Prices

Platinum

Platinum made strong gains during the first nine months of 2000, rising from a low of $414 in January to a high of $612, a level which was reached first in August and again in September. During the early part of the year, uncertainty over Russian exports was the key factor behind the rally. Although Almaz made intermittent sales from May onwards, platinum maintained its gains, supported by strong consumer demand and limited physical availability. It was also influenced by dramatic gains in the palladium price, and by expectations that this would encourage higher use of platinum in autocatalysts.

Platinum declined sharply in early **January** 2000, falling from $442 on the first day of trading on the 4th to $414 on the 6th - the lowest price recorded in the first nine months of the year. The fall was in response to news that Vladimir Putin, then acting President of Russia, had signed a revision to Clause 19 of the 1999 budget bill. This amendment provided the legal framework for the resumption of platinum exports (which had been held up since April 1999), and prompted selling by both dealers and funds. From mid month onwards, bullish sentiment returned as it became clear that regular shipments would not resume immediately. Consumer demand was also strong and there was an increasing physical shortage of metal, with lease rates rising from 30 per cent on the 13th to over 75 per cent on the 28th. The price rose strongly, reaching $495 at the month end.

Despite a steady decline in lease rates, platinum continued to climb during the first three weeks of **February**, peaking at an eleven year high of $573 on the 17th. Continued concerns about delays in Russian shipments stimulated heavy buying on TOCOM, with the exchange recording an exceptional trading volume of 2.6 million oz on the 9th. Meanwhile, the rally was reinforced by sharp gains in the palladium price, which recorded a series of all-time highs before peaking at $800 on the 21st. However, platinum's gains were quickly eroded. Expectations of an imminent resumption of Russian platinum exports caused the price to retreat to $465 on the 25th, although it recovered to $490 at the month end.

Platinum dipped to $463 on 2nd **March**, responding to reports that Vladimir Putin had signed a decree enabling the start of platinum shipments. This decline was short-lived: rising lease rates, a continued lack of Russian material in the market, and strikes at two South African producers saw the price bounce back to $496 on the 22nd. It retreated slightly at the month end, slipping to $482 on the 31st.

April saw some wide swings in the platinum price. It spiked to $521 on the 5th, stimulated by strong consumer demand and fund buying on NYMEX, then sank back to $488 on the 10th. Over the next two weeks, the price swung between $470 and $510, responding to conflicting reports about Russian sales. From the 27th onwards, platinum began a rapid ascent, surging to $525 on the 28th. The rally was prompted by a continued lack of Russian material in the market, combined with a renewed rise in lease rates to over 70 per cent.

During the first half of **May**, lease rates fell back to 45 per cent, and the price also retreated, trading just above $500. Physical demand provided strong support at this level, and an announcement by Amplats (now Anglo Platinum) that it would increase annual platinum production by 1.5 million oz by 2006 had

Average PGM Prices in $ per oz

Average		Platinum	Palladium	Rhodium	Iridium	Ruthenium
January - September	1999	359.04	343.17	897.50	414.77	39.69
January - September	2000	528.93	640.76	2,025.47	415.00	118.72
Percentage Change		47%	87%	126%	0%	199%

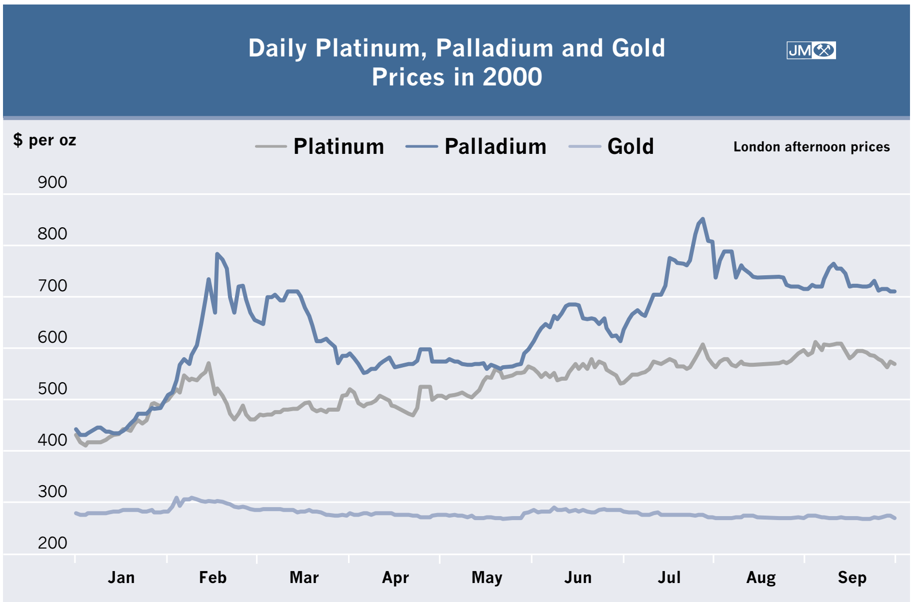
Platinum and palladium prices are averages of London am and pm fixings. Other pgm prices are averages of Johnson Matthey European base prices.

no impact on the price. In mid month, platinum embarked on another climb, soaring to $563 on the 24th. The rally was motivated by market expectations of higher demand in autocatalysts, following news that General Motors was planning to increase its use of platinum by 10 per cent by 2002. The price was subsequently supported at around $550 by a report suggesting that Gokhran, Russia's State Fund, would not export any platinum this year.

Platinum slid to $540 in mid **June**, as a fall in lease rates to 30 per cent stimulated some long liquidation by investors. This decline was quickly reversed; the price surged to $580 on the 27th, with fund purchasing in a thin market the main factor behind the rally. In addition, there was still concern about Russian supplies - especially among Japanese investors - despite the release of Swiss trade statistics showing the import of 224,000 oz platinum from Russia in May.

Early **July** saw another dip in the platinum price, which dropped to $532 on the 5th in response to Russian selling. However, a remarkable rally in palladium - which gained over $200 during the month – helped platinum recover the $580 level by the end of July. Concerns that supplies of pgm from Russia would prove insufficient were the main influence on the markets, while platinum was also bolstered by continued consumer demand.

Prices for both metals jumped higher at the start of **August**, triggered by a lack of Russian metal in the spot market. Palladium recorded an all-time high of $855 on the 2nd, lifting platinum to a peak of $612 – its highest fixing since December 1988. The rally ended abruptly, however, with reports that Norilsk Nickel expected contract shipments to Japan to commence in September or October. Platinum dropped swiftly to $564 on the 7th, before trading around $570 for the next three weeks.



Lower prices stimulated strong buying from consumers, which lifted the price to $598 on the 30th.

Platinum continued to make gains in early **September**, revisiting its high of $612 on several occasions. However, the price began to weaken from mid month, despite the start of strike action at Amplats' mines. The decline appeared to be triggered by concern over rising fuel prices and the potential impact on the world economy; this encouraged some investors to liquidate long positions on NYMEX and TOCOM. At the month end, platinum recorded a fixing price of $569.

Palladium

The first nine months of 2000 saw dramatic movements in the palladium price. After starting the year at around $440, palladium embarked on a remarkable ascent triggered initially by strong industrial demand and a shortage of metal from Russia. As the price rose, the rally was given impetus by investors scrambling to cover short positions on TOCOM, and palladium spiked to a record $800 on 21st February. It subsequently eased back below $600, but another lull in Russian sales sparked a fresh rally during July. In early August, palladium peaked at a new all-time high of $855 before retreating back towards $700 in late September.

After trading at around $440 during the first two weeks of **January**, palladium began to rally strongly during the second half of the month. Driven by strong consumer demand and a shortage of metal from Russia, the price rose steadily to reach $488 on the 28th.

Palladium's ascent steepened during **February**, with the price setting a series of all-time highs culminating in a London fixing of $800 on the 21st. This remarkable gain was largely due to panic buying on TOCOM, where investors were reported to hold short positions totalling around 650,000 oz. Attempts at short covering only added to the rally's momentum, causing palladium to repeatedly open limit-up on TOCOM and making it almost impossible for investors to close out their positions. On the 23rd, the exchange authorities suspended trading of palladium futures, and froze prices in order to prompt the orderly liquidation of contracts. The following day, Japanese traders closed out 225,000 oz of their long positions, and the palladium price fell abruptly to $700.

The decline was arrested by continued shortages of physical metal, which helped to support palladium at around $700 for much of the first three weeks of **March**. From the 20th onwards, the price began to fall steeply, sinking to $573 on the 31st in line with a significant improvement in physical availability. Initially, Russia was rumoured to be the source of the additional metal, but news that Tiger Management was to close its largest fund led to speculation that it had liquidated its remaining palladium holdings.

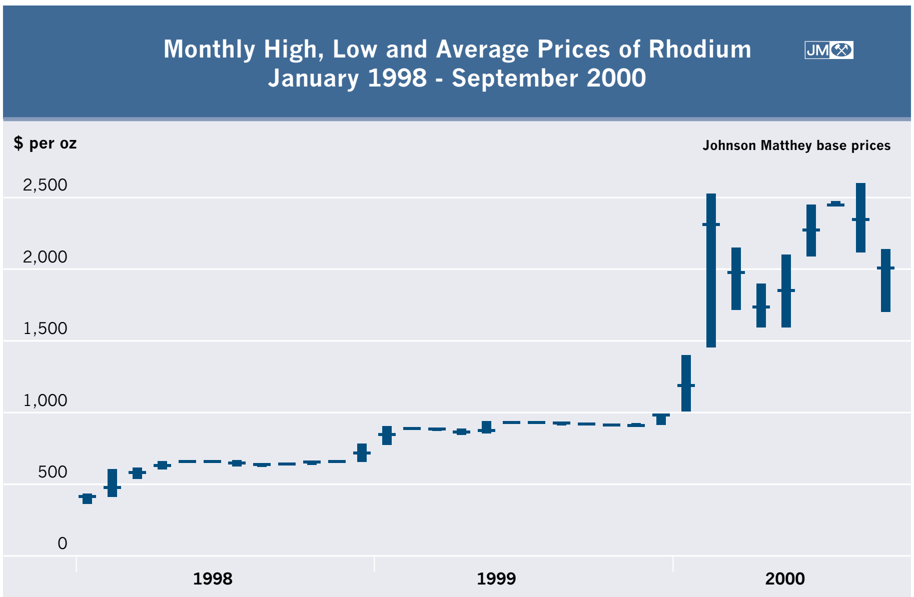
The price continued to retreat in early **April**, dipping to a low of $553 on the 11th. It recovered to $600 on the 28th, but lost ground again during **May**, falling to a low of $560 on the 22nd. This decline was mainly due to increased liquidity in the market, although sentiment was also affected by Swiss trade data showing the import of over 1 million oz of Russian palladium in March. Market rumour suggested that this metal may have been used as collateral for a loan, rather than being sold.

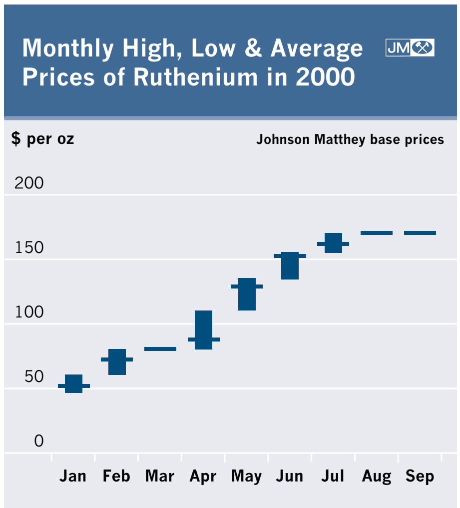
Palladium staged a strong recovery during **June**. It reached $691 on the 19th, boosted by strong physical demand, a jump in lease rates, and a bout of short covering on TOCOM (which in April had lifted trading restrictions on palladium contracts for delivery in February 2001 and later). The price then began to drift lower, weakening to a fix of $635 on 30th June.

This retreat was short-lived, with the rally finding renewed impetus during **July**. Once again, the triggers were a combination of strong consumer purchasing and a lull in Russian sales; as the price climbed, short covering added to the momentum. On the 17th, palladium breached the $700 level for the first time since March, and it continued steeply upwards to a fresh all-time peak of $822 on the 31st.

The rally culminated on 2nd **August**, with palladium spiking to a new record fix of $855. After reaching this peak, the price immediately went into a steep decline, plunging to $716 by the month end. Sentiment was affected by press reports indicating that Russian exports to Japan could commence the following month, and by news that the US Defense Logistics Agency planned to sell an additional 100,000 oz of palladium from its stockpile before the end of September.

Palladium bounced briefly back to $765 on 8th **September**, responding to strong industrial buying and a continued shortage of metal. But during the second half of the month, more Russian palladium came onto the market, and the price began to drift lower. It recorded $712 at the month's final London fix.





Other PGM

Strong consumer demand and a lack of availability boosted rhodium to an eight year peak of $2,600 in August. The price weakened to $1,700 in September, in line with increased sales from Russia. Meanwhile, industrial and speculative buying propelled ruthenium to a high of $170 in August.

The Johnson Matthey base price for **rhodium** climbed steeply from $1,000 at the start of 2000 to $2,525 in February. The rally was underpinned by strong demand from Asia, particularly from car companies, coupled with a lack of physical availability. There were also reports of speculative purchasing.

These gains were eroded during March and April, with the price slipping back to $1,600. However, strong consumer demand combined with a shortage of metal then led rhodium higher. The price peaked at an eight year high of $2,600 in August but the following month saw increased Russian selling and rhodium sank to a JM base price of $1,700 on 29th September.

While the JM base price for **iridium** was unchanged at $415 during the first nine months of 2000, **ruthenium** saw some significant gains. Propelled by buying from consumers and speculators, the price rose from $46 at the beginning of the year to reach $170 in August.