

# The Platinum Metals Report

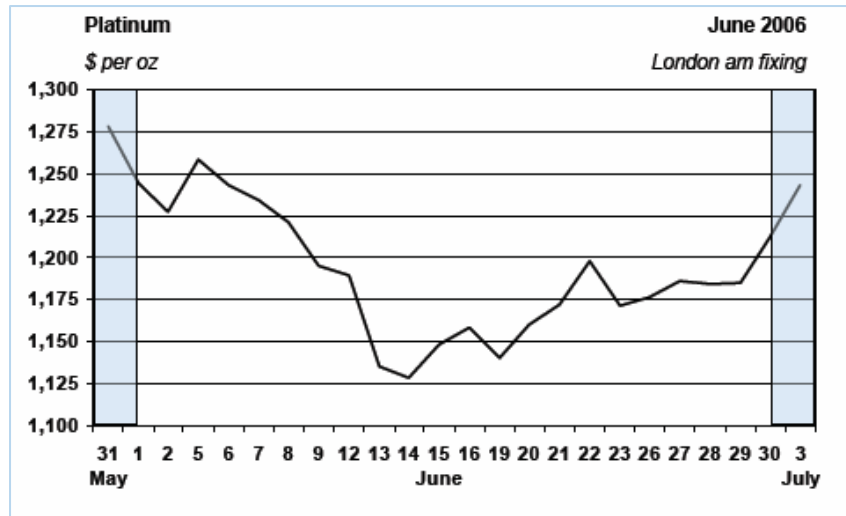
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June 2006

Johnson Matthey

## PLATINUM

June was a month of two halves for the platinum market, with prices falling sharply from the \$1,280 seen at the end of May, bottoming out at \$1,125 and then rising to recover much of the lost ground, ending lower overall for the whole month at \$1,226.



The first half of June saw the platinum price continue to drop from its mid-May peak of \$1,335, with a brief hiatus from the 2<sup>nd</sup> to the 5<sup>th</sup> (a recovery of \$29 to \$1,258) the only real break in the general downward trend. Long positions on Nymex also fell significantly, alongside this decline in the price, moving from 224,000 oz at the end of May to under 80,000 oz on the 13<sup>th</sup>. Trading on the Shanghai Gold Exchange also showed a two-part pattern through June. Daily volumes were reasonable, at around 50kg, throughout much of the first half of the month as prices fell, before dropping off from the middle of the month.

On the 14<sup>th</sup> both gold and platinum hit their low for the month (\$567 and \$1,125 respectively) before rebounding, along with the prices of a number of base metals and stocks in London and New York. Part of the spur for this seems to have been the release of US domestic consumption figures that were slightly higher than market expectations, indicating marginally greater materials and commodities consumption. The rebound was somewhat steeper in the case of platinum, coinciding with an announcement from Implats that its output for this fiscal year would be lower than expected by about 70,000 oz (and therefore no higher than in 2004/2005), implying a slight squeeze in metal supply.

Prices then ratcheted higher over the second half of the month, albeit with fairly large daily volatility of \$15-\$25, losing some of the link with other commodities, due to the strong fundamentals in platinum. As the price increased, physical demand decreased somewhat, with sales on the Shanghai Gold Exchange dropping off to a spindly 7kg on the 30<sup>th</sup> (compared to the 152kg which changed hands on the 1<sup>st</sup>).

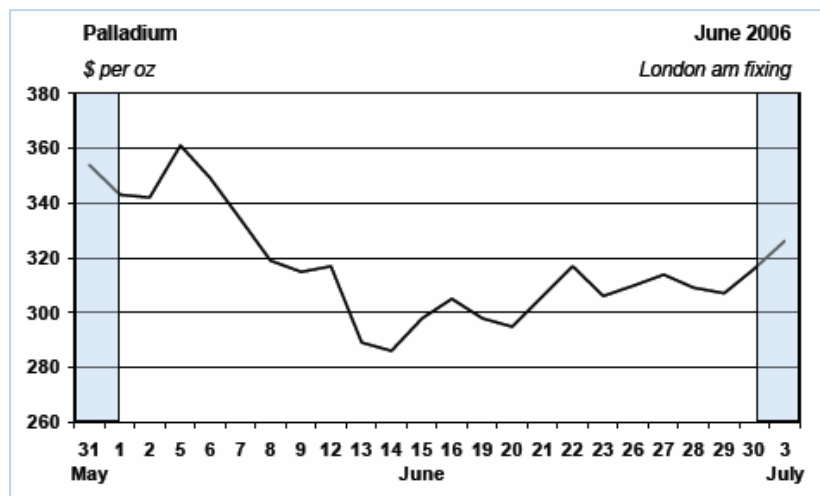
The very end of the month saw the markets reacting to action by the US Federal Reserve Board on interest rates. These rose a quarter of a percentage point as had been expected.

Platinum fixing prices – June 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,258.00	1,125.00	1,188.90
£ per oz	667.00	611.90	644.75
Euro per oz	972.65	895.70	938.90

However, the background trends of restricted domestic growth and a cooling housing market outweighed the inflationary effect of high commodity prices and suggested a decreasing likelihood of further near term interest rate hikes. This sent the dollar lower against major currencies, boosting the gold price and also sending platinum higher to end the month at \$1,226.

## PALLADIUM

**Palladium prices followed a similar trajectory to platinum prices in June. They started by moving lower from \$355 at the end of May to a low of \$280 on the 14<sup>th</sup>. Then, as other commodity prices rebounded, palladium mounted a recovery to finish the month at \$312.**



The start of the month saw a brief rally from an initial \$343 to reach \$361 on the 5<sup>th</sup>. From then onwards, the price fell off quickly until the 14<sup>th</sup>, when it touched \$282, a level not seen since February. The second half of the month saw a slight rebound with a gentler trend upwards and the price bouncing around between \$295 and \$320, where it ended the month, supported by the action on US interest rates.

As so often recently, similarities with the platinum price movements suggested that most of the changes were in sympathy with the sister metal and more related to general

Palladium fixing prices – June 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	361.00	282.00	315.65
£ per oz	191.40	153.25	171.15
€per oz	278.35	224.10	249.20

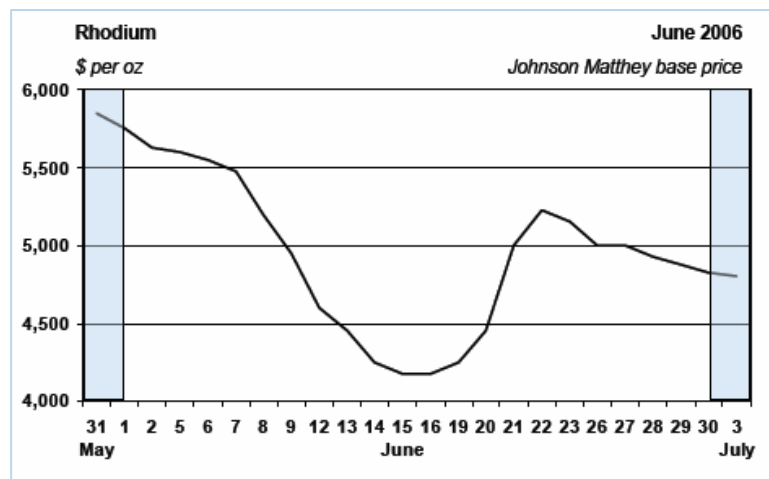
commodity prices (including gold, copper and the other base metals) than to end user requirements. This impression was reinforced at the end of the month by the reasonable support shown for the price even with soft physical demand.

Meanwhile, June also saw a decrease in long positions on Nymex from almost a million ounces to 700,000 oz at month end, appearing to signify a general lowering of expectations for a longer term uptrend in the palladium price.

## OTHER PLATINUM GROUP METALS

June saw rhodium continue its trend downwards from the recent highs. Starting the month at \$5,850, by the 15th the price had hit \$4,175. Despite regular offers, physical demand was correspondingly light over this first half of the month with buyers waiting for the price to continue its decline. Nonetheless, signs of the longer term direction in this thin market remained unclear, resulting in a high spread and some volatility.

As the price stabilised, a slight rise in physical buying appeared, driving prices sharply back above \$5,000. Buying disappeared from the market at these prices suggesting that expectations for the longer term are for a weakening price. After the 22<sup>nd</sup>, prices again drifted downwards, ending the month at \$4,825.



Ruthenium and iridium prices stayed largely stable in this environment, and somewhat decoupled from the movement of the major platinum group metals, having peaked, at least for the moment. The ruthenium price softened slightly at the end of the month from \$180 to \$175 and iridium remained at \$400 throughout the whole of June.

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