

The Platinum Metals Report

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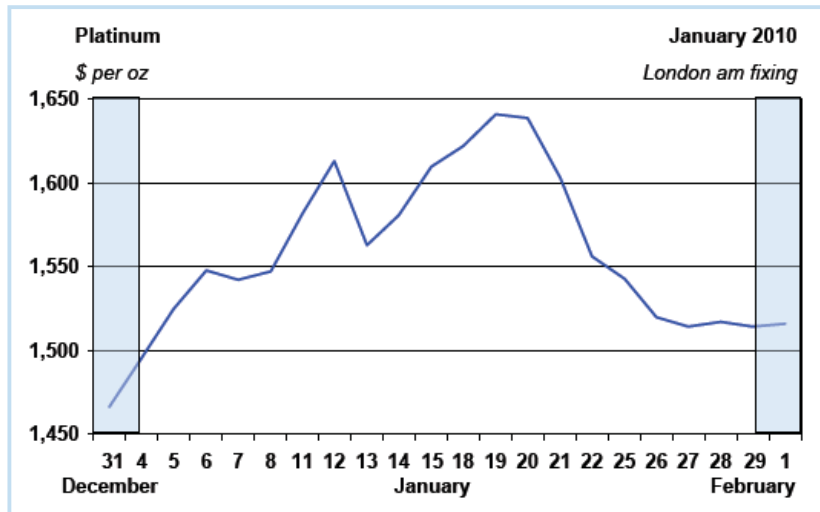
January 2010

Johnson Matthey

January was an exciting month in the platinum group metals markets. The launch of US-based Exchange Traded Funds (ETF) generated significant buying through the first half of January, driving platinum and palladium higher. In the middle of the month, worries emerged that the Chinese authorities were moving to slow domestic economic activity and comments from the US Obama administration weighed on the commodity sector. The prospects of weaker demand from China weighed on a range of commodities. Platinum and palladium both slipped back to end the month close to where they had started it. Rhodium followed its sister metals, peaking in the middle of the month, while ruthenium gained ground. The iridium price did not move at all.

PLATINUM

The launch of a US-based, physically-backed Exchange Traded Fund drove the platinum price to its highest level since the third quarter of 2008 in the middle of the month. Later on, the Bank of China made its first moves towards tightening monetary policy in an attempt to slow down the pace of



economic growth. Net long speculative positions started to fall and the price retraced its path back to \$1,512, only \$16 above its first fix of the month.

Platinum's final fix of 2009 was \$1,466. Palladium climbed over \$400 at the end of the year, providing some momentum to platinum. More important, though, was the 24th of December announcement of the forthcoming launch of a US ETF. Many market participants had been absent from the market and plenty of pent-up buying demand persisted. The US Dollar was strong but investors pushed platinum higher to a first fix of the year at \$1,496 and onwards to \$1,500 on the afternoon of the 4th. Short covering of gold added some further spice as did reports of fairly strong European automotive sales.

Investors continued to buy and net long speculative positions on NYMEX grew to a hefty 1.23 million ounces on the 5th. Platinum climbed to \$1,525 at the first fix of the day

before dropping back marginally on profit-taking. The Euro continued to weaken against the US Dollar over worries about the Greek economy. However, the platinum price ignored this with the impending launch of the US ETF driving investment flows. European speculative interest continued and a further touch of energy was added by the news that Swiss bank Julius Baer was also to launch a platinum ETF. Platinum moved higher and was briefly halted by resistance close to \$1,550 before moving on to \$1,556 at the second fix on the 6th.

China's first gentle moves to tighten domestic economic policy to restrain growth made the markets nervous on the 7th and drove a mild spell of profit-taking in the pgms. Platinum retreated below \$1,550 but bounced back to \$1,569 on the 8th as the new US and Swiss ETFs were launched. Lease rates tightened and platinum moved into backwardation amidst intermittent and confusing data on uptake of the US fund. Later data revealed some 25,000 oz of net investment inflows that day.

The US Dollar weakened on poor US employment data and gold responded by moving over \$1,140, dragging platinum higher too. 55,000 oz of platinum entered the US ETF, further boosting the price which moved closer to \$1,600. The price burst through this level to a first London fix of \$1,613 on the 12th of January and touched \$1,627 in the spot market before further Chinese moves to tighten economic policy, by increasing bank reserve requirements, encouraged more profit-taking. Many commodities fell and platinum sunk to \$1,563 the following morning.

Metal was still flowing into the US ETF, though, and investors remained bullish in general, pushing platinum back to \$1,600 on the afternoon of the 14th, aided by reasonable purchasing on the Shanghai Gold Exchange. At this point, the US Commodities and Futures Trading Commission (CFTC) announced that it would examine current position limits on precious metal futures and options, causing a touch of market nervousness but having little effect on the price. A spell of cold weather across much of Europe and North America supported oil prices and assisted platinum. News of mildly

Platinum fixing prices – January 2010			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,641.00	1,496.00	1,563.30
£ per oz	1,004.90	924.30	966.40
€ per oz	1,155.05	1,038.80	1,094.55

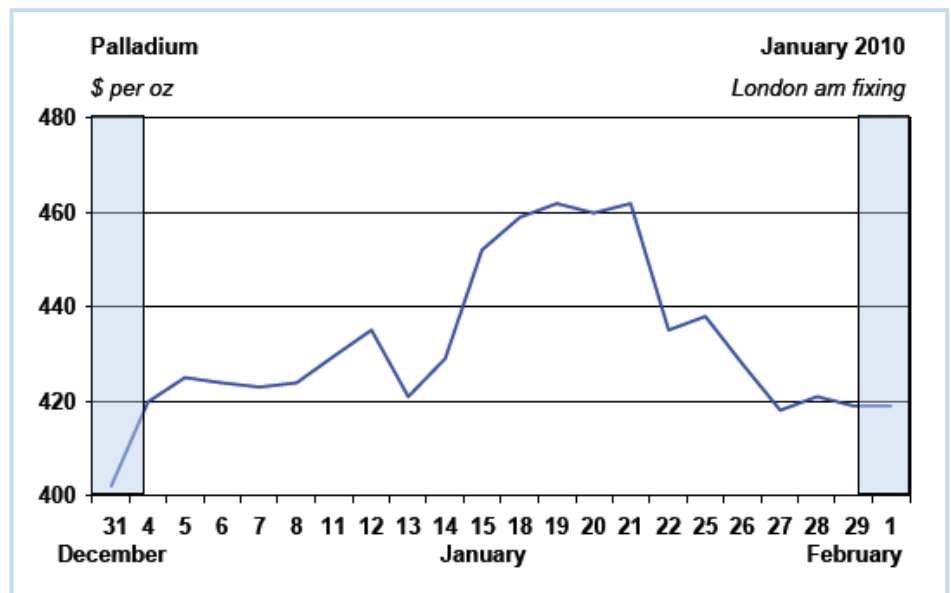
positive US automotive sales for December provided a further fillip and platinum climbed to its monthly peak of \$1,641 on the morning of the 19th of January.

The Bank of China tightened monetary policy once again on the 19th, though, and the strength of the dollar started to weigh on the precious metals. Platinum retreated twenty dollars but returned to \$1,639 at the first fix on the 20th. Platinum softened back towards \$1,600 before the US Government made some public comments about the possibility of splitting the big banks and of preventing proprietary trading at these organisations. This had a hugely depressing effect on the commodity sector, driving hedge fund sales and sending platinum to \$1,512 on the 26th before it found any real support.

Some positive demand news emerged on the 26th, as Corning revealed that it believed that the LCD glass market would grow in the first quarter of 2010. Toyota weighed in by predicting a 6% rise in its global automotive sales in 2010 and the Japanese Government announced an extension of its vehicle scrappage scheme until the end of September 2010. This stopped platinum sliding but it could not regain any energy. It dipped below \$1,500 in late trading in New York on the 29th but found plenty of support from ETF buying (245,000 ounces of platinum entered the US fund in January in just over three weeks of trading, although some 25,000 oz were redeemed in London). Platinum recovered from this dip to reach a final January fix of \$1,512.

PALLADIUM

The palladium price lost \$1 during January but remained comfortably above the \$400 mark, having only been above that level for one day during 2009. The price peaked at \$462, however, driven by ETF purchasing and other investor interest before retreating following perceived anti-bank comments from the US Government.



Palladium's final fix of 2009 was at \$402 as investors forced it above the psychologically-important \$400 mark. Plenty of energy remained, allowing palladium to rocket up to a first fix of 2010 at \$420. Although platinum benefited from the impending launch of its US-based ETF, palladium seemed to run out of steam. In part this was explained by the desire of investors to liquidate their net long speculative positions on NYMEX to book profits gained during palladium's strong recent price performance. These positions did, though, remain large, suggesting that plenty of investors still held bullish views of where the price might head in the coming months.

The palladium price crept higher nonetheless, to reach \$426 on the 7th despite some dollar strength (on the back of Eurozone national credit issues). Gold firmed the following day as poor US employment data depressed the dollar. More importantly, a physically-backed palladium ETF was launched in the USA. 30,000 ounces of metal entered this fund on the 8th. Buying continued throughout the remainder of the month with investors accumulating

400,000 oz of palladium by the end of the month, supporting the price (despite the redemption of 55,000 oz of palladium from the London fund to realise profits).

Palladium climbed to \$431 on the 8th of January and pushed to a high of \$435 on the 12th (and \$445 in the spot market) as stop loss buying of gold boosted the precious metal complex. VW also revealed that it had achieved record global sales during 2009 due to strong German and Chinese automotive purchasing. China started to progressively tighten its monetary policy in order to slow its overheating economy. This action suggested that demand for palladium and many other commodities would slow, placing some pressure on the metal price.

Palladium fixing prices – January 2010			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	462.00	418.00	434.15
£ per oz	285.90	258.50	268.40
€ per oz	328.70	290.25	304.00

Palladium fell back to \$421 on the 13th but moved higher again immediately, driven by the strong ETF purchasing. Positive US vehicle sales data provided further support and

palladium raced to \$452 on the 15th, supported by platinum's move above \$1,600. Palladium continued to move higher, hitting an 18 month high on the 18th and its monthly peak of \$462 on the 19th.

On the 21st, the Obama administration made some very public comments which were widely interpreted as anti-bank. These included the suggestion that the banks might be prevented from carrying out proprietary trading on their own behalf. This weighed on the commodity sector and many prices retreated in response. Gold fell and although palladium remained at \$462 on the 21st, it quickly softened the following day, slumping to \$432 at the second fix on the 22nd.

The dollar weakened on the 25th on the expectation of the release of poor domestic housing data and palladium bounced gently higher. However, despite this and substantial ETF purchasing in New York, palladium softened again, hitting a monthly low of \$418 in London on the morning of the 27th. It ended the month at \$419, a dollar below its first fix but substantially above its final fix of 2009.

OTHER PLATINUM GROUP METALS

Rhodium lost ground during January after a strong start. Ruthenium climbed throughout and iridium was, as so often, entirely motionless.

Rhodium began the year at a Johnson Matthey Base Price of \$2,550. The strong buying of late December continued and was reinforced by the rising platinum and palladium prices, sending rhodium to a short-lived peak of \$2,775 on the 18th. The weakness in the

rest of the commodity sector on the 21st also infected rhodium which weakened steadily to end the month at \$2,450. Ruthenium started January at \$160 and moved to \$170 on the 12th amidst rumours of speculative Asian buying. It moved higher again on the 20th to end the month at \$175. Iridium remained at \$425 throughout.

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