

The Platinum Metals Report

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February 2008

Johnson Matthey

Platinum group metal prices were heavily supported by continuing uncertainty over the impact of power supply interruptions in South Africa. Although mining restarted early in the month, there was little clarity over the impact of the stoppages on production. Platinum was particularly strong, reaching a series of record prices, as did rhodium. Palladium was quieter initially but substantial investor interest eventually reappeared and the palladium price reached its highest point since 2001. With the price rising, investors also placed large sums into the various pgm-backed exchange traded funds, reinforcing the price movements and reducing liquidity in the marketplace.

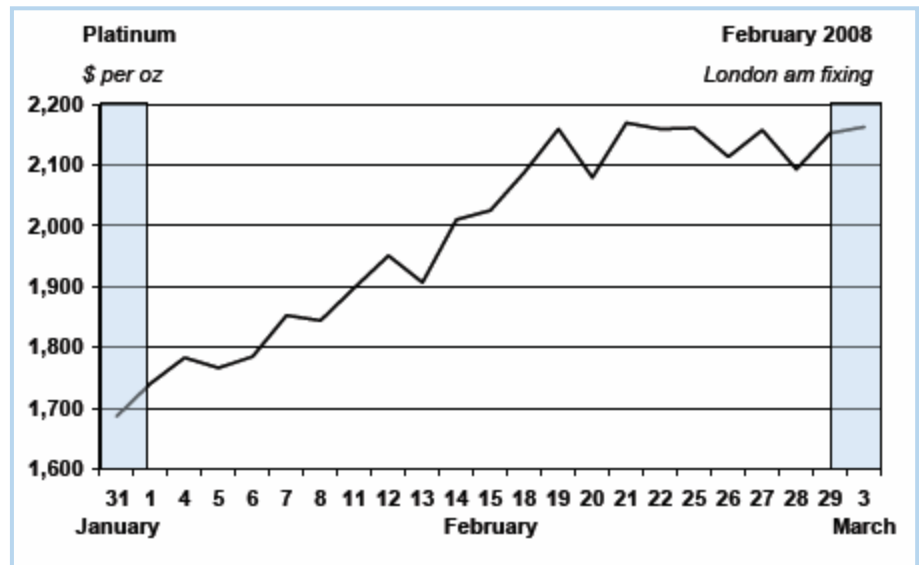
PLATINUM

Having risen by roughly \$200 in the last third of January, the platinum price continued to climb rapidly in February. It started the month at \$1,731 and set record prices day after day due to the continuing power supply problems in the South African mining industry. Platinum peaked at \$2,180, partly driven by heavy ETF

investment. Towards the end of the month, the price rise stalled and platinum traded sideways, albeit with very high intra-day volatility, to close at \$2,150.

Towards the end of January, power supply issues stopped almost all mining in South Africa. Although some mining had restarted by the start of February, news quickly emerged that ESKOM was not able to supply the 90 per cent of power requirements it had promised. Platinum rose to \$1,741 at the first fix on the 1st, which proved to be the low point for the month.

Shanghai Gold Exchange volumes dwindled in response to the high prices but TOCOM traders took over, driving platinum higher on the 4th and the 5th despite news that both Anglo Platinum and Impala had resumed smelting and mining operations. Platinum in fact reached the equivalent of \$1,808 on TOCOM on the 5th before falling back



dramatically to find support at \$1,760. This extreme volatility continued for the entire month.

Unfounded rumours that Russian exports of platinum were not able to meet contractual obligations boosted platinum sharply and it reached \$1,813 at the second fix on the 6th, supported by good investor interest. The start of the Chinese New Year holidays the following day reduced buying in Shanghai but short covering on TOCOM took the price to over 6,000 Yen per gram and a fix of \$1,852 before a bout of liquidation occurred. Resurgent investor purchasing nonetheless took platinum back to \$1,860 the following day.

On the 11th, Anglo Platinum announced its results for 2007, which included a forecast for 2008 production of only 2.4 million ounces of platinum, demonstrating the likely impact of the power interruptions (up to 150,000 oz of lost production over the year for Anglo Platinum itself). Investors spotted an opportunity to move in and platinum traded up to another set of new records: \$1,924 at the London p.m. fix that day, and \$1,951 the following morning.

Profit-taking on the 12th and 13th saw platinum fix at \$1,907 in London in the morning of the 13th, before bouncing higher in line with movements in the gold price. News that the South African power supply problems could continue in some form until 2012 paved the way for further price rises: platinum burst through \$2,000 to fix at \$2,010 on the 14th as Impala revealed that its 2008 output would fall below 2007 levels. Profit-taking started to become more common with each upward move and the platinum price softened briefly. However, it rebounded on the 15th, to \$2060 as Anglo Platinum reported the temporary closure of its Polokwane smelter. All the while, ETF positions continued to grow, maintaining the upward pressure on the price.

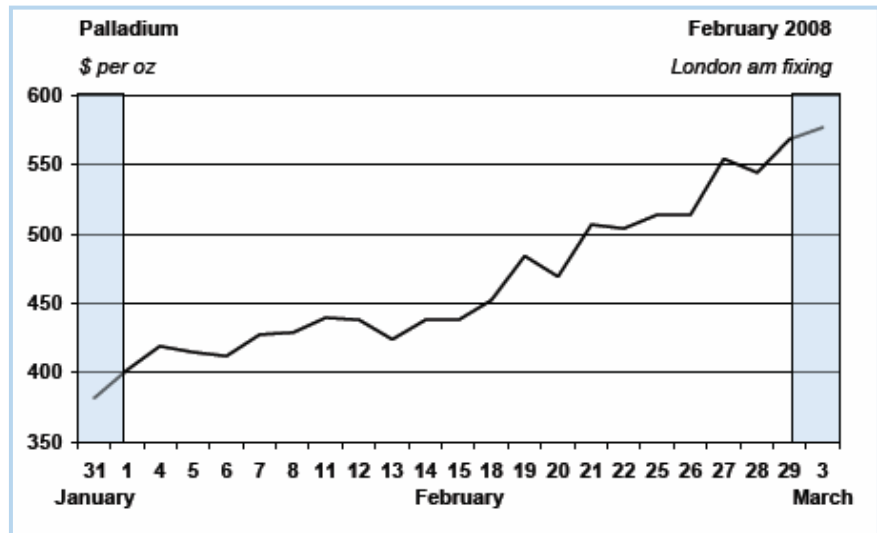
Platinum fixing prices – February 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	2,180.00	1,741.00	1,997.40
£ per oz	1,113.90	873.75	1,107.30
€per oz	1,479.40	1,170.40	1,354.10

Continued TOCOM buying and a buoyant gold price kept the platinum price firming to \$2,260 on the 19th. It dropped back in the spot market and then in trading on TOCOM ahead of the introduction of new margin rules, plummeting to \$2,073 on the 20th.

The incredible volatility continued, as every dip was met with physical purchasing and every price rise with profit-taking. Platinum shot up to its monthly peak of \$2,180 on the 21st as the US Dollar fell on poor domestic manufacturing data. Gold too hit a new record price and started to close in on the \$1,000 mark. Although daily movements remained large for the remainder of the month, they were relatively insignificant in the light of previous activity. Platinum did drop to \$2,093 on the 28th but recovered just as quickly, driven by short-covering in a thin market, to end the month at the lofty heights of \$2,150, showing a monthly gain of \$419.

PALLADIUM

February was a month of two halves for palladium. It climbed above \$400 for the first time since May 2006 at the start of the month and quietly rose by another 10 per cent in the next ten days. Investor interest in the second half – through exchange traded funds and from institutions – drove the price to \$568 at the end of the month, more than 50 per cent above where it had started the year.



The activity in the platinum market drove the palladium price for much of February. Investor interest propelled palladium to \$402 on the 1st, the first time that palladium had risen above \$400 since May 2006. Having broken this resistance level, the price continued higher, reaching \$420 on the 4th, a new 6 year peak. Palladium stayed near this level for the following few days but eventually inched past the \$430 barrier on the 8th as it followed platinum higher. Palladium again broke technical resistance on the 11th and climbed another few dollars, to \$443 before a bout of investor liquidation softened the price. Palladium then drifted for several days before breaking through resistance at \$450 late on in New York on the 15th. ETF buying interest, which had already been significant in early February, now suddenly accelerated – 130,000 oz of metal were bought in the last two weeks of February – driving the price on.

Palladium fixing prices – February 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	568.00	402.00	467.65
£ per oz	286.50	201.75	238.10
€ per oz	373.95	270.25	316.85

Palladium rocketed higher on the 19th to \$484 and even briefly crested \$500 on NYMEX before fund profit-taking reappeared in New York and then on TOCOM. Palladium dipped

to \$469 on the 20th before firming again. Investor buying was again the catalyst and palladium fixed at \$507 and \$519 on the 21st as platinum reached a high for the month.

However, the buying in palladium was not over. Although the price remained steady for a few days, a drop in the US Dollar against the Euro forced the price sharply higher to \$554 on the 27th. The final stimulus came from buying by a range of investors, driving palladium higher once more to end February at \$568, more than 40 per cent above where it had been at its start.

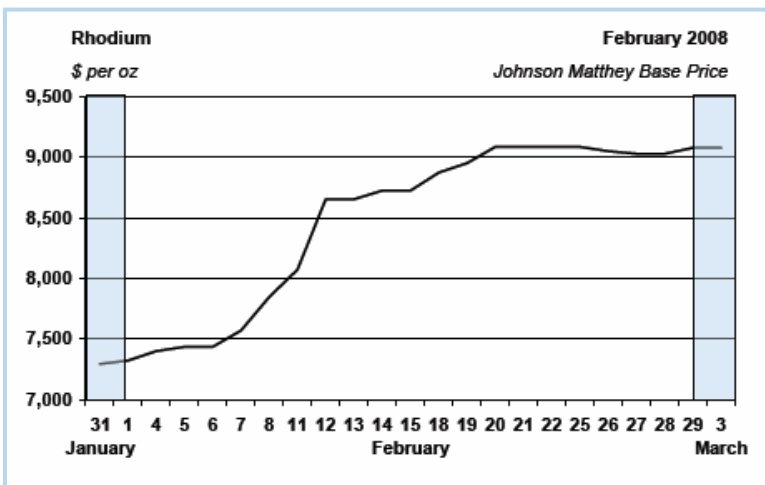
OTHER PLATINUM GROUP METALS

Interruptions to South African mining and pgm processing caused some nervousness in the rhodium market in February. With bids constantly appearing, the price climbed almost \$2,000 during the month. The ruthenium and iridium markets were quiet with little movement seen.

Rhodium started February at its highest ever price of \$7,300 and immediately started climbing. The continuing power supply problems in South Africa were expected to lead to a lower rhodium output than had previously been thought, providing considerable upward pressure on the price. The month also saw constant levels of bidding, outweighing the small number of offers (lower than normal due to the South African situation).

It was therefore unsurprising that rhodium climbed quickly, hitting new records on the 4th, 7th and 8th of the month.

Rhodium moved above \$8,000 for the first time ever on the 11th and jumped \$575 the following day, to \$8,650. The climb was not over here, though, and rhodium reached \$9,080 on the 20th before the market cooled, in tandem with the platinum market. The price softened marginally to end the month relatively calmly at \$9,075.



Ruthenium started February at a Johnson Matthey base price of \$415 and gradually climbed higher under steady end user purchasing. It closed February at \$425. Iridium did not move and remained at \$450 for the entire month.

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