

# The Platinum Metals Report

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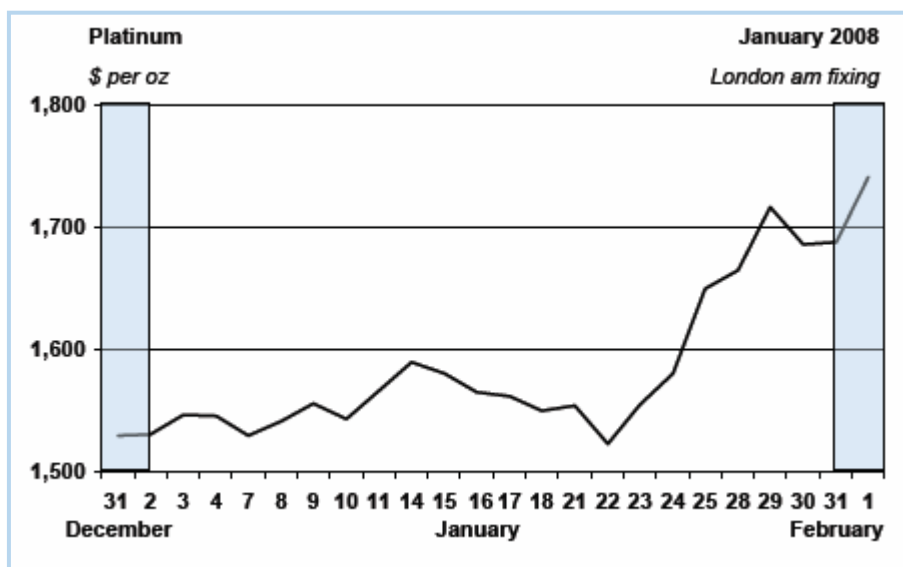
January 2008

Johnson Matthey

*Movements in the platinum group metal markets in January were caused by two major stimuli. In the first part of the month, macroeconomic factors dominated, pushing prices slowly higher. Towards the end of the month, supply disruptions, particularly the suspension of mining activities across South Africa in response to power supply interruptions, had a very significant impact, sending platinum and rhodium to new records and even pushing palladium close to the \$400 mark.*

## PLATINUM

After another strong month to end December, platinum drove onward in early January. The metal price inched its way higher, posting new records from time to time until the 24<sup>th</sup> when the first of a series of announcements concerning reduced supply from South Africa emerged, sending platinum soaring to the dizzying heights of a new record of \$1,731 at the final fix of the month.



Platinum started 2008 with upward momentum and, as gold reached a two month high, platinum moved upward to \$1,541 on the second fix of the year, just below its December (and all-time) peak. Healthy purchasing on the Shanghai Gold Exchange (SGE) provided support on the following day but platinum was unable to break resistance near \$1,550 and profit-taking, led by a falling oil price, caused the price to soften to \$1,529 on the 7<sup>th</sup>.

Uncertainty in the global financial markets over the continuing credit crunch and the possibility of a US-led recession supported most commodities as investors looked to alternative investments. This supported platinum which started to rise on the 8<sup>th</sup>, fixing at \$1,543 in the afternoon, a whisker short of its record value, and reaching \$1,556 in the spot market later that day, setting the first record price for the month. It fixed a dollar lower on the 9<sup>th</sup>, at \$1,555.

Heavy losses at some of the large international banks (caused by the sub-prime mortgage crisis) caused some market nerves on the following day and investor liquidation of gold

positions sent precious metals prices lower, with platinum falling to \$1,538 before bouncing back the following day to a(nother) new record. With purchasing in Shanghai more than solid and the dollar weak on the prospects of further interest rate cut, platinum powered on to an impressive \$1,589 on the 14<sup>th</sup>. A fall in global equities caused some profit-taking in the metals markets to cover losses elsewhere. The platinum price slid lower to a monthly floor of \$1,522 on the 22<sup>nd</sup>, despite continued strong physical purchasing in China (including 363kg bought in one day on the SGE). However, more importantly for the pgms, the first signs emerged of a deepening crisis in the South African power sector as ESKOM (the South African electricity utility) warned of limited capacity margins.

The malaise was lifted on the 22<sup>nd</sup> as the US Federal Reserve announced an immediate, emergency cut of seventy-five basis points (or 0.75 per cent) in the interest rate. The dollar fell markedly and the precious metals all bounced higher, with platinum gaining \$16 between fixes. Further strength came at the end of the following day as Anglo Platinum announced the temporary closure of its Amandelbult mine, and the loss of 50,000-70,000 oz of platinum production, due to flooding there. Platinum leapt from \$1,546 at the London pm fix on the 23<sup>rd</sup> to \$1,580 on the first fix of the following day.

However, the real action was yet to come: on the 25<sup>th</sup> Aquarius's announcement of a suspension in its operations at Everest on the Eastern Bushveld due to contractor action was overshadowed by the complete stoppage of platinum and gold mining across South Africa. The platinum producers decided that given the lack of guaranteed power, it was not safe to continue mining and processing operations and suspended all but essential activity. Platinum shot higher, climbing \$90 in a day to \$1,681 at the second fix on the 25<sup>th</sup> and physical purchasing dwindled to a low level.

Platinum fixing prices – January 2008

	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,731.00	1,522.00	1,583.95
£ per oz	870.70	770.80	804.20
€per oz	1,166.05	1,039.75	1,076.55

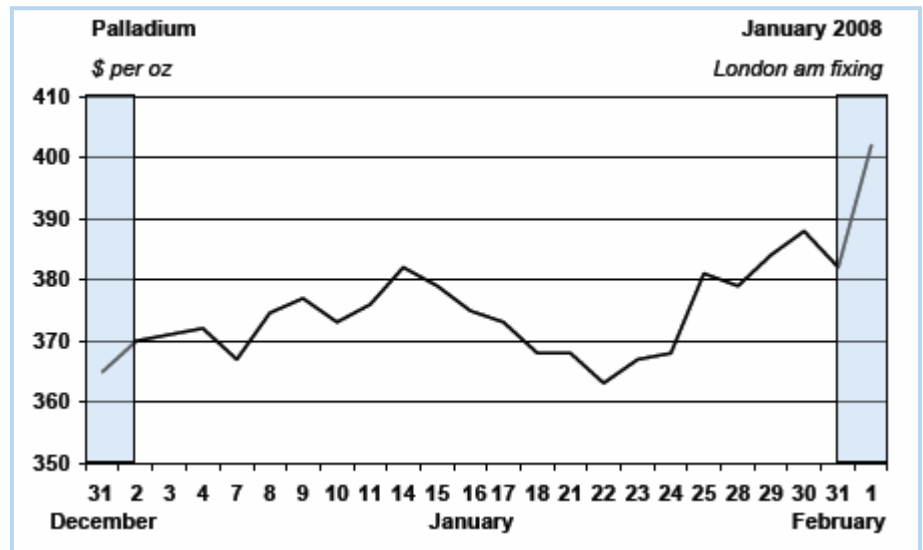
Although some mining operations resumed over the weekend, this brought little respite to the market. With analysts and consumers unsure of the likely loss of production, the price rose once more, to a new peak of

\$1,716 on the 29<sup>th</sup>. Some relief finally came later that day – ESKOM announced that it would supply some ninety per cent of power requirements to the mining industry, allowing mining operations to resume at something approaching their normal pace. Investors on TOCOM sold off positions early on the 30<sup>th</sup> but the price was supported at the \$1,680-\$1,690 level by another half per cent cut in US interest rates later on that day.

To cap a remarkable month, news emerged on the 31<sup>st</sup> that ESKOM was unable to supply the proposed ninety per cent of power requirements at some mines which were only receiving eighty per cent of their needs. The immediate response of the investment community raised the price once more to end the month at its highest point ever: \$1,731.

## PALLADIUM

January was a quieter month for palladium than for its sister metal. Although there was some strength in the price over the first three weeks of the year, it traded largely in a range of \$360-\$380. Late on in the month, the price responded to the moves in the platinum market and rose to close at the monthly high of \$388.



Palladium started the year at \$370, not far below its 2007 high. However, it showed little clear momentum and immediately encountered resistance at that point. It inched as high as \$372 on the 4<sup>th</sup>, following platinum's upward move before dropping back \$5 the following day on widespread profit-taking. Broader strength in the commodity markets provided a positive boost and the price moved back higher to successfully challenge resistance near the \$375 level. With some good volumes of metal changing hands on the fixes, palladium reached a mid-month peak of \$382 on the 14<sup>th</sup>.

Palladium fixing prices – January 2008			
	High	Low	Average
\$ per oz	388.00	363.00	374.30
£ per oz	195.15	186.00	190.05
€ per oz	262.50	249.85	254.40

On the following day, macroeconomic factors again intervened and, as equity markets fell, profit-taking in precious metals reappeared. The palladium price softened accordingly

over the following days. A hefty further drop on the Asian stock exchanges on the 21<sup>st</sup> (with the New York markets closed and unable to have any impact) led to palladium fixing at its monthly low of \$363 on the 22<sup>nd</sup>. However, the unexpected weighty US interest rate cut made later that day by the Federal Reserve cut the support from the dollar and started the pgms moving higher once more.

Palladium finally broke the \$380 mark on the 25<sup>th</sup>. Problems in supply from South Africa boosted the platinum price. Even though palladium's fundamentals are rather less strong, its price reacted to this move. It followed platinum higher, moving from \$381 that day to a monthly high of \$388 at the final fix of the month.

## OTHER PLATINUM GROUP METALS

**Rhodium was the most noticeable of the minor platinum group metals in January. While ruthenium and iridium remained quiet, rhodium quietly moved to an all-time high of \$7,300, some \$300 above the level it last reached in 1990, driven by the same interruptions to South African mining and processing that also affected platinum.**

Rhodium began the year quietly at \$6,850 and was forced higher on the 4<sup>th</sup> under pressure from an increasing number of market bids, reaching \$6,950 on the 8<sup>th</sup>. With platinum reaching another all-time high on the 9<sup>th</sup>, rhodium finally took another step higher to a Johnson Matthey base price of \$7,025, above the previous high of \$7,000 which came in 1990. Perhaps surprisingly, the price did not immediately fall back under profit-taking: in fact it crept another \$25 higher the following day as buying interest appeared again, before slowly softening, over a number of days, to \$6,950 on the 24<sup>th</sup>.

The news of the temporary closure of the Amandelbult mine and then the full scale safety-related closures of all of the South African mining industry on the following day reinvigorated the price. In an already-thin market, this prospect of a loss of some rhodium production provided the spur for more buying by nervous consumers. This quickly drove the price higher and it moved back through \$7,000 on the 25<sup>th</sup>. Rhodium reached a new record high of \$7,300 on the 29<sup>th</sup> before the buying cooled, allowing the price to end the month at this level.

Ruthenium opened the year at a Johnson Matthey base price of \$415 and slipped back to \$405 on the 3<sup>rd</sup>, staying there for the following week. However, buyers started to reappear and the price gained \$5 on the 11<sup>th</sup>. More end user and speculative purchasing arrived and returned the price to \$415 on the 16<sup>th</sup>, allowing ruthenium to end the month at the same level at which it had started. All this excitement passed iridium by and it remained at \$450 for the whole month.

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