

# The Platinum Metals Report

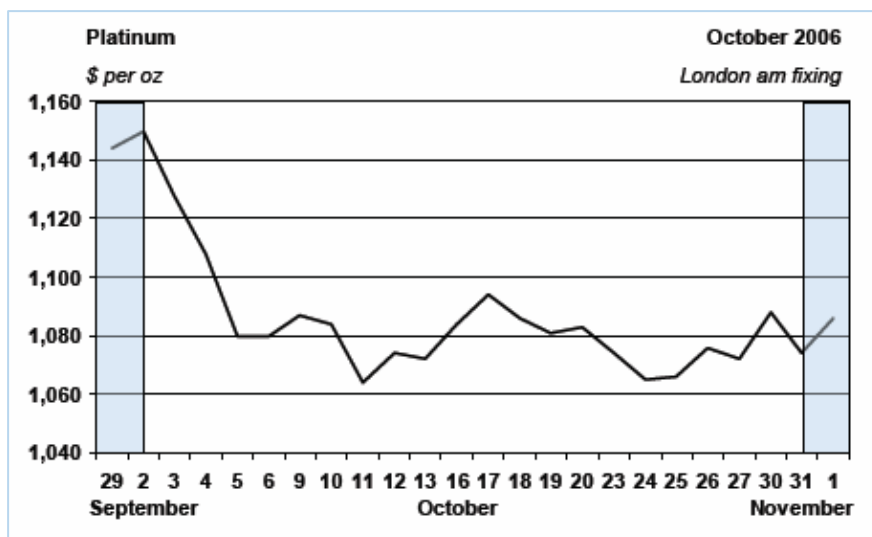
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Johnson Matthey

## PLATINUM

Platinum's price performance over October was split into three distinct sections. Starting the month at \$1,150, it fell \$70 to \$1,180 before it stabilised. After a further drop, it recovered \$30 over a five day period before trading the second half of October out in



a range of \$1,060 to \$1,100. The platinum price ended 6.5 per cent down on the month at \$1,074, a full 15 per cent below its September peak.

Platinum fixed at \$1,150 on the 2<sup>nd</sup>, slightly up on the end of September but this proved to be the high point for the month as the metal fell for three successive days. Gold buying on TOCOM on the 2<sup>nd</sup> supported that metal's price and boosted platinum but weak US manufacturing data caused the oil price to soften and drove gold and platinum down, with some funds taking the opportunity to realise profits. With China at the start of its National Week holidays, the Shanghai Gold Exchange and the Hong Kong markets were shut. As a result, the Chinese jewellery trade, a strong recent buyer on price dips did not enter the market to purchase metal and the platinum slide continued. Further long liquidation by funds drove platinum down \$70 to \$1,080 on the 5<sup>th</sup> where the spot price paused for breath. Fund short covering of platinum then helped support platinum towards the end of the week.

The price rebounded to fix at \$1,087 on the 9<sup>th</sup>, driven by strong Chinese jewellery purchases, of 270kg, on the Shanghai Gold Exchange. A bullish gold price also contributed to this rise, with some political uncertainty deriving from North Korea's announcement of a semi-successful nuclear weapon test. General public purchasing of gold and platinum continued into the 10<sup>th</sup> on TOCOM as a response to this incident before short selling and long liquidations on NYMEX caused the price to soften to \$1,064 on the 11<sup>th</sup>.

Platinum found support in Asian markets early on the 12<sup>th</sup> and recovered by \$10, fixing at \$1,074. The pgm markets remained quiet as traders waited for US economic data to be released, with platinum moving sideways on the 13<sup>th</sup>. After the weekend, continued concerns over North Korea helped the oil and gold prices to move higher, with platinum following suit in light trading conditions. Oil moved back above the \$60 mark on the 17<sup>th</sup> and platinum reached \$1,094 with lease rates tightening somewhat.

Following this move, trading conditions became choppy for platinum with intra-day movements significant for the rest of the month. The white metal was unable to challenge the \$1,100 mark and buyers and sellers both seemed content for it to trade between \$1,060-\$1,100, a relatively narrow range considering platinum's recent volatility.

The 23<sup>rd</sup> saw the oil price dropping on the back of a rallying US dollar and a continuing move by funds into equities from commodities. With gold dropping as a result, platinum followed, falling from a pm fix of \$1,072 on the 23<sup>rd</sup> to \$1,053, the month's low, only twenty-four hours later. The volatility seen in recent weeks returned: a buoyant gold price, which was continually challenging the \$600 mark rescued platinum, driving it \$10 higher on the 25<sup>th</sup> and back to \$1,082 on the 26<sup>th</sup>. Positive results released by Aquarius and Impala did nothing to dampen this move.

Fluctuations in the gold and oil prices buffeted the platinum price in the final days of October but provided no underlying direction and it closed at \$1,073. Futures positions

Platinum fixing prices – October 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,150.00	1,053.00	1,083.75
£ per oz	613.80	563.10	578.05
€per oz	906.95	840.00	859.25

declined sharply with net speculative long positions on NYMEX falling from 196,000 oz at the start of the month to only 100,000 oz on the 31<sup>st</sup>, suggesting profit-taking from many market players and uncertainty as to the next direction of price movements.

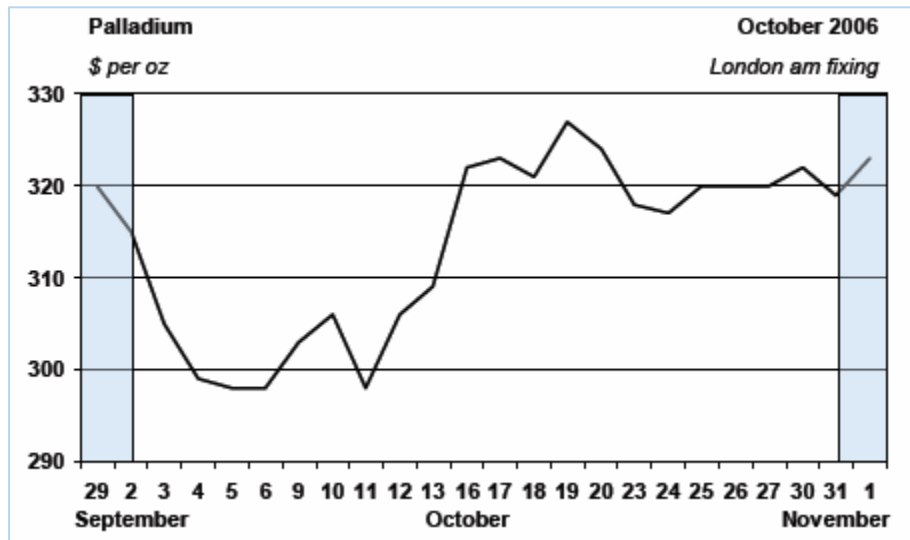
## PALLADIUM

**The palladium price followed the same general trends as that of platinum in October, falling sharply initially before recovering in the middle of the month and trading in a relatively narrow range for the final ten days. However, in contrast to platinum, the palladium price rose marginally over the month, from an initial \$315 to a last fix of \$316.**

With the Hong Kong markets shut, trading conditions on the 2<sup>nd</sup> were thin and despite long interest on NYMEX increasing and the prospect of oil production cuts being mooted by OPEC, the palladium price fell. As oil and gold prices weakened on the 3<sup>rd</sup>, palladium took its cue from platinum and dropped lower, fixing at \$305 on the morning of the 3<sup>rd</sup>, with the market looking to test the \$300 level for support.

Heavy TOCOM trading in platinum and palladium on the 4<sup>th</sup> showed a reasonable level of interest from the general public still persisting in these metals but it was unable to conclusively move the price in either direction. In the event, palladium fixed below \$300 in London, albeit with no consumer interest at that level and drifted, to \$295 on the 6<sup>th</sup> which marked the low point for the month.

With very thin trading conditions, palladium stayed just under \$300 until the 9<sup>th</sup> when political tensions in the Korean peninsula drove oil and gold higher. Palladium followed and moved above \$300, defying positive results from Norilsk Nickel which increased its full year production forecast for palladium from 3.05-3.10 million ounces to 3.15-3.19 million ounces.



The palladium price rose as high as \$306 on the 10<sup>th</sup> but then fell back, relapsing to below \$300 before starting an upwards move again on the 11<sup>th</sup>.

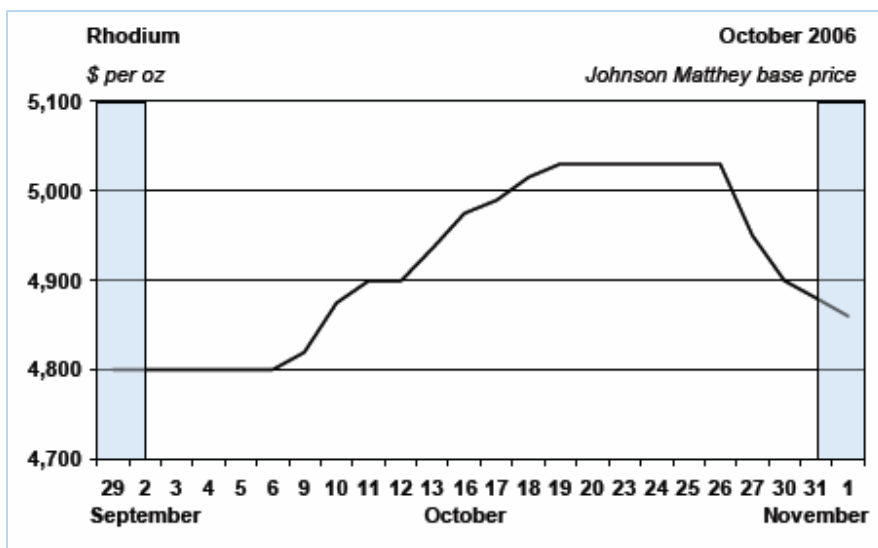
This climb continued until the 17<sup>th</sup>, with palladium imitating platinum and, to a lesser extent, gold. On the 12<sup>th</sup>, North American Palladium reported greatly improved performance in the third quarter of 2006 compared to the same period in 2005. However, with the market expecting these positive results, the price was able to move higher, with large volumes changing hands on the fixes on the 13<sup>th</sup> in London.

Changes in investor positions, inspired by trading on technical trends, allowed the price to creep higher to its monthly peak of \$327 on the 19<sup>th</sup> before sentiment softened and palladium fell back into a narrow range of \$315-\$325, ending the month quietly on \$319 but with long interest on NYMEX increasing, showing the level of investor appetite for this metal.

Palladium fixing prices – October 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	327.00	295.00	313.05
£ per oz	175.15	157.40	166.95
€per oz	260.45	234.15	248.20

## OTHER PLATINUM GROUP METALS

The rhodium price followed a similar trend in October to that of September. Starting the month at \$4,800, it saw matching levels of buying and selling interest until continued bids pushed the price higher on the 9<sup>th</sup>. The price continued rising, reaching a peak of \$5,030 on the 19<sup>th</sup> despite market rumours of significant sales of metal by automotive



scrap recyclers. Despite this \$130 rise, the market remained sanguine but some speculative purchasing of rhodium in following days failed to move the price higher. After a week at this level, consistent pressure from offers of metal onto the market knocked the price from this mark and it dipped back to end the month at \$4,880.

The ruthenium price continued its longer term upwards trend in October. Starting the month at a Johnson Matthey base price of \$185, continuing buying pushed it to \$200 for the first time ever on the 12<sup>th</sup> and to a new record of \$210 on the 27<sup>th</sup>. Steady consumer demand for iridium continued to support its price at \$400.

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