The Platinum Metals Report

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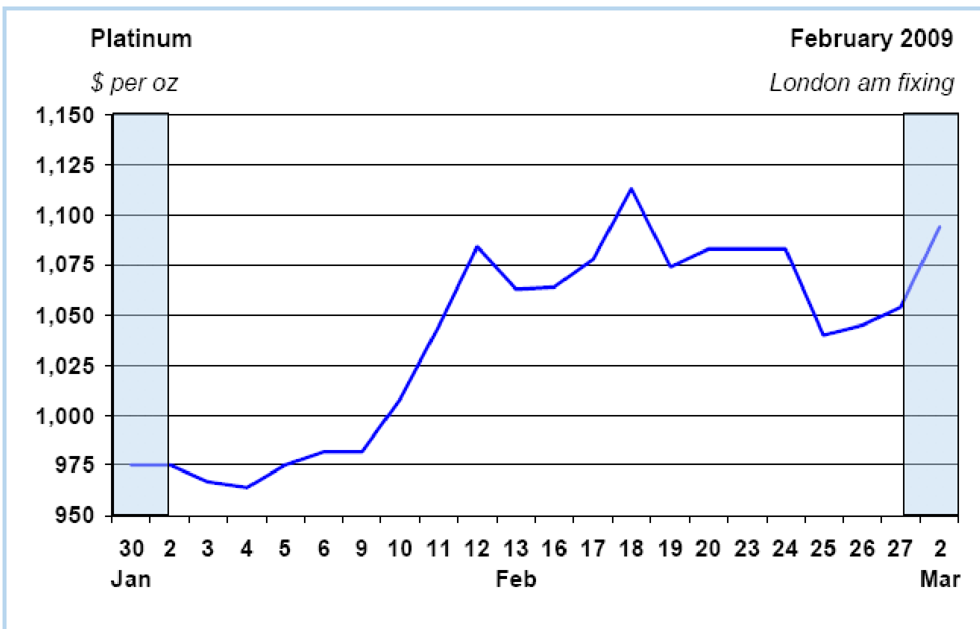
February 2009 **Johnson Matthey**

The platinum and palladium prices showed some strength in February, overcoming the $1,000 and $200 marks respectively. Continuing global economic uncertainty dogged the equity markets and investors increasingly turned toward gold, boosting the price of that metal. The prices of both platinum and palladium gained significant support from this investor interest, allowing them to overcome weak industrial and automotive demand. Platinum ended the month relatively strongly due to strong physical purchasing in Asia while palladium lost all of its gains. Although the price of rhodium rose slightly, supported by light purchasing, there was little excitement amongst the minor metals.

PLATINUM



The platinum price rose for a fourth successive month in February. It began the month at $975 and rose to a peak of $1,113 - the highest point of the year to date - on the 18th before slipping back to end the month at $1,059. ETF positions resumed their growth, and net long speculative futures positions on NYMEX and TOCOM increased throughout the first half of the month, demonstrating an increased appetite for risk from some investors. Physical purchasing remained weak in Europe and North America but this was largely balanced by very strong purchasing of metal in Asia.

Platinum's suffered selling on TOCOM at the start of the month and fell from a final January fix of $983 to a first fix of February of $975. Speculation that the major North American auto makers were reviewing some of their agreements with suppliers weighed on the pgms and platinum softened to $966 later that day. Investor sales of gold kept some downward pressure on the other precious metals and when poorer than expected US automotive sales data for January were released platinum dipped to hit its low for the month of $962 at the second fix in London on the 4th.

The gold price now found some support close to the $900 level and provided platinum with some stability before Aquarius and Northam released their half-year results. Aquarius revealed a substantial – although expected – fall in its 2008 pgm output but also cut its forecast for output in 2009, providing some vigour to the platinum price. News of slowing exports of scrap platinum from Japan also helped boost the price despite the temporary stoppage of most of Toyota's Japanese vehicles assembly lines. The price moved back up to $975, where it had started the month, on the 5th and strong buying of metal in Shanghai (which was to continue for most of the month) kept the upward pressure on platinum which moved to a London p.m. fix of $989 on the 6th. The release of yet more poor economic data in the form of US unemployment figures encouraged more safe haven buying of gold later that day. Platinum followed gold higher and reached a short-lived peak of $1,015 for the April contract on NYMEX before softening again.

At the start of the following weak, Anglo Platinum released its annual results with little impact on the market. However, investors seemed willing to take on more risk and platinum ignored the weak picture for automotive and industrial demand. Driven by very strong purchasing by the Chinese jewellery industry, it broke through the $1,000 barrier to fix at $1,008 and $1,031 on the 10th of February.

Platinum fixing prices – February 2009			
	High	*Low*	*Average*
$ per oz	1,113.00	962.00	1,036.90
£ per oz	787.95	656.60	719.75
€ per oz	885.10	774.40	810.55

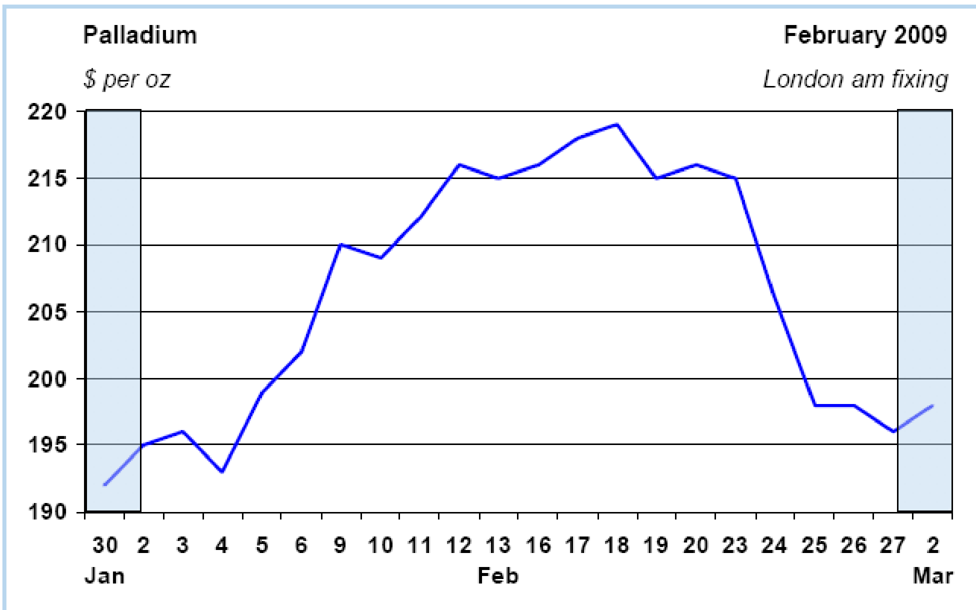
The gold price continued to appreciate as investors ignored the volatile stock markets and platinum followed. Rumours of a lack of platinum ingot in Japan and China (and a large sponge discount throughout the market) indicated the strength of buying in that region and warnings of a possible strike by the South African National Union of Miners added some further strength to the platinum price which reached a high of $1,075 in the spot market in New York late on the 11th and peaked at $1,084 on the 12th. Amidst relatively thin trading, some profits were taken in the following days and platinum slipped back to close to the $1,060 level on the 13th and 16th despite support from substantial purchasing through the two European Exchange Traded Funds, from lengthening net long speculative positions on NYMEX and from rumours of some buying by a small number of auto manufacturers.

Gold started to rise again on the 17th when US investors returned to the market following a public holiday. Platinum moved higher too despite news that Nissan was now to halt production at a number of its plants for two weeks. The platinum price jumped to a peak of $1,113 and the highest point of the year to date on the 18th even as General Motors requested the reasonably substantial sum of $30 billion from the US Government. However, as gold softened later that day, platinum retreated to a second fix of $1,087.

Impala Platinum released its results for the second half of calendar year 2008 on the 19th. Despite the prospects of some substantial cuts in output from that company for 2009, platinum was subject to some profit-taking and sales on TOCOM and dropped to $1,063 that afternoon in London. Gold pushed through the $1,000 barrier on the 20th and again provided some support to the other precious metals and platinum was able to climb back above $1,080 before falling back to $1,040 on the 25th as gold retreated from $1,000.

The market found some support later on the 25th when Ridge Mining purchased back some of the forthcoming production from its South African Blue Ridge mine which it had sold forward in 2008 and the price started to rise again, impelled by constant physical purchasing in China. Gold retained a good level of residual support due to the weak prevailing economic conditions and started to climb again, dragging platinum back to end February at $1,059, or 8.6 per cent above where it had started the month.

PALLADIUM



The palladium price showed some life in February, climbing over 12 per cent from an opening $195 per ounce to a peak of $219 in the middle of the month. Investors purchased substantial amounts of palladium through Exchange Traded Funds (ETFs) throughout the month and net long speculative futures positions on NYMEX also increased by 100,000 oz during the first two weeks of February. However, as investor interest decreased , palladium could not find the support from the jewellery sector that supported platinum and gave back all of tis gains to end the month at $195 – exactly where it had started

Palladium's first fix of February was $195 and, although purchasing through ETFs was seen immediately, the continuing fragility fo the North American stockmarket and a weak gold price allowed the price to fall. A slowdown in Asian consumer electronics output, although entirely expected, also hurt the price which dropped to a monthly low of $190.50 at the second fix on the 4th.

Although the price appeared to be capped by strong resistance close to $200, strong physical buying was seen immediately after the fix and, as palladium gained momentum from the rising gold price, it fixed at $199 the following morening before breaking through the $200 mark for the first time in 2009 and fixing at $200.50 later that day. It continued to rise the following day, as investment inflows boosted the prices of platinum, palladium and gold. ETF purchasing provided firm support and even some investor liquidation in the afternoon of the 9th could only push the price back down to $207.

Despite the number of negative stories emerging from the automotive industry, a number of industry analysts were now commenting that they felt that many commodities were undervalued and this general sense of bullishness infected the pgm market. Platinum pushed through the $1,000 mark on the 10th and palladium tracked it higher, rising to $214 at the second fix of the day before stalling and moving into a very narrow range of $3 either side of that point for the following few days.

Gold continued to climb despite a strong US Dollar and hit an all-time high in Euro terms on the 17th, dragging the price of palladium higher too dsepite the poor short term prospects for automotive demand. Palladium reached $218 on the 17th and encountered stiff resistance at this point, before creeping to its monthly high of $219 as platinum broke the $1,100 barrier early on the 18th.

A request from General Motors for $30 billion dollars from the US Government now reminded market particiapants of the automotive industry's woes and palladium started to slip lower, falling back to $214 the following day. Palladium stayed steady around this level until the 23rd when it suddenly lurched over $20 lower to $179 just before the second fix of the day. With no clear explanation for this movement, palladium quickly recovered most of the lost ground, bouncing to a fix of $204. Net long specualtive positions on NYMEX started to decrease and with the only support for the price coming from ETF investors, palladium slipped back below $200 in late trading in New York on the 23rd but recovered the following morning, climbing over four per cent, to fix at $206.

Palladium fixing prices – February 2009			
	High	*Low*	*Average*
$ per oz	219.00	190.50	206.70
£ per oz	155.05	131.65	143.45
€ per oz	174.15	147.95	161.55

Gold fell back below $1,000 and with ETF investors in that metal breifly absent, all of the precious metals suffered: platinum fell and palladium dropped below $200 again to fix at $198 on the 25th. The US Dollar weakened as the most optimistic investors believed they had spotted the very earliest green shoots of an economic recovery and Ridge Mining closed out some of its forward sales of palladium, providing some support to the price. However, with investors briefly interested in equities again, inflows of money into the precious metals faltered and the palladium price sank once more, settling at $295 at the final fix of the month, exactly where it had been at the start of February.

OTHER PLATINUM GROUP METALS

After suffering a weak January, February was a more positive, if uneventful, month for the prices of the minor metals. Rhodium gained some ground and iridium remained motionless throughout the month although the ruthenium price continued its long-term slide.

Trading activity in rhodium was light throughout February although both buyers and sellers were present throughout most of the month. It started at a Johnson Matthey Base Price of $1,150 and limited steady purchasing eventually drove the price to $1,200 on the 12^{th}. Rhodium remained uncharacteristically quiet for the remainder of the month and ended February at the same level: $1,200.

Ruthenium started February at a Johnson Matthey Base Price of $85 and fell back $10 on the 10^{th}, under pressure from a continued absence of significant buying by the hard disk industry. However, towards the end of the month, a small recovery in trading interest did generate a $5 rise, driving ruthenium back to end the month at $80. Iridium remained at $425 throughout the entire month of February.

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