

The Platinum Metals Report

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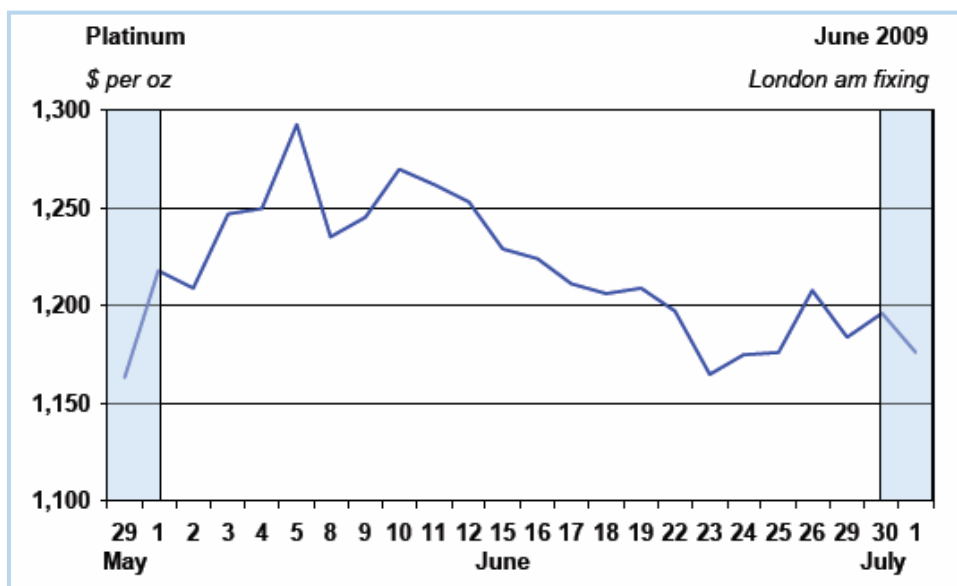
June 2009

Johnson Matthey

After a strong month for the platinum and palladium prices in May, June was more mixed as investor interest was required to balance soft physical demand from the autocatalyst and industrial sectors. Platinum climbed to a peak of \$1,293 under the threat of supply disruption in South Africa before slipping back to end the month \$32 lower than it had started in thin trading conditions. By contrast, investment activity in palladium supported the price of that metal and it gained \$11 during the month. Reasonable levels of two-way trading in rhodium saw its price climb by \$25 but ruthenium and iridium trading was quiet with no changes in the price of either metal.

PLATINUM

Platinum lost \$32 during June, moving from an initial \$1,218 to a final \$1,186 in relatively quiet trading conditions. Investors showed some interest in platinum during the month, though: ETF holdings increased back over 500,000 oz. Although net long speculative positions on NYMEX grew, TOCOM long positions fell throughout the month. The net effect – little movement in total futures positions – provided no impetus to the platinum price allowing it to follow gold and currency movements.



The platinum price started June strongly, climbing \$43 from the final fix of May (\$1,175) to a first fix of \$1,218 as the US Dollar weakened on worries over future domestic inflation. Optimism also emerged in the automotive sector as a bankruptcy judge approved the sale of most of Chrysler's assets to Fiat, suggesting that North American vehicle production levels might eventually start to stabilise. General Motors also filed for Chapter 11 protection – to nobody's surprise – and was expected to emerge from the process within 60-90 days. This provided some further certainty and more support to the platinum price. Ford also joined in, making some optimistic comments that it planned to increase its vehicle output in the third quarter.

However, with the price rising back over the \$1,200 mark, European investors sold off some long positions the following morning, and the price slipped back to fix at \$1,209. Continued dollar weakness boosted the gold price, though, and platinum followed it higher, moving to \$1,217 at the second fix of the day. As gold approached the \$1,000 level, dealer short covering in the pgms drove platinum upward to \$1,247 – its highest point of 2009 so far. The release of better-than-expected North American automotive sales figures (although still showing a very significant decline in sales) provided some support as did a rise in May French vehicle sales but a rally in the US Dollar and selling of gold at the \$990 level ensured that platinum ran into some stubborn resistance.

On the 4th, fund buying of a range of commodities drove platinum through this resistance to fix at \$1,250. Later on that day, rumours of production problems at Anglo Platinum's Rustenburg mine (after three deaths in a ten day period) emerged and platinum leapt to \$1,290 in the spot market in New York before fixing at its monthly peak of \$1,293 in London on the morning of the 5th amidst some nervous ETF buying.

Investor liquidation sapped all the energy from the market and platinum slipped back to \$1,275 at the second fix on the 5th and continued to fall. Purchases on the Shanghai Gold Exchange (SGE) were low and provided little support. On the 8th, comments from the US Federal Reserve which were seen as vigilant on the threat of inflation boosted the dollar and hit the precious metals. Interestingly, Eskom, the South African electricity utility announced plans to increase its prices by a third but this had little impact on the market as platinum lurched lower to \$1,226.

Although the platinum price threatened to fall through \$1,200, strong support was found as the South African National Union of Miners (NUM) revealed that it was seeking a 20 per cent payrise for its members working in the platinum industry. The prospect of potential strikes and the associated loss of output was positive for the price as was the temporary closure of Platmin's new Pilanesberg mine due to safety concerns and platinum bounced back to fix at \$1,245 the following morning.

News that US legislators were discussing a car scrappage scheme ("cash for clunkers") and a rising oil price applied further momentum. Platinum rose to \$1,270 on the 10th with reasonable volumes changing hands on the SGE and some ETF purchasing seen before buying dissipated and the price started to inch lower. On the 12th, mining restarted at Pilanesberg. On the same day, Lonmin announced that its troublesome Number One furnace at Marikana was again closed after a matter run-out. Surprisingly, this latter disruption did little to support the price and platinum continued to fall. Low physical demand kept applying downward pressure but gradually SGE purchases increased and TOCOM buying emerged. As platinum neared the \$1,200 mark, strong support developed and platinum finally stopped its downward move at \$1,201 at the second fix on the 17th as the NUM declared a dispute with Impala (the first possible move towards official strike action).

Platinum fixing prices – June 2009			
	High	Low	Average
\$ per oz	1,293.00	1,165.00	1,219.45
£ per oz	805.35	707.50	745.20
€per oz	911.20	833.35	870.00

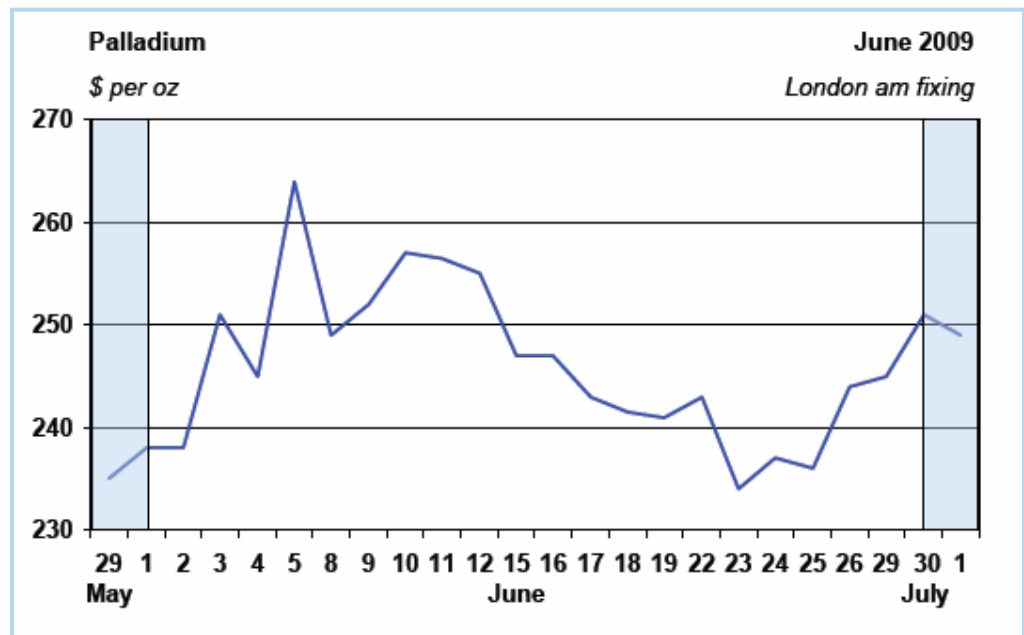
196kg of platinum changed hands on the 18th (and 233kg on the 19th), providing some much-needed respite for the platinum price, keeping it afloat above the \$1,200

level. However, on the 22nd, the World Bank revealed its scepticism over the likely speed of any global economic recovery. This negative sentiment drove a flight to the US Dollar and depressed all of the precious metal prices. (Of note, the same day Xstrata revealed plans to attempt a merger with Anglo American, exciting market commentators but having no obvious impact on the platinum price.) Forced liquidations to cover margin requirements for a number of Asian investors drove the platinum price down to its monthly low of \$1,165 at the first fix on the 23rd.

A spell of softness in the US Dollar in the following few days provided a firm foundation for the platinum price. On the 24th, Lonmin confirmed that its process stocks of platinum would rise by 20,000 oz due to the smelter outage earlier in the month. More importantly, stop-loss buying of gold and the continued threat of industrial unrest in South Africa helped platinum to climb back to \$1,176 on the 25th. The imposition of a 31 per cent electricity price rise by Eskom firmed platinum further and substantial physical purchasing on SGE and buying by the General Public on TOCOM forced platinum back over \$1,200 temporarily, peaking at \$1,208 on the 26th. Investors, though, remained unconvinced and platinum fell back below this level on the 29th, closing the month at \$1,186, some \$32 below where it had started.

PALLADIUM

Palladium gained \$11 during June despite continued weak automotive and industrial demand. Although NYMEX net long speculative positions changed very little throughout the month, they remained over one million ounces for most of June and additional investor interest was seen in



the form of slowly growing Exchange Traded Fund positions. This investor sentiment proved to be strong enough to drive palladium from an initial \$238 to a closing \$249.

General Motors' move into Chapter 11 bankruptcy on the 1st of June provided some stability to the pgm market which responded optimistically. Currency movements provided another touch of energy: the dollar weakened on worries over future inflation and the precious metals rallied: palladium firmed to \$244 at the second fix on the 2nd. As gold continued to climb towards \$1,000, palladium moved smoothly upward to \$251 on the 3rd.

Analysts now started to search for good news in the automotive market and, although plenty of bad news was available for consumption, speculation over the launch of a US vehicle scrappage scheme provided one bright spot. Although palladium fell back briefly, this spirit of optimism drove wider commodity purchasing and palladium bounced back over \$250. Investor purchasing and concerns over rumours of some production problems at Anglo Platinum's Rustenburg mine prompted palladium to leap to a June high of \$264 on the 5th at the same time as platinum hit its high point for the month.

An upward move in the US Dollar drove investor liquidation across the precious metals on the 8th and palladium slipped back to \$246 that afternoon in London. This was followed by news of the wide gap between the NUM and Impala in ongoing wage negotiations which drove investor buying of all of the major platinum group metals. Chrysler and Fiat completed their deal on the 10th and strong Chinese automotive sales data also generated some more positive energy, sending palladium to a peak of \$261.50 at the second fix of the day. Showing the burgeoning sense of optimism, North American Palladium publicly discussed the possibility of restarting its Lac des Iles mine if prices were to rise much further.

The first movement, though, was in the opposite direction: the palladium price now started to inch lower, accompanying the declining platinum price. With industrial and automotive demand weak, investor purchasing could only slow the descent. Even the release of details of the complex US Cash for Clunkers scheme on the 18th of June had

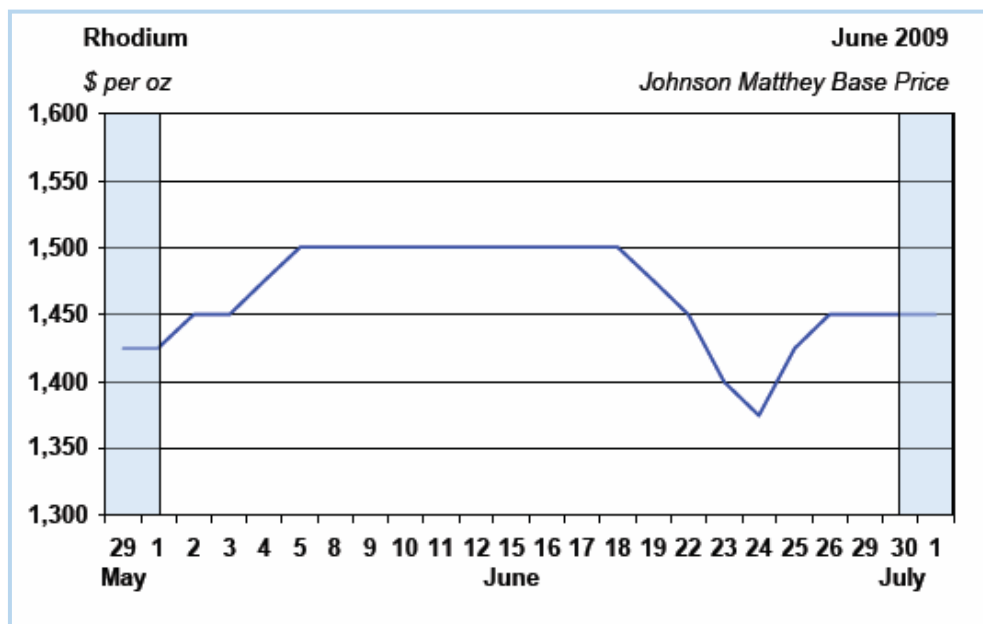
Palladium fixing prices – June 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	264.00	234.00	245.85
£ per oz	164.45	143.15	150.20
€per oz	186.05	166.10	175.40

little positive impact and palladium dipped to a monthly low of \$234 on the 23rd, a few dollars below where it had started the month.

From this point, the price rebounded, assisted by the threat of disruption to platinum group metal supplies from South Africa due to industrial unrest. With investors showing at least a moderate level of interest in this metal, it drove higher, briefly rising back over the \$250 level for dropping back to end June at \$249, a monthly increase of 4.6 per cent.

OTHER PLATINUM GROUP METALS

Rhodium was relatively directionless during June, rising only \$25 from an initial Johnson Matthey Base Price of \$1,425 to a final \$1,450 amidst acceptable levels of two-way business. Ruthenium was stationary at a Johnson Matthey Base Price of \$90 for the second successive month with some industrial buying seen. The iridium price remained becalmed at \$425 for the fifth successive month.



Rhodium started June at \$1,425 and despite the weak automotive market, buying interest drove the price gradually higher, to \$1,450 on the 2nd of June and to a monthly peak of \$1,500 from the 5th until the 18th as worries surfaced over South African pgm production problems. The rhodium price then started to soften as speculative interest diminished. The price slipped back to \$1,475 on the 19th and fell further to a low of \$1,375 on the 24th. Asian purchasing finally resurfaced to inject some energy into the market, sending rhodium back higher to end the month at \$1,450.

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