

The Platinum Metals Report

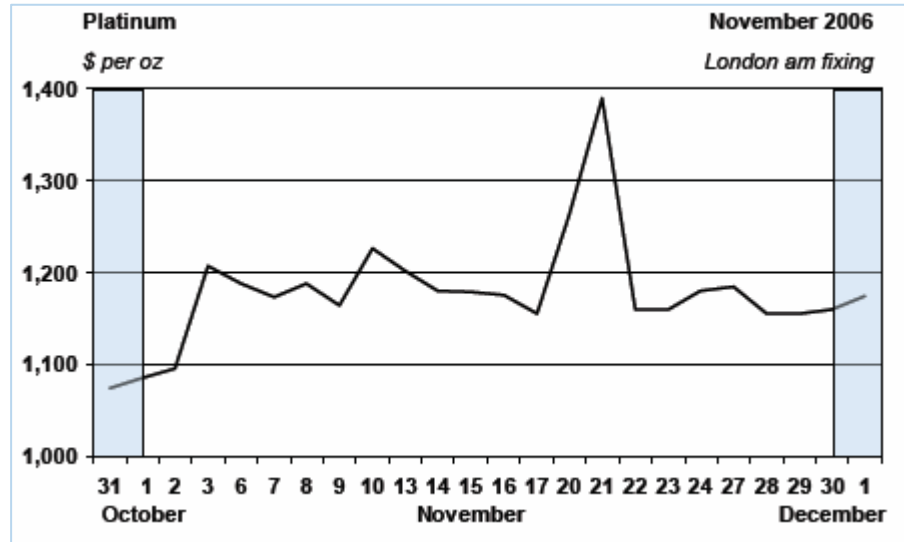
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November 2006

Johnson Matthey

PLATINUM

The platinum market exploded back into life in November after an October which had been quiet by recent standards. Platinum started the month at \$1,074 and ended higher by \$82, at \$1,156, but on the way it encountered extreme volatility,



with the price peaking at \$1,390 and falling by more than \$200 in the following 24 hours. These price changes were unrelated to other commodity or exchange rate movements, being driven initially by rumours about an exchange-traded fund in platinum and then by speculation surrounding a large option position. Platinum lease rates also rose dramatically, at one point reaching well over 100 percent.

Platinum fixed at \$1,086 on the 1st, which proved to be the low point for the month. The dollar weakened on the back of disappointing US domestic economic data and sent oil and gold higher; platinum followed suit, breaking through the \$1,100 mark once more and fixed at \$1,108 on the afternoon of the 2nd.

The first real excitement of the month came later that day as the platinum price shot higher on NYMEX, with buying from speculators and investors. Platinum fixed sharply up on the 3rd (London a.m. fix) at \$1,207. The main catalyst for this jump appeared to be whispers about the possibility of a platinum exchange traded-fund, or ETF, being launched as an investment vehicle.

ETFs already exist in other commodities, including gold and silver, and speculation that one might be launched to focus on platinum made the markets nervous. If a platinum ETF, backed by platinum bullion, were to be launched it would have the effect of withdrawing liquidity from the open market, which has significantly lower stocks of refined metal than either the gold or silver markets. No concrete information appeared on this subject in November, leaving the possibility of such a fund being launched simply as

speculation. Nevertheless, the anticipatory buying which this provoked caused the first of the month's price spikes.

Investors on TOCOM were caught out by this move as the market opened limit up and stayed there all day on the 6th. However, some of the tension disappeared from the market in following days as attention became focused on the US mid-term elections. With smaller volumes being transacted on the London fix and in Asian markets, fund profit-taking helped to push the price back down to \$1,164 on the 9th. However, forward rates in the market began to tighten and lease rates started to rise, indicating some nervousness.

The afternoon fix on the 9th saw large volumes traded. Platinum followed gold and oil higher, fixing at \$1,192, helped along by comments from Chinese officials that China's foreign exchange reserves might be further diversified, a message that the market took as bullish for gold's prospects. After fixing at \$1,227 on the 10th, there were wide price swings during the next few days with fund purchasing, profit-taking and physical buying in Asia struggling to balance one another out. Platinum fell back to \$1,185 on the afternoon of the 13th and dropped further in trading on TOCOM early on the 14th.

On the 14th, Johnson Matthey released its Interim Platinum Review for 2006, predicting that the market would be close to balance in 2006 with a deficit of only 20,000 oz. Its six-month price forecast set a likely floor on the price with the expectation of good physical support near the \$1,000 level but left open the possibility that "if the financial sector's interest in commodities remains high, the price of platinum could easily return to a level of \$1,200".

This information on the current market status failed to interrupt platinum's gentle slide downwards, encouraged by a falling gold price, and it dropped to \$1,155 on the 17th. On the 20th, platinum rose quickly on TOCOM, closing at \$1,207. At the London fix no metal changed hands, yet the price was set at \$1,262, over \$100 higher than on the preceding Friday (17th). Although market speculation attributed much of this move to persisting rumours of an exchange-traded fund, reports emerged of a number of call options maturing at the end of November for which the option holders required delivery of physical metal. As a result, interest rates tightened dramatically, reaching 30 per cent on a one-month basis.

The platinum price dropped slightly in New York but leapt higher once more in trading in Tokyo, briefly scaling the \$1,400 level before fixing at a new record price of \$1,390 in

Platinum fixing prices – November 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,390.00	1,086.00	1,182.90
£ per oz	731.95	569.20	618.85
€per oz	1,084.20	851.75	918.20

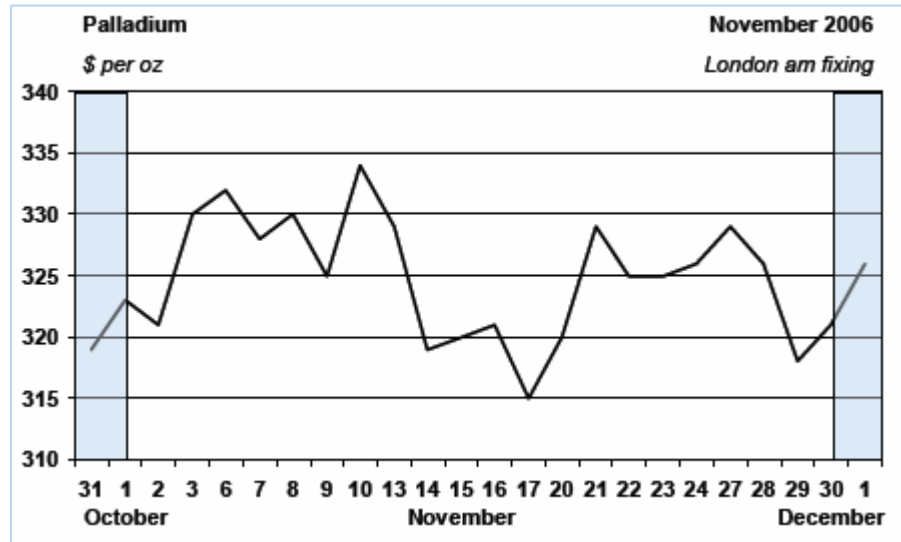
London on the 21st. Lease rates kept climbing, moving well above 100 per cent at one point, but subsided almost as quickly as they had risen, to 25 per cent on the 22nd. The

price also completed a remarkable turnaround, fixing at \$1,160, a full 16 per cent or \$230 lower than the day before.

The Tokyo and New York markets were closed on the 23rd but good volumes of metal were sold on the Shanghai Gold Exchange, with the jewellery trade the major purchaser. Price movements for the rest of the month were comparatively small; with swings of \$20 to \$30, platinum ended the month at a final fix of \$1,171. Lease rates eased to 7 per cent on the 30th, still above where they had been at the start of November, but moving lower to reflect returning confidence in the market.

PALLADIUM

The palladium price was rather more stable than that of platinum throughout November, as it traded in only a \$20 range. It started the month at \$224 and ended \$3 higher at \$227, isolated from the high volatility elsewhere.



The palladium market was quiet in November compared to recent months and the price gains made in October were easily consolidated. Despite a small drop on the 2nd, when some selling on the London a.m. fix knocked the price \$2 lower, the first few days were positive, with a weak US dollar supporting precious metal prices. Palladium responded with a move to \$332 on the 6th.

The U.S. mid-term elections quietened the markets on the 8th and 9th before platinum rose \$60 in the following 24 hours. Palladium gathered energy from this move and rose to its November peak of \$334 on the 10th in London, with very large volumes changing hands on the afternoon fix. Profit-taking in gold led the way downwards on the 13th and, with platinum also heading in the same direction, palladium started a descent towards the monthly low of \$314 on the 15th.

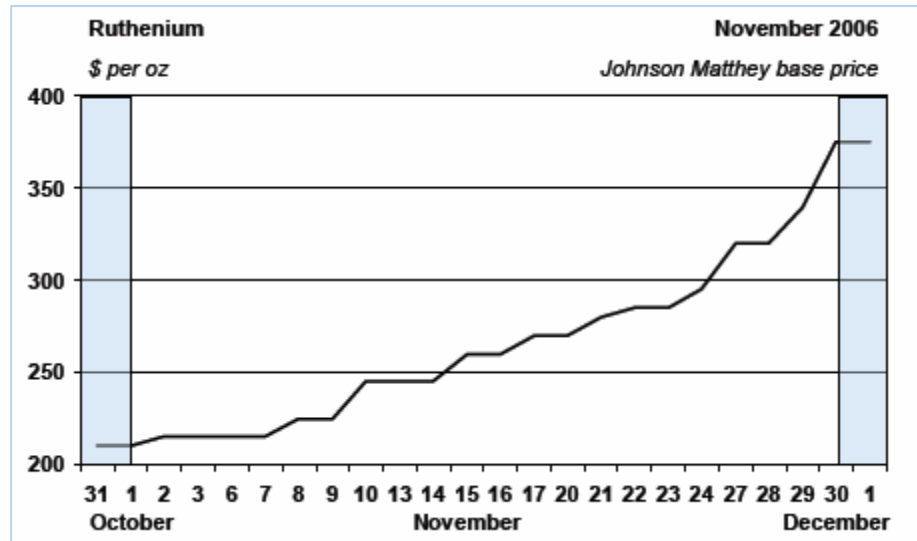
With so much activity in platinum, there seemed to be no appetite from the market to test the limits of the palladium range and it traded the month out in a tight bracket (for recent

Palladium fixing prices – November 2006			
	High	Low	Average
\$ per oz	334.00	314.00	324.70
£ per oz	175.10	163.25	169.85
€per oz	261.40	241.65	251.85

months) of \$315 to \$330, ending at \$327, marginally up over the month.

OTHER PLATINUM GROUP METALS

November was a mixed month for the remaining three platinum group metals. The iridium price remained rock steady at \$400. Rhodium was also relatively quiet, trading in a range from \$4,860 to \$4,900. Ruthenium firmed throughout the month with constant buying pressure forcing the price higher from \$210 to a record \$375.



The rhodium market was relatively quiet in November. The Johnson Matthey base price started the month at \$4,860 and stayed there until the 6th when bidding forced it higher, to \$4,900. There was good two-way business at this level, with sales matching end user demand, although the price edged \$20 lower on the 17th and the 20th to end the month where it had started at \$4,860.

Meanwhile, the ruthenium price continued its climb of recent months, driven by the same consistent consumer demand. It started the month at \$210, but with buying pressure already threatening to move the price higher. The first moves were relatively small, with the price moving to \$245 by the 14th. The price moves then increased in pace. Ruthenium moved past \$300 for the first time ever on the 27th and finished the month with consumer demand still evident and the price at an all-time peak of \$375, more than 300 per cent above the level at which it started the year.

The iridium market was unaffected by these movements in ruthenium and stayed flat, again, at \$400 throughout November.

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