

# The Platinum Metals Report

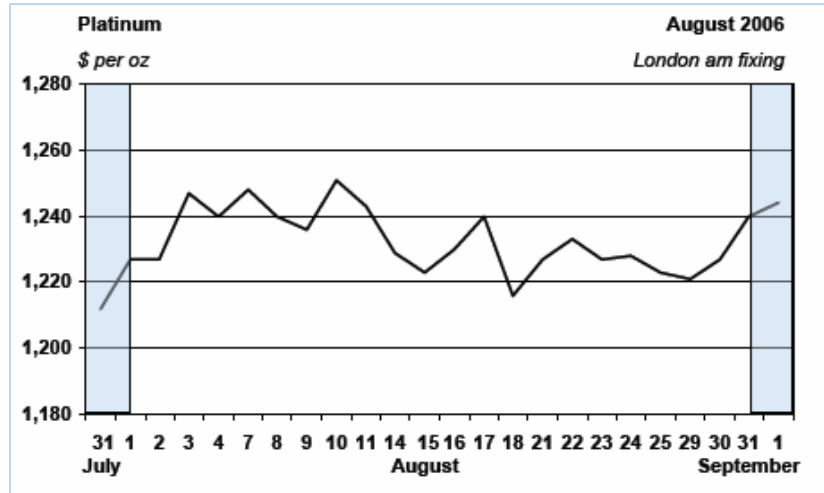
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Johnson Matthey

## PLATINUM

August was the second successive month in which the platinum market failed to exhibit a clear direction. Without any dynamism in the gold market, thin trading in platinum caused high volatility but no clear trend emerged. Starting at \$1,227, a final day jump of \$13 saw platinum close the month up \$13 overall, to \$1,240.



The start of the month saw the greatest movement in the platinum price for the whole of August as it leapt from a closing price for July of \$1,212 to \$1,227 on the 1<sup>st</sup>, boosted by a weak US dollar. Continuing combat in Lebanon depressed the dollar and encouraged the price to rise further, to \$1,247 on the 3<sup>rd</sup>. This was aided by Northam's half-yearly results which revealed that the second half performance would be weaker than the first half's production of 360,000 ounces of pgm.

The oil price was then driven higher by a pipeline closure in BP's Alaska field, which tightened North American supply. However, although the platinum price rose, its response was relatively weak, due to some profit-taking from funds on the 7<sup>th</sup>, when platinum fixed at \$1,248. The price then slid lower in quiet market conditions.

The gold price rose on the 10<sup>th</sup> as news reports revealed the existence of an alleged terrorist plot in the UK. Platinum prices followed suit, from \$1,236 to \$1,251, the month's high point. During very thin trading, the price then softened, as oil and gold led the way, forced downwards by the establishment of a ceasefire in Southern Lebanon. Although spot prices fell almost \$30 during the 14<sup>th</sup>, they recovered some of this with short covering and some bargain-hunting.

Small amounts of buying on price dips on the 16<sup>th</sup> and a weak dollar provided some support to the price and helped it creep back to \$1,240 on the 17<sup>th</sup>. Interestingly, the

Escondida copper mine strike's effect on base metal prices was not reflected throughout the platinum group metal or gold markets.

The 18<sup>th</sup> saw platinum fall to its low point of \$1,216 in London, fund selling combining with Ford's announcement of a twenty per cent cut in its upcoming North American production to drive the price down. After a fairly quiet month, dealers on the Shanghai Gold Exchange took advantage of this move and 225kg of platinum changed hands that day. By the 21<sup>st</sup>, the price had bobbed back to \$1,227.

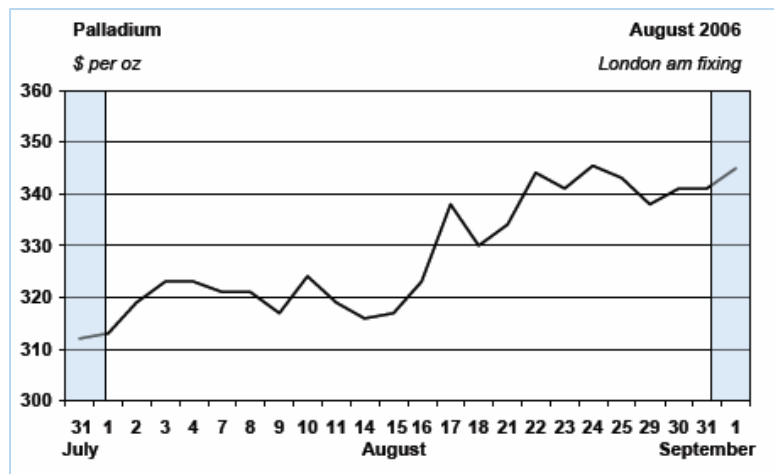
The quiet market conditions persisted through to the 30<sup>th</sup> and platinum traded between \$1,220 and \$1,235. Despite this, there was a reasonable amount of intra-day volatility with activity on TOCOM on the 23<sup>rd</sup> moving platinum higher. Nevertheless, everyone seemed to be looking again to gold for inspiration and to the technicals rather than the fundamentals for the next move. Most of the market news supported the price, including Implats' half-yearly results and DaimlerChrysler's launch of the first new diesel car in Japan for four years. Chinese import statistics confirmed most analysts' views that platinum demand had been impacted by the high price, showing seven month imports down almost a quarter from year earlier levels.

Platinum fixing prices – August 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,251.00	1,216.00	1,233.75
£ per oz	665.05	640.65	651.50
€per oz	978.00	947.40	962.45

A good level of buying in Asia on the 29<sup>th</sup> and 30<sup>th</sup> combined with a rising oil price to nudge platinum higher, to \$1,227. Fund buying of pgms on the 31<sup>st</sup> gave a positive end to the month, with a final am fix of \$1,240.

## PALLADIUM

**Palladium was the most active of the platinum group metals in August. Although the first half of the month was quiet, with the metal trading between \$310 and \$330, a price rise from the 15<sup>th</sup> to the 17<sup>th</sup> saw it break out from these limits and establish itself in a new range some \$20 higher. Over the month as a whole, palladium appreciated by nine per cent, from \$313 to \$341.**



Geopolitical events and the consequent weak dollar lifted all precious metal prices at the start of August including palladium which rose from \$313 on the 1<sup>st</sup> to \$323 on the 3<sup>rd</sup>. There was little enthusiasm seen in the market to move the price any higher and it then slid back, much as platinum did, declining \$317 on the 9<sup>th</sup>. The price did receive some slight help from Stillwater's half-yearly results presentation, at which an annual jewellery market this year of 1.5 million ounces of palladium was forecast. Stillwater also reported an increase in pgm production.

Palladium stayed in the range of \$310-\$330 for the next few days with some turbulence in the price but with low levels of physical demand and trading in general. NYMEX did see some liquidations of both long and short positions in palladium, perhaps signaling a lessening of longer term interest in this metal from the hedge funds. Net speculative positions were reduced to 673,000 oz on the 15<sup>th</sup>, greatly down from their April peak of 1.17 million oz but still significant.

On the 14<sup>th</sup>, the relative success of the ceasefire in Lebanon allowed the oil price to relax and palladium hit its low point for the month, of \$312 on the London pm fix. The price then turned around between the 15<sup>th</sup> and the 17<sup>th</sup>, some fund interest and a weak dollar allowing palladium to accelerate to \$338 on the latter date, and to establish itself in a new range of \$330-\$350. A pgm sell-off by the funds on the 18<sup>th</sup>, perhaps prompted by Ford's North American woes and the consequences for autocatalyst demand, tested support at the lower end but the price rebounded, along with the gold price over the following days.

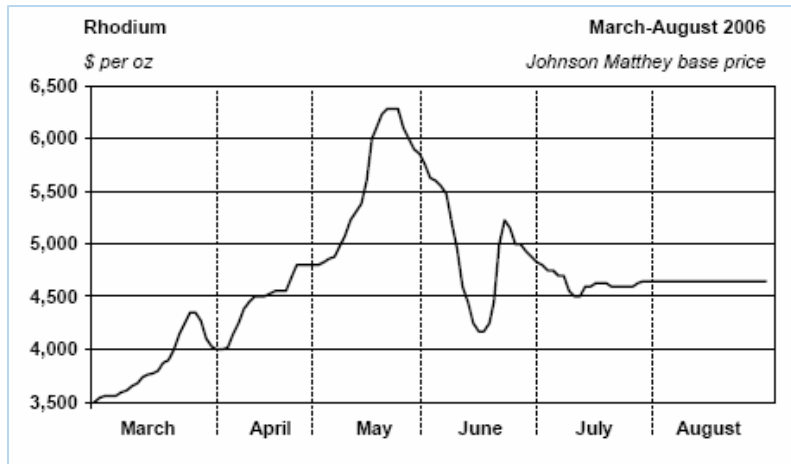
Palladium fixing prices – August 2006			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	346.00	312.00	329.05
£ per oz	182.60	165.15	173.75
€per oz	269.60	245.00	256.70

Driven by speculation and positive sentiment on the jewellery market, palladium sustained this momentum and moved to its highest since early June, peaking at \$346 at the afternoon London fix of August 24<sup>th</sup>. The remainder of the month saw continued low levels of fund-led buying with palladium ending with a little energy at a hopeful \$341.

## **OTHER PLATINUM GROUP METALS**

Having experienced great volatility over the last six months, the rhodium price was stable at \$4,650 throughout the whole of August.

Starting the month at \$4,650, the market seemed content to trade at this level. With two-way trading occurring, albeit in small volumes, there was no pressure in either direction on the JM base price which consequently did not change for the entire month.



Iridium stayed steady at \$400 for the second successive month and ruthenium also remained unchanged through the whole of August, trading at a firm \$170. There was purchasing of both metals at these prices but again in small volumes.

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