \$420 on the 3rd. End user purchasing remained weak and the price continued to slide to end the month at \$390. Iridium once again remained at \$450 for the entire month.

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