

# The Platinum Metals Report

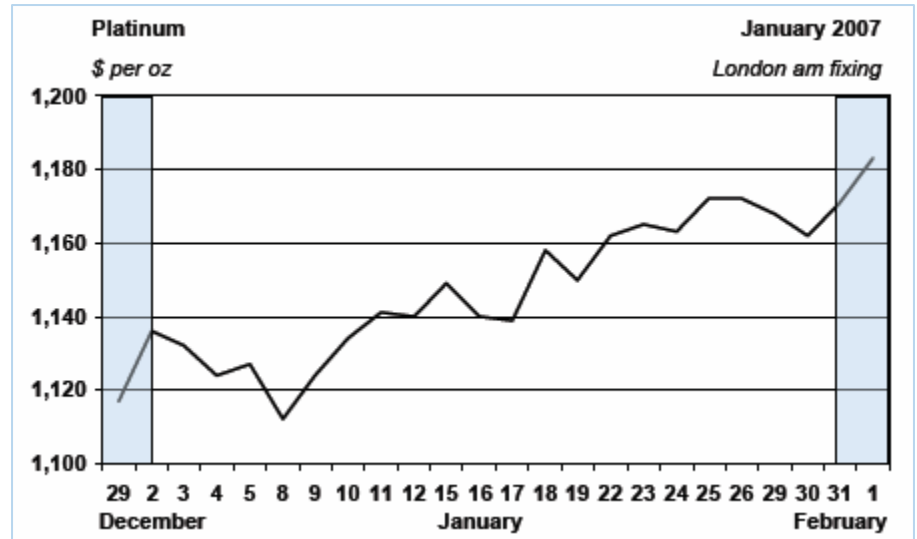
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January 2007

Johnson Matthey

## PLATINUM

A number of disruptions in platinum supply injected some tension into the pgm markets throughout January, supporting metals prices despite quiet market conditions. As a result, the platinum price rose by \$33 from an initial level of \$1,136 to a close of \$1,169.



After a downbeat December, the platinum price entered January at \$1,136 with no clear sense of direction amid thin trading conditions. With most global markets closed until the 3<sup>rd</sup>, the first real activity came as gold was sold off after struggling over the \$640 resistance level, with platinum weakening throughout the day before recovering slightly towards the end of trading. Further sell-offs in gold and copper on the 4<sup>th</sup> reflected a negative sentiment developing across the commodities markets, and depressed the platinum price too. Platinum was set at \$1,127 on the London am fix before falling in trading in New York and reaching its monthly low of \$1,112 twenty-four hours later.

Support from the Far East, in the form of good levels of physical purchasing on the Shanghai Gold Exchange, provided a timely boost, helping platinum to \$1,124 on the 9<sup>th</sup>, and marking the start of an upward trend in the price which was to continue for most of the remainder of the month. News from Russia emerged that a delay in the signing of new precious metals export legislation by President Putin had left Norilsk Nickel temporarily unable to ship platinum from Russia, threatening to tighten supply in the near term. With the markets becoming more active after the Christmas holidays, and reasonable levels of purchasing in China for jewellery production ahead of the forthcoming Chinese New Year, the platinum price was well supported and reached \$1,149 on the 15<sup>th</sup>.

Two contrasting pieces of news then emerged. The signing of a decree to simplify Russian pgm export procedures by abolishing export quotas signified the likely resumption of platinum exports from that country. At the same time, Lonmin announced

that it would rebuild its number 1 furnace at Marikana at a cost of 45 million Rand, with the impact of reducing first half sale sin the 2007 financial year to a little over 300,000 oz of platinum (compared to a forecast of about 685,000 oz in the second half). These two announcements provided opposing influences on the short term supply situation and price movements; the platinum price actually dropped slightly to \$1,139 on the 17<sup>th</sup>.

With additional minor supply disruption being caused in South Africa due to a rash of power outages, fund buying picked up, particularly in Tokyo, and the price jumped to \$1,158 on the 18<sup>th</sup>, breaking the \$1,150 resistance level and moving into a new range, despite some profit-taking.

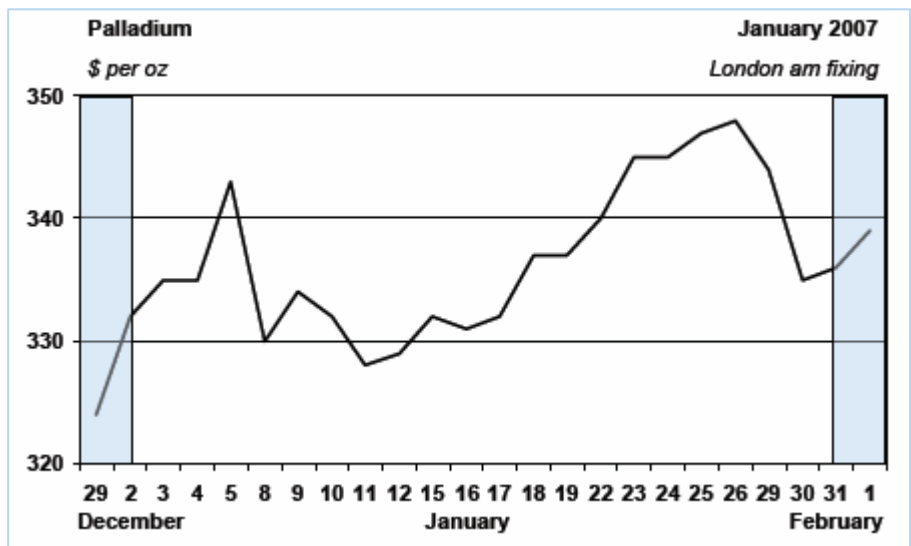
Platinum fixing prices – January 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,180.00	1,112.00	1,147.85
£ per oz	599.50	574.60	586.00
€per oz	909.45	854.00	883.30

On the following Monday, the 22<sup>nd</sup>, the crude oil price started to rebound from its doldrums, moving upwards from \$50 a barrel as cold weather finally swept into the American Northeast. Platinum obligingly followed and, further boosted by technical trading as it crested the 900 Euro mark, reached its monthly high of \$1,180 on the afternoon of the 25<sup>th</sup> in London.

News emerged on the 26<sup>th</sup> of further temporary disruption in the market with a strike at ARM and Anglo Platinum’s Modikwa mine, counteracting the effect of profit-taking by a number of investors, and supporting the platinum price. Nonetheless, a strong performance by the US Dollar and a sanguine reaction to these supply problems allowed the price to fade somewhat at the end of the month and close at \$1,169, having made up much of the ground it had lost in December.

## PALLADIUM

**Palladium showed remarkable strength through most of January, with the price firming from an initial \$332 to a peak of \$351 on the 25<sup>th</sup> before profit-taking by a number of funds forced the price back down to a final \$331, marginally lower overall. Once more, a key feature of the month for palladium was its relatively narrow price range.**



Palladium started the year at \$332 after an extremely quiet December. Amid thin trading, palladium made its first move of the month by pushing above \$340 on the 5<sup>th</sup>, reaching \$343. Much of this strength was derived from buying by speculators and fund investors, as suggested by significant increases in net long positions both on NYMEX and on TOCOM at the start of the month.

As news emerged of the hiatus in Russian platinum shipments and the price of that metal firmed, the realisation that palladium exports were not subject to the same interruption (Norilsk has a long term quota for palladium) depressed the price and it fell to \$330 on the 8<sup>th</sup> in London.

Although activity in many of the precious metals markets then picked up, trading in palladium remained quiet, with the volumes of metal changing hands on the fix much lower than at the end of 2006. Consequently, the price drifted until the 17<sup>th</sup>, passing through a monthly low of \$328 on the 11<sup>th</sup>. The announcement of the rebuild of Lonmin's No. 1 furnace at Marikana had little or no impact on the price, showing the comparative liquidity of the palladium market (relative to platinum).

Other commodity prices then took some control over palladium. On the 17<sup>th</sup>, movements in the gold price helped boost palladium somewhat and, on the 18<sup>th</sup>, as platinum broke through the \$1,150 barrier, palladium received a further helping hand. With fund and speculator interest in this metal high, the price recovered to \$339 at the afternoon fix of the 19<sup>th</sup>. Oil prices rose, predictably, as the weather in the Northeastern USA turned colder and this boosted a range of commodity prices, including the precious metals.

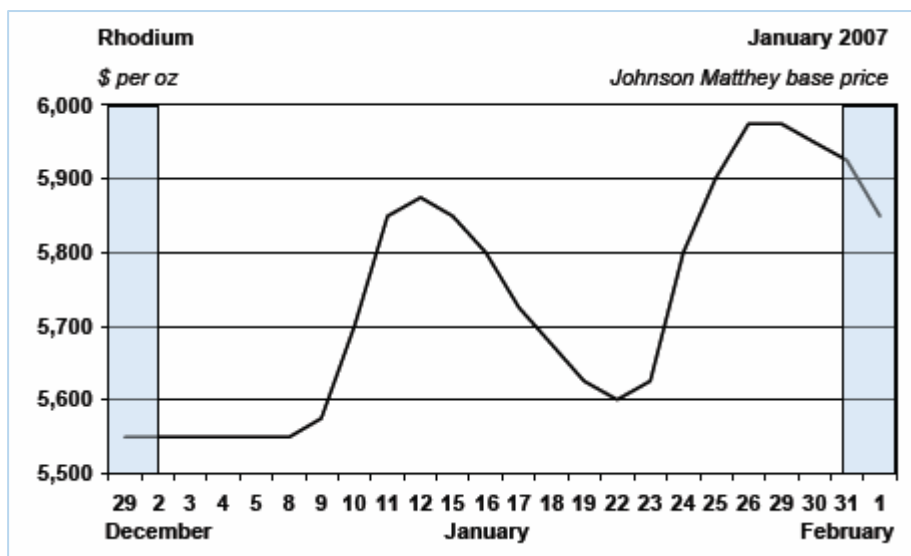
As the oil price continued climbing, funds continued to increase their long positions on NYMEX, with net speculative longs rising from 625,700 oz on the 16<sup>th</sup> to a hefty 794,000 oz on the 23<sup>rd</sup>. Together, these drove the palladium price to \$351 at the London pm fix on the 25<sup>th</sup>. However, palladium proved unable to hold onto these gains and slipped back below that mark at the next fix.

Palladium fixing prices – January 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	351.00	328.00	336.85
£ per oz	178.15	167.90	171.95
€per oz	270.50	250.10	259.20

Heavy selling of the March contract on NYMEX dominated the very end of the month, with profit-taking by funds looking to crystallize their gains, and the palladium price fell to end January at \$331.

## OTHER PLATINUM GROUP METALS

January was a quieter month for rhodium than December but still saw some residual volatility in the market. The Johnson Matthey base price started at \$5,550 with good levels of two-way trading and closed at \$5,925.



The rhodium price was steady at \$5,550

for the first few days of the month but started edging up on the 9<sup>th</sup> under the pressure of sustained bidding. It pushed higher, reaching \$5,875 on the 12<sup>th</sup> before an increasing number of market offers took the pressure off and caused the price to descend gradually to \$5,600 on the 22<sup>nd</sup>. At this point, the cycle started to repeat with two way trading slowly turning to an excess of bids over offers. This time, the price rose to a monthly peak of \$5,975 on the 26<sup>th</sup> before metal offers once again reappeared, taking some heat from the market, with the price drifting down to end at \$5,925.

The picture for ruthenium was very similar to that of recent months. Starting the month at \$610, the Johnson Matthey base price moved higher in steps to a plateau of \$700 through the middle of January. Sustained industrial purchasing then ratcheted up the pressure near the month end, and ruthenium closed at yet another record price of \$780.

The iridium price once again stayed immobile at \$400 throughout the month.

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