

The Platinum Metals Report

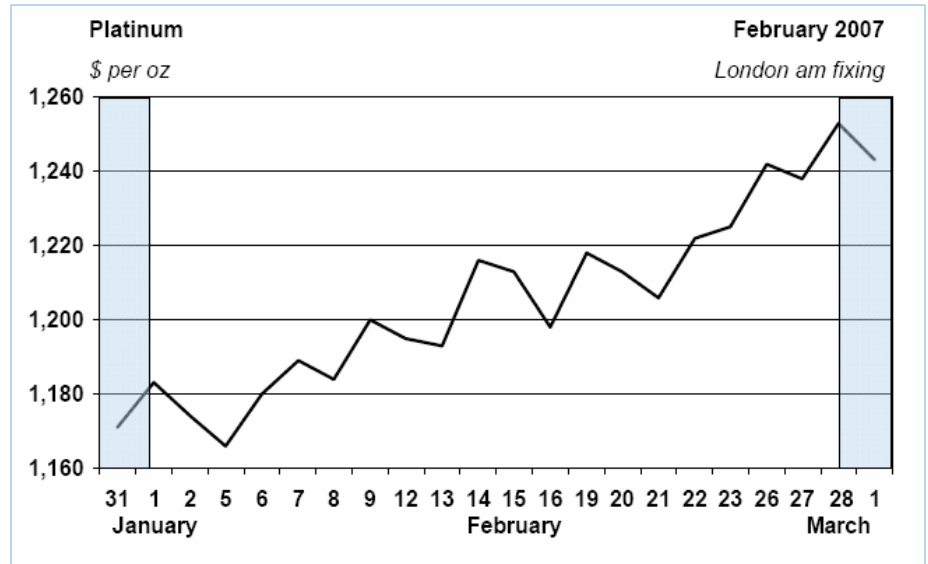
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February 2007

Johnson Matthey

PLATINUM

The rising price trend in platinum in January continued throughout February. Minor supply disruptions again added extra support to the price which was also boosted by a strong price performance by gold. Platinum started the month at \$1,183 and climbed by 4.7 per cent to close at \$1,239 on the afternoon of the 28th.



Initial support for the price came from the continuing strike at ARM and Anglo Platinum's Modikwa Platinum mine in South Africa. Northam Platinum's results then revealed a drop in first half production for the financial year with a forecast of a further fall in the next six months. With some tightness already evident in metal supply, the platinum price edged up, only to drop the following day as energy markets weakened. Reports of problems at a London and New York-based hedge fund on the 2nd sent copper and other base metal prices tumbling. A stronger US dollar also dampened enthusiasm for the platinum group metals and platinum fell to its monthly low of \$1,165 on the 5th.

Good physical buying of platinum in Asia and a spell of cold weather in the Northeastern USA, which boosted oil prices, supported the pgms, and with the Japanese general public steadily building long positions in platinum on TOCOM, the price crept upward. Short covering in New York on the 8th helped the gold price to a seven month high and platinum followed, reaching \$1,200 on the 9th before limited profit-taking took the price back to a few dollars below that level.

With the Tokyo markets closed on the 12th, all eyes were on Anglo Platinum's results which proved to be a little above expectations in terms of production. However, the market was largely unmoved and the price declined in line with a drop in base metal prices. This pause was only brief though and activity on TOCOM again took the price beyond \$1,200 on the 14th, for platinum to fix at \$1,218, underpinned by a degree of

technical buying in London. Implats reported slightly reduced output from its main production site and this news helped to sustain the platinum spot price. The 15th and 16th saw the price soften to below \$1,200 again with investors booking some profits before a long weekend in the USA and ahead of Chinese New Year.

Market participants were wary of supply interruptions throughout the whole of February and the announcement of a strike at Implats' main operations on the 16th caused some nervousness. On the 19th, both this strike and that at Modikwa (after a closure of three weeks, leading to a reduction in output of roughly 10,000 oz), were resolved, but buying interest in Tokyo took the price up to \$1,218.

Platinum fell back in New York, alongside crude oil and gold, on the 20th but good buying interest emerged to contain the decline. On the 22nd the announcement of a delay in the rebuild of Lonmin's No. 1 Marikana furnace and a short strike over healthcare provision at the same site on the 23rd gave the market further cause to anticipate a tightening in metal supply and the price recovered to \$1,225.

Strong trading on TOCOM on the 26th took platinum to a record price of 4,748 Yen per gram, which translated in the London market into a morning fix of \$1,242. Platinum remained strong throughout

the day, supported by the reopening of the Shanghai Gold Exchange after the Chinese New Year and by a rise in the price of gold as the markets reacted to

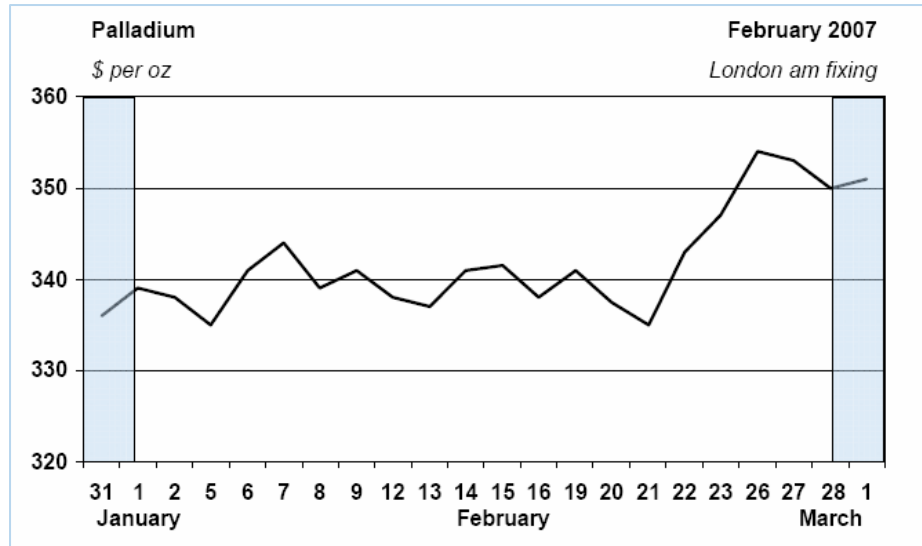
Platinum fixing prices – February 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,253.00	1,165.00	1,205.00
£ per oz	641.25	592.40	615.75
€per oz	950.30	895.80	921.55

tensions in the Middle East over Iran's nuclear programme.

On the 27th, the Shanghai stock market plunged, a fall which was apparently triggered by rumours that the Chinese Government was considering restricting the trading of equities. A number of other bourses also lost value, pummeling the gold price lower. Remarkably, platinum was relatively unaffected, initially at least, even climbing to its monthly high of \$1,253 on the last day of the month before falling to \$1,239 at February's final fix.

PALLADIUM

Palladium gained \$7 in February, climbing from an initial \$339 to a respectable \$346 at the month's final fixing. Although most of the month saw very low volatility in the metal price, it did manage to break \$350, briefly escaping from the \$320 - \$350 range in which it had been trapped for the previous four months.



Palladium was rather less responsive to market stimuli than platinum during February, showing the lower levels of day-to-day investor interest. Nonetheless, long futures positions remained high, reflecting significant fund and general public interest on NYMEX and TOCOM respectively.

At the start of February, the price broadly followed the pattern set by platinum and reached \$344 on the 7th before falling back under the news of very large exports of the metal to Switzerland at the end of December. The palladium price then settled into a narrow range of \$5 either side of \$340. With volatility low, changes in positions on both of the major futures exchanges were small, with NYMEX longs, for instance, dropping by only 30,000 oz in the second week of February.

The rising gold and silver prices could still not shift palladium and some selling in the Far East on the 21st and a further decrease in net long NYMEX positions drove the price down to its

Palladium fixing prices – February 2007			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	355.25	335.00	341.75
£ per oz	181.00	171.05	174.65
€ per oz	268.80	254.85	261.20

February low of \$335 on that day. Later on the 21st, however, palladium was well-bid, and it opened limit up on TOCOM on the 22nd, fixing at \$343 and \$348, a significant move by the standards of the month.

The price rose again on trading in Tokyo on the 23rd, with support coming from crude oil which also hit a 2007 high on the same day. Stillwater released its annual results, showing that it had met its targeted production increases for its 2006 financial year, but in a market with significant oversupply such information had no impact on the price.

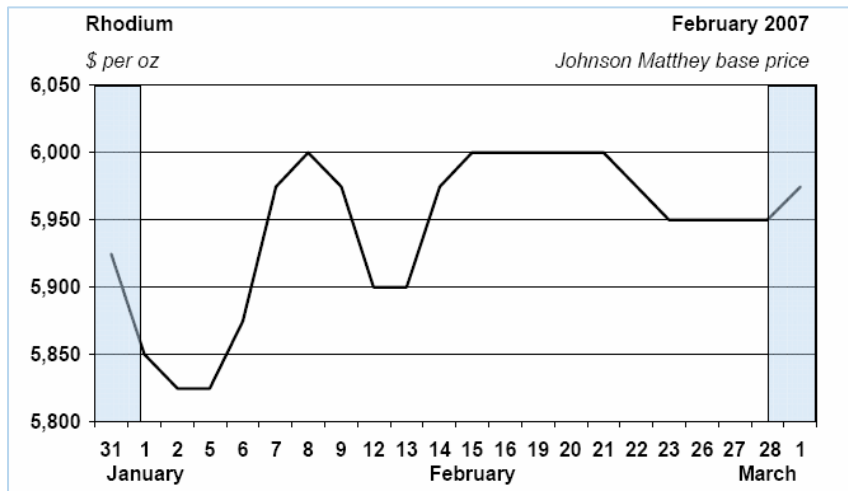
Instead, a weak dollar drove gold to a nine month peak on the 23rd and palladium fixed at \$353 (pm fixing) before hitting its high point for February on the 26th, at \$355.25.

Having been in a congested technical pattern previously, palladium finally became an attractive purchase to technical traders. However, after straying above \$350, the temptation for profit-taking proved too much and, amidst the falling stock markets, the palladium price subsided to end the month at \$346.

OTHER PLATINUM GROUP METALS

The movements in the rhodium price decreased in size during February compared to previous months. Although rhodium traded between \$5,825 and \$6,000, volatility was greatly reduced.

Rhodium started February at a Johnson Matthey base price of \$5,850. The price softened and the metal became subject to an excess of offers over



bids and consequently fell to its low point of \$5,825 on the 5th before physical purchasing picked up, with the price bouncing back \$50 the following day. It climbed to \$6,000 before buying interest faded and the price started slipping back almost immediately to \$5,900 on the 13th. A second cycle followed, with the price again swelling to \$6,000 on the 15th and then dropping in \$25 steps to end the month at \$5,950.

Ruthenium began the month with buying pressure forcing the price higher yet again, from \$780 on the 1st to \$870 on the 9th. A number of comments from mining houses indicated that they felt the current price levels might prove to be unsustainable in the long term, and, amid rumours of sales of metal by speculators, the price finally dropped by \$20 on the 26th, the first fall since July 2006, ending at a softer Johnson Matthey base price of \$850. By contrast, speculative interest appeared to arrive in the iridium market where the price had remained static at \$400 since the first half of 2006. As buying interest applied upward pressure, the price moved on to \$410 on the 7th, \$425 the day afterward and finally jumped to \$460 on the 16th, where it stayed for the rest of the month.

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