

The Platinum Metals Report

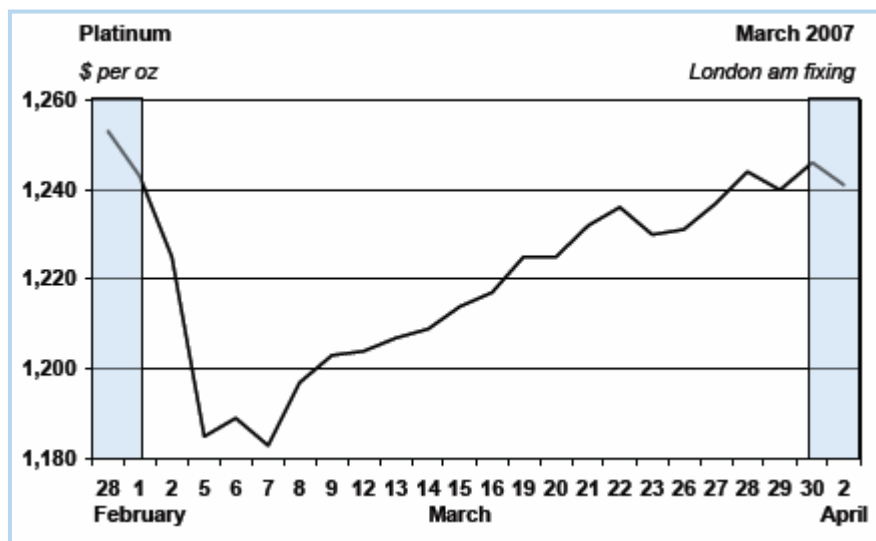
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Johnson Matthey

PLATINUM

A downward correction in the global equity markets interrupted the advance in the platinum price in early March. However, the continued weakness in the US Dollar helped drive a recovery in the prices of almost all of the precious metals over the following few weeks. Opening at \$1,243, platinum fell as low as \$1,165 but recovered all of this



ground to post a gain of \$1 over the month. Speculative NYMEX positions were almost unchanged over March, remaining a little over a total of 300,000 oz long.

Falling Asian equity markets weighed on commodities on the 1st of March with precious metal prices falling in the Far East. Tight supply-demand fundamentals supported platinum, however, and the price recovered in London to \$1,248, the month's highest price, at the pm fixing. This support was tested further on the 2nd with fund positions decreasing in a number of commodities as the market reacted nervously to problems in the low-grade US sub-prime housing market. Gold fell sharply, to below \$650, and platinum followed, losing \$45 to fix at \$1,203 (London pm fixing).

After the weekend, the dollar strengthened and most commodity prices were hit. Platinum kept on its downward trend and reached its monthly low of \$1,165 at the second fixing on the 5th. At this point, some stability was provided by short-covering and physical buying in gold. Having opened limit down for two days, TOCOM finally opened trading within its permitted range on the 6th and the General Public took the opportunity to close some long positions. With the price weak, physical buying reemerged fairly quickly in Asia (123kg of platinum were sold on the Shanghai Gold Exchange) and in London. Worries over US domestic wage inflation hit the dollar and provided additional momentum to the platinum group metals, with platinum fixing at a high for the day of \$1,190, recovering some \$25.

Physical purchasing continued at good levels in Shanghai and elsewhere on the 7th and 8th but the price moved little. Upward pressure was added to the mix due to tightness in the availability of platinum sponge (much had been converted to ingot in the wake of November's price spikes) and the price breached the \$1,200 level in New York trading, closing at \$1,211-\$1,216. The platinum price remained just above this level until the 13th when it climbed to a pm fix of \$1,220.

A sell-off of gold on TOCOM dragged the price back to \$1,203 on the 14th but the strong market fundamentals encouraged funds and end users to provide support above the \$1,200 level, despite wide intraday volatility either side of this point. Purchasers on the Shanghai Gold Exchange (SGE) again took advantage of a dip in the price to purchase nearly 100kg of metal.

The platinum price then started a short, four day climb on the 15th as equities finally started to strengthen around the world. Technical traders started expecting upward moves in the price. Interestingly, a certain amount of borrowing of metal for forward purchases of platinum was seen in the market but lease rates failed to respond, suggesting relatively limited volumes were exchanged. Some short covering in gold also boosted the price of that metal and of platinum, to see the latter approach a spot price of \$1,230 in New York on the 19th. Another poor day for the US Dollar provided the opportunity to achieve this and platinum fixed at \$1,231 (London pm fixing) on the 20th.

The continued interruption in Russian platinum exports and limited availability of sponge kept the price above the \$1,230 level for the remainder of the month. Low US oil inventories assisted the oil price's upward move to \$59.50 on the 21st and helped support platinum as did the positive views of technical traders. Some small purchases of this metal by hedge funds on the 22nd saw the price creep a further \$4 higher to \$1,236 before sales on TOCOM and profit-taking on other speculative positions knocked platinum back to \$1,230 on the 23rd.

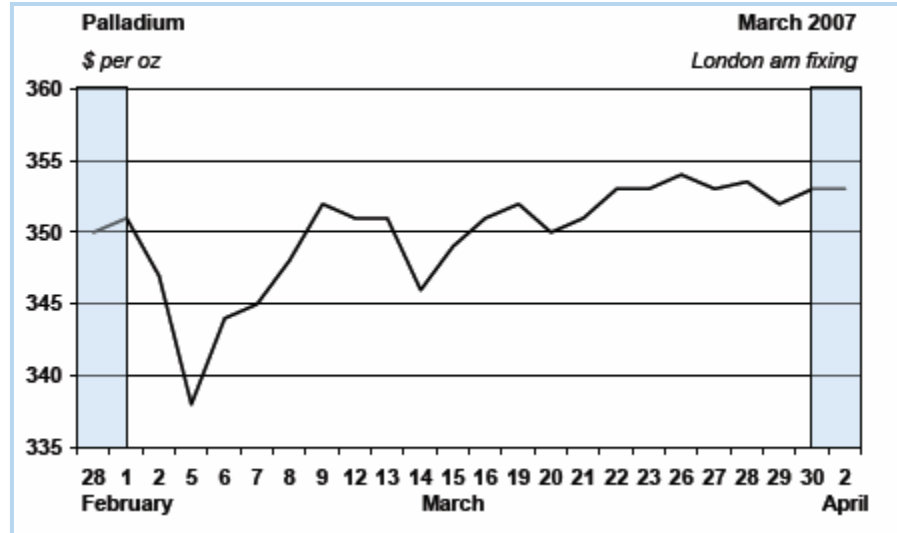
Again, SGE purchases grew to take advantage of the dip in the price although fixing volumes in London were very low. However, the capture of a number of British sailors

Platinum fixing prices – March 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,248.00	1,165.00	1,219.00
£ per oz	635.45	606.35	626.15
€per oz	944.00	890.80	920.70

by Iran introduced some geopolitical tension which had the effect of nudging gold, oil and platinum higher over following days. The spot price briefly touched \$1,250 in New York on the 28th - fund purchasing was a driving force - before some long positions were liquidated, keeping the price below this level. Platinum ended the month quietly, range-bound between \$1,240 and \$1,250 with a final fix of \$1,244.

PALLADIUM

March was not an eventful month in terms of the palladium price. With the fundamentals for this metal unexciting, investors followed trends in other metals including gold and platinum. Over the month as a whole, palladium gained a total of 75 cents, with a final fix of \$351.75. NYMEX positions changed little throughout the month.



Palladium responded to the same stimuli as platinum during March, showing no will to move independently. However, it started the month positively with high volumes traded on the fix adding \$5 to the price at the end of February, to reach \$351. It then followed platinum and gold lower, with a combination of US mortgage worries and poor performance on the Shanghai Stock Exchange to blame. The fall was less dramatic in both dollar and percentage terms than in these other metals. The price stabilised at \$338 (the monthly low) on the 5th as physical buying came back in all of the precious metals. It climbed back to \$344 on the 6th, firmly inside the range of \$340-\$355 where it would stay for the rest of March.

Although the palladium price drifted higher, on the back of a weak US Dollar, trading remained thin for the rest of the week, with low volumes being traded on the fixes. Nonetheless, palladium managed to fix at \$352 on the 9th, above where it had started the month. Technical traders and speculators worked to expand their long positions in palladium but were unable to move the price any higher in these quiet conditions. Fund buying on NYMEX returned again on the 19th but the price fixed once more at \$352.

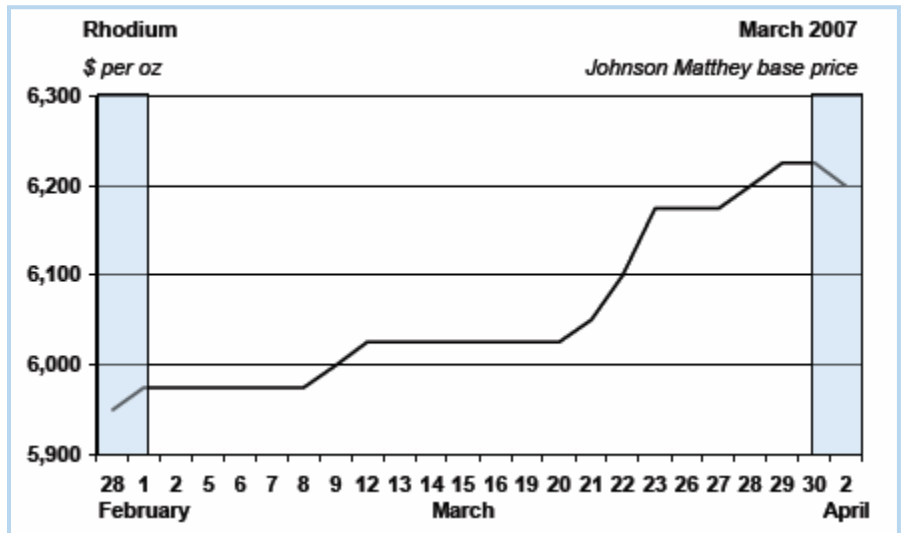
Palladium remained firmly range-bound and did not benefit from a rising oil price or tension from the Iran-UK stand-off over British military personnel but did finally inch its way

Palladium fixing prices – March 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	354.00	338.00	349.95
£ per oz	182.50	175.60	179.80
€per oz	268.70	257.35	264.35

to a monthly peak of \$354 on the 23rd and 26th of March. Once again, palladium showed no independence from platinum and with that metal immobile, investors allowed the price of palladium to slide, marginally, to a month-end \$351.75.

OTHER PLATINUM GROUP METALS

The rhodium price climbed steadily during March but without the high levels of volatility seen in some recent months. With Russian exports of this metal interrupted, it started the month at a Johnson Matthey base price of \$5,975 and rose by \$250 to close at \$6,225.



Rhodium started March at a Johnson Matthey base price of \$5,975 with healthy levels of end user bidding. Reasonable demand was matched by supply onto the market until the 9th when the price crept up to \$6,000. This introduced a note of nervousness into the market, and did not quell demand, with a further \$25 rise in the price on the following day. With purchasers and dealers unsure of how long Russian exports of rhodium would be interrupted, this had only a limited impact and buying interest again drove the price up, to \$6,050, on the 21st and \$6,175 on the 23rd. The story did not change over the final week of March with steady physical purchasing impelling the price up to a final day \$6,225, the highest price seen since May 2006.

After falling for the first time since mid-2006, the ruthenium price dropped throughout March. It started at an initial JM base price of \$850 but had shed \$50 to only \$800 by the middle of the month, with lower purchasing interest responsible for the move. During this period, the increased interest in this metal was shown by an announcement that Mitsubishi Corp., Mitsubishi Materials and Furuya Metal are to work together to recycle ruthenium from a range of petrochemical wastes. The price slide accelerated during the second half of the month and ruthenium closed at \$700. After making a \$60 upward move in February, the iridium market was much quieter in March and the price remained static at \$460.

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