

## Platinum

The platinum price fell from \$481 to \$455 in January 2002 under the weight of long liquidation on the futures markets. From then on, the tightness of the physical market fuelled several rallies, punctuated by short bouts of fund and investor profit-taking. The peak fixing price increased from \$559 in April, to \$567 in June, then to \$574 in August and September. With overall demand higher and Russian supplies lower than in 2001, more than 560,000 oz of metal were withdrawn from Swiss stocks during the first eight months of the year. Despite this, a lack of short-term liquidity forced the platinum price and lease rates upwards on several occasions.

Platinum began 2002 steadily, trading between \$470 and \$480 for much of the first three weeks of **January**. On the 24th, a flurry of long liquidation by private investors on TOCOM pushed platinum contracts down by the daily limit. Funds on NYMEX also started selling, but strong

physical demand kept the spot price buoyed for several days. The support was broken on the 29th by a fresh wave of futures selling, the spot price falling to \$455 on the 31st.

The decline was reversed in **February** as investors started to open new long positions, while strong bullion bank buying in Europe and solid physical demand underpinned the spot price. Sentiment was also helped by a robust rally in gold. Over the first seven days of trading the platinum price gained \$26 on the London fixings, reaching \$475 on the morning of the 11th. After a brief pause the rally resumed, the platinum price climbing to \$493 by the end of February, spurred by short-covering.

Platinum continued its upward surge in early **March**, breaking through the \$500 mark on the 4th and hitting \$526 on the 11th as short-covering and fund buying continued. Following a degree of profit-taking, it traded between \$510 and \$520 through to the end of the month. With little evidence of Russian spot sales during the first quarter, substantial volumes of metal were withdrawn from stocks in Zurich.

The upward momentum recommenced in **April**. A combination of strikes at Anglo Platinum operations in South Africa, healthy physical demand, investor short-covering, and subdued spot sales fuelled a spurt in the platinum price. As lease rates climbed, the London fixing was propelled from \$526 on the 9th to \$559 on the 18th, its highest level since July 2001.

The price weakened when higher volumes of metal were placed on the fixings, attributed in part to offers of Russian metal. This, coupled with profit-taking by Japanese investors, pulled the price back down to \$536 on the 30th.

Platinum opened **May** trading at, or

close to, \$520. The strong market fundamentals and positive sentiment meant that this level was now a significant base of support, and fund and investor buying returned. The price rose from \$525 on the 13th to \$546 on the 21st and held ground near \$540 until rallying to \$548 between the 29th and 31st.

**June** started with platinum still buoyed by the continuing firmness of physical demand. By the 7th platinum was fixed at \$564, responding to rising futures prices on TOCOM. The price stabilised between \$554 and \$558 for several days as physical purchases thinned, then began to climb once more from the 14th as fund buying resumed. Although bids for metal became lighter as the price moved past \$560, the London fix reached \$567 on the 21st, a twelve month high.

The market then turned sharply downwards as investors became concerned about the continuing fragility of the US economy, sliding equity prices and the depreciation of the dollar versus the yen. Selling of metal on the London fixings and heavy liquidation of long futures positions caused the platinum price to fade to \$539 by the 27th.

The slide continued into **July** as bearish investors opened new short positions. TOCOM closed limit down on the 1st and the London fix dropped \$13 to \$532. Again, however, steady physical demand on the London fixings underpinned the platinum spot market around \$520; price fluctuations experienced over the following three weeks were driven primarily by speculative activity on TOCOM. The spot market was fairly quiet, platinum mostly trading between \$520 and \$530.

Platinum spent a quiet first week of **August** floating around \$525, before fund

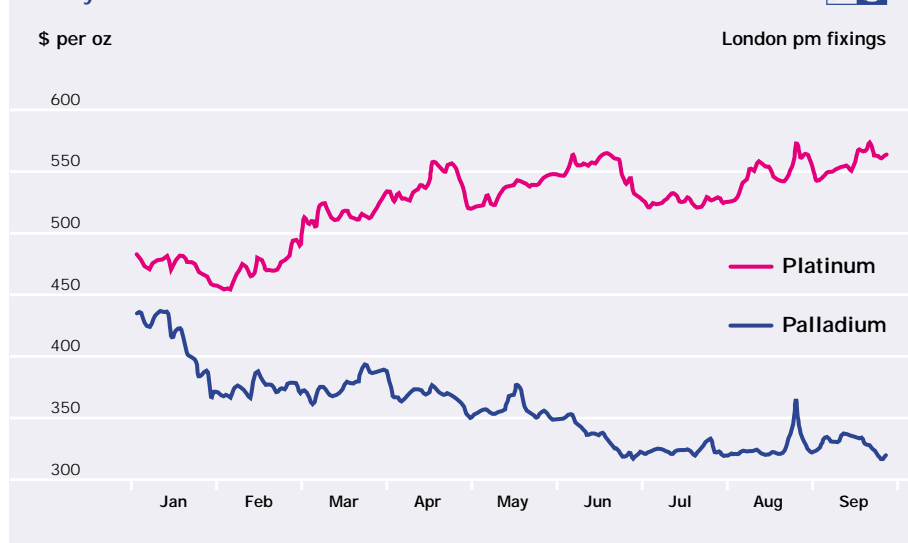
### Average PGM Prices in \$ per oz

	Jan-Sep 2001	Jan-Sep 2002	Percentage Change
Platinum	558.88	523.55	-6%
Palladium	687.26	355.08	-48%
Rhodium	1,829.79	888.28	-51%
Iridium	415.00	329.64	-21%
Ruthenium	143.97	70.48	-51%

*Platinum and palladium prices are averages of London am and pm fixings. Other pgm prices are averages of Johnson Matthey European base prices.*



Daily Platinum and Palladium Prices in 2002



purchasing on NYMEX sparked a new rally. Platinum hit \$540 on the 8th and passed \$550 on the 12th as funds opened new long positions, while in the spot market near-term borrowing interest increased. Short-covering by investors in Japan contributed to the rise – the June 2003 contract moving above ¥2,000 per gram in heavy trading. Amongst this futures activity, Chinese purchases of physical metal faltered as the price moved above \$550.

The final week of August saw a jump in the price of platinum to \$574 in reaction to an intense bout of short-covering in the palladium market. As the brief palladium rally reversed, however, platinum also fell, ending the month at \$564.

Another round of profit-taking by investors in the USA and Japan, coupled with good offers of metal on the London fixings, pushed the price down to \$542 on the 4th September. As the price neared \$540, however, physical buying interest strengthened and the fall was arrested.

On the 18th and 19th, sizeable borrowing via short-term forward contracts put pressure on the spot market. One-month lease rates jumped towards 12 per cent, driven in part by reports of low metal stock levels in Zurich. The platinum price climbed to \$570 on the 20th. A second surge of short-term borrowing was seen on

the 24th, which bumped the afternoon fix up to \$574, equalling the August high. The following day, however, the borrowing fell away and lease rates eased back. With good offers of metal on the fixings, platinum ended September trading steadily close to \$560.

## Palladium

The Russians maintained their effort to support the price of palladium by staying out of the spot market during the first nine months of 2002. However, with heavy inventory overhangs in the autocatalyst and electronics sectors the price slid from \$440 at the start of the year to \$320 in June, and revisited the November 2001 trough of \$315 in September. Activity on TOCOM fell by almost 50 per cent from the already low levels of 2001. In such thin trade, small volumes had a large influence on the price, as evidenced by two brief short-covering spikes in July and August. Palladium traded either side of \$430 during the first two weeks of January but fell sharply to \$413 on the 15th as the market digested reports that Ford Motor Company was to take a \$1 billion charge against its

inventories of precious metals. Speculation that Ford would sell palladium back to the market pushed the price down to \$400 by the 21st. With increasing pressure from fund selling in New York, it had dropped to \$370 by the end of the month.

After a dull start to February for palladium, borrowing by a US trader on the 13th led to a jump in lease rates as banks hurried to cover their positions. The London fix moved up to \$383 before the NYMEX March contract touched a high of \$395. TOCOM subsequently traded limit up and palladium fixed at \$388 on the 14th. This liquidity squeeze quickly subsided as larger offers of physical metal appeared on the fixings, palladium dropping to \$380 the following day. The market remained quiet for the remainder of February, the metal fixing at \$377 on the 28th.

After opening March at \$373, palladium dipped to \$360 on the 6th as large volumes were sold on the London fixing. Improved spot market bids lifted the price to \$380 on the 20th, then fund buying on NYMEX on the 25th triggered a flurry of short-covering. Sentiment was influenced by reports that Norilsk Nickel would not ship pgm until May and palladium fixed at \$393 on the 26th. Investor buying waned, however, and palladium slipped back to \$386 at the end of the month.

The palladium market weakened during early April following confirmation from Ford that it was actively reducing its pgm inventories and was prepared to sell metal back to the market. The palladium price slumped by \$30 to \$362 between the 2nd and 8th of the month, then traded thinly and settled at \$360 on the 30th.

During the first half of May the palladium price mostly fixed in a tight range of \$350 to \$357. From the 15th onwards the price strengthened in line with rallies in platinum and gold as both physical and fund purchasing increased. The illiquid market enabled palladium to reach \$378 on the morning of the 21st, but as fund buying evaporated the price slid and ended the month at \$348.

## Monthly High, Low & Average Prices of Rhodium 2000-2002



\$ per oz

Johnson Matthey base prices

3,000

2,500

2,000

1,500

1,000

500

2000

2001

2002

The palladium market turned bearish in **June**, the metal losing almost \$30 over the course of the month after initially following platinum upwards. Open interest increased on NYMEX as funds opened new short positions and this put pressure on futures prices. With only limited physical demand, the London fix had fallen to \$333 by the 14th. At the end of the month palladium was trading either side of \$320, its lowest point since November 2001.

Liquidity in the palladium futures market declined from already depressed levels during **July**, only 4,191 contracts being traded on TOCOM. Physical demand remained weak but was sufficient to keep the price near \$320 in the absence of further fund selling. A minor short-covering rally lifted palladium to \$332 on the 29th but by the 31st it was back at \$322.

The palladium price was virtually static at \$320 in very thin summer trade during the first three weeks of **August**. The calm was broken by a sudden short-squeeze in the final week of the month that drove the price up by \$30 on the London fixings and by over \$50 on the New York spot market. This speculative move, initiated by a single US-based fund, caused a rash of short-covering on both NYMEX and TOCOM. In response, the fixing jumped from \$330 on the morning of the 27th to \$365 the

following afternoon. The spot price touched \$375 at one point but increased offers of metal rapidly appeared at this level, and selling on the London fixings pushed the price down to \$330 on the 30th.

As the effects of the speculative short-squeeze dissipated, the palladium price settled at \$320 on the 3rd **September**. For the next two weeks the market was very quiet, the metal mostly fixing between \$330 and \$335. Volumes of physical trade were thin, and activity on TOCOM was exceptionally light. Renewed downward pressure emerged in the final week of September as pessimism about the short-term global economic outlook resurfaced. With physical demand stunted and indications that Russian shipments had increased, palladium slid from \$331 on the 23rd to \$315 on the 30th – trading at a discount of almost \$250 to platinum.

## Other PGM

The rhodium price drifted downwards during the first nine months of 2002. Autocatalyst demand remained firm but with no concerns over availability, the price moved down from \$1,075 in January to \$730 by the end of September. Ruthenium and iridium prices also declined substantially

due to a combination of plentiful supplies and weak markets. Ruthenium dropped by \$20 to \$60 and iridium fell by \$175 to \$220 over the period.

The Johnson Matthey base price for rhodium gradually drifted down from \$1,075 during January in a subdued market. It traded steadily between \$960 and \$1,010 from then until late April, supported by a lack of Russian sales.

By the 8th of May, however, increased offers had driven the price to \$800, with much of the metal believed to be of Russian origin. Buying interest returned at this level and briefly pushed rhodium back up towards \$1,000 but by June offers were again outweighing bids. The JM base price weakened throughout the summer, slipping under \$800 in July in thin trade and settling at \$730 by the end of September.

The ruthenium and iridium markets were uninspiring during the first nine months of 2002. Ruthenium demand from the electronics sector experienced a degree of recovery, component inventories having fallen from their 2001 peak, but demand remained well below supply. The JM ruthenium base price subsided from \$80 in January to \$60 in September.

Slack demand for iridium against a background of increasing availability from South Africa saw the price flag. The JM base price fell from \$395 in January to \$220 by the end of the third quarter.

## Monthly High, Low & Average Prices of Ruthenium in 2002



\$ per oz

Johnson Matthey base prices

80

70

60

50

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep