

THE PLATINUM METALS REPORT

Johnson Matthey

June 2002

Speculative activity produces platinum price volatility

Bearish palladium market drifts down to \$320

Falling rhodium finds floor around \$800

PLATINUM

The solid underlying industrial demand for platinum seen so far this year continued into June (US vehicle production to the end of May, for example, was up an estimated 8% year-on-year). Speculative trading and sales of physical metal on the spot markets, however, drove fluctuations in the platinum price between \$540 and \$565, and at the top end of this range bids for physical metal became scarcer. Movements in the futures markets were directly influenced by volatility in the gold price, increased concerns about the weakness of the US economy, sliding equity values, and the depreciation of the dollar versus the yen.

The rally in platinum that had built throughout May continued into early June. Although the London Platinum and Palladium Market (LPPM) was closed on the first two working days of the month, demand on the US spot market was firm, platinum moving to \$551 to \$555 at the close of US trading on the 4th. The first fixing of the month in London of \$552 on the morning of the 5th reflected this, but significant

Platinum

June 2002
(London pm fix)



* London market closed on 3rd and 4th June

Platinum prices

June 2002

	High	Low	Average
\$ per oz	567.00	539.00	556.33
£ per oz	386.55	354.70	374.49
€ per oz	596.71	547.62	580.91

offers of metal (attributed to Russia) pushed the afternoon fix down to \$546.

The price jumped by \$18 over the following two days as investors on TOCOM increased their net long positions, the rise of platinum mimicking that of gold (which moved above \$325). Platinum fixed at \$564 on the 7th and at this level physical trade thinned. As gold slipped back under \$320 the following week, the platinum price also eased a little, and stabilised between \$554 and \$558 in a generally quiet market.

From the 14th onwards, the platinum price began to climb once more as funds increased their speculative purchasing on both NYMEX and TOCOM. Momentum was again provided by another gold rally towards \$325 as well as falling equity prices in Japan and investors increased their net long positions. This activity supported the spot price, even though volumes offered on the London fixings increased and bids for physical metal became lighter as the price passed \$560 on the 18th. The London fix hit \$565 on the 19th, its highest point for a year, and with the palladium market in gentle decline the difference between the two metals widened to almost \$230.

The morning fix of \$567 on the 21st marked the top of the platinum rally in June and the price fell sharply during the last week of the month. Selling on the London fixings pushed the price down to \$560 on the 24th and 25th, then platinum lost \$20 over the following two days. Sentiment amongst speculators became bearish as news of the WorldCom accounting fraud broke, damaging already weak confidence in the US economy. In addition, the dollar fell sharply against the yen, triggering stop-loss covering of long platinum futures positions on TOCOM, while US and Japanese equities lost further value. TOCOM again



led the way in platinum: over 100,000 contracts were traded on the 26th, and all active months fell by the maximum daily price limit as funds and individual speculators moved to protect profits and close out long positions.

Further heavy selling of futures occurred on the 27th and the spot markets reflected the negative attitude of investors; the platinum fix falling to \$539 that afternoon in London. Purchasing of physical metal, however, provided a floor at around \$540 in US trading after the London close and enabled platinum to recover some ground on the 28th, fixing at \$545. Platinum, therefore, ended the first half of 2002 well ahead of where it started the year (\$481). The average fixing price over the period was \$514, or \$85 below the average for the first half of 2001 (\$599).

PALLADIUM

After holding ground between \$350 and \$360 in May the palladium market turned decidedly bearish in June, the metal losing almost \$30 over the course of the month after initially following platinum upwards. Physical demand remained weak, while fund selling put futures prices under pressure as trading volumes continued to be very light.

With the London market closed on the 3rd and 4th May, palladium spot trade in New York was relatively quiet, the bid-offer spread firming slightly to \$345 to \$355. From the 5th through to the morning of the 7th palladium followed platinum upwards, moving to \$356 in thin trade. That afternoon, however, the palladium fix dropped back to \$352 and over the following week the price continued to slide. Open interest increased on NYMEX as funds opened new short positions and this put pressure on futures prices. With limited physical demand the London fix fell to \$333 on the morning of the 14th.

Palladium

June 2002
(London pm fix)



* London market closed on 3rd and 4th June

Palladium prices

June 2002

	High	Low	Average
\$ per oz	356.00	318.00	334.82
£ per oz	244.00	207.75	225.47
€ per oz	376.65	321.18	349.76

The drift under \$335 increased the level of bids from industrial purchasers. This moderate buying interest provided a degree of support in the mid \$330s until the 20th when bearish sentiment took over once more. The weakness of physical demand was underlined by American Technical Ceramics Corp. when it announced that it had sold a proportion of its palladium inventory back to one of its suppliers for \$3.3 million, this de-stocking being symptomatic of the poor market persisting for electronic components. With platinum also now in retreat and increased offers of physical metal seen on the fixings, the palladium price slumped to \$325 on the 24th. By the end of the month the metal was trading either side of \$320, its lowest level since November 2001.

MARKET NEWS

3rd Jun: Sergei Gorny, deputy chief of Russia's PGM trading agency Almazjuvelirexport, rejected suggestions by Norilsk Nickel that the single marketing channel operated by Almaz is being dismantled. "The single-channel system for exports of Russian PGMs is still in place, and Almaz is the monopoly seller of PGMs," Gorny told Platts. "Norimet [Norilsk Nickel's UK subsidiary] will participate in negotiations with end users together with Almaz" he said, but added that "Norimet does not have the right to export."

3rd Jun: Impala Platinum said it would close its No.11 Shaft in South Africa for several days after four workers were killed at the mine in May. The shaft accounts for about 10 per cent of the company's production.

6th Jun: Aquarius Platinum is to buy 50% of the Mimosa platinum operation in central Zimbabwe. The company will buy the stake in ZCE Platinum, which owns the Mimosa Mining Company, from Zimasco Consolidated Enterprises in exchange for 8.6% of its issued capital. The deal, to be paid in common shares, values the stake at £26.7 million (\$38.8 million). Mimosa produced 31,000oz of platinum group metals and gold in the last financial year and is expanding production to 135,000oz per year. Impala Platinum owns 35% of Mauritius-listed ZCE.

7th Jun: Stillwater Mining Company announced that it had reached agreement with the Securities



and Exchange Commission (SEC) on how it estimates probable ore reserves. The company said that its probable reserves would be restated from 27.7 million oz to 25.0 million oz. Stillwater said that the new estimate would lower its second-quarter per share earnings by about 1 cent.

10th Jun: Anglo Platinum chairman Barry Davison confirmed that the company will go ahead with a 20 billion rand (\$2 billion), six-year expansion programme despite reservations about South Africa's draft minerals bill. Davison, speaking after a parliamentary hearing on the bill, said that he was confident the government would amend the draft version currently before parliament to ensure security of tenure for mineral rights holders.

17th Jun: The Russian government has changed the management structure of Gokhran, the state depository for precious metals and gemstones. The head of Gokhran will no longer also hold the position of Deputy Minister of Finance. The change follows the retirement of Valery Rudakov, the previous incumbent in both posts, on 7th June. Andrey Kutepov, formerly the First Deputy Head of Gokhran, was promoted to head of the organisation.

18th Jun: In its annual report, Norilsk Nickel disclosed that its gross sales of palladium were \$1.218 billion in 2001, a fall of 36.6 per cent in volume and 29.8 per cent in value from 2000 levels, reflecting the company's withdrawal from the spot market in the second half of 2001. In contrast, sales of sister metal platinum last year were \$509.1 million, a rise of 39.4 per cent in volume and 36.7 per cent in value.

21st Jun: Electronic components manufacturer American Technical Ceramics Corporation said it had sold a "substantial portion" of its palladium inventory to one of its vendors for about \$3.3 million. The company said that the move was intended to align its palladium stocks with current and anticipated demand. The company said it does not expect to sell additional palladium in the foreseeable future.

25th Jun: South Africa's government will meet representatives of Anglo Platinum on July 2 in an effort to end a row over the platinum producer's application for six mining licences. Angloplat has told the government that 20 billion rand of investment is in jeopardy due to delays in granting the licences and has taken the Department of Minerals and Energy to court in a bid to speed up the process.

OTHER PGM

In June the rhodium market followed a similar pattern to the previous month - growing offers of physical metal pushed prices from around \$930 down towards \$800, at which level bidding increased and prices recovered towards \$850. With the global electronics market still in the doldrums, the iridium price fell for the eighth month in succession, while the Johnson Matthey base price for ruthenium was rooted to \$70.

Most rhodium purchasers were content to stay out of the market at prices over \$850 in June. Offers were forced lower during the first two weeks of the month, the JM base price slipping from \$930 on the 3rd to \$850 on the 14th as a result. Small bids began to re-emerge as the price continued to weaken the following week. By the 19th the buying interest was of sufficient volume to outweigh the level of offers, halting the decline at \$810. The turnaround was completed in the final days of the month as the price recovered to \$825 on the 25th and \$850 on the 26th.

With little demand for new iridium crucibles from the electronics sector and no shortage of supply, the Johnson Matthey iridium base price continued the steady fall that has characterised 2002 to date. The price dropped \$15 to \$315 around the middle of the month, this marking a new four-year low. The erosion of the ruthenium price that started in the fourth quarter of 2000 flattened out in June, the Johnson Matthey base quote remaining unchanged at \$70.

Monthly average rhodium prices



Except where otherwise stated, prices in charts and tables are London fixings or their equivalents in other currencies.

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For price information for June, click on the following link:
<http://www.platinum.matthey.com/prices/June2002.php>

