

# The Platinum Metals Report

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April 2009

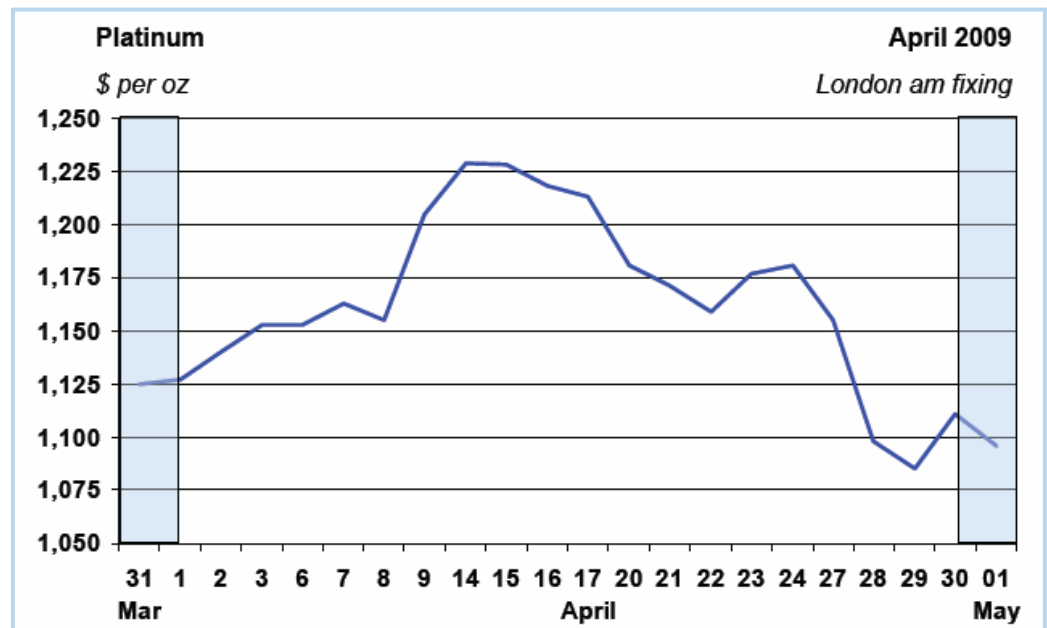
Johnson Matthey

*Although the optimism in the precious metals markets of late March spilled into the first half of April, the prices of most of the platinum group metals fell in the second half of the month. Substantial buying of gold by ETF investors supported the price of gold and of both platinum and palladium. The possible launch of ETFs and ETNs in North America and South Africa provided further strength. However, continuing concerns over the health of the automotive market dogged these latter two metals, driving the price of each lower later in the month. Some volatility returned to the rhodium market as investors and a number of end users took advantage of the weak price to build long positions. The ruthenium price showed some long overdue strength, gaining \$10 during the month. Iridium remained motionless at \$425 throughout.*

## PLATINUM

After five months of steady growth, the platinum price reversed its direction in April, falling from an opening \$1,127 to a closing \$1,093. However, it did reach a mid-month high of \$1,229, driven there by ETF purchasing in both gold and platinum and by very strong purchasing of

platinum by the Chinese jewellery industry. Net long speculative positions on NYMEX fell in the closing weeks of the month as concerns over the health of the automotive market weighed on platinum, driving it back below \$1,100.



Platinum started April quietly, moving from \$1,124 at the end of March to a first April fix of \$1,127. The first move of the month came in New York later that day as an unexpectedly large increase in US unemployment hit the dollar, forcing the precious metals higher. Short covering in gold added some further strength and platinum climbed to fix at \$1,140 the following morning despite a fall of over a third in North American light duty vehicle sales in March compared to the same month one year previously.

Rumours of a possible sale of gold by the International Monetary Fund dogged the gold market but platinum received a boost when it was revealed that ETF Securities had applied for permission to launch a platinum ETF in the USA, rising to \$1,159 on the afternoon of the 3<sup>rd</sup>.

The gold price then sagged to test the resistance at \$900, encouraging some selling of platinum in Japan on the 6<sup>th</sup>. However, over 100kg of platinum changed hands on the Shanghai Gold Exchange that morning (and again in the following days) to provide some support for platinum. Speculation that the “Big Three” car companies would not be in a position to oppose the launch of a US-based platinum ETF also aided the price, supporting it at \$1,153 and \$1,150 that day. Of note elsewhere in the platinum market was the first shipment of concentrate from Ridge Mining’s new Blue Ridge mine in South Africa.

Platinum fixing prices – April 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,229.00	1,078.00	1,163.80
£ per oz	826.50	734.60	791.85
€per oz	931.40	821.95	882.80

This investor interest continued on the following day, with ETF purchasing impelling the price higher to \$1,163 on the 7<sup>th</sup> as TOCOM net long speculative positions also increased. On the 8<sup>th</sup>, a sense of nervousness emerged over the forthcoming South African elections. A number of buy orders in platinum were triggered and rumours of the launch of a South African ETF (or Exchange Traded Note as it later emerged) also proved positive for the price. Any optimists looking for good economic news were rewarded with a 10 per cent rise in monthly car sales in China and platinum leapt to a six month high of \$1,205 in London on the morning of the 9<sup>th</sup>. Gold rallied in the days following Easter and challenged \$900 again as a number of poor company financial results prompted more safe haven buying. Platinum fixed at \$1,229, its monthly high, on the morning of the 14<sup>th</sup> and climbed as high as \$1,250 in the spot market later that day before falling back to \$1,222 at the second fix of the day.

With the price at its strongest for a number of months, trading became quieter, although Chinese purchasing remained strong. Speculation that the decline in the US economy might be slowing provided some boost to commodity prices but as gold came under pressure over the possible sale of some of the IMF’s gold reserves, platinum drifted downwards to \$1,213 on the 17<sup>th</sup>. NYMEX positions started to shorten and applied further downward pressure on the price as almost all commodities weakened.

Liquidation on TOCOM started driving the price lower before it found support from Chinese and European bargain-hunting at \$1,180 at the second fix on the 20<sup>th</sup>. However, it fell once again in late trading in New York despite a rising gold price, driven lower by continued concern over the weak automotive market. Toyota announced further cuts in its production on the 21<sup>st</sup> and platinum fell despite Aquarius revealing a fall in its quarterly platinum production. Strong buying in Shanghai (over 300kg changing hands) could not stop the price falling further. Comments from the US Treasury Secretary pointing out

some positive signs in the domestic US economy drove the precious metals lower still, with platinum hitting a low of \$1,158 on the 21<sup>st</sup>. The price bounced higher to \$1,174 on the 22<sup>nd</sup>, as the South African National Union of Miners asked for a fifteen per cent pay increase for its members in the platinum industry. There was also some progress on Chrysler's restructuring plan, helping platinum rise to \$1,181 on the 24<sup>th</sup> as gold climbed back over the troublesome \$900 mark once again.

However, the platinum market now became remarkably quiet, with trading volumes very thin. This provided the opportunity for technical traders to make their presence felt and platinum moved rapidly lower, slipping through the \$1,100 level on the 28<sup>th</sup> and dropping to a monthly low of \$1,078 at the second fix that day despite a strong response to the low price from Chinese purchasers. Also of note to the platinum market, Umicore revealed that flows of platinum scrap were particularly weak.

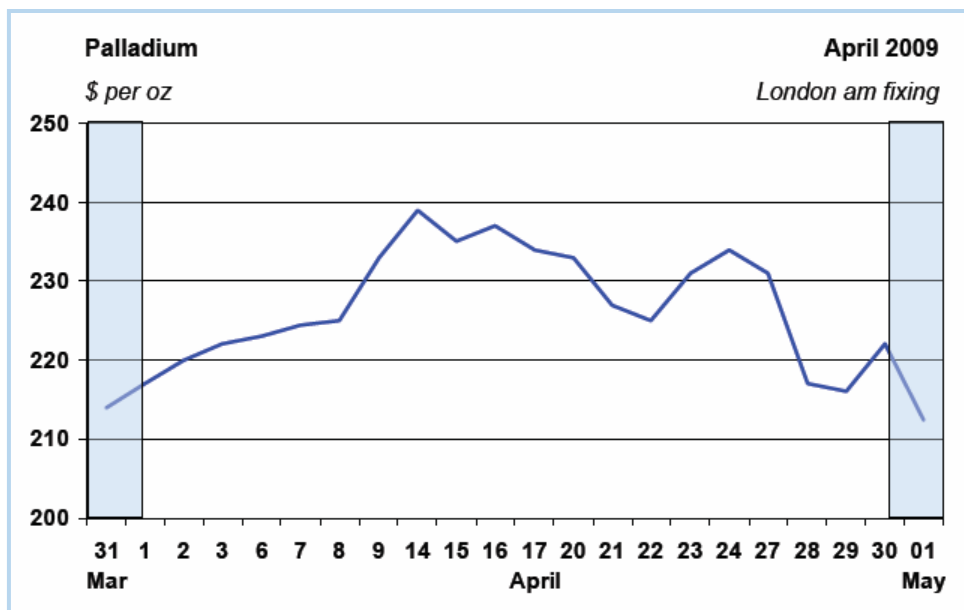
On the 29<sup>th</sup>, poor US GDP figures drove safe haven buying in gold: platinum followed and firmed marginally on the 29<sup>th</sup>. On the final day of April - the 30<sup>th</sup> - Anglo Platinum reaffirmed its plans to produce a refined output of 2.4 million ounces in the calendar year 2009 but revealed a fall in its first quarter output due to smelter maintenance. Platinum climbed to fix at \$1,111 that morning in London. However, it ended the month on a weak note as it was revealed that Chrysler was, after all, to file for bankruptcy, falling to a final fix of \$1,093, some \$34 below the first fix of April.

## PALLADIUM

**Palladium climbed by \$1 during April, moving from an initial \$217 to a final fix for the month of \$218 and outperforming platinum due to support from the investment sector. Rising platinum and gold prices provided support in the first half of April as did lengthening futures positions on NYMEX.**

**Further weak automotive data and a reduction in the net long speculative position on NYMEX in the second half of April, drove the price lower but investors continued to support palladium, supporting it close to the \$220 level.**

Palladium started the month at \$217 and started climbing higher immediately, driven partly by an increase in net long NYMEX speculative positions which grew from 712,000



oz at the end of March to 742,000 oz on the 8<sup>th</sup> of April. On the 2<sup>nd</sup>, ETF Securities revealed that it has filed with the Securities Exchange Commission to launch a palladium Exchange Traded Fund in the US. This added a little extra energy to the palladium price which moved to \$222 on the 3<sup>rd</sup>. Platinum moved higher and palladium followed suit, grinding its way to \$225 on the 7<sup>th</sup>.

Palladium made its first major move of the month on the 8<sup>th</sup> when it was announced that the Russian government had decided to abolish Almazjuvelierexport's (Almaz's) monopoly on platinum group metal exports from Russia. This raised the prospect of some disruption to palladium supply, and drove palladium to \$229 at the second fix of the day.

Investors kept driving platinum higher and palladium accompanied it, reaching \$235 on the 9<sup>th</sup> at the final fix before Easter before rising to a monthly high of \$239 on the 14<sup>th</sup>. Net long speculative positions on NYMEX peaked at 865,000 oz and started to decline due to worries over the possible bankruptcy of Chrysler and General Motors and the potential negative effect on pgm demand. These positions declined to 803,000 oz a week later and 735,000 oz at the end of the month, and palladium started to drift lower, hitting

Palladium fixing prices – April 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	239.00	213.00	227.05
£ per oz	160.75	145.15	154.50
€per oz	179.90	162.60	172.10

\$233 on the 20<sup>th</sup>. Palladium fell sharply in New York on the 20<sup>th</sup> as investors worried over industrial consumption of all of the platinum group metals and many other commodities. It fixed at \$227 the following day.

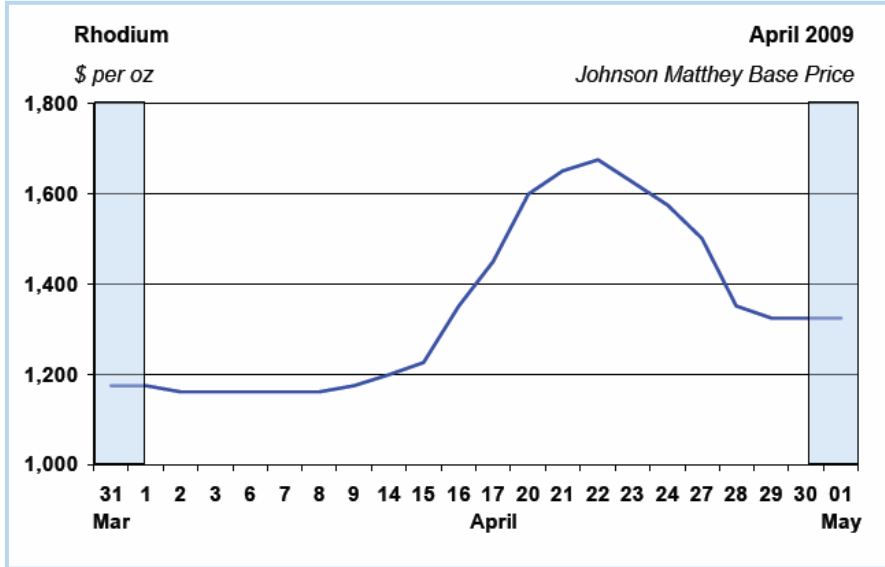
The South African National Union of Miners applied for a fifteen per cent pay increase for its members on the 22<sup>nd</sup> and raised the spectre of some supply disruption. Together with gold's bounce back over the \$900 level, this proved enough to force palladium back to \$234 on the 24<sup>th</sup> before it paused for breath.

On the 28<sup>th</sup>, Mexican swine flu hit the headlines with the associated potential threat to economic output. Palladium was hit by this and dropped to its monthly low of \$213 at the second fix on the 28<sup>th</sup>. All of the precious metals benefited the following day when weak US GDP data hit the dollar. Investors also continued the quiet buying of palladium (through ETFs and in other forms) that had been occurring throughout much of the month as analysts pointed out the high ratio between the platinum and palladium prices.

As with platinum, slightly disappointing first quarter output from Anglo Platinum firmed the price on the 30<sup>th</sup> before the announcement that Chrysler was indeed likely to slip into bankruptcy drove palladium lower to end the month at \$218, a solitary dollar higher than where it had started the month.

## OTHER PLATINUM GROUP METALS

April was a mixed month for the minor platinum group metals. Iridium continued serenely at \$425 for the entire month while ruthenium finally gained some ground. The rhodium price strengthened and some of its former volatility returned.



Rhodium started April at a Johnson Matthey Base Price of \$1,175 with offers outweighing reasonable levels of bids from automotive and other consumers. The price slipped to a monthly low of \$1,160 where continued bidding slowly applied increasing upward pressure. The price finally moved up to \$1,175 on the 9<sup>th</sup>, aided by a rising platinum price and news of the impending abolition of Almaz's monopoly on platinum group metal exports from Russia. Positive

news emerged from the Chinese automotive industry, in the form of increased domestic sales in March to \$1,225 on the 15<sup>th</sup>. Buying continued and speculation over purchases by investors and buying of stock by some of the car companies added to the momentum of the rhodium price which climbed to \$1,350 on the 16<sup>th</sup>, \$1,450 on the 17<sup>th</sup> and \$1,600 on the 20<sup>th</sup> before peaking at \$1,675 on the 22<sup>nd</sup>, its highest point for a number of months.

Purchasing slowed at this comparatively elevated level and with small amounts of metal on offer, the price immediately fell back to \$1,625 on the 23<sup>rd</sup>. With some of the volatility of 2008 returning to the market, rhodium sped back down to \$1,350 on the 28<sup>th</sup> before coming to rest at \$1,325 on the 29<sup>th</sup> where it remained until the end of the month.

Ruthenium followed rhodium higher as some physical buying and a small amount of investor purchasing firmed the price. It started the month at \$80 and remained there until the 16<sup>th</sup> when it moved \$5 higher. Steady purchasing pushed the price another \$5 higher on the 22<sup>nd</sup>, to \$90 where it ended the month. Iridium, as so often, remained on the sidelines at \$425 throughout the month.

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