

# The Platinum Metals Report

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December 2007

Johnson Matthey

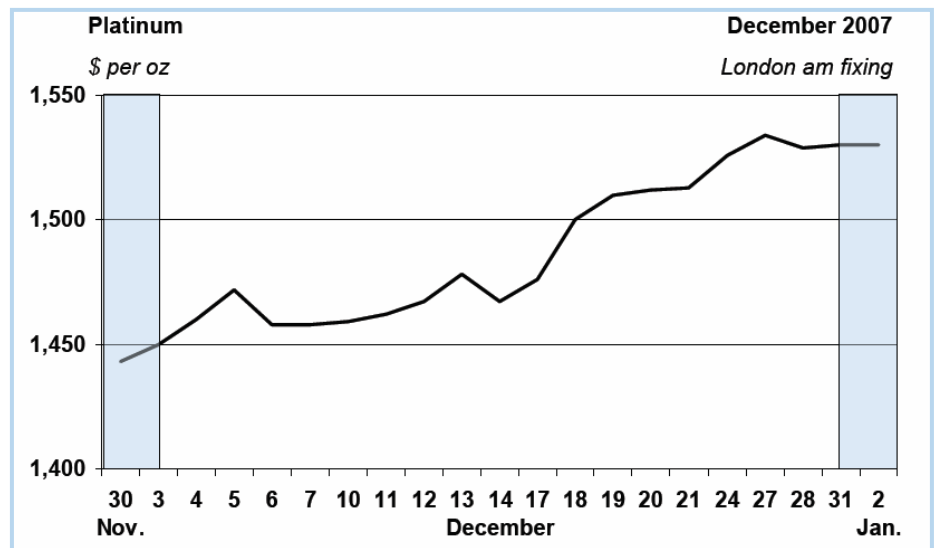
*Platinum was the star performer again, in price terms, in December. Its price rose from an initial \$1,450 to breach \$1,500 for the first time ever in mid-month. It peaked at another new record of \$1,544 amidst thin trading post-Christmas. The driving forces were once more related to movements in the currency markets but also to the tight fundamentals seen in platinum. Palladium finally plucked up the courage to follow its sister metal and finished the year strongly at \$370 having recovered much of the ground lost in November. Rhodium ended 2007 at its yearly high of \$6,850 while ruthenium dropped back to \$415 with little physical purchasing seen. Iridium did not disappoint and remained at \$450 once more.*

## PLATINUM

Platinum ended the year strongly and reached an all-time record of \$1,544 on the 27<sup>th</sup> of December. It performed well over the month as the price firmed from \$1,450 to a final fix of the year of \$1,530. Continued investment in Exchange Traded Funds and on NYMEX and TOCOM provided some of the

stimulus for this move but Chinese purchasing and question marks over South African supply were also important factors.

After a volatile but largely neutral month in November, platinum started climbing almost immediately from December's initial \$1,450 – the month's low point. Good levels of buying on TOCOM and on the Shanghai Gold Exchange (SGE) on the 3<sup>rd</sup> provided the initial strength which was reinforced as Angloplat shut a shaft at its Rustenburg operations due to a fatality there. Platinum reached \$1,472 on the 5<sup>th</sup> following a one day strike on the 4<sup>th</sup> across the South African mining sector which had been launched in order to highlight the number of fatalities across all of the mining industry during 2007. Investment bank purchasing provided support as did a resurgent gold price and although



platinum fixed lower in dollar terms at the second fix, it moved back over the 1,000 Euro mark.

A falling oil price on the 6<sup>th</sup> encouraged a degree of profit-taking and platinum fell back to \$1,458 at the second fix of the day. The price remained close to this level for the following few days with investors selling off positions as it approached \$1,470 and healthy SGE purchasing providing a floor just below \$1,460. Nonetheless, with a sense of bullishness in the platinum market, net long NYMEX positions continued to grow to 435,000 oz on the 11<sup>th</sup> from 405,000 oz a week earlier.

The price quietly rose over \$1,470 again on the 12<sup>th</sup> of December despite Lonmin's announcement that it had reached a pay agreement with the Solidarity Union in South Africa. General public and fund buying on TOCOM appeared to be the major driving force. Lease rates also started to rise as borrowing was seen in the forward market. The price peaked at \$1,478 on the 13<sup>th</sup> as firm news emerged that Ridge Mining had decided to hedge its first few years of production at its Blue Ridge site in order to finance the project. However, the US dollar rose on good domestic retail sales data. Gold fell below \$800 and some subsequent profit-taking helped to erode some of platinum's gains.

Platinum dipped as low as \$1,462 on the 14<sup>th</sup> but found good support at that level. 224kg of platinum were bought on the Shanghai Gold Exchange and large volumes changed hands over the fixes. After the weekend, a relative strengthening of the dollar against other currencies (due to inflation concerns) failed to hold platinum back as traders tested the \$1,485 level. The forward market moved into significant backwardation as lease rates moved up to 7 per cent. The January platinum contract on NYMEX moved above \$1,500 for the first time ever, quickly followed by the spot price reaching \$1,502. General public selling emerged on TOCOM but continued borrowing of platinum reinforced the sense of a tight market and platinum fixed at \$1,500 at the first fix on the 18<sup>th</sup> and at \$1,510 later on that day.

Platinum fixing prices – December 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,544.00	1,450.00	1,486.25
£ per oz	774.70	702.70	735.00
€per oz	1,060.45	989.10	1,020.30

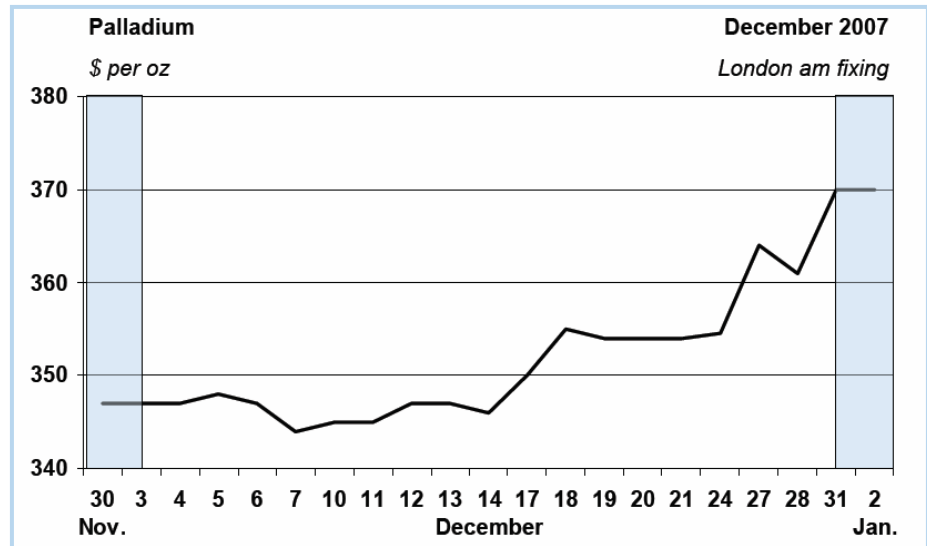
The election of Jacob Zuma as leader of South Africa's ANC caused some market nervousness (due to the splitting of the roles of party leader and national President) but failed to

move the price. Industrial action at Aquarius's Marikana mine also supported the price but could not move it significantly higher in the presence of end-of-year profit-taking. Likewise, reports on the 20<sup>th</sup> that Russian licences for platinum exports in 2008 had been issued and the return to work at Marikana on the 21<sup>st</sup> had surprisingly little impact on the price. Long NYMEX positions continued to grow and, together with some investment in Exchange Traded Funds pushed platinum to a new peak of \$1,526 on the 24<sup>th</sup>.

Post-Christmas, platinum was buoyant in thin trading. The assassination of Pakistani opposition leader Benazir Bhutto on the 27<sup>th</sup> created some ripples in the gold markets and as that metal rose, platinum was swept higher too. It reached a new all-time record level of \$1,544 on the second fix of the day before drifting lower to close the year at \$1,530, more than 30 per cent above the starting price of 2007.

## PALLADIUM

December was a month of two halves for palladium. It started the month at \$347 and remained almost immobile until the 17<sup>th</sup>, with gold and platinum often pulling in different directions. When it finally broke the resistance level at \$350, it gained some of platinum's upward momentum and surged ahead to a monthly peak of \$370 on the 31<sup>st</sup>, 11 per cent above the year's first fix.



Palladium started December at \$347 and immediately encountered resistance as it tried to move toward the \$350 mark. Rising gold and platinum prices on the 4<sup>th</sup> had no effect and the price had climbed only as high as \$348 by the morning of the 5<sup>th</sup>. Profit-taking in oil and platinum on the 6<sup>th</sup> and 7<sup>th</sup> had some slight effect and palladium softened, almost imperceptibly, to a monthly low of \$344 on the 7<sup>th</sup>. With platinum now also firmly range-bound, palladium fixed at \$345 for the first two days of the following week.

Palladium fixing prices – December 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	370.00	344.00	351.10
£ per oz	186.40	168.15	173.60
€per oz	252.45	234.40	241.05

The announcement of combined action by the US Federal Reserve, the European Central Bank and a number of other central banks to improve liquidity in the banking sector, saw

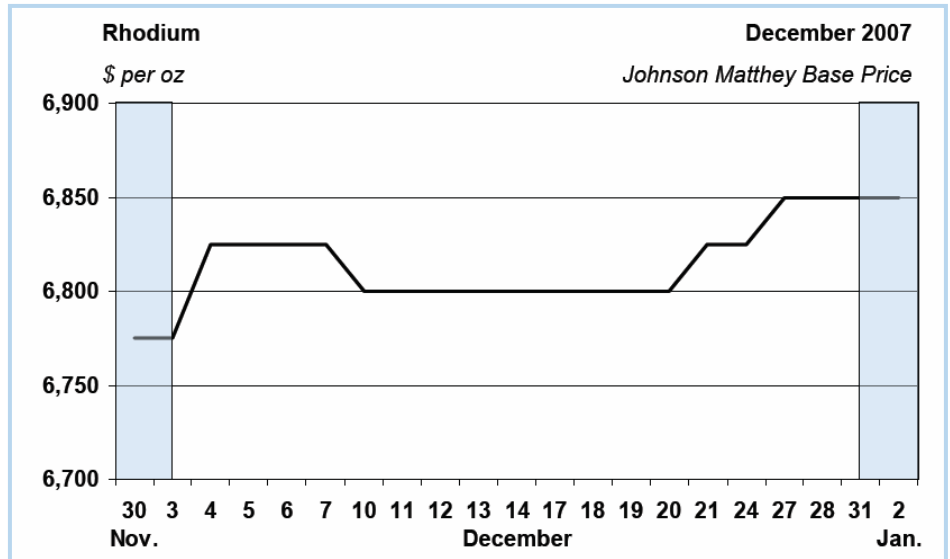
metal prices rise and palladium crept to \$349 on the 12<sup>th</sup> before being stopped by firm resistance. Traders aimed at the \$350 level again on the 14<sup>th</sup> and the spot price finally broke through late on during that day. Palladium fixed at \$350 at the London am fix on the 17<sup>th</sup> despite a falling gold price.

With the downward pressure released, the palladium price started rising smoothly and reached \$357 on the second fix of the day before settling close to \$355 before the Christmas break. Palladium jumped above \$360 on the 27<sup>th</sup> on news of political turmoil in Pakistan, reaching \$364. Surprisingly, perhaps, it found support at this new level and, while platinum drifted lower over the final two or three fixes of the year, palladium jumped to close 2007 strongly at \$370.

## OTHER PLATINUM GROUP METALS

**December was a mixed month in price terms for the minor platinum group metals. Rhodium climbed higher, iridium was entirely unchanged but ruthenium fell by \$60 to \$415.**

Rhodium started December at a Johnson Matthey base price of \$6,775 and climbed to \$6,825 on the 4<sup>th</sup> with some bidding emerging. The price fell



back slightly on the 10<sup>th</sup> to see good two-way physical trading at \$6,800. The price remained at that level until the 20<sup>th</sup> before climbing higher on the 21<sup>st</sup>, to \$6,825. Market confusion over whether Russian export licences had already been issued seemed to provoke this move. Thin trading conditions on the 27<sup>th</sup> allowed the price to move another step higher and rhodium closed 2007 on the year's highs of \$6,850.

In comparison, ruthenium suffered from a lack of buying interest and dropped back quickly from its opening \$475 to finish the year at \$415. Yet again, iridium remained at a Johnson Matthey base price of \$450 for the whole month.

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