

The Platinum Metals Report

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November 2009

Johnson Matthey

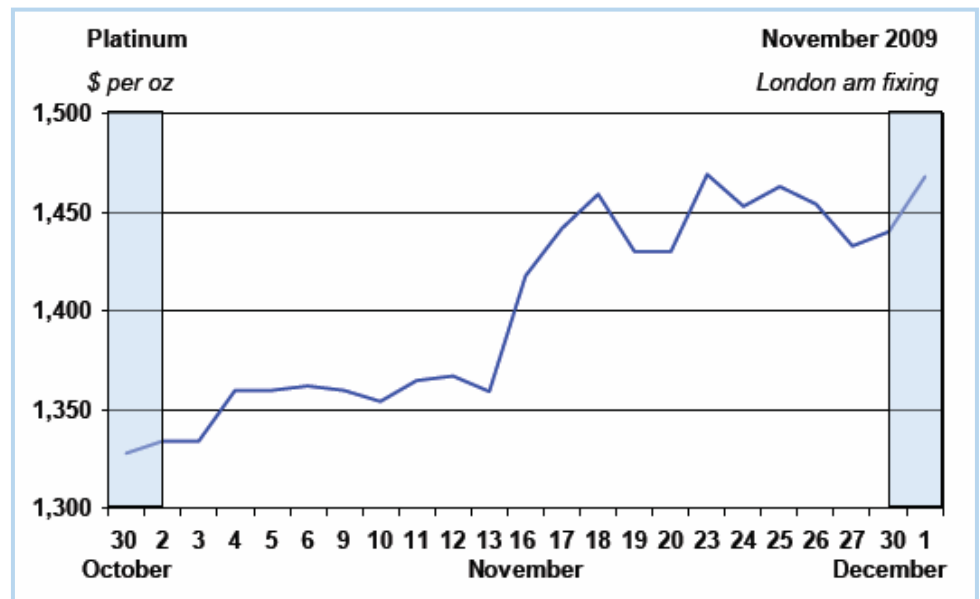
November saw the prices of most of the platinum group metals rising strongly throughout. While physical demand remained comparatively weak, investors continued to demonstrate their level of interest with Exchange Traded Fund positions rising steadily. However, once again, macroeconomic factors played the most important part. The US Dollar weakened again as investors gradually became less risk-sensitive. This boosted the gold price, further aided by fears of eventual inflation caused by quantitative easing, and by central bank buying interest, dragging the rest of the precious metal complex higher.

PLATINUM

The price of platinum rose by \$108 during November as the continuing decline in the value of the US Dollar and the marked momentum in the gold market provided all the incentive that investors needed to drive platinum higher. ETF positions increased from just over 600,000 oz at the start of the month to almost

660,000 oz at its end while net long speculative positions on NYMEX climbed by 180,000 oz to a very weighty 1.35 million ounces.

Platinum opened November with an initial fix of \$1,334, following some end-of-month profit-taking in London and on TOCOM. The physical market was somewhat subdued – with only 78kg of platinum changing hands on the Shanghai Gold Exchange – and remained so for most of the month. Positive US October automotive sales data indicated some level of recovery in that market, though, and underpinned the price. On the 3rd, good German car sales data were released – despite the ending of the German national vehicle scrappage scheme – but provided no vigour to the price which slipped to a monthly low of \$1,325 at the second fix of the day.



Later on the 3rd, the International Monetary Fund revealed the sale of 200 tonnes of gold from its reserves to the Reserve Bank of India. The gold price surged higher in response to this perceived renewal of central bank buying interest and platinum shot higher to a first fix of \$1,360 on the 4th.

Comments from the US Federal Reserve that it planned to maintain low interest rates “for an extended period of time” weighed on the dollar and supported precious metal prices at this level. However, platinum lost any momentum it had gained and remained close to this price for the following week. It slipped as low as \$1,347 on the 6th before firming on positive Chinese vehicle sales data and comments from Renault that it expected the global automotive market to return to limited growth in 2010. Platinum climbed back up to \$1,360 on the morning of the 9th and traded in a tight range of \$10 either side of this point, gnawing away at the resistance above, until the 13th.

Platinum fixed at \$1,359 that day but was strengthened by news that Barrick Gold was winding down its gold hedge positions. This firmed the gold price and was followed by news of reduced platinum output from Implats’ operations which added still more energy to the platinum price, along with the purchase of 15,000 oz of metal in the London ETF. Late on in the day, news of an unexpectedly large US monthly trade deficit hit the dollar and drove the precious metals higher, sending platinum to \$1,418 on the morning of the 16th. Lonmin too reported lower platinum production but stated that it felt demand for this metal was improving, further aiding the price. News of positive European vehicle sales data for October then sent platinum higher again to \$1,442 ahead of the launch of Johnson Matthey’s Platinum Interim Review on the 17th.

With gold still rising and heading towards the \$1,150 mark – driven by a combination of dollar weakness and investor momentum – platinum pushed on to a temporary high of \$1,459 at the first fix of the day on the 18th. A small amount of profit-taking proved enough to halt the rise, though, and platinum relaxed back to \$1,430 on the 19th and 20th. For almost the first time in November, purchases of platinum on the Shanghai Gold Exchange rose above the 100kg level.

However, after the weekend, the dollar weakened again, firming the prices of all of the precious metals. News of Russian central bank purchasing of gold provided some additional momentum and platinum climbed to a

Platinum fixing prices – November 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	1,469.00	1,325.00	1,401.40
£ per oz	884.65	806.55	844.10
€per oz	980.95	901.70	939.20

monthly peak of \$1,469 at the first fix on the 23rd before profit-taking intervened. The pgms remained under pressure on the 24th as US economic growth was revised downwards. However, on the 25th, news of further possible buying interest from the Reserve Bank of India drove the gold price ever closer to the \$1,200 level and dragged platinum back to peak at \$1,469 again at the second fix of the day.

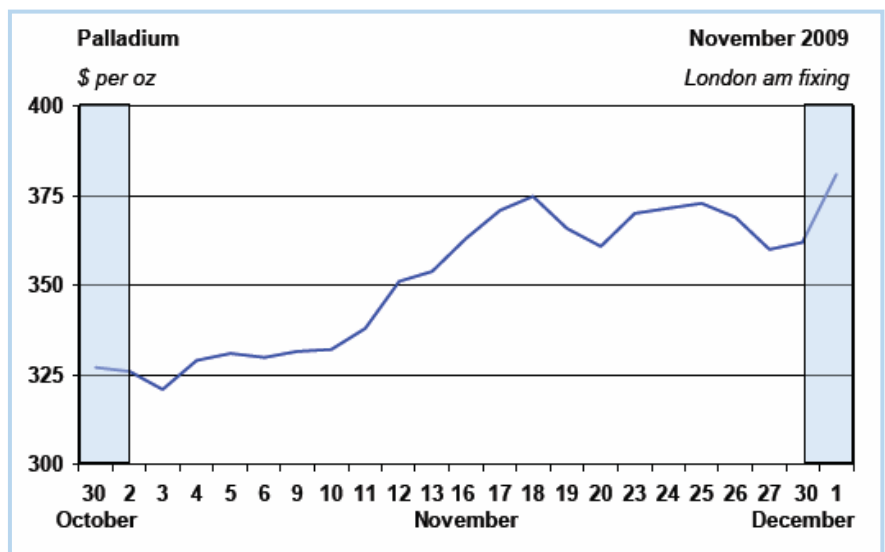
Risk reappeared in the markets on the following day as financial problems were reported at Dubai World, the state-owned development body (in Dubai). The prospect of default on some of its debts drove investors back into the dollar as the safest haven of all. As the dollar strengthened, the platinum price fell to a low of \$1,426 on the 27th amidst thin trading conditions. Lonmin also agreed a wage increase with the smaller of the two South African mining unions, Solidarity, but platinum nonetheless found support from fund buying.

On the final trading day of the month, the 30th, the panic over Dubai World's debts subsided as investors began to assume that these would be met by its Abu Dhabi neighbour. The dollar firmed as a result and the focus finally moved back onto platinum itself as Eskom, the South African electricity utility announced a plan to reduce its scheduled tariff increases to only 35% per year over three years. This added a touch more strength to the platinum price which rose in response to end the month at \$1,442.

PALLADIUM

Having risen by 9.5 per cent during October, the palladium price rose by another 10.6 per cent during November, in climbing from \$326 to \$360.50. The rising gold price proved the key in providing momentum. Net long speculative positions remained very high but changed little throughout the month: however, ETF buying continued in

London with total positions (in London and in Zurich) rising to a weighty 1.14 million ounces.



Palladium began November weakly with an initial fix of \$326 on the 2nd. The financial market's positive response to a recovery in US GDP gave way to worries about the possible impact of early tightening of monetary policy, sapping some of the energy from metal prices and sending palladium down to a low of \$318 at the second fix on the 3rd. Later that day, though, the International Monetary Fund reported the sale of 200 tonnes of gold to the Reserve Bank of India and the gold price leapt higher at this sign of renewed central bank buying interest. Palladium followed higher, assisted by Ford and General Motors reporting year-on-year vehicle sales increase, and shot to \$330 on the following

day before stalling. On the 5th, the effects of the new higher palladium price were seen when Stillwater reported a profit from its mining and recycling operations in Montana. The price, though, remained unaffected and stayed close to \$330 until the weekend.

After the weekend, a weakening dollar (perhaps inspired by the effect of the expected success of the proposed US Healthcare Bill on the US budget deficit) allowed the gold price to creep up and over the \$1,100 level. Palladium was released from its range and inched up to \$333 on the 9th and 10th. The dollar remained weak and the Euro swept through the \$1.50 mark on the 11th on news of an extremely large Chinese trade surplus and high Chinese industrial output growth. Palladium climbed to meet its resistance at \$340 at the second fix that day as a result, marking its highest point for fifteen months. Ominously, the CFTC warned of “hard position limits” in the energy and physical commodity futures markets. However, it provided no details and the warning was largely ignored by investors.

The dollar briefly flickered back into life against the Euro on the 12th but investors took palladium through the resistance close to \$340 and pushed it to a high of \$354.50 in London in the afternoon. More news came from the supply side on the 13th when North American Palladium announced plans to re-open its shuttered Lac des Iles mine. However, macroeconomic data was of more interest to the market and when the US reported on its ever-expanding trade deficit late that day, the dollar tumbled and palladium rose in response to \$363 at the first fix on the 16th.

Positive European car sales data followed and optimistic investors continued to bid palladium higher, sending it to a peak for the year to date of \$375 on the 18th. The slide in the

Palladium fixing prices – November 2009			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	375.00	318.00	351.75
£ per oz	224.90	195.05	211.85
€per oz	250.85	217.15	235.70

US Dollar’s value was finally reversed on the 19th when the IMF reiterated its view that the dollar would remain the world’s de facto reserve currency. Investors took the opportunity to book profits from palladium which slid back to \$360 on the 20th.

This reversal was only temporary though. Further dollar weakness combined with a resurgent gold price to firm palladium which leapt \$10 to \$370 on the 23rd. Speculation that the Reserve Bank of India might intensify its gold buying efforts lifted the whole precious metal complex further on the 25th, impelling palladium back to its monthly peak of \$375 at the second fix of the day.

Doubts over the ability of Dubai World to repay its debts hit the headlines on the 26th and investors fled from riskier assets into dollars. With the dollar briefly strong, palladium fell back and the price dipped as low as \$358 on the 27th before the panic subsided, allowing it to climb marginally higher to end November at \$360.50, some \$34.50 above where it had started the month.

OTHER PLATINUM GROUP METALS

The prices of rhodium and ruthenium climbed strongly during November but iridium once again remained unaffected by the excitement seen elsewhere in the precious metal markets.

Rhodium started November at a Johnson Matthey Base Price of \$1,950, following a strong rise during October. Two-way trading was seen throughout the month. End user purchasing remained relatively weak despite a slow return towards health in the automotive market. More importantly, investors perceived the relatively good news emerging from that sector as positive for the rhodium price and continued to buy, sending the price up to \$2,000 on the 5th and \$2,250 on the 16th. However, in this thin market, once the momentum had built up in the price, it could not dissipate and the price firmed further, moving to \$2,475 on the 17th and ending the month at \$2,800, its highest point for more than a year.

The ruthenium price remained steady for the first half of the month at \$90, where it had been since late April 2009 despite a steady return to buying by the electronics industry. However, with the prices of platinum, palladium and rhodium rising, investors finally turned their attention to ruthenium, driving the price up to \$95 on the 18th. Once the price had started to move, its momentum built and it moved up to \$115 on the 23rd before soaring to \$140 on the 24th and the comparative high of \$160 on the 25th, its peak for more than a year. Iridium completed its tenth successive month of trading at a Johnson Matthey Base Price of \$425.

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