

The Platinum Metals Report

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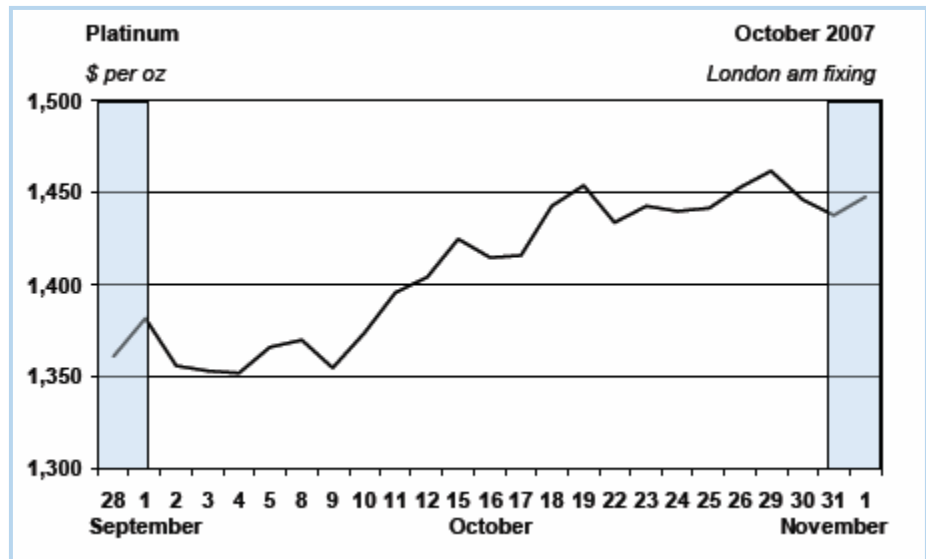
October 2007

Johnson Matthey

Platinum and palladium both performed strongly in October with platinum reaching its highest ever price of \$1,462. Movements in oil and gold prices and continuing weakness in the dollar provided a positive stimulus for all of the precious metals. However, the platinum price rose more strongly due to safety issues and supply disruptions in the South African platinum mining industry. Futures positions in platinum changed little but palladium positions lengthened, demonstrating the considerable investor interest in this metal and helping it outperform platinum in relative terms.

PLATINUM

The platinum price performed strongly for a second month in a row, rising from an initial \$1,382 to a closing fix of \$1,440, supported by the same macroeconomic trends of high oil and gold prices and a weak US Dollar. However, this 4.2 per cent rise does not tell the whole story as platinum reached a new all-time record of \$1,462 on October 29th.



Platinum started October weakly. Although the initial fix was at \$1,382, it fell back sharply on news that Mazda had developed a new autocatalyst which uses lower amounts of platinum group metals than conventional technology. Although few details appeared to suggest that this would lead to lower metal loadings than are obtained by thrifting current technology, the market turned bearish and the price dropped rapidly back to \$1,356 on the 2nd. (For more information on this technology, please visit http://www.platinum.matthey.com/media_room/11858024399050.html.) The selling pressure continued until support was found in Tokyo on the 3rd and platinum bottomed out at a monthly low of \$1,352 on the 4th as the dollar briefly showed some resilience.

Platinum started rising later that day; a fatal accident at Implats' Rustenburg smelter renewed the market's concern that safety-related shutdowns would impact negatively on

South African supplies. Norilsk released its production figures on the 5th, indicating decreased production of platinum in the first half of its financial year and applying further upward pressure which moved platinum to \$1,370 on the 8th. The dollar bounced a little and provided the stimulus for profit-taking in New York and on TOCOM, with platinum softening to \$1,355 on the 9th.

Speculation over a possible US interest rate cut knocked the dollar lower and boosted gold and the other precious metals on the 10th. A swift push higher by the gold price was countered only by resistance at \$750 and platinum followed higher with large volumes changing hands on the London pm fix at \$1,389, just below its record price. Gold moved to a 28 year peak the following day and news of power outages at smelters in South Africa unnerved the market. Good purchasing on the Shanghai Gold Exchange also sent bullish signals and forced platinum higher to a new all-time record of \$1,396 at the London am fix on the 11th. Platinum closed above \$1,400 in the spot market in New York.

Worries over the possibility of further lost production in South Africa and elsewhere started to push platinum lease rates higher, incentivising purchases by nervous end users and sending platinum to fix above \$1,400 for the first time ever on the 12th. It fixed at \$1,404 and \$1,416 on that day. The climb was not finished though: political tension on the possible military invasion of Iraq by Turkey sent oil to an all-time high of \$85 per barrel and supported gold in its role as a safe haven investment. Unions in South Africa also floated the idea of a countrywide one day strike addressing safety issues in the wider mining industry. Platinum moved higher on this news and reached \$1,426 before starting to soften again to \$1,410 on the 16th on selling by funds in New York and on TOCOM.

The price changed direction on news of deaths at Northam and at Anglo Platinum's Paardekraal shaft at Rustenburg and the resulting shaft closures and lost production. Shanghai Gold Exchange volumes fell to a single kilogram on the 18th. Oil rose to \$90 per barrel on the 19th and two more shafts at Anglo Platinum's Rustenburg operations were closed. Lease rates rose and platinum moved into backwardation before ending the week by fixing at \$1,452.

Platinum fixing prices – October 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,462.0	1,352.00	1,410.10
£ per oz	711.00	663.25	689.80
€per oz	1,018.20	953.80	990.35

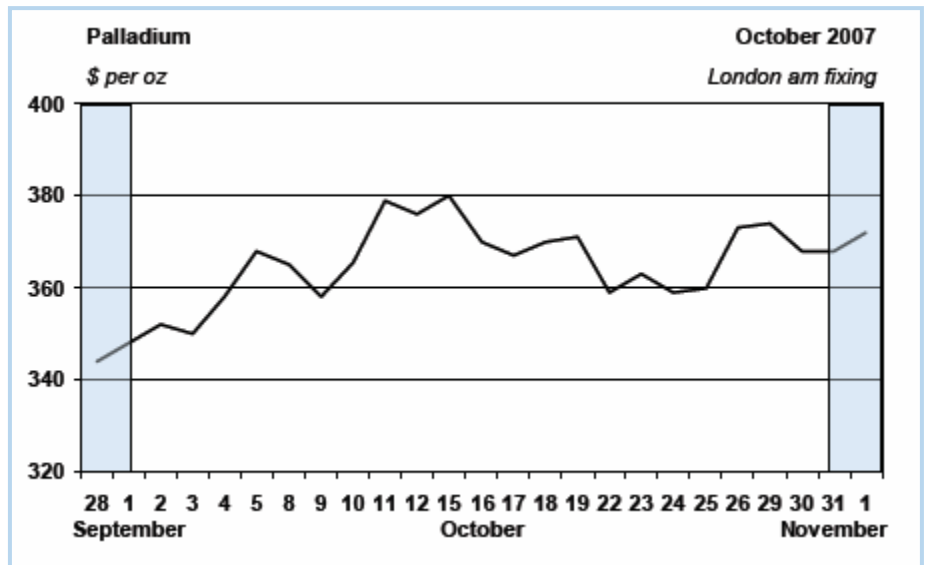
On the 22nd, TOCOM profit-taking undermined the price which softened to \$1,434. However, more shaft closures due to two deaths at Impala pushed platinum close to \$1,450

before it met resistance. Gold's climb to an extremely strong \$794 on the 29th in response to US/Iranian tension encouraged platinum to a new all-time high of \$1,462 on the first fix that day. Month-end profit-taking and TOCOM sales allowed the price to dip to a closing \$1,440.

PALLADIUM

While palladium could not set any records in October, the price outperformed platinum, rising 6.3 per cent from an initial \$348 to a final fix of \$370.

Macroeconomics were important in moving all precious metals prices higher and palladium followed platinum and gold. NYMEX long positions increased by more than 125,000 oz.



Palladium started the month at \$348 and did not move far until the 4th when investors drove the price to \$358. A strong performance on TOCOM the following day saw it break the resistance at \$360 and climb to \$368 on the 5th, a level last seen in July. The price drifted back to \$358 on the 9th as the dollar stiffened. The strong performance of gold on the 10th – driven by stop loss selling and a fall in the dollar again – aided palladium and prompted heavy buying on the London pm fix where it reached \$375.

Palladium fixing prices – October 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	380.00	348.00	365.45
£ per oz	186.40	170.25	178.80
€ per oz	267.05	244.45	256.85

The rising platinum price dragged palladium along to a monthly peak of \$380 on the 15th. Fund sales then hit the price, which dropped back to close to \$370.

The South African safety issues which affected the platinum market at this point had little impact on palladium and could not move the price higher. In fact, the next move was a \$10 fall to \$359 on the 22nd as TOCOM selling and profit-taking were accentuated by falls on the stock markets. Palladium climbed again at the end of the week as geopolitical tension between the USA and Iran saw oil and gold firm. Palladium followed to \$373 early on the 26th; having reached this point, it seemed exhausted by its efforts and the price settled at a firm \$370 at the end of the month.

OTHER PLATINUM GROUP METALS

The rhodium price moved little in September but remained strong. It started the month at \$6,150 and the South African shaft closures and steady industrial buying firmed the price to \$6,325 in the middle of the month before it retreated to a closing \$6,250. Ruthenium followed a similar trajectory: it started at \$520 and moved higher on the 2nd under the pressure from end user purchasing. Ruthenium reached a monthly high of \$580 on the 10th but could not stay there and dropped back to end the month at a soft \$565. Iridium watchers were rewarded by a flat price performance as it remained at \$450.

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