

The Platinum Metals Report

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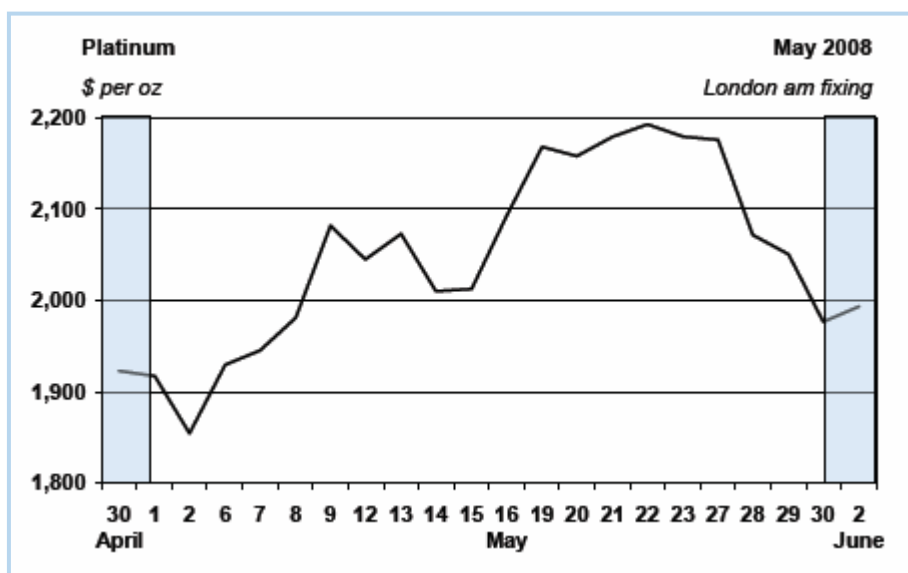
May 2008

Johnson Matthey

Platinum and palladium prices rose during May, supported by oil prices which were at record levels. However, platinum was subject to wide price swings, driven in different directions by continuing concerns over the South African power supply situation and occasional fund sales of metal. Market commentators started to focus on issues of inflation, which negatively affected many commodity prices but provided some support to gold in its traditional role as a hedge against inflation. The minor metals were unaffected by wider economic concerns: rhodium rose to new record levels while ruthenium lost ground.

PLATINUM

The platinum price was once again subject to extreme volatility during May. It opened the month at \$1,917 and ended it at \$2,008, a rise of 4.7 per cent, with the South African electricity supply situation supporting the price. However, this does not tell the whole story, as platinum peaked at \$2,192 on the 22nd before sliding rapidly lower as other commodities fell too.



The platinum price started May at \$1,917 and news that Eskom was to suspend load-shedding forced the price to soften and fall through the support that had previously been apparent at \$1,900. Poor US automotive sales data emerged too, promising weaker demand from that sector. Additional speculation that the US Federal Reserve might not continue its recent interest rate cuts allowed the dollar to strengthen, weakening metal prices. With the Shanghai Gold Exchange shut on the 2nd, platinum kept falling, amidst thin trading, to a low of \$1,830 in the spot market in Asia. It bounced back, however, to record its lowest fix for the month of May of \$1,855 on the morning of the 2nd.

Turkish airstrikes on Kurdish guerrillas in Iraq later that day supported the gold price. With good levels of physical buying interest evident, platinum rose to \$1,878 at the

second fix of the day and soared back over \$1,900 later in New York. The London and Tokyo markets were shut on the 5th and platinum moved marginally higher in quiet conditions to a second fix of \$1,930 on the 7th. Late that day, news emerged of the impending launch of a platinum exchange-traded note or ETN (effectively a bond valued according to the price of a set of platinum futures contracts) and the price strengthened significantly, climbing back over \$2,000 on the 8th, further driven by hedge fund buying. The price move did not seem to be deterred by the lack of a direct link between the ETN and the physical market and this buying continued on the 9th with platinum climbing to a first fix of \$2,082 before stalling.

Platinum fixing prices – May 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	2,192.00	1,855.00	2054.60
£ per oz	1,109.30	934.50	1,046.05
€per oz	1,390.85	1,198.30	1,321.00

Investors realised some of their gains, selling off their long positions early in the following week and platinum softened accordingly. News of a major earthquake in Szechuan province in China caused a small drop in the

price over concerns related to the possible effect on Chinese economic growth. The next movement was driven by a fall in the gold price on the 13th: platinum was sold off at the first fix of the day (\$2,073) and kept moving lower as the dollar strengthened. There was heavy fund purchasing on TOCOM on the 14th but heavy investor sales in Europe removed support from the platinum price which slipped to \$2,010 before stabilising.

A rising oil price pulled gold higher on the 15th, triggering stops in that market and allowing the price to shoot higher. Platinum followed suit and the price rose. Platinum lease rates started to edge upwards too. Gold and oil continued to climb the following day – the 16th – and platinum rose, further assisted by Eskom raising the issue of a possible new bout of power cuts in South Africa. It ended the week at \$2,136.

Platinum week started on the 19th with much of the industry gathered in London. Johnson Matthey released Platinum 2008, its review of the previous year's markets that morning (<http://www.platinum.matthey.com/publications/Pt2008.html>) and platinum continued to climb, if only slowly, with bullish sentiment widespread in the market. An outbreak of xenophobic violence in South Africa provided further support. On the 21st, both Anglo Platinum and Impala revealed concerns over the longer term availability of power in South Africa and the price moved higher still, despite some small amounts of profit-taking. Physical buying decreased in response, with only 7kg changing hands on the Shanghai Gold Exchange on the 22nd as platinum hit its high for the month of \$2,192.

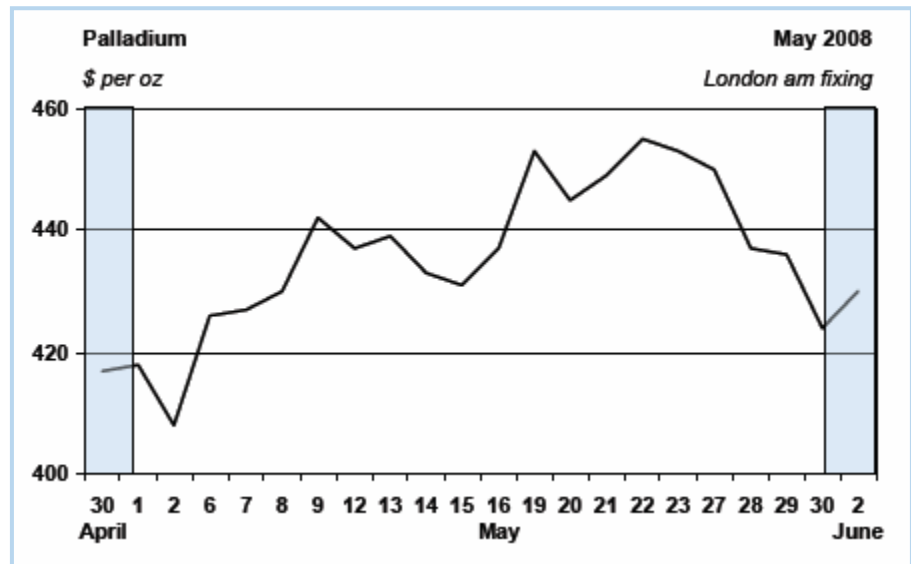
Buying interest started to ebb away and with London and New York shut for public holidays on the 26th, platinum inched lower, fixing at \$2,175 early on the 27th. At this point, inflation concerns returned to the global economic markets. Gold had gained support on fears of inflation earlier in the month, boosting pgm prices but fears began to emerge that oil and other commodity demand could be negatively affected, sending all of these prices lower. Fund and General Public sales of platinum on TOCOM saw that

market close limit down on the 28th and platinum kept falling as gold tumbled below \$900, a psychologically-important mark. On the 29th, anti-inflationary comments by the US Federal Reserve firmed the dollar and depressed almost all metal prices. Platinum fell to a low of \$1,976 at the first fix on the 30th before support came from technical traders. (It is worth noting that Ridge Mining also revealed that it had successfully sold forward four years of its platinum production, explaining some of the tightness in the leasing market over recent weeks.)

Bargain-hunting finally returned – 121kg of metal were sold on the Shanghai Gold Exchange that day – and platinum grudgingly climbed over \$2,000 that afternoon. The final fix of the month was at \$2,008, some \$91 higher than it had been at the start of May.

PALLADIUM

The palladium price followed the gold and platinum prices in May, climbing from an opening \$418 to a closing \$430 and reaching a high of \$455 on the 22nd. However, unlike platinum, it remained some way below its early 2008 peak, having derived less support from the South African electricity supply difficulties.



Palladium opened May at \$418 and immediately lurched to its monthly low of \$406 at the second fix on the 1st, having been hit hard by the release of poor US automotive sales and production figures. Consumer purchasing remained steady, however, and the price stabilised before inching up to \$412 ahead of the weekend. The oil price rose on the 5th following an attack on an oil installation in Nigeria: it reached an all-time high on the 6th and palladium responded, moving to \$426 at the first fix of the day.

On the 8th, Stillwater and Lonmin both revealed production figures showing lower palladium output than in the same period a year earlier, providing some encouragement to the price. However, buying of gold as an attempt to hedge against increasing inflation came into focus, supporting the price of that metal and also of the pgms. Palladium rose to \$442 on the 9th, aided by platinum's move higher on the same day. It gave up a little

ground to profit-taking but, finding support at \$430, was able to remain in a range of \$430-\$440 for the following week.

Palladium fixing prices – May 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	455.00	406.00	435.90
£ per oz	231.05	205.35	221.95
€ per oz	290.00	262.10	280.30

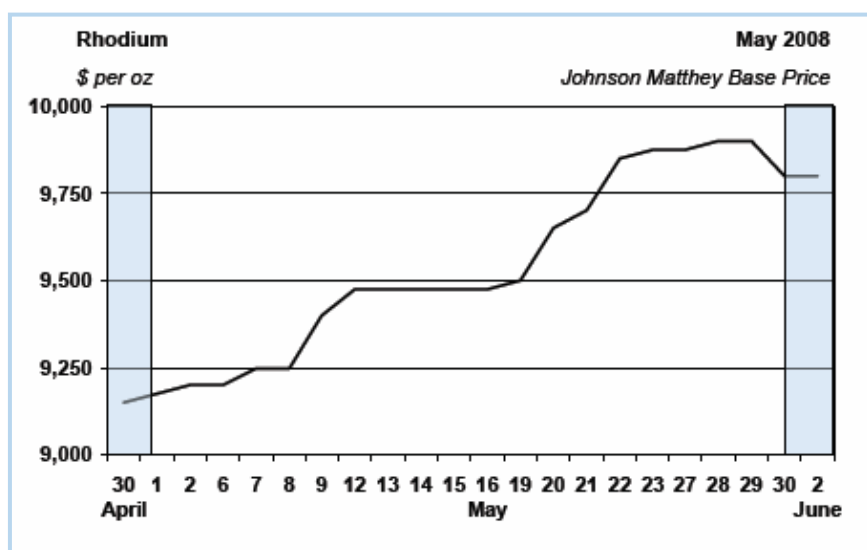
Investors on TOCOM did sell off some positions on the 15th, depressing the palladium price to \$431 but soaring oil, gold and platinum prices dragged palladium higher the

following day (the 16th) and it emerged from its range, moving to \$443 at the second fix. Platinum and gold kept rising on the 19th – gold moved over \$900 – and palladium gained another \$10 in fixing at \$453 before slipping back to \$443 on the 20th.

Unexpectedly positive German business confidence data was released on the 21st, supporting the Euro against the US Dollar and driving oil to a record \$129 per barrel. Palladium followed the other commodities higher, reaching a May peak of \$455 at the first fix on the 22nd. It remained above \$450 until the 27th despite good levels of purchasing across the fix. However, as the oil price started falling on the 28th, palladium dropped too, in common with platinum and many other metals. It found some support near \$420 and reached a low point of \$424 on the morning of the 30th before bouncing back to end the month at \$430, \$12 above its starting point.

OTHER PLATINUM GROUP METALS

The price movements of the minor platinum group metals reflected their fundamentals in May rather than any wider commodity price or economic trends. Rhodium rose to a new record of \$9,900 while ruthenium fell back heavily from an initial price of \$390, losing 15 per cent of its value. Iridium remained unchanged at \$450 for the entire month.



Rhodium started May at a Johnson Matthey base price of \$9,175 with some positive momentum. The concerns over availability of electricity to mining operations in South Africa were clearly demonstrated and consumers kept up steady purchasing throughout the month. Constant levels of bids in the market over the first half of May drove the price to \$9,475 by the 16th. At this point, market commentators started to forecast the likelihood of a rhodium price

in excess of \$10,000 per ounce in the near future. This merely intensified the buying interest and rhodium moved on to record levels. Interestingly, rhodium lease rates started to fall, suggesting that some leases were being converted into purchases by industrial consumers. Rhodium rose \$150 on the 22nd to \$9,850 and hit a peak (and new all-time record) of \$9,900 on the 29th. It dropped back \$100 on the 30th, helped by Ridge Mining selling forward three years of rhodium production from its Blue Ridge operations. Rhodium closed the month at \$9,800 - tantalisingly close to the \$10,000 mark.

Ruthenium began May at a Johnson Matthey base price of \$390. Physical interest was low, reflecting the large amount of recycled metal available, and it shed \$10 on the 2nd. The price lost ground at a number of points throughout the month but buying interest did not return in large volumes and ruthenium lost \$60, or fifteen per cent of its value, to end the month at \$330. Iridium did not move and remained at \$450 for another month.

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