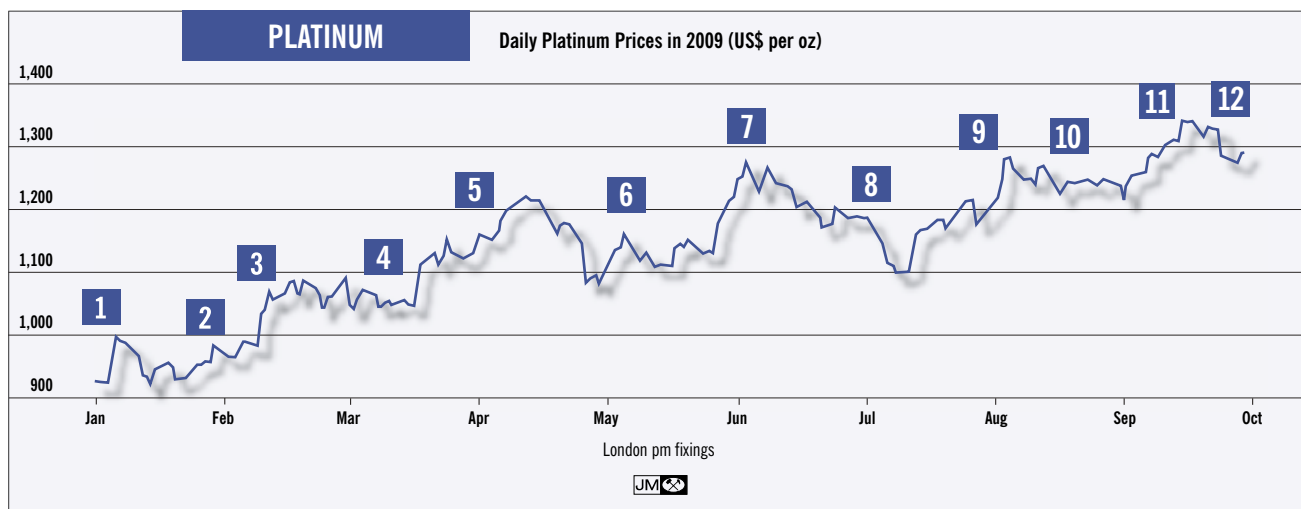


PRICES & FUTURES MARKETS



Although the platinum price fell heavily in the second half of 2008, it recovered well during the first nine months of 2009 despite weak physical demand.

The platinum price performed strongly through the first nine months of 2009, averaging \$1,143.40, although it remained much lower than during the corresponding period in 2008. It began the year at \$934 and ended September at \$1,287, a rise of 38 per cent, driven higher by a weak US Dollar, good investor interest and a strong gold price.

1 Platinum began 2009 at \$934, a long way below the record levels of the previous year but already almost \$180 higher than the low of late October 2008. On the 5th of **January**, the Chinese Government announced plans to cut purchase taxes on new vehicles, adding some energy to the market. Strong physical demand on the Shanghai Gold Exchange (SGE) and from individual investors in Japan then forced the price up to \$1,000 for the first time in 2009 at the second fix on the 7th, before profit-taking drove the price back lower.

first nine months of 2009 of \$915 on the 15th. This fall, though, encouraged more physical buying by the Chinese jewellery industry and platinum reversed its direction, climbing to end the month strongly at \$983.

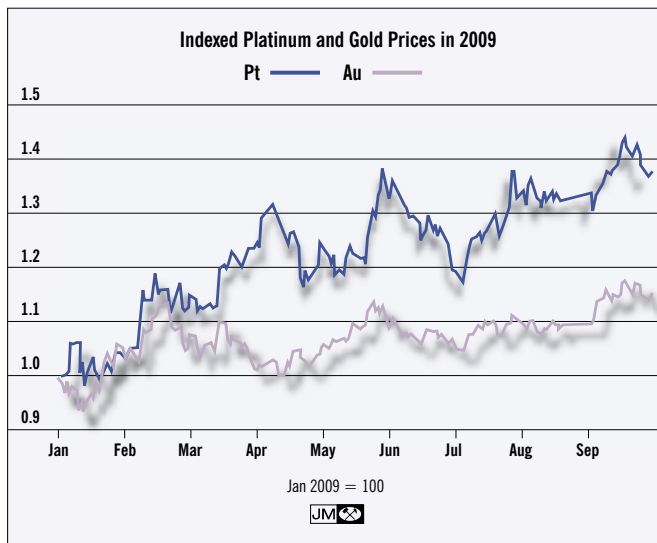
3 Buying continued on the SGE and as investors drove gold higher, platinum followed, rising above \$1,000 on the 10th of **February**. A large discount opened up between sponge and ingot prices, demonstrating the weakness in automotive and industrial demand and the strength of the jewellery market. Warnings of a possible strike by South African mineworkers firmed the price and heavy Exchange Traded Fund (ETF) purchasing and rising net long speculative positions on NYMEX took platinum to a peak of \$1,113 on the 18th.

4 A stream of negative stories from the automotive industry kept the pressure on the platinum price in late February and early **March**, sending it lower to \$1,044 on the 18th of March. Late that day, the US Government moved to inject huge amounts of money into its financial system in the form of quantitative easing. This reassured the markets and drove the dollar lower with commodity prices rising in response. Gold rose quickly and platinum followed with a bout of investment on NYMEX and through the London ETF driving platinum back to \$1,118 on the 20th.

5 On the 3rd of **April**, a plan to launch a US-based platinum ETF was revealed and the platinum price rose to \$1,159, its highest point of the year so far. European ETF purchases and TOCOM investors kept applying

Average PGM Prices in \$ per oz (Jan-Sep)			
	2008	2009	Change
Platinum	1,811.26	1,143.40	(37%)
Palladium	405.11	235.60	(42%)
Rhodium	8,163.21	1,397.10	(83%)
Ruthenium	358.49	87.03	(76%)
Iridium	451.45	425.52	(6%)

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



Worries over the health of the global economy supported the gold price during the first nine months of 2009, helping platinum to gain ground during the same period.

upward pressure to the price and concerns over the forthcoming South African elections generated some nervous buying. Rumours of the launch of a South African platinum ETF maintained this momentum in the days before Easter. When the markets reopened, the gold price rallied on “safe haven” buying and platinum fixed at a high of \$1,229 on the 14th before reaching \$1,250 in the spot market later that day.

6 Gold came under pressure over the possible sale of some of the International Monetary Fund’s gold reserves late on the 14th of April and softened. NYMEX positions in platinum started to shorten and Chinese physical buying dwindled. Commentators started focusing on the automotive sector and, with plenty of bad news available to analyse, the price drifted downwards. ETF investors started to liquidate some of their positions and support for the price evaporated. At the end of the month, Chrysler entered Chapter 11 bankruptcy, triggering substantial involuntary sales of metal, and forcing platinum to a low of \$1,076 on the 1st of **May** before it found some support from investors on the futures exchanges. Proposals to launch car scrappage schemes in Japan and the USA helped firm the price further and platinum moved into a range of \$1,125-\$1,150 in the second half of the month.

7 At the end of May the US Dollar lurched lower on worries over the nation’s creditworthiness amidst the huge scale of bond issuing. Investors jumped into the gold market and platinum benefited too, rising from

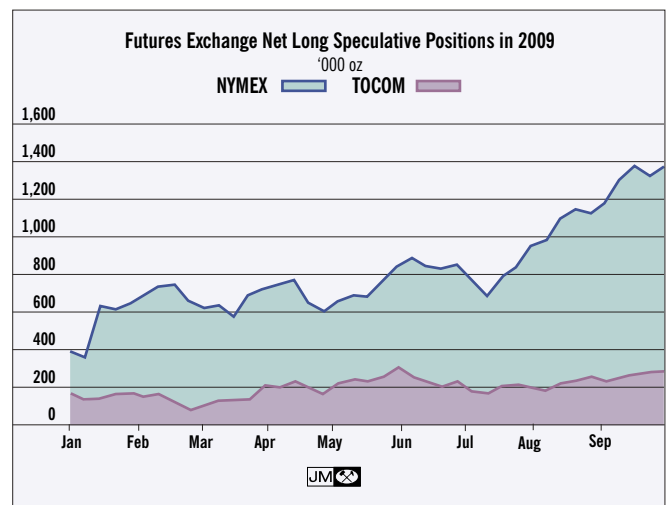
\$1,126 on the 28th of May to \$1,218 on the 1st of **June** despite weak physical demand. Some profit-taking was seen but rumours of production problems at Anglo Platinum’s Rustenburg mine still sent platinum spiralling up to a high of \$1,293 on the 5th.

8 Physical purchasing of platinum in Shanghai shrank in response to the high price in early June. Worries over the South African mining sector provided some stability before a rising dollar weighed on platinum. Speculation that US regulators might seek to impose position limits on a range of commodities futures drove a sell-off on NYMEX and on TOCOM and platinum fell from \$1,208 on the 26th of June to only \$1,092 on the 13th of **July**.

9 The platinum price was then rescued by currency movements: the dollar weakened, boosting commodity prices. Positive news from the automotive sector prompted investors to look further into the future and NYMEX net long speculative positions started to grow towards their highest level for over a year. When news of a serious accident interrupting production at Impala was followed by the eventual launch of the US vehicle scrappage scheme platinum finally re-emerged over the \$1,200 level. With further support from production cuts at Anglo Platinum’s Rustenburg operations, it fixed at a monthly peak of \$1,213 on the 28th of July.

Platinum briefly retraced its tracks under pressure from technical selling but found some physical support. Speculative investment continued and the threat of a strike at ESKOM drove the price to a peak of \$1,286 on the 5th of **August** before fears that US regulators

Investors returned to the platinum futures markets in early 2009 and built net long speculative positions to historically-high levels.



might impose rules to curb “excessive speculation” in commodities markets drove the price back lower.

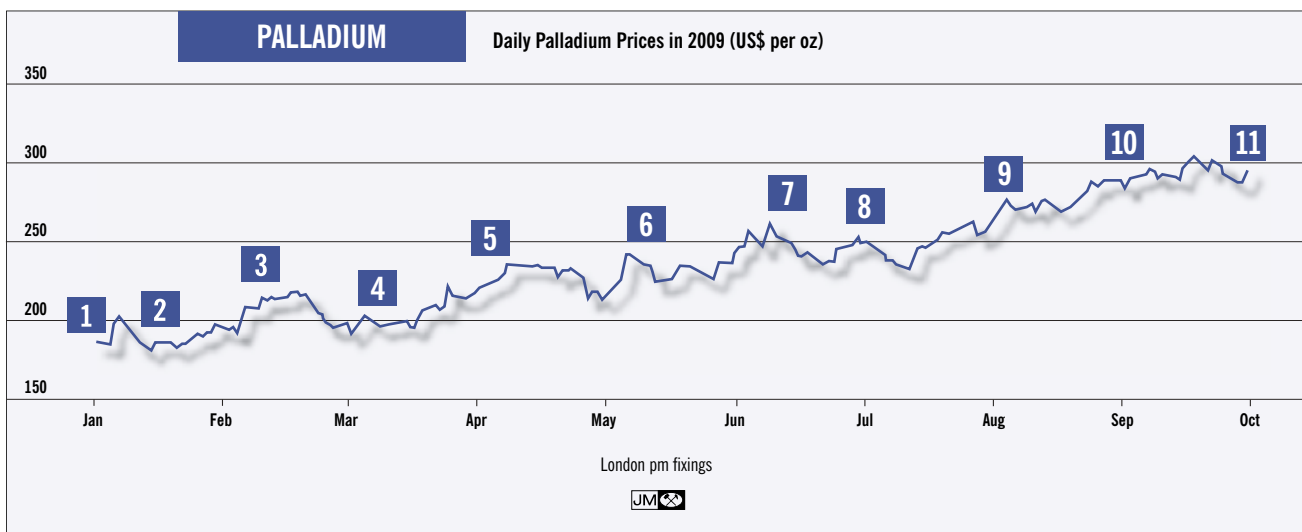
10 The platinum price moved in a narrow range – considering recent levels of volatility – of \$1,220 to \$1,270 for much of August. The announcement of the forthcoming launch of a Japanese platinum ETF firmed the price on the 12th. When this was followed by good SGE purchasing and industrial action in South Africa, platinum rose as high as \$1,271 on the 14th. However, worries over the sustainability of Chinese economic growth drove platinum lower, close to the support at \$1,220, on the 18th. At the end of the month, neither the end of the US car scrappage scheme nor the outbreak of a strike at Impala’s Lease Area could propel the price out from this range in either direction.

11 Investors continued to build long positions on the futures exchanges at the start of **September**. The strike at Impala provided some support for the price and the movement of gold towards the \$1,000 level drove platinum higher. It started climbing on the 2nd,

rising from \$1210 in London that afternoon. The dollar weakened and gold ticked higher. On the 8th gold broke through the four figure mark and good Chinese automotive sales data helped drive platinum out from its range to \$1,286 the following day.

The price was briefly halted by strong resistance but the dollar weakened again, dragging gold above \$1,000 on the 11th. Platinum broke through its resistance at \$1,300 to reach \$1,324 in the spot market in New York that day. It fell back on long liquidation but news of another fatal accident in the South African mining industry on the 14th sent platinum climbing again to its peak for the first nine months of 2009 – and its highest for a year – of \$1,343 on the 17th of September.

12 Gold, though, could not remain above \$1,000 despite very substantial investor support. When the dollar started to strengthen in late September on residual worries over the health of the world’s economy, investors booked some of their profits in platinum, reducing their positions and driving the price lower, to \$1,287 where it finished the month.



Investor interest was key to the strong recovery of the palladium price during the first nine months of 2009.

Palladium traded at an average price of \$235.60 during the first nine months of 2009. It performed strongly throughout this period despite a poor economic environment, rising 59 per cent from an initial \$185 to end September at \$294, driven by strong investment on the futures exchanges and via the ETFs. Mildly positive news from the automotive sector made up for slow demand elsewhere and firmed the price further in the third quarter.

1 Palladium started 2009 by fixing at \$185, already some 12.8 per cent above the low of \$164 recorded in early December 2008. Investors felt that much of the doom and gloom surrounding the automotive market was already accounted for in the palladium price and started to target the \$200 level. As platinum touched \$1,000 on the 7th of **January**, palladium too reached its target, moving to a monthly peak of \$202.50 before being halted by investor profit-taking.

2 Palladium stayed within touching distance of \$200 until the 12th of January when the dollar rose on the prospect of a cut in European interest rates. Palladium softened and weak car production data prompted further investor sales, driving the price to a low for the first nine months of the year of \$177 on the 15th.

3 A US Government decision to provide US\$825 billion to support its domestic economy reassured the markets. The dollar fell and palladium rose above \$180 on the 16th of January. Investors bought more metal through the ETFs and on NYMEX before encountering resistance close to \$200. They forced their way past on the 5th of **February** and a rising gold price nudged palladium to a high of \$219 on the 18th.

4 ETF investors continued to build their holdings but long positions on NYMEX were liquidated, forcing the palladium price lower. As gold gave back some of its gains, palladium slipped below \$200 again in trading in New York on the 23rd of February. Investment activity slowed and the price stumbled lower to only \$191 on the 3rd of **March**. Investors dragged the price back over \$200 briefly on the 6th but it slumped back to spend most of the first half of the month just below that level.

5 On the 18th of March, the US Government revealed plans to inject huge amounts of liquidity into the financial markets. The dollar fell and commodity prices raced ahead. Palladium clambered over \$200 on the 19th and climbed to \$222 on the 26th, aided by news of strong Chinese palladium import data. NYMEX investors joined in and, with gold rising too, coaxed palladium to a high of \$239 on the 14th of **April**.

6 Concerns over the possible bankruptcies of General Motors and Chrysler now encouraged investors to start liquidating futures positions and palladium drifted lower to find support near \$220. It slipped to a low of \$212 on the 1st of **May** but rebounded to \$242 on the 8th as voracious Asian purchasing arose. Yet again, though, the weakness in the automotive industry exerted its influence, dragging palladium back down to its support close to \$220.

7 Worries over the creditworthiness of the USA led investors to abandon the dollar at the end of May and move into gold as a “safe haven”. Palladium benefited

too, ending the month just below \$240. At the start of **June**, General Motors entered Chapter 11 and the reduction in uncertainty firmed palladium, which climbed to \$264 on the 5th. A dire automotive market drained the energy from palladium but investors provided support increasingly close to \$240.

8 Industrial unrest in the South African mining industry encouraged further investment inflows into palladium at the end of June. The price rose from \$236 on the 25th of June to a short-lived peak of \$253 on the 1st of **July** before worries over the global economy sent jittery investors fleeing back into the US Dollar, with palladium retreating to \$232 on the 13th under pressure from long liquidation on NYMEX.

9 With physical trading quiet, some positive news began to emerge from the auto makers and palladium investors responded by buying. The dollar weakened and when Impala revealed details of a fatal accident at its Lease Area on the 20th of July, the price rose above \$250. With this resistance broken, funds were attracted into palladium in greater numbers and net long speculative positions rose from 895,000 oz in mid-month to 1.2 million ounces at the end of July.

The US “Cash for Clunkers” scrappage scheme began on the 24th of July, sending palladium to a monthly high of \$263 on the 28th before a rising dollar temporarily halted the price. However, investors did not abandon palladium and seized on the threat of a strike at ESKOM to send it to a peak of \$280 on the 5th of **August**.

10 The palladium price halted close to \$270 in mid-August but net long positions on NYMEX continued to grow. A sense of optimism started to return to the automotive market, suggesting that the outlook for palladium was improving. At the end of the month, large flows of metal into the London ETF impelled the price higher. It climbed to \$283 on the 24th before a strike at Impala and other South African supply interruptions added another touch of excitement, helping palladium to end the month at a healthy \$289.

The price ran into stiff resistance near the \$300 mark in the following days. However, investors chipped away at this and when gold broke through the \$1,000 level, palladium rushed to \$296 on the 8th of **September** before it lost momentum and stumbled back.

11 Palladium found support at the \$290 level and, assisted by gold, it bounced back to \$299 on the 17th. Fund investors were not satisfied though and palladium finally rose through \$300 to fix at \$304 on the 18th, the peak for the first nine months of the year. Inevitably, profit-taking ensued and palladium fell back to \$294 on the 21st. ETF buying drove the price over \$300 again on the 22nd but little support was found. With gold softening and worries over the car industry resurfacing, palladium slipped back to end September at \$294.

OTHER PGM

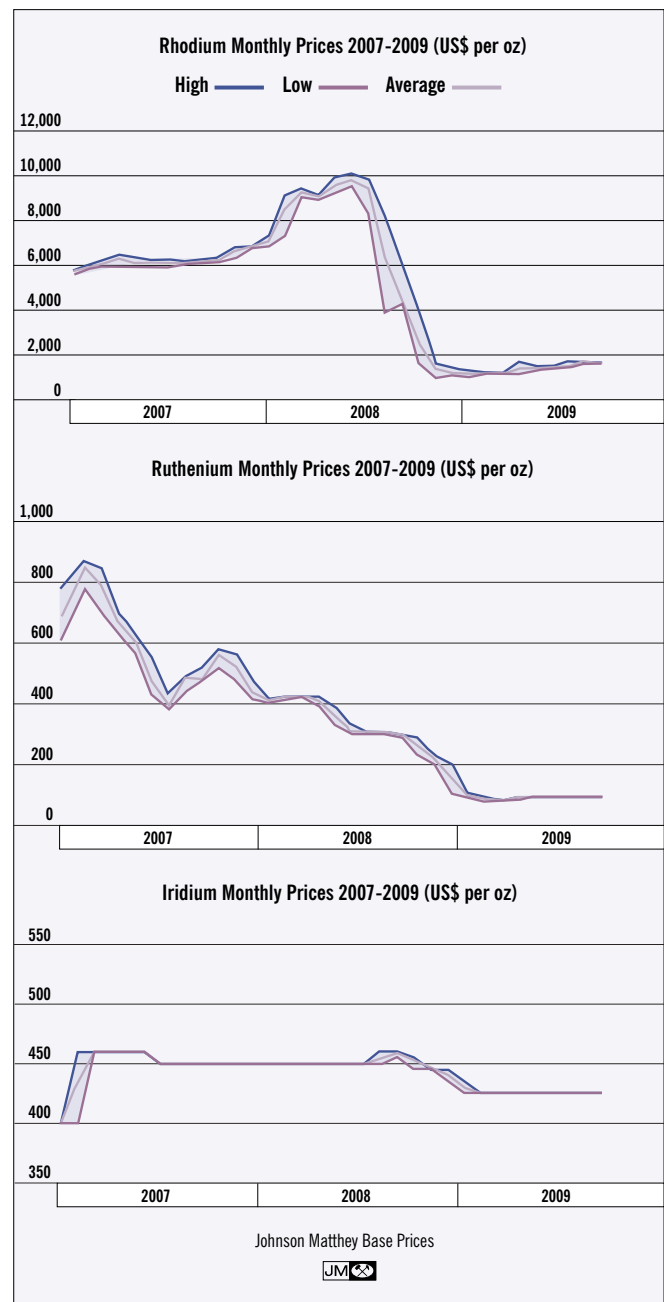
The price of rhodium remained depressed throughout the first nine months of 2009 due to weak automotive demand. It traded at an average \$1,397.10, a long way below the levels of 2008.

Rhodium started 2009 at a Johnson Matthey Base Price of \$1,250. Modest buying pushed the price up to \$1,300 on the 7th of **January**. However, low levels of physical purchasing were insufficient to support it and the price slipped to a low for the first nine months of the year of \$1,050 on the 14th of **January**. Light but steady purchasing drove it back up to \$1,200 for the second half of **February**. Although the price fell back to \$1,125 in late **March**, the belief that rhodium was cheap at this level encouraged some buyers and provided support.

In **April**, rumours of investor purchasing and stock building by the car companies helped rhodium from \$1,225 on the 15th to \$1,675 on the 22nd. Purchasing slowed and it dropped back just as quickly to \$1,325 at the start of **May**. Asian buying continued but was balanced by poor automotive demand and rhodium stayed between \$1,400 and \$1,500 for much of **June**.

In **July**, speculative and physical interest reappeared and the price leapt from \$1,430 on the 22nd to a peak for the first nine months of 2009 of \$1,725 on the 28th. Purchasing eased and rhodium retreated to \$1,650 where it found support from disruptions to the South African mining sector, ending **September** at that level.

Ruthenium began the year weakly at a Johnson Matthey Base Price of \$100. Hard disk manufacturers were able to meet most of their requirements with recycled metal and, with little support from physical purchasing, ruthenium fell to \$95 on the 6th of **January** and further to \$85 – less than ten per cent of its early 2007 peaks – on the 15th. It hit a low of \$75 in mid-



February before recovering to \$80 at the end of the month. Limited investor purchasing and some physical interest firmed the price further, sending it to \$90 in late **April** where it stayed until the end of **September**.

Iridium started the year at a Johnson Matthey Base Price of \$435. With industrial interest remaining weak, the price softened to \$425 on the 16th of **January**. With little buying or selling interest evident it remained at this level until the end of **September**.

Poor physical demand depressed the prices of ruthenium and iridium during the first nine months of 2009. Meanwhile, investors boosted the rhodium price.