

The Platinum Metals Report

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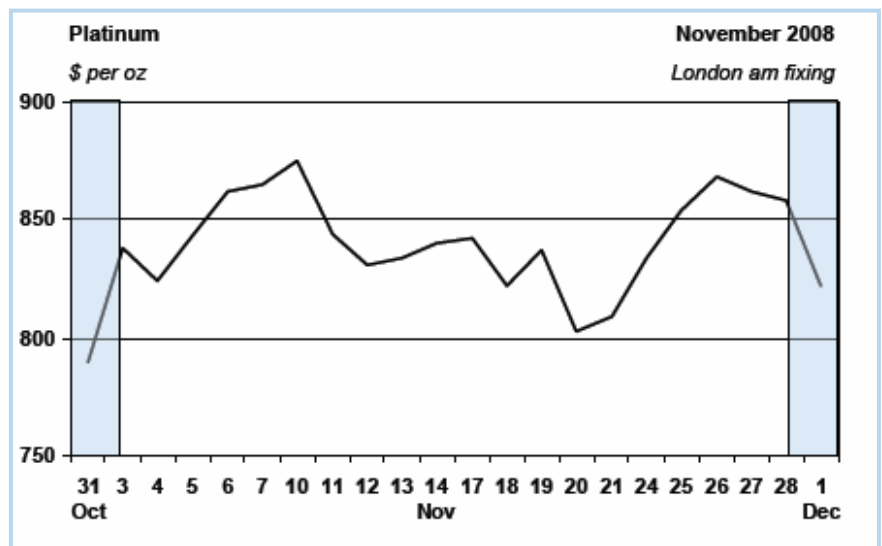
November 2008

Johnson Matthey

Although the prices of most of the platinum group metals remained weak in November, selling pressure diminished and the pace of decline slowed. Negative automotive production and sales data continued to apply downward pressure on the platinum group metals as did growing signs of economic slowdowns all around the globe. However, a number of primary platinum and palladium producers revealed their initial reactions to the recent low price environment by cutting production and therefore provided some support, allowing platinum to trade the month out with some strength.

PLATINUM

For the first time in a number, of months, the platinum price actually rose during November. It started the month at \$838, having gained ground from the final fix of October and ended the month at \$876, despite a plethora of negative data from the global automotive industry. The selling pressure on the institutional investors seemed to diminish in intensity and ETF positions stabilised. Net long speculative NYMEX positions even started to grow once more, providing further support to the price.



Platinum's first fix of November was at \$838 (on the 3rd) but, a sharp drop in US automotive sales in October - to their lowest in 25 years - and poor Chinese domestic manufacturing data for the same period drove the price back down, to \$821 at the second fix of the day. On the 4th, Lonmin announced that it was considering cutting its production in response to the fall in the platinum price, lending some support to the metal. However, attention was instead focused on the US Presidential elections.

On the 5th, strong buying on TOCOM by the General Public briefly drove platinum as high as \$880 before it was sold off in London. Stock markets then rose in response to Barack Obama's election. More importantly for the platinum market, Anglo Platinum announced a temporary shutdown of its Polokwane smelter due to a furnace runout. The prospect of a cut in 2008 output of more than 150,000 oz of platinum propelled the price to \$870 at the second fix of the day. Platinum remained strong until a warning from

General Motors that it could run out of cash in the first half of 2009 encouraged further worries about erosion of autocatalyst demand, driving platinum back down to \$849 at the second fix on the 7th. Platinum tested the \$800 mark but the announcement of a Chinese plan to spend the equivalent of over 500 billion US Dollars on domestic infrastructure projects boosted almost all commodity prices, forcing platinum instead to a monthly high of \$880 on the 10th.

However, the positive atmosphere soon disappeared as worries over a global recession resurfaced. Oil fell back below \$60 per barrel for the first time in eighteen months and platinum fell back to \$821 at the second London fix on the 11th. A strike at Lonmin's Limpopo mine on the 12th briefly supported the platinum price but a resurgence in the US Dollar - again on recession concerns - drove platinum lower, forcing it to test the support levels just above \$800 again. It dipped as low as \$785 in the spot market on the 13th, driven by selling on TOCOM but this only encouraged strong Asian physical purchasing with 160kg of metal changing hands on the Shanghai Gold Exchange that day.

On the 14th, Nissan announced that it was to use a low pgm catalyst as part of the emissions control system on its small-engined Cube vehicle in Japan. Although this caused some interest from the precious metal community, the price strengthened instead, peaking again at \$845 later that day. More economic worries surfaced though: Japan officially moved into recession and US-based Citigroup announced that it was to cut more than 50,000 jobs, softening the price of many commodities.

On the 19th, Johnson Matthey revealed its view of the market at the same time as Lonmin officially announced cuts in its future platinum production. The US Senate started to consider granting financial aid to the so-called *Big Three* of Detroit and uncertainty over the outcome of this process hit the shares of almost all automotive manufacturers hard. Platinum and palladium both fell too and platinum broke through the support at \$800 at the second fix on the 20th, fixing at \$797, the low point for the month. Physical buying in China increased in direct response - more than 200kg of platinum was sold on the SGE on each of the 20th and 21st - and platinum bounced back over the \$800 mark.

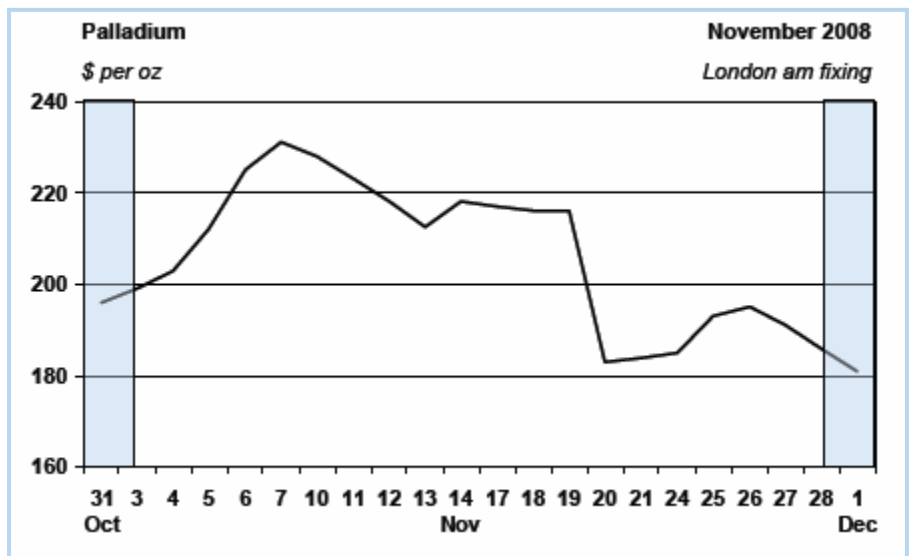
Platinum fixing prices – November 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	880.00	797.00	841.30
£ per oz	573.65	514.75	548.10
€per oz	686.80	635.55	660.15

The gold market also came to the rescue: the price of that metal gained an impressive \$50 on the 21st and dragged platinum higher despite worsening global automotive output. Platinum climbed to \$867 on the 25th and a

single dollar higher on the 26th. The US Federal Reserve injected another \$800 billion of liquidity into global financial markets on the 26th which helped the price to firm somewhat. News of extremely strong Japanese investor interest for platinum bars also emerged to help drive platinum up to \$876 at the final fix of the month, a gain of \$38 in November despite the difficult economic climate.

PALLADIUM

Palladium lost further ground in November, falling below the \$200 mark once again despite high volatility. It started the month at \$199 and ended at a soft \$187 but did peak at \$233. Worsening prospects for industrial and automotive demand did the damage despite slower sales both of metal and of paper investments from institutional investors.



Palladium opened November at \$199 and although poor automotive data forced platinum lower, investors instead targeted the nearby \$200 mark for palladium. A range of commodities started to climb higher on the 4th in expectation of the US Presidential election results and palladium pushed through \$200, to fix at \$203 at the first fix of the day and strengthening to successfully challenge the resistance at \$215 on the 5th. Anglo Platinum then announced the temporary closure of its Polokwane smelter, with a likely short term loss of substantial amounts of palladium from the market: this drove the price higher again to a monthly peak of \$233 on the 6th of November.

However, reality now intervened: Toyota cut its production forecasts and simultaneously took much of the positive energy from the palladium market. The news of very large operating losses at the three major US manufacturers also hung over palladium. The price inched lower to \$227 on the 10th and then started to slide faster, following oil and other commodities lower as the US Dollar firmed. Sales of quite large quantities of palladium by Exchange Traded Fund investors on the 11th and 12th helped accelerate the fall too. Germany officially slipped into recession on the 13th and palladium reached a low of \$211 that afternoon in London before stabilising amidst thin trading volumes.

Nissan revealed news of the introduction of a low pgm catalyst on one of its vehicles in Japan but this had little effect on the market with palladium trading in a range of \$210-\$220 until the 19th instead. Widening concern that the US Senate might not provide loans and other support to the struggling major auto makers started to weaken palladium before worries over the build-up of deflationary pressures in the USA came to the fore and sent gold lower, with the pgms falling in sympathy. Stillwater announced a cut in output from its Montana operations in response to the falling price.

Palladium fixed at \$214 on the afternoon of the 19th in London but the plight of the auto makers now dominated and it slipped below \$200 in the spot market, just as platinum was falling below \$800 for exactly the same reason. Physical buying of palladium could not prevent it slipping lower under pressure from investor selling, fixing at \$183 in the morning of the 20th and reaching a monthly low of \$179 at the second fix that day. Although there appeared to be little support in the market, gold came to the rescue, gaining \$50 the following day allowing palladium to rise just above the \$180 level. The US financial authorities then decided to intervene in the bank markets again by helping to bail out Citigroup. This helped lessen the widespread sense of worry in equity markets and weakened the dollar, providing much-needed strength to the palladium price.

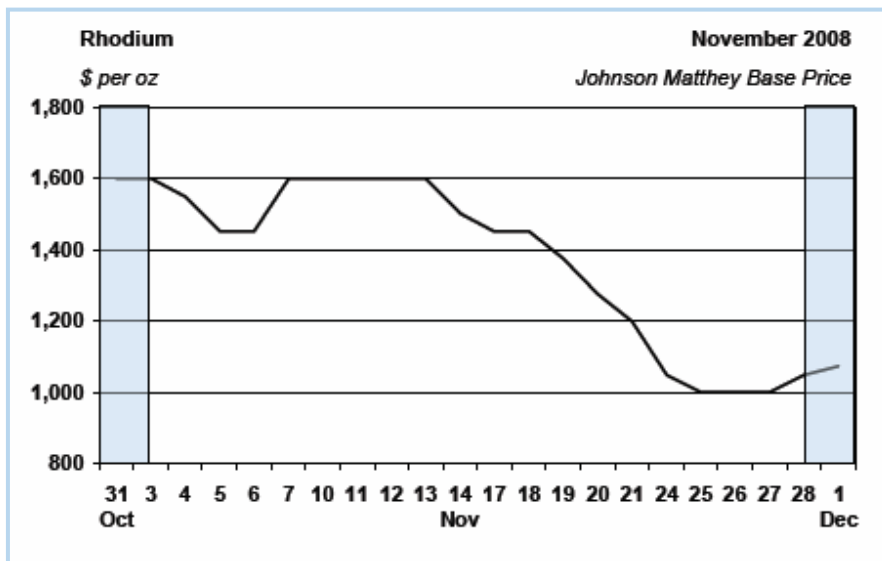
Palladium fixing prices – November 2008			
	High	Low	Average
\$ per oz	233.00	179.00	207.10
£ per oz	147.00	120.45	134.90
€per oz	182.05	142.75	162.55

Palladium started to climb as a result despite yet more poor US automotive sales and production data. It fixed at \$195 on the afternoon of the 24th and just stretched as high as \$200, where it fixed a day later. The resistance, though, was strong and palladium

could not overcome it. Palladium investors took an opportunity to realise some meagre profits and the price relaxed to end the month at \$187, only \$12 below where it had started the month but less than a third of the mid-year peak price.

OTHER PLATINUM GROUP METALS

The slide in the rhodium price slowed but still continued during November as it finally dropped to the \$1,000 per ounce level, more than ninety per cent below its peak price in June. Ruthenium lost another \$30 to end the month at \$200. Iridium provided some rare stability and traded at \$445 throughout the entire month.



Having lost over \$2,000 during October, rhodium started November weakly. The automotive sector is very much the largest purchaser of rhodium and a series of negative news stories demonstrating growing weakness in national automotive markets around the world continued to eat away at the price. It started the month at a Johnson Matthey base price of \$1,600 and

softened to \$1,450 on the 6th. Some bids now appeared, possibly driven by a shutdown of one of Anglo Platinum's smelters that day, allowing rhodium to rebound to \$1,600 the following day.

Trading volumes remained low and rhodium remained at this level until the 13th of November. On the 14th, it started moving lower once more, seemingly in response to a press release from Nissan of its plans to introduce a new lower pgm catalyst onto one of its vehicles. There were also rumours of the sale of excess rhodium stocks by some of the automotive companies. Rhodium fell below \$1,500 the following day and kept on softening until it finally reached \$1,000 on the 25th, a remarkable decline of over ninety per cent from its record price only a few months earlier. Bidding reappeared and the selling appetite diminished somewhat, maintaining the price at this level before finally driving rhodium a full \$50 higher on the 28th to a final price for November of \$1,050.

The ruthenium price continued its downward trajectory during November. It started at a Johnson Matthey base price of \$230 but low levels of buying could not support it at this level and it dropped to \$220 on the 14th and then to \$210 on the 19th. Its final move saw the price fall another \$10 to end November weakly at \$200. Iridium did not move at all, remaining at a Johnson Matthey base price of \$445 throughout the entire month of November.

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