

The Platinum Metals Report

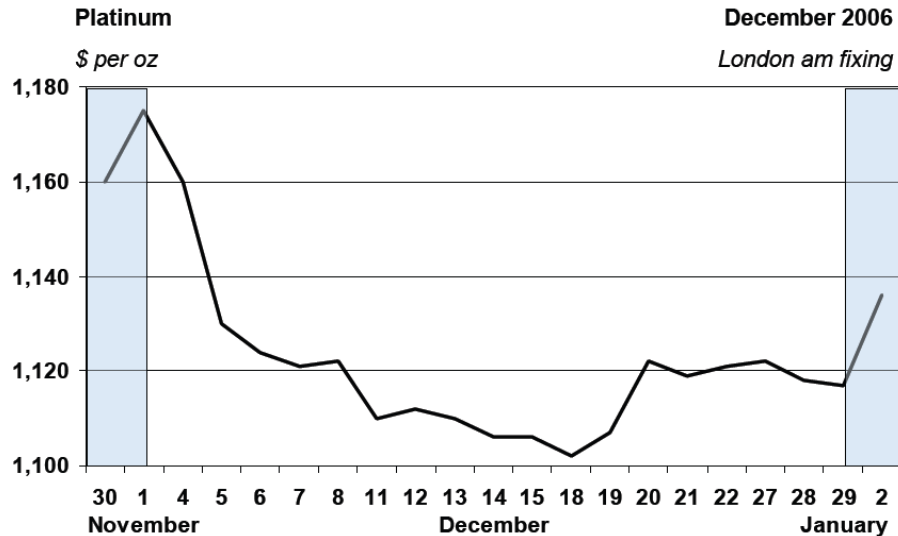
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December 2006

Johnson Matthey

PLATINUM

After the wide swings seen a month earlier, the price of platinum was more stable in December. The month's peak was \$1,175 on the 1st and the price moved rapidly lower over the next few days, threatening the \$1,100 level on the 18th. It



recovered slightly to see the month out at \$1,117, down 5 per cent overall.

Platinum opened December by fixing at what turned out to be its high point for the month, \$1,175 on the 1st, having moved higher on Asian markets early that day. Some profit-taking was seen in London, a sign of things to come for the month ahead, depressing the metal price before weak US domestic manufacturing data softened the dollar and supported gold and platinum. The pattern of Asian strength and European weakness was repeated on the 4th. However, fund sales on TOCOM early on the 5th preceded a fall in the price to \$1,130 on the London morning fix.

Fund profit-taking, in preparation for the year end, continued on TOCOM during the following days and at one stage on the 6th, platinum dipped below \$1,100 in Tokyo. The price recovered sharply in Europe, and short covering in New York lent further support. Nevertheless, with the price a long way below its November peak, sales of metal on the Shanghai Gold Exchange (SGE) rose to 163kg on the 7th and 200kg on the 8th. Overlaying this activity, a rise in EU interest rates on the 7th weakened the dollar and helped sustain the platinum price.

On the 11th, Impala Platinum revealed its intention to buy 29.9 per cent of Afplats' South African operations, with the investment to be used to help fund expansion, while on the 12th Angloplats announced a project to expand production at its Amandelbult property. Neither news affected the market and the platinum price skidded along between \$1,105 and \$1,100 until the 15th.

Platinum fell to its lowest point for December on the 18th. It fixed at \$1,102 and was rescued from further decline by a combination of Asian industrial and jewellery purchasing and news from Lonmin that a

Platinum fixing prices – December 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,175.00	1,102.00	1,121.35
£ per oz	597.50	562.00	570.85
€per oz	888.15	836.00	848.35

smelter shutdown would reduce its output in the first half of the 2007 financial year by between 30,000 and 40,000 oz of platinum. This prompted a bout of short covering on the 19th, forcing the price higher to \$1,118, with large volumes of metal changing hands on the London afternoon fix.

News emerged on the 20th that Norilsk Nickel would be unable to renew its export quota for platinum and rhodium before early 2007, leading to speculation of some interruption in supply of these two metals. The platinum price, however, remained unmoved, in quiet trading conditions. Leading up to Christmas itself, long liquidations of commodities by funds looking to close out their positions for the year balanced small amounts of consumer purchasing, with the price confined to trading in a range \$5 either side of \$1,120. Although the gold price moved slightly in post-Christmas trading, there was no clear direction and platinum continued to move within this narrow band, closing the year at \$1,117, a gain of 14 per cent over the entire twelve months of 2006.

PALLADIUM

The palladium market was extremely quiet during December. Opening the month at \$326, it closed \$2 lower at \$324 having traded within a ten dollar range throughout.

The palladium price started December at \$326 and was rather more robust than the platinum price. As its sister metal fell, palladium remained insulated with daily movements of only a

Palladium fixing prices – December 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	331.00	321.00	325.95
£ per oz	168.20	163.70	165.95
€per oz	248.75	243.90	246.60

few dollars the norm. Over the first week, it even moved in the opposite direction to platinum, climbing to a peak of \$331 on the 5th.

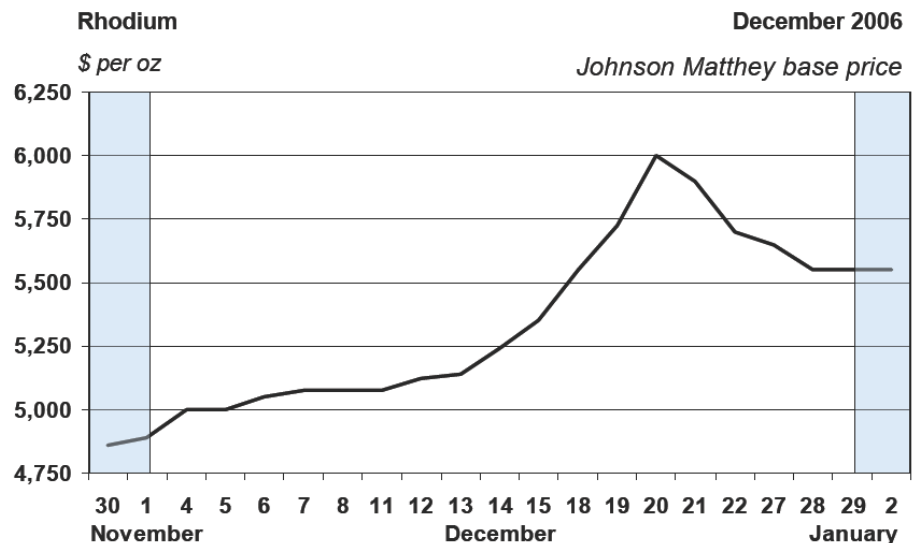
However, investor interest remained at a low level and, with trading conditions quiet, there was little excitement evident. The price wobbled around but stayed in a very tight \$10 range, touching a low of \$321 on the 19th before recovering to \$324 on the 29th, the last trading day before the New Year. Net speculative long positions on NYMEX also fell throughout December, dropping from 436,000 oz to 388,000 oz. Despite this quiet end to 2006, the price performance over 2006 showed a strong gain of 24 per cent over the year.

OTHER PLATINUM GROUP METALS

Following an uneventful month in November, the rhodium price started December at \$4,890, subject to a degree of upwards pressure. It ratcheted up to \$5,000 on the 4th and \$5,075 on the 7th under constant bidding. As offers by dealers were fairly scarce but industrial demand

was healthy, the price rose by \$100 from the 13th to the 14th, \$110 in the following 24 hours and a further \$200 a day later. The price peaked on the 20th at \$6,000 but softened on the appearance of a small number of offers of metal, closing the year at \$5,650.

Consistent industrial demand for ruthenium kept the Johnson Matthey base price moving higher throughout December. Starting the month at \$375, it leapfrogged the iridium price for the first time ever on the 7th of the month, moving to \$410. The pressure remained on the price, which kept on climbing to finish at \$610 on the 29th. The iridium price was unmoved despite steady consumer demand and it remained at \$400.



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