

# The Platinum Metals Report

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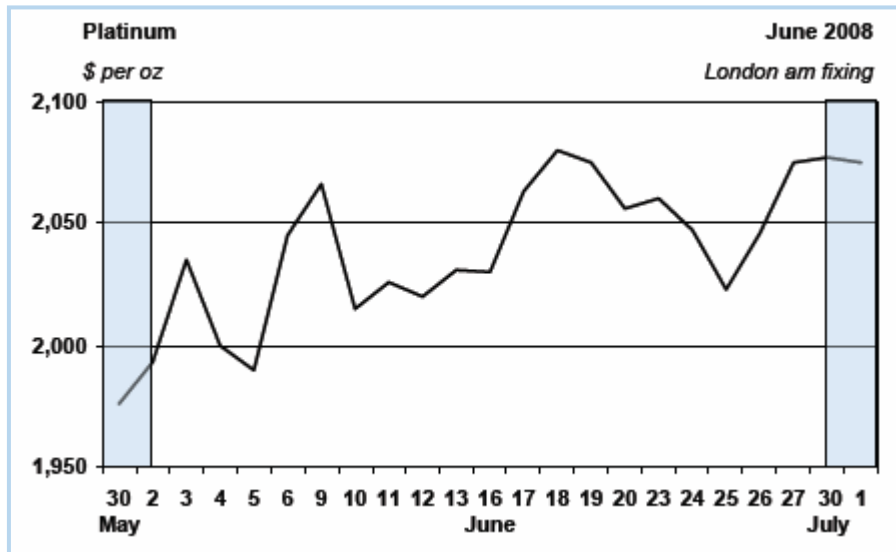
June 2008

Johnson Matthey

*The platinum market was quieter in June than in recent months and support from a weak dollar and a strong gold price helped platinum gain ground. However, for once, palladium took the lead: it benefited from comments revealing that the Russian state stockpiles could be exhausted within one to five years. Even though this was hardly new information, palladium gained 8.6 per cent during the month. Rhodium continued to show high levels of volatility and finally exceeded the psychologically-important \$10,000 level for the first time ever.*

## PLATINUM

The platinum market was comparatively quiet during June with lower intraday and day-to-day volatility. However, the metal still traded in a wide range of more than \$100. It



started the month at \$1,993 and fell to a low of \$1,974 early on. It reached its monthly high of \$2,103 on the 18<sup>th</sup> and ended the month well-supported at \$2,064.

Platinum's first fix in June was at \$1,993, \$15 below the final fix of May. Reasonable purchasing of platinum on the Shanghai Gold Exchange and a rising gold price provided some strength to the price. This was despite the appearance of stories reporting on high levels of recycling of Japanese jewellery and depressed sales of platinum to Chinese jewellery manufacturers. A short-lived strike at Aquarius's Everest mine was also positive for the price. Some liquidation of long NYMEX positions could not therefore prevent platinum moving above \$2,000 and bouncing to \$2,035 at the first fix on the 3<sup>rd</sup> of June.

However, news emerged of the end of the Everest strike at the same time as investors sold off some further long positions - NYMEX net speculative longs dropped by 130,000 oz in the week to the 3<sup>rd</sup> of June. Platinum softened to a low of \$1,974 on the 5<sup>th</sup>,

pulled lower too by an oil price which was falling on speculation of lower future demand due to the economic slowdown.

Investors on TOCOM continued to add to their long positions, however, as they reacted to comments from Eskom that there could be more power interruptions in South Africa. Some funds were forced to cover short positions and the price rose rapidly to \$2,045 at the first fix on the 6<sup>th</sup> and \$2,066 on the 9<sup>th</sup>. Platinum fell back to \$2,015 on the 10<sup>th</sup> on concern over the possible outcome of the US CFTC's (Commodity Futures Trading Commission) investigation into the role of speculators and index funds in moving commodity prices. The following day, news that the South African COSATU and NUM unions were to launch a one day nationwide strike in July provided enough strength to keep the platinum price above \$2,000. It reached a low of \$2,005 as it accompanied the gold price lower on the afternoon of the 12<sup>th</sup>.

Platinum fixing prices – June 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	2,103.00	1,974.00	2039.45
£ per oz	1,076.55	1,012.30	1,038.05
€per oz	1,358.10	1,277.25	1,310.85

Poor European automotive sales data on the 13<sup>th</sup> and a stronger US Dollar should have pushed the platinum price lower still but investor buying came to the rescue. Platinum rose to

\$2,043 at the second fix of the day. For fuel cell fanatics, good news came on the 16<sup>th</sup> as Honda announced the start of production of its Clarity FCX fuel cell vehicle in small numbers. However, movements in the price were more closely-related to the buying of call options for September and October and some significant borrowing of platinum.

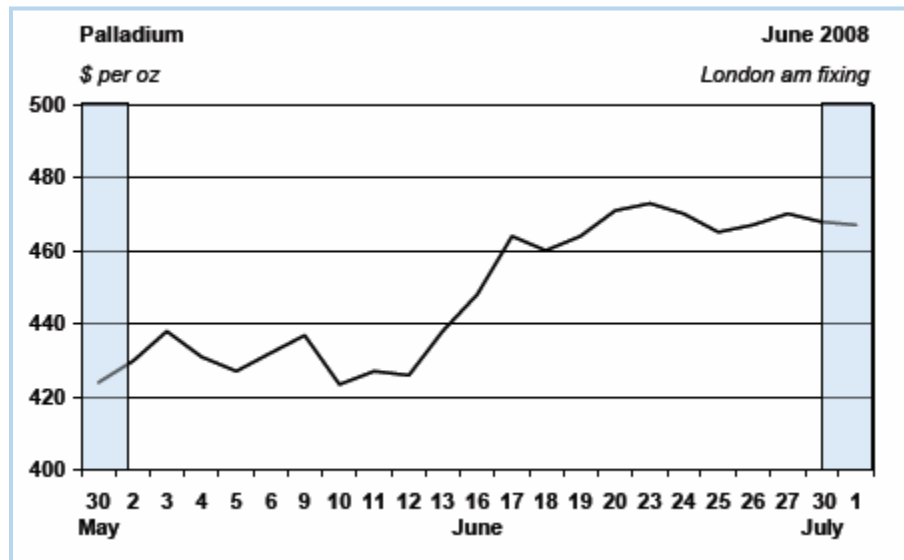
The price strengthened further on the 18<sup>th</sup> when the dollar fell due to the release of poor domestic production data. Eskom received a tariff rise of 13.3% on its electricity sales, lower than it had requested and, as a result, platinum firmed to a monthly high of \$2,103 at the second fix of the day.

This was followed by fund liquidation on TOCOM on the 19<sup>th</sup> as Asian equity markets fell: platinum moved lower to \$2,056 on the 20<sup>th</sup>. (Platinum futures started trading on India's MCX, or Multi Commodity Exchange, that day but low volumes meant there was no discernible influence on the metal price.)

The next move came on the 24<sup>th</sup>, with poor North American sports utility vehicle sales data driving platinum down. The selling continued on TOCOM and platinum reached a low point of \$2,012 at the London afternoon fix on the 25<sup>th</sup>. The US Federal Reserve then surprised many commentators by deciding not to raise interest rates and the dollar fell, sparking a strong recovery for platinum and the other precious metals. The platinum price climbed more than \$50 in twenty-four hours and established itself in a range of \$2,050-\$2,080 despite some profit-taking by funds. Even the news that Lonmin was to close its No. 1 furnace for seven days was unable to move the price and platinum ended the month quietly at \$2,064.

## PALLADIUM

For once, palladium showed a life of its own as it climbed 8.6 per cent during June due to a mix of technical buying, support from other commodities and speculation related to the size and fate of the Russian state stockpiles. It closed June at \$467, just below its monthly peak of \$475.



Palladium began June by fixing at \$430. As the gold price bounced from its recent dip, all of the precious metals benefited and palladium fixed at \$435 on the afternoon of the 2<sup>nd</sup>, with good volumes of metal changing hands. Although the price moved little over the following two days, it did challenge the resistance which was at \$440 and \$445. However, the palladium price gradually fell back, following platinum lower as funds sold off positions in the latter metal.

Worries over the impact of a possible US recession, or global slowdown, saw the oil price and the US Dollar fall simultaneously on the 5<sup>th</sup>, with both platinum and palladium hitting their monthly lows (of \$421 for palladium). Platinum rebounded on Asian short-covering on the 6<sup>th</sup> and palladium responded, moving to a first fix of \$432 that day, before following gold and oil higher on the 9<sup>th</sup> to \$437.

The launch of a US regulatory investigation of the role that funds have played in commodity price strength weighed on palladium. With investors playing a greater role in this market than in many others, palladium shed two per cent of its value in falling to \$423.50 on the 11<sup>th</sup> before settling into a range of \$420-430.

The key moment of the month came on the afternoon of the 12<sup>th</sup> when a representative of

Palladium fixing prices – June 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	475.00	421.00	449.30
£ per oz	240.60	215.90	228.65
€per oz	304.65	272.40	288.75

Norilsk Nickel commented on the likely trend in Russian state stocks of palladium. Although little new information was imparted, the speculation that the stocks could effectively be depleted within “one to five years” proved hugely positive for

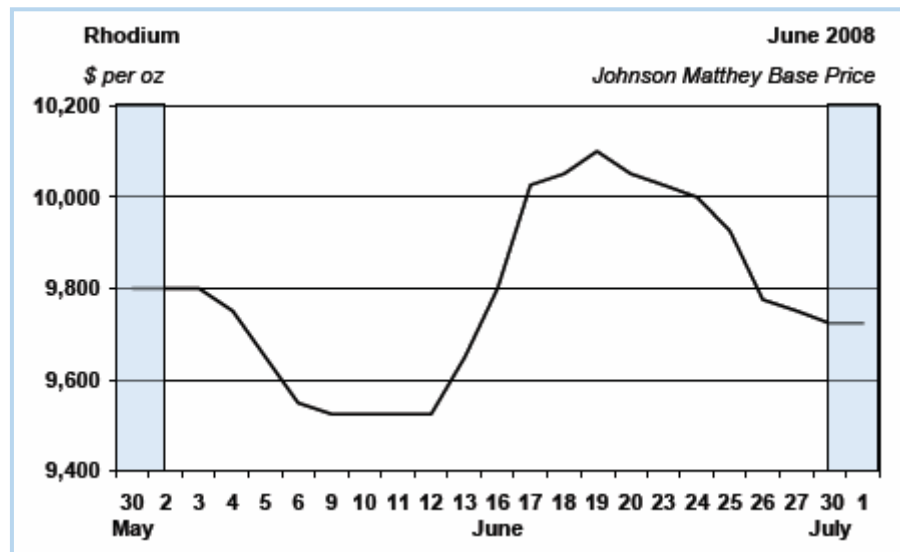
the palladium price. Palladium fixed at \$438 and then \$450 on the 13<sup>th</sup>, outpacing the other precious metals.

The palladium price encountered stiff resistance at this level but ground its way through this. As the dollar weakened and the gold price moved upward over the following days, palladium travelled steadily higher. Technical buying (i.e. metal purchasing on the basis of recent price trends) helped it to disregard a falling platinum price, and it rose to a monthly peak of \$475 on the 20<sup>th</sup>. Investors in the Exchange Traded Funds finally reacted and bought some 20,000 oz of palladium, providing further support for the price.

On the afternoon of the 23<sup>rd</sup>, some frantic selling hit the gold market - possibly from a hedge fund - and the gold price tumbled \$25 in thirty minutes late in the day. However, palladium proved itself remarkably resilient and dropped only as far as \$469.50 on the 24<sup>th</sup>. Palladium did follow platinum lower on the 25<sup>th</sup> as investors reduced their exposure to the pgms. However, it was now firmly range-bound between \$460 and \$470. The price softened to \$462 on the 25<sup>th</sup> and then followed platinum higher to \$470 on the 27<sup>th</sup>. However, with all of its energy exhausted, palladium could gain no more ground and it closed June quietly at \$467, a gain of \$37 for the month.

## OTHER PLATINUM GROUP METALS

**The price trends of recent months continued into June for the minor metals. Rhodium soared above \$10,000 to a new all-time high while the ruthenium price continued to fall. Iridium did not move and stayed at \$450 for the whole of June.**



The rhodium price remained volatile in June. It began the month at a Johnson Matthey base price of \$9,800 just below its late-May (and all-time) peak of \$9,900. However, few bids were evident and the price quickly softened to \$9,525 on the 9<sup>th</sup>, where it stayed for a few days. As it became clear that the price was unlikely to decrease further, physical purchasers were tempted back into the market and the bids rapidly outweighed the offers.

Rhodium stepped up from \$9,525 on the 12<sup>th</sup> to \$9,650 on the 13<sup>th</sup> and kept on moving, reaching \$9,800 on the 16<sup>th</sup> before breaking the long-awaited \$10,000 per ounce barrier on the 17<sup>th</sup>. This encouraged sales of some speculator material, slowing the previously-rapid price rise. Rhodium still crept higher and reached a new record of \$10,100 on the 19<sup>th</sup>. However, the upward momentum was now spent and the price started to fall, passing through \$10,000 on the 24<sup>th</sup> to end the month at \$9,725.

The slide in the ruthenium price continued in June. It had fallen \$60 in May to end at \$330 and dropped another \$10 on the 3<sup>rd</sup> of June. With large amounts of recycled metal available to end users, physical purchasing remained weak and the price slipped another \$10 lower on both the 9<sup>th</sup> and the 12<sup>th</sup> before some buying interest emerged. Nonetheless, the price could only stabilise to end the month at \$300, its lowest since November 2006. The iridium price did not move and it traded at \$450 for the whole month.

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