

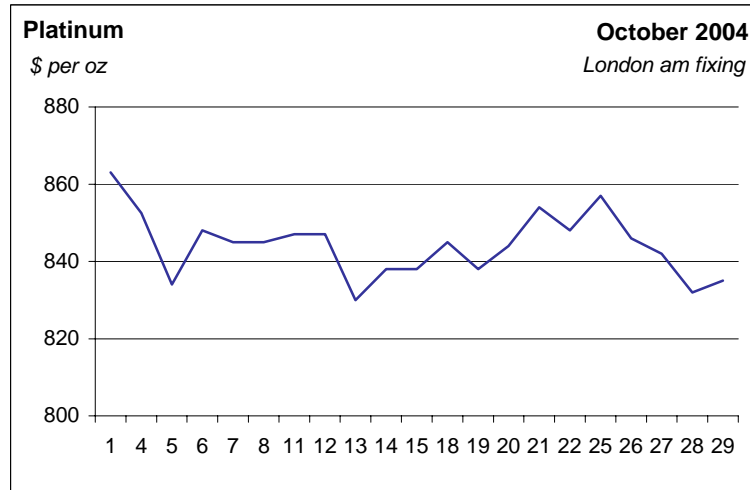
THE PLATINUM METALS REPORT

www.platinum.matthey.com

October 2004

Johnson Matthey

PLATINUM
Fund profit
taking followed
by volatility
either side of
\$840



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Platinum began October at the month's high of \$863, with members of the National Union of Mineworkers on strike at both Anglo Platinum and Impala mining operations in South Africa. However, over the next two days the price sank more than \$30 as funds took profits on long positions. For the remainder of the month the price remained heavily under the influence of speculative activity, trading for the most part in a \$20 range between \$830 and \$850 and closely tracking movements in the gold price.

With strikes at Anglo Platinum and Impala showing no signs of a rapid resolution, platinum began October on a high, fixing at \$863 on the 1st. This strength was short-lived: funds turned from net buyers of futures to sellers on the 4th, and the price turned rapidly downwards as the profit-taking hit the market.

The spark for the sell-off appeared to be technical in nature, the fall in the spot price below the 200-day moving average triggering sell orders from funds trading on quantitative models. The platinum price lost more than \$30 during the day, fixing at \$832 in the afternoon and closing at \$827 bid in New York. The extent of the selling was reflected in a large decline in the net long position held by speculators on NYMEX: down over 25 per cent to 145,000 oz in the week ending the 5th.

Platinum bounced back to \$848 on the 6th, supported by the on-going strikes in South Africa, the return of Chinese buyers to the market after the Golden Week holiday, and rallying gold and silver prices. However, the platinum price encountered strong resistance at \$850 and traded either side of \$845 for the next four days. On the 12th, platinum came under pressure, amid a general sell-off in commodities, following news that the NUM and Impala had reached agreement over a new wage deal. There was heavy liquidation of long positions on TOCOM the following day, and the selling extended into European trading hours as news filtered through of a resolution to the strike at Anglo Platinum. The price continued downwards on the 13th, fixing at \$826.50 in the afternoon.



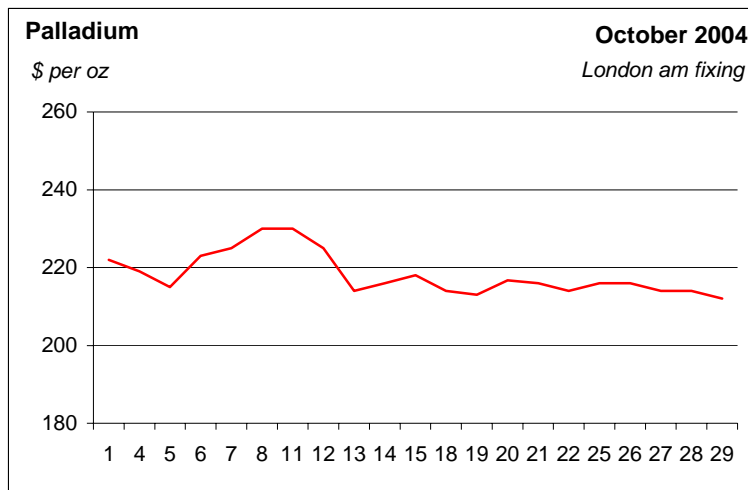
For the remainder of the month, key influences on speculator sentiment (and hence the platinum price) were the value of the dollar against the euro and yen, combined with price trends in other commodities (especially gold and oil). Although there were some signs of increased platinum jewellery demand from China, and modest industrial buying elsewhere, these had little influence on the price.

Platinum spiked above \$850 on the 21st and 25th, influenced by strong oil prices and a further bout of dollar weakness. The fund buying was reflected in a recovery in the speculative long position on NYMEX to around 158,000 oz on the 26th. Conversely, a surprise rise in Chinese interest rates on the 28th triggered another bout of selling across the oil and metals markets, and platinum dipped to the month's low of \$821.50. This occurred despite an upturn in Chinese jewellery demand for metal and a report that Anglo Platinum had lost 50,000 oz of platinum production due to the strike. Platinum then staged a modest recovery to reach \$835 at the month end as dollar weakness took the rand below R6.10.

Platinum fixing prices – October 2004			
	High	Low	Average
\$ per oz	863.00	821.50	842.82
£ per oz	480.50	448.15	466.52
€ per oz	693.94	646.68	675.09

PALLADIUM

Weak rally to \$234 quickly evaporates



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After briefly slipping lower in early October, in line with platinum, palladium rallied steadily to a four-month high of \$234 on the 8th. US funds made substantial additions to their long positions, with the net speculative long position on NYMEX rising by 185,000 oz in the two weeks to 12th October. The price subsequently weakened when investors took profits, falling to a low of \$212 on the 13th. Palladium traded in a narrow range either side of \$215 for the remainder of the month, a large speculative position still overhanging the market.

Palladium gained \$4 to fix at \$222 on the 1st of October, supported by continuing industrial action at several South African platinum mines, and the consequent upward movement in the platinum price. Although it eased back to \$215 on the 5th, following a sell-off in platinum, speculative buying in New York lifted the palladium price to a four month high of \$234 on the 8th. The extent of fund buying was revealed by a jump in the net speculative long position on NYMEX, which reached 747,000 oz on the 12th – a gain of 33 per cent in two weeks.

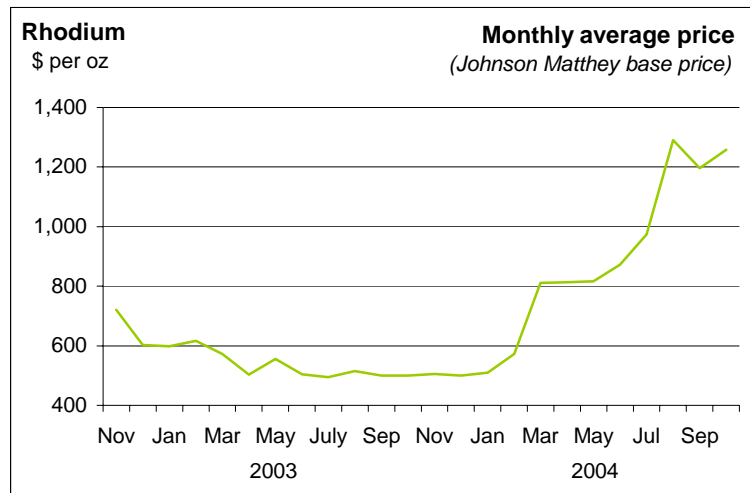
Palladium fixing prices – October 2004			
	High	Low	Average
\$ per oz	234.00	212.00	218.18
£ per oz	130.45	115.65	120.79
€ per oz	187.43	168.33	176.71

From the 12th onwards the palladium price began to weaken, subsiding to \$218 at the afternoon fixing and continuing down to the month's low of \$212 the following day. Although it recovered to \$220 on the 15th, in line with rises in other metals, it was unable to hold this level and retreated to trade either side of \$215. The weakness was related to a degree of long liquidation by funds, the net long position on NYMEX falling by nearly 30,000 oz in the week ending 19th October.

For the remainder of the month palladium was anchored in a \$212-\$217 range, despite a resumption of fund buying on NYMEX and platinum's temporary move back above \$850. Palladium ended October with a fixing of \$213.

OTHER PGM

Rhodium price eases a little as offers of metal increase



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The rhodium price edged lower during October, falling to a month end price of \$1,235 as increased offers of metal were seen in the market. Ruthenium strengthened by \$6 to \$82, whereas iridium slipped \$5 to \$195.

After recording strong gains in late September, rhodium was steady at a Johnson Matthey base price of \$1,300 during the first half of October, supported by continuing firm demand and restricted availability. This price was maintained until the 14th, when a modest increase in offers of spot metal began to put downward pressure on the market. Rhodium fell to \$1,265 on the 15th, and continued down to \$1,235 on the 22nd. It then held at this level for the rest of the month.

The JM base price for ruthenium jumped from \$76 to \$82 on the 6th of October, a result of speculative interest rather than any change in the metal's fundamentals. The price was stable at \$82 throughout the remainder of the month. The price of iridium, however, softened slightly during October, easing from \$200 to \$195.