

The Platinum Metals Report

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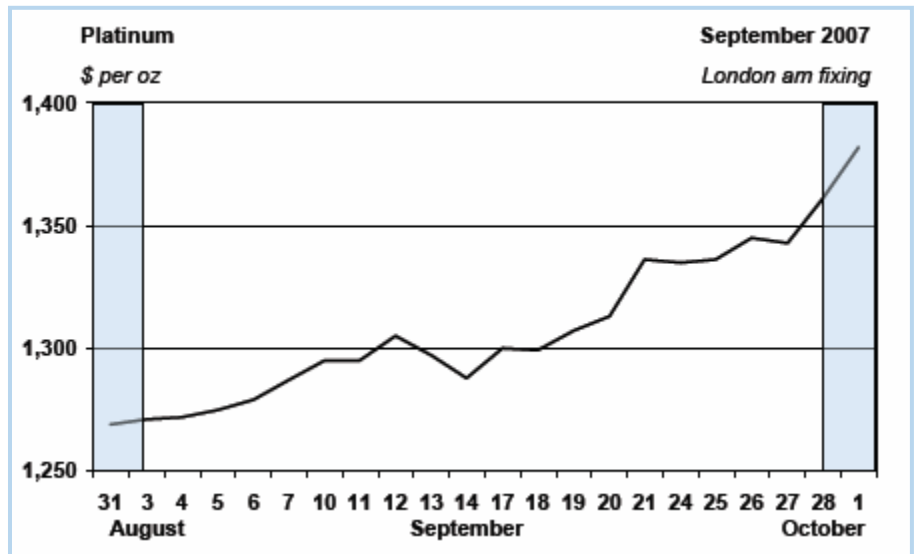
September 2007

Johnson Matthey

The prices of the major platinum group metals rose quickly throughout September, assisted by a weakening US Dollar and a strong gold price. Speculation over problems in the mining industry in South Africa supported the platinum price, in particular, towards the end of the month, pushing it close to record levels. Long platinum positions on NYMEX grew steadily, helping drive the price performance of this metal. The palladium price rose in response to currency movements but by a lower percentage than platinum. Once again, the three minor metals were little affected.

PLATINUM

After losing ground in August, platinum rose by \$106, or 8.3 per cent in September to close at the month's high of \$1,377. Significant increases in net long positions on NYMEX pushed the price up. Safety closures affecting South African primary platinum production provided the finishing touch in driving the price to near record levels.



Having ended August strongly, the platinum price continued firming at the start of September from an initial \$1,271, even with the New York markets closed for Labor Day. Gold moved higher and platinum followed, with lease rates rising as well. News that Lonmin and the South African NUM union were moving to mediation over wage talks provided a softening influence on the 4th, offsetting strong Asian purchasing in Tokyo and on the Shanghai Gold Exchange. Platinum took its first definitive step higher for September on the 6th, with fund buying on TOCOM responsible for a climb to \$1,281 at the second fix. Gold futures rose above \$700 in New York later that day. Fresh political tension between Syria and Israel boosted gold and also platinum, which moved above \$1,290 on the morning of the 10th.

Physical buying remained strong and the US Dollar continued its decline against almost every other major currency, to 15 year lows on the 11th. With gold firm at \$700, platinum

found similar support with many traders eyeing the \$1,300 level. The following day, the chairman of the US Federal Reserve made public comments on the unsustainable nature of the US current account deficit, placing further pressure on the dollar. OPEC announced very limited increases in its planned oil production, which failed to prevent a rise in the oil price. Platinum followed suit and rose above \$1,300 on the 12th before slipping back below that level as investors locked in profits made over the previous four weeks. Volumes traded on the Shanghai Gold Exchange dipped in response to the high price.

Platinum fell back further, to \$1,288 on the 14th following an announcement from a Japanese microcar manufacturer that it had developed a trial fuel cell propulsion system which did not use a platinum catalyst. After a knee-jerk reaction saw the price drop, most commentators noted that this technology was not likely to be widely applicable and should therefore have little impact on future platinum consumption. For more details on our view, please visit:

http://www.platinum.matthey.com/media_room/11897759604325.html.

The price stabilised before rising back to fix at \$1,300 on the 17th, guided by a strong gold price. The Federal Reserve lowered interest rates by half a per cent on the 18th and the US Dollar fell predictably, boosting precious metals prices. Gold benefited and moved to a three decade high above \$735 on the 21st. Platinum rose too, reaching \$1,336 on the same day before resting briefly close to that level. However, all the while, long futures positions on NYMEX kept on rising, from 265,000 oz at the start of September to 476,000 oz on the 25th, reinforcing the price rise. Interestingly, the last week of the month did see a sharp fall in TOCOM net positions of 120,000 oz.

Platinum fixing prices – September 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,377.0	1,268.00	1,307.30
£ per oz	676.50	628.50	647.90
€per oz	970.05	927.95	940.55

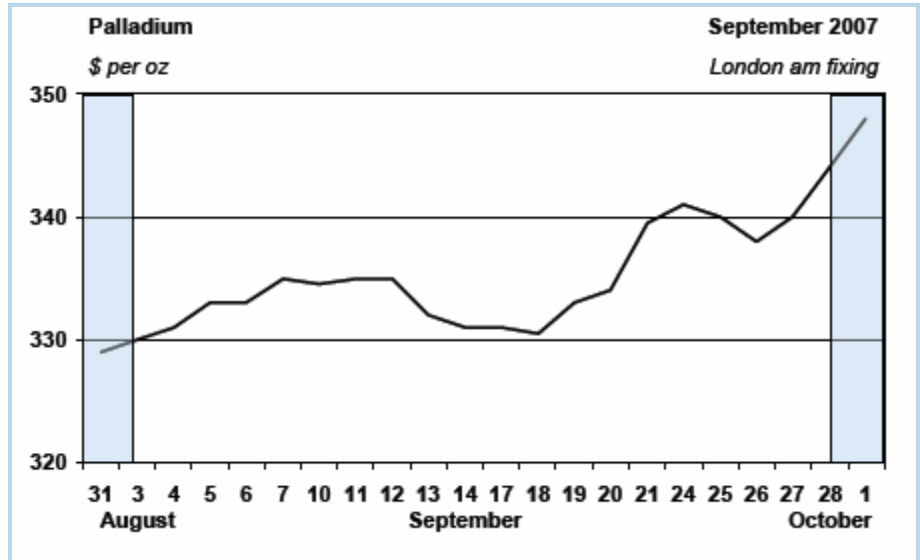
The price started rising again on the 25th as did lease rates on the likelihood of further supply disruptions from South Africa. More poor US economic data – on the

housing market this time - was released on the 27th and outweighed the impact of profit-taking at the end of the financial quarter. Gold homed in on \$750 and platinum fixed at \$1,361 on the morning of the 28th. The final fix of the month was even stronger, and platinum ended the month at \$1,377. However, indications of possible future price movements came from NYMEX where the January contract moved as high as \$1,397.50 reflecting the tightness in the market.

PALLADIUM

The palladium price rebounded in September, rising by 4.2 per cent after falling heavily in August. Safety issues and lower than expected output from South Africa had little impact on palladium and the price responded primarily to movements in currency exchange rates.

Futures positions stabilised after falling in August and provided a foundation for a firming palladium price in September. The price started at the month's low of \$330 and inched very slowly higher over the first half of the month. However, it remained firmly range-bound and only reached as high as \$335 on the 11th before giving up its gains and falling back to fix at \$330 again on the 14th. In a quiet



market, palladium looked elsewhere for inspiration and found it from a buoyant gold price on the 18th. Oil, gold and platinum pushed on and palladium finally emerged from its range and reached \$336 on the 20th. Gold reached a 28 year high on the 24th as palladium fixed at \$341.

Palladium fixing prices – September 2007

	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	344.00	330.00	334.80
£ per oz	169.50	163.40	165.95
€ per oz	245.10	237.65	240.90

Further dollar weakness came about as poor housing market data was released on the 27th and palladium eventually climbed to the monthly peak of \$344 on the morning of the 28th. It

fell back 25 cents to a final fix for the month of \$343.75, four per cent above where it had started the month.

OTHER PLATINUM GROUP METALS

There was less interest in the minor metals markets than in platinum during September. Rhodium remained relatively firm although the price declined to end at \$6,125. Minor buying interest in ruthenium pushed the price of that metal \$45

higher to a closing \$520. Once more, the iridium price stayed at \$450 for the whole month.

The rhodium market continued to exhibit relative stability in September and the price remained above \$6,000 throughout. At the start of the month, good two-way trading was seen at \$6,200 and the price eventually moved to a peak of \$6,250 on the 18th. The price fell back a little on lower purchasing, aided by a short-lived strike by the Union of Automotive Workers at General Motors which briefly threatened to trim rhodium demand slightly. However, the key factor was continued low levels of market offers which saw the price soften to a month-end \$6,125. Buying interest in ruthenium continued from August and kept on applying upward pressure to the price. This responded by moving \$5 higher, to \$480 on the 20th. However, end-user buying continued unabated and the price moved smoothly higher to end September at \$520. Iridium remained at \$450 throughout.

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