

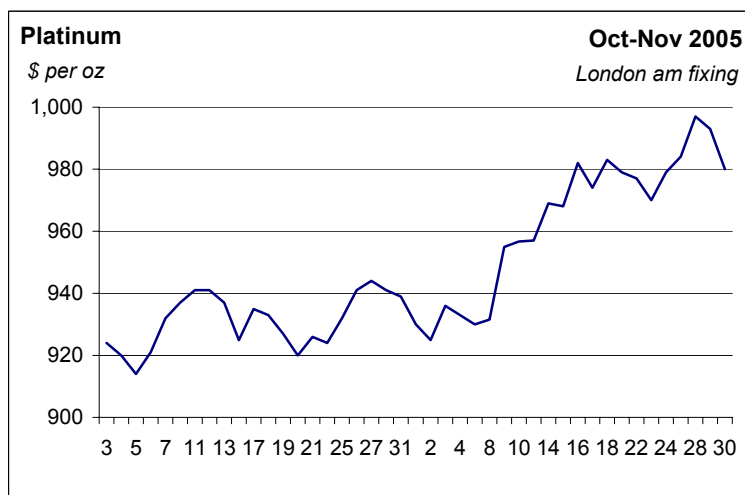
THE PLATINUM METALS REPORT

www.platinum.matthey.com

October-November 2005

Johnson Matthey

**PLATINUM
Price touches
\$1,000 as
Japanese
investment
surges**



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The commodities markets continued to attract significant inflows of fund investment during October and November, with platinum, palladium, gold, silver, copper, zinc and aluminium prices all rising to new highs for the year to date. In particular, there was a very substantial increase in investment in platinum futures on TOCOM by funds and private investors. This was linked to a significant weakening of the yen versus the dollar, which encouraged investors to move money into dollar-denominated investments. Platinum fluctuated between \$920 and \$940 for much of October but then began to climb rapidly during November, reaching a peak fixing of \$997 on the 28th and briefly trading above \$1,000 in Asia the following day.

Platinum began October by drifting down from \$924 on the 3rd to \$914 on the 5th. With Chinese buyers absent due to the National Day holiday week bids for physical metal were limited and volumes traded across the fixings in London were relatively small.

Platinum fixing prices – October 2005			
	High	Low	Average
\$ per oz	944.00	914.00	931.10
£ per oz	539.55	517.55	527.83
€ per oz	784.79	763.62	774.13

From the 6th onwards, however, speculative interest in platinum began to pick up, particularly in Japan as the yen's recent decline in value relative to the dollar accelerated (see chart on following page). As a result the platinum price rebounded to reach \$930 bid in New York by the end of the week.

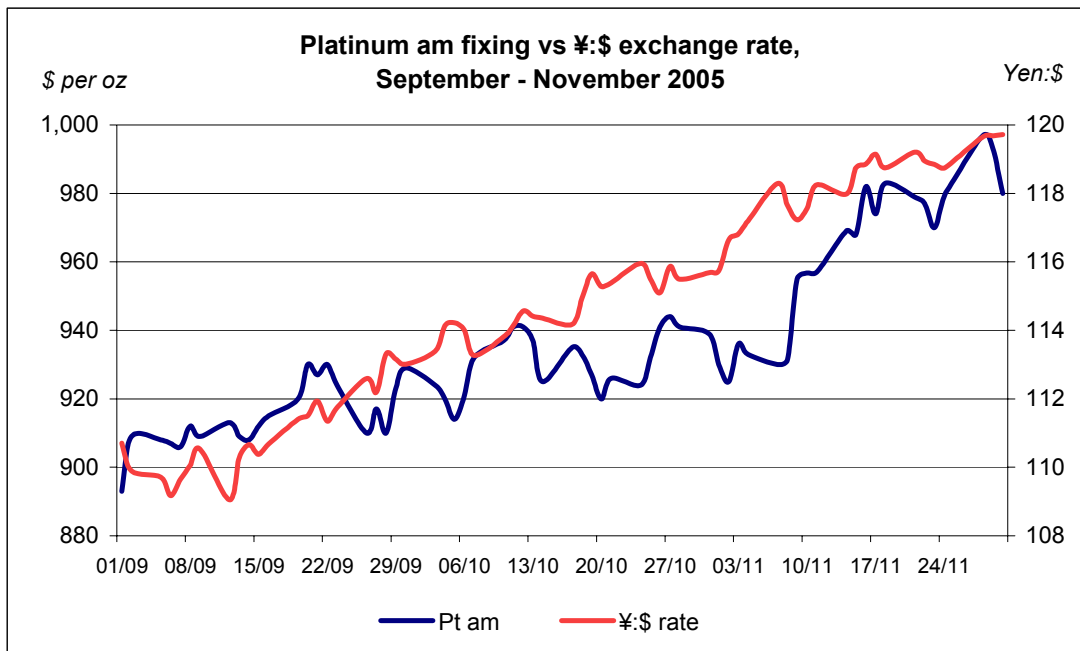
Further heavy trade in platinum futures was seen on TOCOM on the 11th and 12th, whilst the net speculative position on NYMEX neared 550,000 oz, up from 505,000 oz at the end of September. The price pushed up to fix at \$941 as a result but the volumes of physical metal changing hands remained modest. Japanese-based funds and investors continued to be net buyers of platinum on the 13th but the price began to soften during European trading with dealer offers of metal outweighing interest from end users. The fall continued later in the day



as fund long liquidation was seen on NYMEX and by the afternoon fix of the 14th platinum had slid back to \$924.

The dip in the price led to a modest upturn in bids for physical metal from Asian buyers on the 17th, helping platinum to rebound to \$937, but over the next few days the price softened once again, sliding to \$920 on the 20th.

The platinum market turned around once again on the 25th, with speculative buying on TOCOM again pulling the price upwards. The price moved up to \$938 at the afternoon fixing in London, broke through \$940 on the 26th and reached \$944 on the morning of the 27th – the highest fixing price for 25 years. However, profit-taking on NYMEX by funds then came to the fore and the price edged down to end October at \$938.



During the first few days of November the platinum price continued to fluctuate in the \$920 to \$940 range that had been established in October. The price broke out of this band dramatically on the 9th – the October 2006 contract on TOCOM opened sharply higher at ¥3,499, due in part to short covering, and rapidly moved above the ¥3,500 level, ending the day at ¥3,548. The morning fixing in London was set at \$955, up from \$937 the previous afternoon, and the price remained close to that level throughout US trading, supported by fund buying on NYMEX.

The platinum price paused for the next two days, trading between \$953 and \$957, before jumping higher again on the 14th. Once more TOCOM investors led the way with additional short-covering reported and the October 2006 contract reaching a new high of ¥3,665. The morning fix in London was settled at \$969 before platinum slipped back a couple of dollars in New York trading.

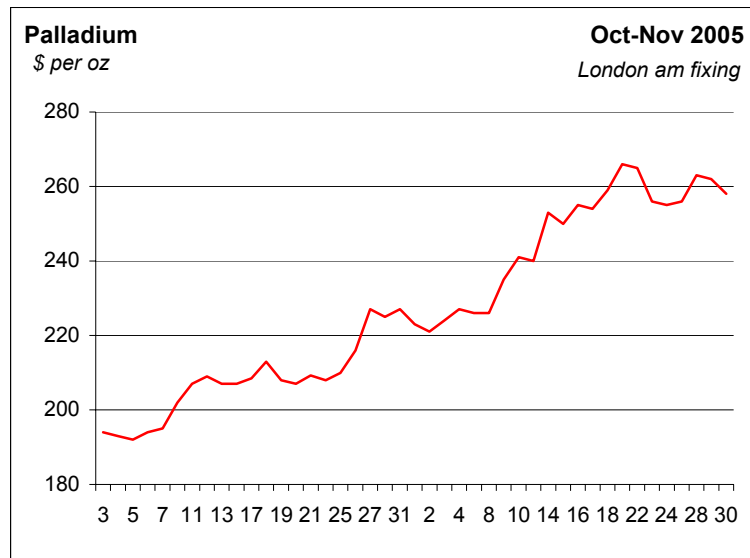
The positive fundamental outlook for platinum reported in Johnson Matthey's Platinum 2005 Interim Review on the 15th of November gave Japanese investors another reason (alongside the continued weakening of the yen and a surge in the price of gold) to extend long positions further. The price of platinum raced to \$982 at the morning fixing on the 16th and \$983 in the afternoon. Not surprisingly, however, the level of physical demand fell away, with very little metal traded on the Shanghai Gold Exchange in particular.

Platinum fixing prices – November 2005			
	High	Low	Average
\$ per oz	997.00	924.00	962.90
£ per oz	583.05	523.05	555.40
€ per oz	850.74	766.00	816.34

A degree of profit taking resulted in the platinum price slipping back over the next few days, easing to \$970 on the 23rd. The respite for end users, however, was brief and platinum began climbing once more from the 24th as investors targeted the \$1,000 level. TOCOM was again the main driver of the market, with daily turnover rising and total open interest running at around 90,000 lots (approximately 1.45 million oz). Platinum surged to \$987 on the 25th and fixed at \$997 on the morning of the following Monday 28th after particularly heavy trade on TOCOM that pushed the far dated contract to a record high of ¥3,855. At that point the net long position held by funds and general public investors on TOCOM was estimated at more than 500,000 oz, up from around 350,000 oz at the beginning of October.

The platinum market briefly saw offers above \$1,000 during Asian trade on the 29th before profit taking began and the morning fixing was settled at \$993. The sell-off continued on the 30th, platinum ending November with a fixing of \$980. Nevertheless, this was still \$50 higher than where the metal began the month.

PALLADIUM
Price rallies to
\$268 as fund
buying finally
makes an impact



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Palladium began October trading steadily between \$190 and \$200, continuing the pattern of late September. However, from the 10th onwards the price began to rally as short covering by funds was followed by investors opening substantial new long positions in the metal. The price moved up over \$200 in late October and then climbed more rapidly in November, following platinum and gold upwards. Palladium peaked at \$268 on the 18th before dipping back under \$260 at the end of the month.

The palladium market was quiet throughout most of the first week of October, the price fixing in a narrow range between \$192 and \$196. Trade on the futures markets was uneventful and with Chinese buyers on holiday demand for physical metal was light. Activity in the market picked up during trading in New York on the 7th as funds continued to close out short positions on NYMEX, which had been built up during the summer. Palladium was offered above \$200 by the close of US trading and fixed at \$202 in London the following Monday, with large volumes of metal changing hands as the European market caught up. The price continued upwards over the next two days, reaching \$210 by the afternoon of the 12th, the highest fixing of the year to date.

Fund buying took over from short covering as the main driver of the market the following week, the palladium price rising to \$213 on the 17th and 18th as the net speculative position on NYMEX climbed above 870,000 oz, up from around 735,000 oz at the start of the month. Palladium then eased slightly and spent the next few days trading very quietly around \$208.

Strong moves in the price of platinum and gold, largely on the back of speculative buying in Japan, then spurred another step up in the palladium price. After fixing at \$211 on the afternoon of the 25th the price climbed to \$219 offered by the end of US trading that day, then pushed up to reach \$227 on the 27th. Again the rise was primarily driven by activity on NYMEX, with a number of managed futures funds covering short positions. In addition, the daily volumes traded on TOCOM began to pick up from the low levels seen during the first nine months of the year (less than 15,000 oz per day on average).

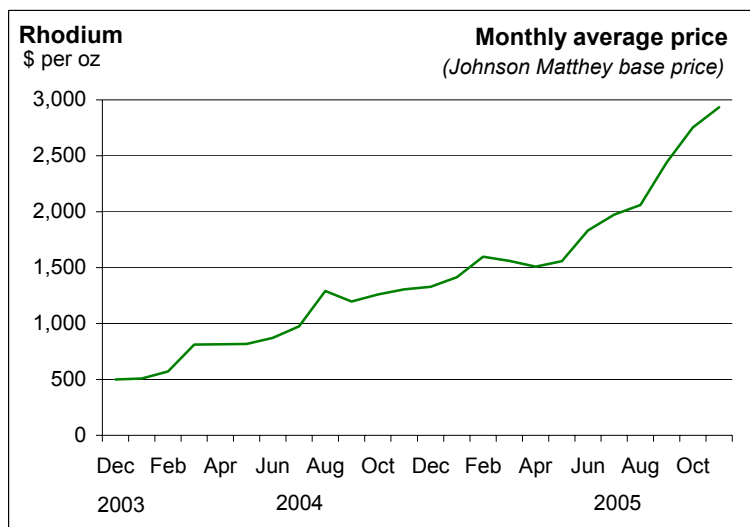
Palladium fixing prices – October 2005			
	High	Low	Average
\$ per oz	227.00	192.00	207.63
£ per oz	127.90	108.70	117.69
€ per oz	187.71	160.50	172.62

The palladium price then paused again, dipping back to \$219 on the 1st of November before edging back up to trade either side of \$225 through to the 8th. Palladium then began to rise more quickly, in line with the strong rallies in the other precious metal markets. Fresh speculative buying, both on the NYMEX and TOCOM exchanges and via over-the-counter transactions, propelled the price up to \$243 on the 10th, to \$260 by the close of trade on the 18th, and to \$268 on the 21st.

Palladium then slipped to \$250 on the 23rd as some investors booked profits on long positions, before moving back over \$260 by the 28th, again closely following the direction of the platinum market. Palladium ended November at \$258, still strongly supported by fund interest. At that stage the net speculative long position on NYMEX was just over 920,000 oz, whilst the estimated equivalent position on TOCOM had climbed to around 250,000 oz, up from an estimated 150,000 oz at the beginning of October.

Palladium fixing prices – November 2005			
	High	Low	Average
\$ per oz	271.00	219.00	247.26
£ per oz	155.50	123.85	141.67
€ per oz	229.32	181.62	209.49

OTHER PGM
Rhodium
reaches \$3,000
for first time
since 1991



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The rhodium price reached its highest point for almost 15 years in November, reaching \$3,100 as speculators continued to influence the availability of metal. The iridium market remained relatively firm, the price ticking up to \$190, whilst ruthenium was stable at \$85.

After having risen rapidly throughout September the rhodium price continued upwards in early October. With little metal on offer to satisfy ongoing end user demand, the Johnson Matthey base price climbed from \$2,740 on the 3rd to hit \$3,000 on the 7th – the highest price since 1991.

This price landmark triggered the release of more rhodium onto the market the following week as dealers and speculators took profits. The JM base price retreated to \$2,600 by the middle of the month as a result, before moving back up to trade steadily at \$2,700 through into November. Offers of metal then dried up once more and with industrial demand firm the price regained \$3,000 on the 14th and peaked at \$3,100 on the 17th. Another round of speculative profit taking resulted in the price easing slightly to end November at \$2,980.

In contrast to the volatility of other precious metals prices, the minor pgm markets were oases of calm in October and November. The JM base price for iridium was marked up \$5 to \$190 in mid-November whereas ruthenium remained stable at \$85.

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