

The Platinum Metals Report

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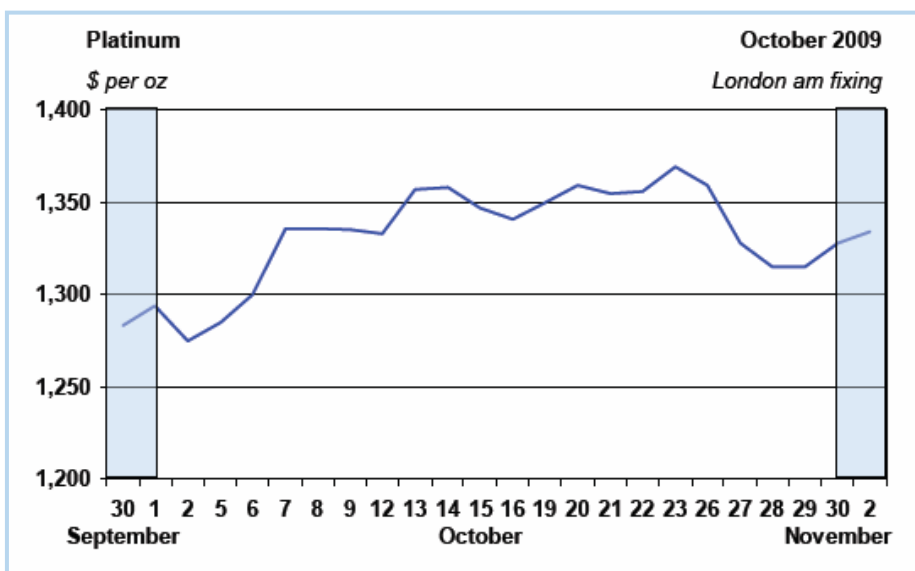
October 2009

Johnson Matthey

A weak US Dollar dominated the precious metal markets for much of October, sending platinum and palladium higher. Investors continued to hold very long positions in gold and matched this by adding to their long positions in the Exchange Traded Funds and on the NYMEX futures market. Some sense of normality returned to the market in the first half of the month as commentators began once again to focus on fundamentals in these markets. However, plenty of nervousness persisted and both metals gave up some of their gains later on in the month as risk aversion reappeared. Rhodium too performed strongly following a quiet month in September, with Asian purchasing sending it sharply higher. Ruthenium and iridium remained unmoved.

PLATINUM

The platinum price climbed by \$28 during October, aided by a decline in the US Dollar against a range of other currencies and by continuing flows of money from speculative investors. It began the month at \$1,294 and climbed to a peak for the month – and for the year to date – of \$1,372 before a return to risk aversion from the investor community drove the price back lower to end at \$1,320.



Platinum started October by fixing at \$1,294, some \$7 above its final fix of September. Some expected negative news emerged from the automotive sector in North America where vehicle sales were revealed to have slumped lower after the end of the “Cash-for-clunkers” scrappage scheme. More importantly, jittery investors sold off equity positions in an attempt to minimise risk and fled back to the US Dollar as a safe haven. Gold fell back below \$1,000 and the other precious metals slipped lower too, with platinum dipping to \$1,292 at the second fix of the day.

However, with the Shanghai Gold Exchange (SGE) shut for the week due to the Chinese National Day holidays, there was little bargain hunting to support the price which slumped to a monthly low of \$1,269 at the second fix on the 2nd. In other news, the market was reminded of the challenges facing the supply side of the platinum group metal markets, Eskom submitted a request to the South African authorities for a 31.3 per cent increase in its electricity charges and Wesizwe Platinum announced plans to delay its Frischgewaagd-Ledig property on the Western Bushveld.

Weak US employment data was released at the end of the day and depressed the US Dollar, halting the fall in the platinum price. This dollar weakness continued into the European markets on the 5th and platinum bounced back to a morning fix of \$1,285 in London. Noises emanating from the G7 heads-of-state meeting suggested that the major economies were comfortable with the weak state of the dollar. The markets took the hint and drove the dollar down again, boosting the precious metal complex. Net long speculative positions increased on NYMEX (rising by 60,000 oz in the first week of the month) and small amounts of ETF buying were seen in London too. Although SGE remained closed, investors boosted gold and dragged platinum higher from \$1,279 at the second fix on the 5th to \$1,300 and \$1,310 on the 6th and further to \$1,336 on the 7th.

Although worries over possible future inflation resurfaced to drive the gold price higher, platinum remained unmoved for the following days, drifting to \$1,340 on the 12th, despite some negative views from the automotive industry that a full recovery might not occur until 2013 and lukewarm purchasing interest in Shanghai when the market there reopened on the 9th. Of interest to the platinum industry, Northam announced plans to start construction at its Booyendal property in 2010 and the NUM union asked for a 25 per cent wage increase to open its negotiations with Lonmin (even as Anglo Platinum agreed a deal with the same union at close to 10 per cent).

The market received a twin boost on the 12th: Volkswagen announced that its Chinese vehicle sales had beaten their previous annual record in the first nine months of the year, firming the price slightly. When rumours of substantial gold dehedging activity emerged later that day, gold started to move higher, reaching an all-time high the following day. This exuberance infected the platinum market, NYMEX positions increased once more and the price burst through resistance at the \$1,350 level to reach \$1,357 on the morning of the 13th – its highest point to date in 2009.

Industrial interest remained weak, though, as shown by the anaemic buying interest on the fixes the following day despite the narrowing sponge discount, and the price slipped back to \$1,337 on the 15th. The dollar, though, remained weak and weakened further as the Federal Reserve

Platinum fixing prices – October 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,372.00	1,269.00	1,333.05
£ per oz	863.25	798.55	823.60
€per oz	917.50	873.55	899.60

demonstrated that it was still cautious over tightening monetary policy. So, despite worries over the length of the speculative market in the precious metals, investors carried on adding to their positions. News of a sit-in at the Two Rivers mine in South Africa provided a helpful prod on the morning of the 19th and platinum moved back up to the \$1,350 level it had abandoned during the previous week.

The Two Rivers sit-in ended the following day but the US Dollar was once again the dominant influence: as it weakened, platinum responded, climbing as high as \$1,380 on NYMEX before settling at \$1,371 at the second fix of the day. A smattering of light selling emerged on the 21st, driving platinum back to a daily low of \$1,346 with little buying coming from the Chinese jewellery industry.

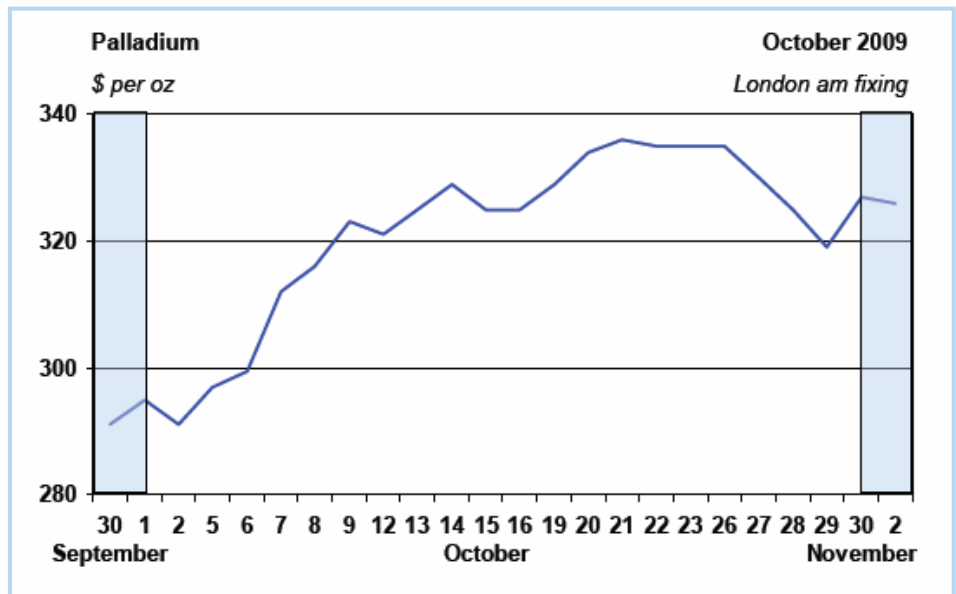
Two Securities Exchange Commission (SEC) filings related to the proposed US platinum and palladium Exchange Traded Funds came late on the 21st to re-energise the market, driving platinum back up to \$1,356 on the 22nd. Comments later that day from Lonmin that it expected the platinum market to return to deficit in 2010, provided a touch of fundamentally-drive strength too. The dollar continued its downward spiral the following morning and, with 160kg of metal changing hands on the Shanghai Gold Exchange, platinum drove higher to a monthly peak and the high point of the year so far of \$1,372 at the second fix on the 23rd.

The price slipped back somewhat on the 26th – to 1,359 and \$1,364 – as profits were taken despite some optimistic noises from the glass and automotive industries. However, investors unexpectedly moved to cover their short positions in the US Dollar on the 27th, driving that currency sharply higher against the Euro. All of the precious metals dived lower and platinum crashed to \$1,323 at the second fix of the day, falling as low as \$1,313 in the spot market late on under pressure from heavy selling. The dollar rose again on the 28th as poor US home sales data was released, driving investors back into safe haven purchasing. Some bargain-hunting stemmed the tide though and, although platinum approached \$1,300 in the spot market in New York, it bounced off this level to fix at \$1,318 on the 29th.

Normal service was, though, resumed on the 29th. The release of better-than-expected Japanese industrial output data and US GDP data reassured those investors fretting about the state of the global economy and the assault against the US Dollar continued. Platinum benefited and climbed to \$1,328 later that day before giving up a little ground on the 30th to end-of-month profit-taking in London and on TOCOM. The price settled marginally lower to end October at \$1,320 a short distance above where it had started.

PALLADIUM

Palladium quietly gained 9.5 per cent in value during October. It started at \$295 and rose quickly, boosted by a weak US Dollar, a strong gold price and steadily climbing investor interest. Speculation over the likely size and fate of the remaining Russian state stocks of this metal, added a little more spice, sending palladium to end the month almost \$30 above its starting point at \$324.



Having risen above \$300 during September but given up some of its gains, palladium started October quietly at \$295. A move towards safe haven investments hit the precious metals and palladium slipped gently lower to its monthly low of \$291 at the first fix on the 2nd. However, investors showed continued appetite by driving their net long speculative positions higher on NYMEX. The price stabilised and climbed a single dollar higher to \$292 at the second fix of the day. With some firm support having been demonstrated, these investors started to target the \$300 level again. The US Dollar weakened and news of robust German automotive sales despite the end of the domestic scheme firmed the palladium price too, sending it to \$298 on the 5th.

The dollar remained weak on the following day and palladium finally pushed through the \$300 mark at the second fix on the 6th, reaching \$302 as gold hit a new high. Speculation that the US Dollar might be losing its reserve currency status continued to weigh on that currency and generate momentum for the precious metals, with palladium racing to \$312 on the 7th and \$323 on the 9th.

The gold price pressed on upwards on the 12th, after the weekend, on rumours of dehedging in the gold market. Palladium gained some energy from this and climbed a single dollar to \$324. Gold, though, continued to race ahead and hit an all-time high on the 13th. Palladium investors needed no further encouragement to drive palladium to \$335 that morning as net long speculative NYMEX positions rose to a very large 1.46 million ounces.

This price rise generated some profit-taking and, with physical purchasing still slow, the price softened, retreating to \$325 on the 15th. The following day, Norilsk Nickel stated that it believed that Russian state sales of palladium were unlikely to occur during 2009. Although the precious metals were under pressure from rising equities (from the consequent flow of money from commodities into equities), palladium rose to \$327 at the second fix on the 16th despite some selling of Swiss ETF positions. The dollar, though, continued to slide and palladium raced ahead to its monthly high of \$339 (and the highest point of 2009 to date) on the 20th.

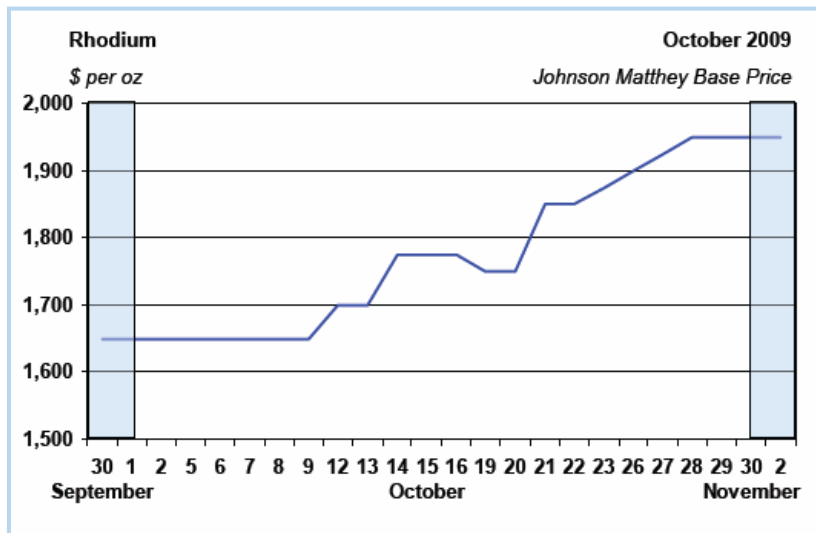
With gold slowed in its rise by a number of options above its price, some light selling and profit-taking appeared and palladium softened by a few dollars to trade in a tight range between \$334 and \$338 until the 26th.

Palladium fixing prices – October 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	339.00	291.00	321.80
£ per oz	213.10	182.85	198.75
€per oz	226.50	199.85	217.10

On the 27th, the dollar came back to life against the Euro and all of the precious metals retreated quickly. Palladium, though, was more resilient than most and slipped only as far as \$319 in London on the morning of the 29th. The price bounced off this level, though, and palladium rose to end the month at \$324 even as Norilsk Nickel increased its forecast for its own palladium output in 2009 by roughly 150,000 oz.

OTHER PLATINUM GROUP METALS

Rhodium started the month of October at \$1,650, where it had been for the whole of September. It remained at this level until the 9th before Asian purchasing prompted a \$50 move higher on the 12th despite little evidence of increased automotive industry interest. Small amounts of both buying and selling emerged at this level but the selling interest quickly diminished. With the buying appetite steady, rhodium moved



higher again on the 14th to \$1,775. The price took a small step lower to \$1,750 on the 19th but this rekindled the appetite of so-called “relative value” investors and the price started to move higher once again, rising to \$1,850 on the 21st and driving on to \$1,950 one week later before ending the month at that level, some \$300 above its starting point.

For yet another month, however, there were no changes in the prices of either ruthenium or iridium which traded at Johnson Matthey Base Prices of \$90 and \$425 respectively throughout the whole of October.

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