

# The Platinum Metals Report

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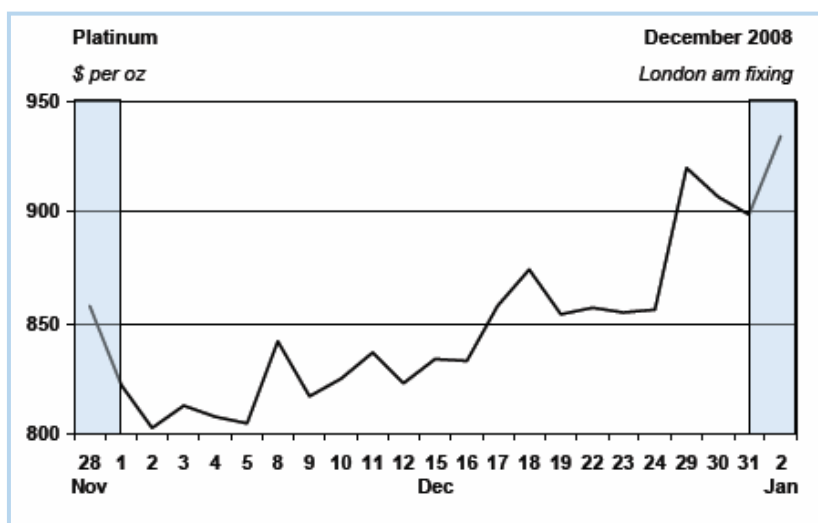
December 2008

Johnson Matthey

*December was a relatively quiet month for trading in the precious metals arena. Volatility remained low for the second consecutive month and trading volumes throughout most of the world were thin. However, the platinum price advanced again, following a positive November, as strong physical buying in Asia continued and a bailout of General Motors and Chrysler was approved by the US Government. Despite this strength, the platinum price finally fell below that of gold for the first time in more than ten years. The disparity between platinum and palladium prices increased as palladium moved little during the month. The slide in the rhodium price finally ended as some buying returned. However, the prices of ruthenium and iridium both fell, driven lower by weak industrial purchasing.*

## PLATINUM

The platinum price rose for the second consecutive month in December, although it remained some way below the \$1,000 per ounce mark. It began the month at \$822 and slipped as low as \$788 as huge quantities of negative data emerged from the automotive markets. However, with some supply side adjustments being made, platinum found some modest strength and climbed to end the month at \$899.



The new month started badly for the platinum price. While the final fix of November had been \$858, platinum immediately slumped to fixes of \$822 and \$810 on the 1<sup>st</sup> of December. In fact, all precious metal prices fell, as the US Dollar strengthened on talk of possible interest rate cuts in other countries. An 18 per cent fall in monthly Japanese vehicle domestic sales (compared to November a year earlier) and poor EU manufacturing data added further downward momentum and forced platinum to a fix of \$803 the following morning, with support coming from sales of 102kg of platinum on the Shanghai Gold Exchange and a large purchase of metal through the London ETF. The official recognition of the existence of a recession in the USA (which had apparently started in December 2007) later on the 3<sup>rd</sup> did not surprise the markets at all and had little impact on the price.

More importantly, the so-called *Big Three* automakers in the USA submitted funding requests to the Federal Government, clearly demonstrating the more recent effects of the downturn in the car market. The negative sentiment this produced outweighed the impact of comments from Aquarius that it might shed some jobs at its Everest mine in South Africa and Zimplats' comments on the 3<sup>rd</sup> that it had ceased mining at its open pit.

Rate cuts at the European Central Bank and the Bank of England on the 4<sup>th</sup> drove the dollar higher and forced the gold price downwards. Good volumes of metal were bought in Shanghai but platinum dipped below \$800 at the second fix of the day. Gold softened on steadily increasing worries over deflation and dragged the platinum group metals lower. On the 5<sup>th</sup>, the worst US monthly job loss data for over 30 years were revealed – more than 500,000 jobs were lost, many more than expected – and all commodities fell. Platinum hit its monthly low of \$788 at the second fix in London that day.

However, this was followed by the announcement of a huge US public works programme and equities and commodities soared. Platinum fixed at \$842 only a day later, on the 8<sup>th</sup>, further supported by Aquarius's temporary closure of its Everest mine due to geological problems. The US Dollar strengthened again on the 9<sup>th</sup> and fund sales on TOCOM drove the platinum price back as low as \$807 at the second fix of the day.

Platinum fixing prices – December 2008

	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	920.00	788.00	840.10
£ per oz	625.85	534.00	564.25
€per oz	653.45	594.50	625.15

Progress on the bailout talks for the big American automakers helped the platinum price to regain some ground and when the House of Representatives formally approved this plan, platinum rose to \$842 on

the 11<sup>th</sup>. It remained there a very short time, however: the Senate rejected the proposal due to an inability to guarantee wage cuts within the industry and platinum lurched lower. Revelations of an enormous alleged Ponzi scheme – or scam – by Madoff Securities further damaged confidence in the financial sector. Announcements of significant cuts in North American vehicle production by GM and Honda also helped to drive platinum to only \$801 on December 12<sup>th</sup>, below the gold price for the first time in over ten years.

Currency movements then came to the rescue as the Dollar fell substantially on the 15<sup>th</sup> on speculation that interest rates might be cut to near zero levels. Further positive news for the price came from South Africa where Aquarius announced that its Everest mine would remain closed for six months and from the US White House when rumours emerged that some of the federal bank bailout money (or TARP scheme funds) might be used to help out the automotive industry. Platinum fixed at \$834 that morning in London and rose further in the following days as the US rate cut materialised and drove the Dollar lower. It finally peaked at \$874 on the 18<sup>th</sup> of December.

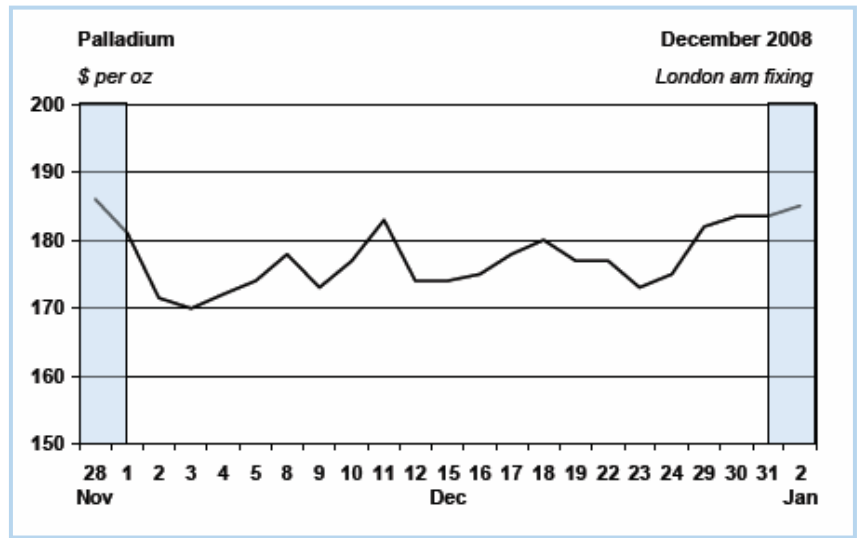
Platinum slipped a little lower on the 19<sup>th</sup> even as a US \$17.4 billion rescue plan for Chrysler and General Motors was approved. Trading was slow in advance of the Christmas break and some end-of-year profit-taking appeared. However, the gold price

remained strong and the new-found one-to-one price ratio supported the platinum price, allowing it to close at \$856 on the 24<sup>th</sup> (the final fix before Christmas). Although many markets were shut, platinum strengthened in the spot market in New York on the 26<sup>th</sup> as GMAC (the finance arm of General Motors) registered as a bank and became eligible for bail-out funds of its own. The Israeli army invaded Gaza on the 29<sup>th</sup> and gold and oil prices rose in response, dragging platinum through the \$900 mark to a monthly peak of \$920. Some profit-taking emerged amidst thin trading conditions and the price settled to end the year at \$899.

## PALLADIUM

**December was a neutral month for the palladium price which drifted from an opening \$181 to a closing \$183.50. Slowing sales and production in automotive markets around the world helped to depress the price during the first half of the month, as did a reduction in net long speculative positions on NYMEX.**

**However, as the US Dollar weakened later in the month and the US Government finally decided to provide emergency funds to Chrysler and General Motors, palladium showed some slight energy and rose to close the month two and a half dollars above its starting point.**



The first fix of December for palladium was \$181, several dollars lower than the final fix of November. The US Dollar rose against other major currencies on the expectation of interest rates cuts outside the USA. Gold fell back through its support at \$800 and palladium dipped lower despite comments from Norilsk that its output both of nickel and palladium would fall in the short term. Poor Japanese automotive sales data hit the price too and palladium dipped to fix at \$171.50 on the 2<sup>nd</sup>. It remained close to this level until the 5<sup>th</sup> when terrible American job loss figures were released. This implied a more rapid slowdown in industrial demand than had previously been expected and hit the price of palladium accordingly, sending it from \$174 at the first fix of the day to the monthly low of \$164 at the second fix with large volumes changing hands.

The fall was, however, quickly reversed. The US Government announced a plan to invest very large sums of capital in infrastructure projects to stimulate the domestic economy. This calmed the financial markets somewhat and forced the dollar lower, allowing the price of most precious metals to rise. Gold rebounded and palladium followed, moving to \$178 on the 8<sup>th</sup> and into a tight range of \$175-\$180 for the following days, despite a falling US Dollar on one hand and weak automotive production and sales data on the

other. However, the dollar kept falling against the Euro and palladium finally broke through the \$180 mark on the 11<sup>th</sup>, fixing at \$183 in London that morning.

Once again, though, the strength was only temporary. The US Senate rejected the rescue plan for the Detroit carmakers and platinum and palladium both lost ground, with palladium hitting a low of \$172 on the 12<sup>th</sup> under pressure from further cuts in North American vehicle manufacturing. The decline was halted by a fall in the US Dollar's value due to speculation over possible interest rate cuts. However, while platinum benefited – assisted by strong jewellery and investment demand in Asia – palladium could only remain steady. It did eventually advance, inching higher, towards the \$180 level but met significant resistance there from investor sales.

Palladium fixing prices – December 2008

	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	184.00	164.00	176.15
£ per oz	129.20	112.15	118.60
€per oz	142.85	116.10	130.85

Palladium did briefly reach \$180 at the first fix on the 18<sup>th</sup> but dropped back in very thin trading conditions with little investor or physical buying or selling interest. The final fix before Christmas was \$175 on the 24<sup>th</sup>.

The price moved higher over the Christmas period as GMAC, General Motors' financial arm received permission to trade as a bank. This entitled it to receive emergency relief from the Government on its own account and boosted the palladium price which reached a monthly peak of \$184 at the second fix on the 29<sup>th</sup>. With trading volumes remaining anaemic, the price drifted marginally lower and ended the year at a final fix of \$183.50.

## OTHER PLATINUM GROUP METALS

**After several negative months for the rhodium price, it finally changed direction and gained some ground during the month as buying emerged in some small quantities. However, the picture for ruthenium was unchanged as weak demand from the electronics industry dragged the price of that metal down by fifty per cent during December. Iridium suffered too and the price took a \$10 step lower in the middle of the month.**

Rhodium started the month of December at a Johnson Matthey base price of \$1,075, \$25 above where it had been at the end of November, with some buying interest evident. The price rose to \$1,225 on the 3<sup>rd</sup> despite further bad news from the automotive sector (Japanese domestic sales and cuts in production at Honda in this instance). It reached a peak for the month of \$1,375 on the 4<sup>th</sup> before the buying dissipated. The price then started to move lower, slipping to \$1,325 on the 8<sup>th</sup> and \$1,275 on the following day. Unlike in the platinum and palladium markets, currency movements had little effect but a stream of negative media coverage of the automotive market (and weak demand) pushed rhodium to a low of \$1,100 on the 17<sup>th</sup>. With small amounts of metal changing hands, a brief spell of unexplained market exuberance drove rhodium to \$1,150 on the 18<sup>th</sup> and

onward to \$1,250 on the 24<sup>th</sup>. It remained at this level and ended the year uncharacteristically quietly at \$1,250 per ounce.

Ruthenium suffered badly in December with yet another month of price weakness. With the global economic situation worsening and a lack of confidence amongst consumers, demand for ruthenium from the electronics industry slowed. However, the flow of recycled metal being returned from the hard disk manufacturing process did not diminish. This mismatch between demand and combined primary and secondary supply drove the price rapidly lower throughout the month. Ruthenium started at a Johnson Matthey base price of \$200 and fell to \$190 on the 8<sup>th</sup>. From here, it continued to crumple and it ended the year very softly at \$100. Iridium suffered from soft demand too: its initial price was \$445 and it took a single \$10 step lower on the 15<sup>th</sup> to end the year at \$435.

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