

## The Platinum Metals Report

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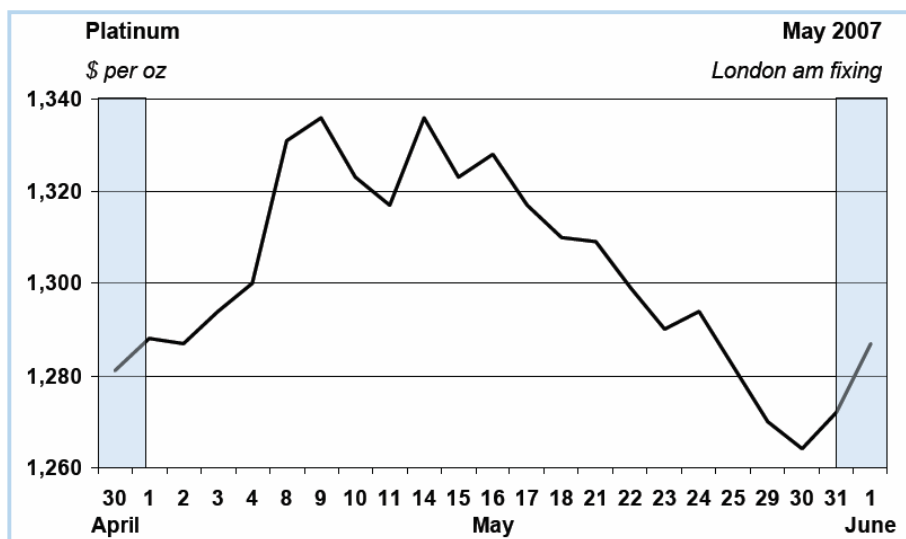
May 2007

Johnson Matthey

### PLATINUM

While platinum ended May \$8 below the level at which it started the month, there was initially strong support for the price, which peaked at \$1,336. NYMEX long positions increased considerably in the first half of May, pushing the price higher in expectation

of demand from the new exchange traded funds. Reductions in these long positions toward the end of May removed some support from the price, leaving the month fairly neutral overall.



Trading in platinum was light at the start of May with both the Shanghai and Tokyo markets closed for Golden Week holidays. The first fix of the month was at \$1,288. The price moved little on the following day: news of the creation of the first 1,300 oz of shares in the London ETF (exchange traded fund) was countered by information released to the market that Lonmin's No. 1 furnace was back in production after its rebuild.

On May 3<sup>rd</sup>, good physical and fund demand pushed platinum higher and it fixed at \$1,299 (London pm fix). The spot price moved over \$1,300 in New York trading, boosted by a continuing strike at Northam in South Africa before fixing at \$1,311 on the 4<sup>th</sup>. Asian trading reopened on the 7<sup>th</sup> and platinum started limit up on TOCOM in an attempt to catch up with the price movements. As a result, the price leapt to \$1,331 on the 8<sup>th</sup>, breaking through the psychologically-important 5,000 Yen per gram barrier on the TOCOM April 2008 contract.

Net long positions also increased on NYMEX, reaching a record level of 562,000 oz. Although some profit-taking was seen and miners returned to work at Northam, platinum weakened very little and purchasing on TOCOM the following day (May 9<sup>th</sup>) jacked the price up to the monthly high of \$1,336. Extra upward pressure was applied by strikes at

two Aquarius properties (Kroondal and Marikana) and also by ETF Securities' announcing its plan to have its London ETF quoted on the Deutsche Borse.

A strengthening US Dollar held gold back from the \$700 level on the 10<sup>th</sup>. As gold fell back, the pgms followed. On the same day, the Zurich Cantonal Bank launched its platinum ETF. Significant daily volumes of metal (above 100kg) were traded on the Shanghai Gold Exchange even at these elevated price levels. Elsewhere, however, the market was quiet, in expectation of the forthcoming London Platinum Week.

Platinum fixed at \$1,336 again on May 14<sup>th</sup> before Johnson Matthey released its annual report on the platinum market. With this review revealing expectations of a market in surplus later in 2007, funds liquidated some of their long positions and the price slipped back to \$1,320 on the 15<sup>th</sup>. All through this period, net long positions on NYMEX continued to grow, reaching 607,000 oz on the 16<sup>th</sup>. However, with many traders out of the office for Platinum Week, trading conditions were thin and physical purchasing was unable to support the price at that level. A strengthening dollar drove liquidation in the gold exchange traded funds, taking the floor from under the gold price. This fell and platinum followed before consumer support reappeared at \$1,302 on the 17<sup>th</sup>.

NYMEX purchasing added slightly to the price on the 21<sup>st</sup>. More important, though, were comments from Novartis's pension fund of its intention to invest over \$100 million in platinum, through ETFs (equivalent to roughly 85,000 oz of metal). Some lending of platinum in the forward market also supported the price. However, this was quickly followed by weighty liquidation of platinum positions on TOCOM and NYMEX. The London ETF also revealed that it had gathered 12,000 oz of investment in platinum, less than many commentators had expected. With these forces all pulling platinum in the same direction, and technical traders also expecting the price to fall, it dropped below \$1,300 to fix at \$1,299 on the 22<sup>nd</sup>.

News of healthy physical demand for platinum in both China and Japan provided some stability and the price stayed between \$1,290 and \$1,300 until late on the 24<sup>th</sup>. At this point, unexpectedly healthy data on the US housing market meant that a rising dollar could drive a range of commodities lower. Platinum tested \$1,280 in Asia but rebounded before falling through this level to \$1,276 (pm fix on the 25<sup>th</sup>).

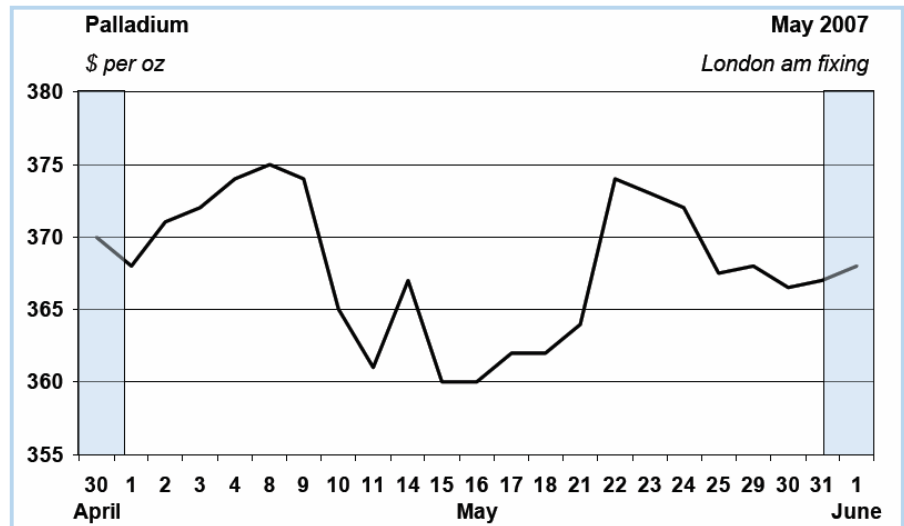
London and New York were closed on the 28<sup>th</sup> and selling on TOCOM forced the price down to a monthly low of \$1,257 on the 30<sup>th</sup>. Industrial purchasing of platinum was reinvigorated at this price, helping stop the fall. An announcement that the South African miners' union, NUM, had rejected a pay offer from Angloplats then injected some

Platinum fixing prices – May 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,336.00	1,257.00	1,302.35
£ per oz	674.75	636.45	656.50
€per oz	986.70	935.60	963.35

nervous energy into the market. As a result, platinum bounced back to end the month at \$1,280, not far from where it had started.

## PALLADIUM

**The price of Palladium traded in a restricted \$20 range (\$356-\$376) during May but was almost flat overall, ending at \$367, \$1 lower than at the start of the month. However, price moves in palladium, for once, were somewhat disconnected from those of the platinum.**



Starting May at \$368, palladium slowly firmed in quiet trading at the start of the month. Although platinum volumes on the fixes were low, reasonable quantities of palladium changed hands. As platinum hurdled the \$1,300 mark on the 4<sup>th</sup>, palladium followed, with funds continuing to build their long positions (NYMEX net longs were already a remarkable 1.41 million ounces at the start of May). The price eventually reached \$375 on the 8<sup>th</sup> after an arduous week-long \$7 climb. Fund activities were responsible for most of the movement, with net NYMEX long positions having climbed a further 24,000 oz.

Although platinum continued rising further on the 9<sup>th</sup>, the palladium price softened to \$370. When the platinum price started retreating on the following day, under pressure from a rallying Dollar, this slide intensified, taking palladium down to \$362 at the second fix on the 10<sup>th</sup>. North American Palladium announced a strong increase in its palladium production on the same day, which further deepened the decline before the price found support at \$360 from technical traders. Fund long liquidation on NYMEX contributed to this general price weakness and palladium briefly dropped to its monthly low of \$356 on May 15<sup>th</sup>. Thin Platinum Week trading conditions then saw the price stuck briefly near \$360 until the weekend.

Palladium fixing prices – May 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	375.50	356.00	367.45
£ per oz	190.20	180.05	185.25
€ per oz	279.20	262.75	271.80

With all markets back in action on the 21<sup>st</sup>, fund investors started purchasing palladium again and moved the price higher to a monthly peak of \$375.50 on the 22<sup>nd</sup> before profit-taking then kicked in. ETF Securities released data showing uptake of 22,000 oz of palladium to date and Zurich Cantonal Bank announced a respectable 133,000 oz in its

palladium ETF. Neither piece of news was able to move the price significantly. The next step came on the 25<sup>th</sup>: a strengthening US Dollar drove commodity prices lower, hitting palladium. Perhaps more importantly, though, the market reacted bearishly to news that ETF Securities was not planning to launch a palladium ETF in North America (where higher levels of investor interest could be expected). Palladium lost several dollars before trading the month out uneventfully to a close of \$367.

## OTHER PLATINUM GROUP METALS

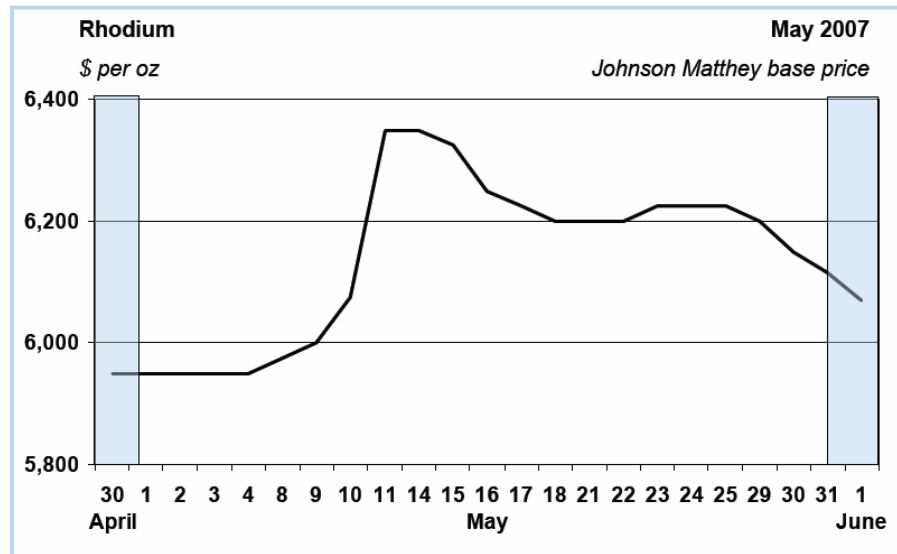
**Volatility in the rhodium price was seen again during May. It started at a Johnson Matthey base price of \$5,950 and rose to \$6,350 before it weakened to a month-end \$6,115.**

Rhodium started the month with good levels of two-way trading at \$5,950 but a rising platinum

price encouraged a move higher in rhodium too, and it jumped to \$6,075 on the 9<sup>th</sup>. Despite the issue of a licence allowing Norilsk to export rhodium, no new metal had been seen by this point and the price continued to climb, reaching \$6,350 on the 11<sup>th</sup>. Market reports suggested that this rise may have been due to glass companies buying metal in the open market to repay rhodium leases, a development that would have been consistent with high lease rates and significant backwardation in the market.

The price softened by \$25 on the 14<sup>th</sup> and continued to fall to \$6,200 on the 18<sup>th</sup> at which point good two-way trading was seen. An increasing number of market offers appeared toward the end of the month, suggesting that rhodium exports from Russia might have resumed. With these offers outnumbering bids, the price continued to drift lower to end the month at \$6,115.

The ruthenium price continued its slow fall from the high levels seen earlier in the year. Weaker industrial demand meant that the price slipped lower from an initial \$630 to \$580 at the end of May. Once again, the iridium price remained static at \$460.



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