

The Platinum Metals Report

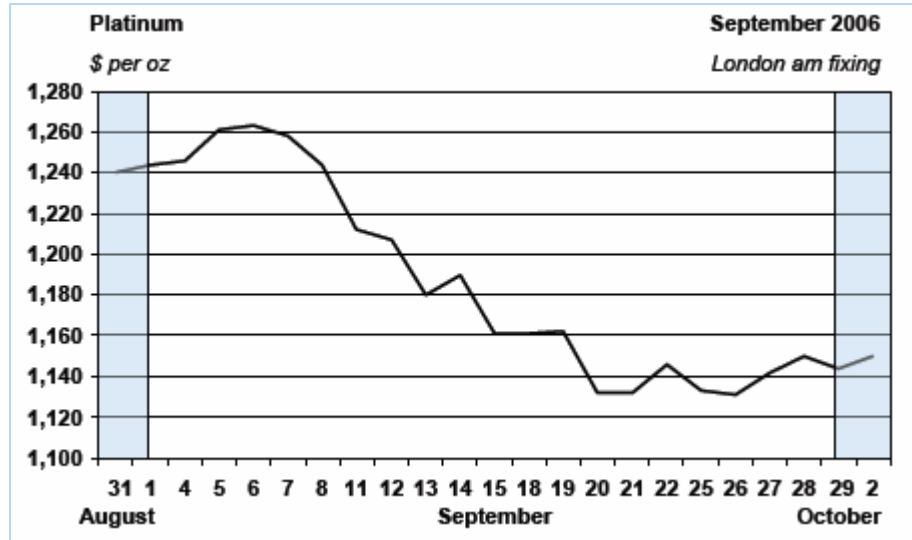
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September 2006

Johnson Matthey

PLATINUM

After a quiet August, when the price drifted between \$1,200 and \$1,250, September saw much greater volatility, with platinum falling almost \$150 from an early peak of \$1,268. It finally established itself in a new lower range of \$1,120-\$1,160, closing the month at \$1,144.



The platinum price continued firming at the start of September, following its trend at the end of August. Despite a weak gold price and a strengthening dollar, platinum rose from \$1,244 on the 1st to reach \$1,268 at the London pm fix on the 6th. On the 5th, Lonmin announced that a minor fire at its precious metals refinery would result in the deferral of sales of 25,000 oz of platinum into 2007 (later reduced to only 10,000 oz), tightening the market slightly. With fund-buying and technical buying also taking place, this prompted the platinum price to strengthen.

Profit-taking was seen on the 6th on TOCOM and in London but the metal price moved little over the entire day. On the 7th, a strong US dollar helped drive fund liquidation of some gold positions, pushing that metal lower and dragging platinum with it.

In following days, the markets were subject to a rash of speculation as to whether the “commodities super-cycle” might be over, led by increasing base metal stocks at the London Metal Exchange, a sign of a loosening market. This encouraged funds to sell out a range of their commodities investments, including oil and precious metals. End consumers reacted to this move by purchasing metal and platinum fixed at \$1,222 in London on the afternoon of the 8th, \$22 below the a.m. value, with large volumes of metal changing hands.

The downwards momentum continued after the weekend with platinum fixing at \$1,199.50 on the afternoon of the 11th as oil continued its price fall. A wave of end-user purchasing was released, with heavy Chinese jewellery trade purchasing on the Shanghai

Gold Exchange (total sales were 172kg on the 11th and 245kg on the following day), driving the price back up to \$1,207 on the 12th. At this point, indications from Iran of a softening of its stance on its nuclear programme saw the oil price lurch lower and the mood on gold and the platinum group metals turned bearish, with platinum moving sharply lower to \$1,180 on the 13th. Speculative buying and good consumer demand on the 14th provided some support but failed to push the price back over \$1,200, and it resumed its fall the following day as a strong US dollar invited fund sales of platinum, despite general public buying on TOCOM.

The following week started quietly but gold fell again to reach a three month low on the 21st, with platinum trading down at between \$1,130 and \$1,140 before the dollar weakened on poor domestic economic data on the 22nd, driving oil, gold and platinum up, the latter reaching \$1,153. However, in a sign of generally weaker market sentiment, speculative long positions on NYMEX and TOCOM decreased.

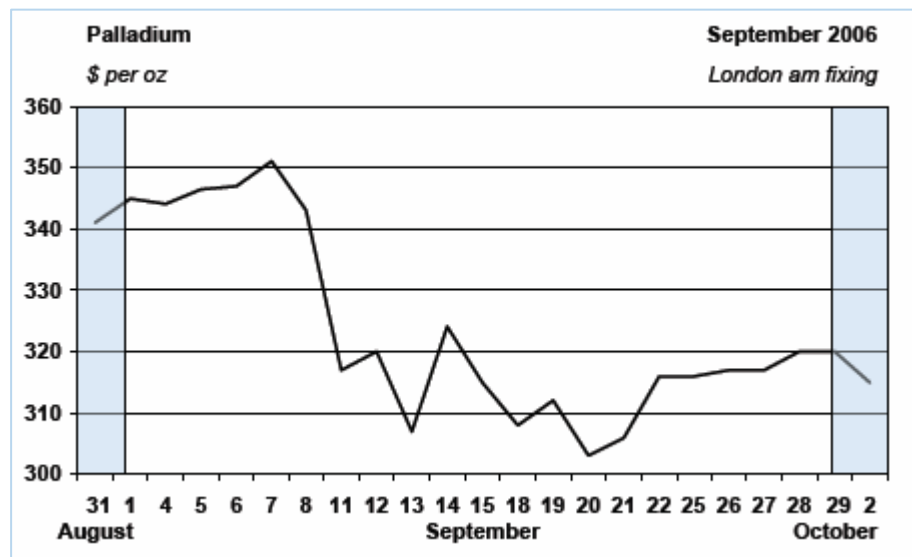
With many traders away from the office and in New York from the 25th for NYMEX week, the markets for most commodities became quiet. Oil drifted lower and gold followed,

Platinum fixing prices – September 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,268.00	1,127.00	1,184.65
£ per oz	673.20	592.55	628.25
€per oz	991.40	883.20	930.65

with platinum accompanying them to its low for the month of \$1,127 on the 25th. Buying of gold on TOCOM on the 28th gave a positive signal to the market as the yellow metal moved back over \$600. This provided some boost to pgms but platinum was unable to break out from its range and traded the month out between \$1,120 and \$1,160.

PALLADIUM

The palladium price was volatile in September, climbing slightly from an initial \$345 to a month's high of \$351 on the 7th before falling back to a low point of \$303 on the 20th. With market sentiment improving slightly, the price then stabilised and palladium ended the month at \$320.



Palladium started the month at \$345 and inched higher, helped by the temporary closure of the Stillwater and East Boulder mines due to a nearby wildfire. Trading in palladium was generally quiet but this slight pressure on North American supply saw palladium climb to \$351 on the 7th.

The most exciting point of the month came on the 8th. Stillwater reopened its East Boulder mine (having already reopened the Stillwater property), removing some support from the palladium price. At the same time, a weaker oil price dragged many other commodities lower. Platinum dropped 2.5 per cent from the pm fix on the 7th to the 8th but palladium fell 7.5 per cent over the same period, as profit-taking spread.

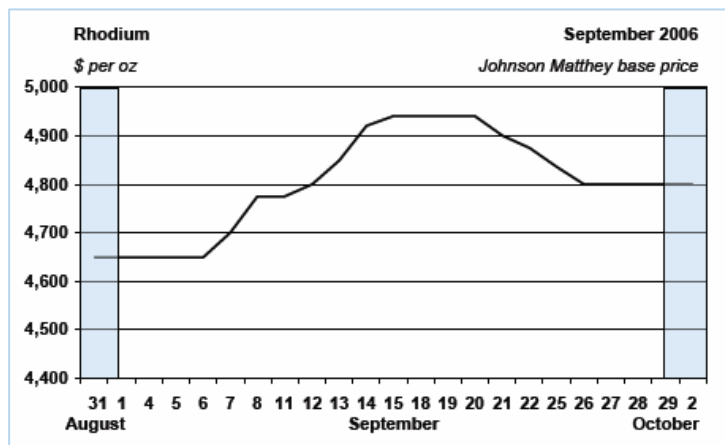
Palladium fell again on the 11th, but less dramatically, despite the release of weaker North American car sales and production data. Gold sales and a weaker dollar saw a further fall to \$307 on the 13th and palladium tested the \$300 resistance level. It found strong support from industrial purchasing on the 14th, which caused it to rebound to \$330 with large volumes traded on the fix and significant amounts of purchasing to cover speculative short positions.

With these positions now covered, palladium drifted lower once more in very quiet conditions. The monthly low was \$303, which came on the 20th as the market again tested the \$300 mark. Unable to break through, much of the interest and volatility in palladium evaporated and it traded the month out trapped between \$310 and \$325. The final London fix of September was at \$315.

Palladium fixing prices – September 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	351.00	303.00	323.25
£ per oz	186.50	160.90	171.40
€per oz	274.55	238.90	253.90

OTHER PLATINUM GROUP METALS

After remaining at a Johnson Matthey base price of \$4,650 throughout the whole of August, the rhodium price was a little more volatile in September. Starting at \$4,650, it pushed higher to \$4,950 in the middle of the month before softening to end at \$4,800.



At the beginning of the month, steady bidding for rhodium from end users kept some upwards pressure on the price, which climbed higher to \$4,700 on the 7th. With consumer interest undeterred, the price moved to a peak of \$4,950 on the 15th. In rather calmer market conditions than in the first half of the year, the rhodium price then reversed this trend, moving lower, but with both buyers and sellers still present in the market. On the 26th, the price fell back to \$4,800 where it saw out the month.

The price of iridium was unchanged for the third month in a row, at a steady \$400. Meanwhile, the ruthenium price picked up after a slight weakening during the summer. It started the month at \$170 and, with consumer purchasing at a healthy level, crept slowly higher to close at \$185, a new record price for this minor metal.

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