



The Platinum Metals Report – February 2011

Geopolitics was the watchword for much of February, as escalating political tensions in the Middle East and North Africa (MENA) brought mixed fortunes for the precious metals complex. In the first part of the month, platinum rallied above \$1,800 when a combination of a weak dollar and stronger commodity prices, as well as positive demand fundamentals in Europe, led platinum upwards. The political turmoil in certain MENA nations, either themselves major oil producers or strategically important in transporting oil, pushed the per barrel price ever higher. This had the effect of boosting 'safe haven' commodities such as gold but it turned out to be something of a double-edged sword for platinum. Initially following the gold price upwards, platinum corrected sharply downwards in the middle and later parts of the month amid growing concerns about the impact of higher oil prices on demand for industrial commodities. Palladium also got off to a strong start in February but corrected downwards beneath \$800 in the wake of sharply higher oil prices and their possible effects on consumer spending. Both platinum and palladium strengthened at the end of the month as physical buying in Asia returned. Speculative and ETF investments in platinum and palladium remained strong throughout February. On NYMEX, although some investors reduced their exposure to platinum, but palladium positions actually increased while platinum and palladium ETF investments both grew in February to record levels.

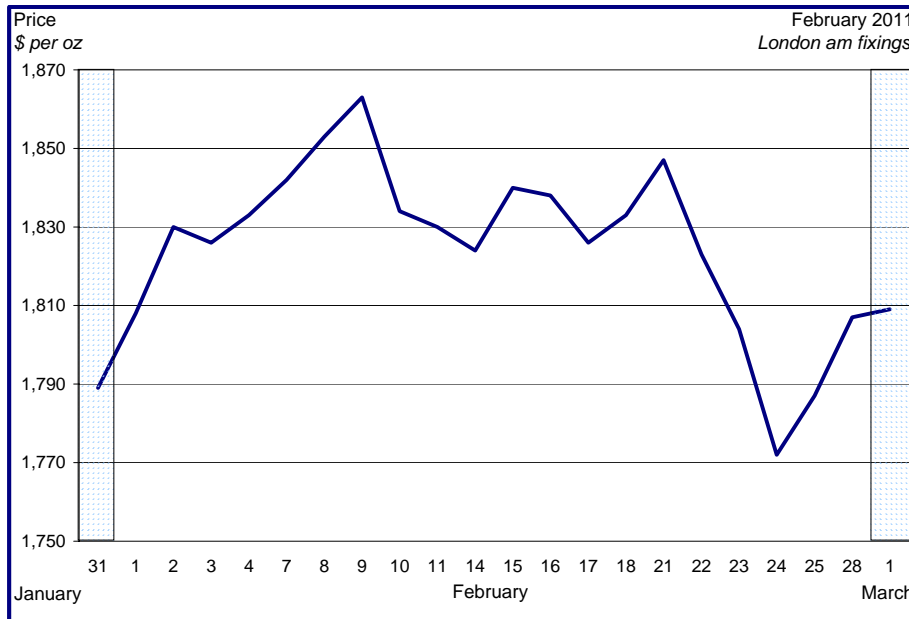
PLATINUM

Platinum began February strongly, fixing at \$1,808 on the 1st – higher than it fixed at any point in 2010. The price was lifted still further in the opening days of February by signs of recovery in the European Purchasing Managers' Index, which led the euro to gain strength against the dollar and give some support to the precious metals complex. This occurred against a backdrop of growing political unrest in the MENA countries of Egypt, Libya, Bahrain, Yemen and Iran which was to result in mixed fortunes for platinum throughout February. With many Asian buyers absent for a week from the 3rd due to Chinese New Year holidays, platinum strengthened as it benefited from a slide in the dollar and a rise in commodity prices, particularly oil. Mounting tensions in Egypt boosted Brent crude to a 2-year high amid concerns over the security of the Suez Canal and the roughly 3 million barrels of oil per day that pass through it. Rising oil prices gave a boost to gold and pgms: platinum reached a 30-month high of \$1,863 in the fix on the 9th. Although speculative investment had a large influence on the price, demand fundamentals also benefited platinum: Chinese buyers returned to the market on the 9th after their extended holiday; and in encouraging news from Europe, Peugeot Citroen announced increased sales and a return to profit in its full-year results, while Germany reported growth in its exports by 18.5%.

Platinum am Fixing Prices – February 2011			
	High	Low	Average
\$ per oz	1,863.00	1,772.00	1,826.00
£ per oz	1,157.85	1,093.50	1,131.37
€ per oz	1,364.85	1,284.50	1,337.46

With the weakened Mubarak regime in Egypt falling on 11th February, a bout of profit taking in speculative platinum positions continued and platinum's price trended downwards. Anti-government protests erupted elsewhere in MENA countries the following week, spurring a rally in 'safe haven' commodities such as gold, although platinum struggled to emulate gold's performance. An escalation in the political crisis in Libya pushed towards \$100, with investors apparently becoming more concerned that higher oil prices as a result of political tensions in major producing countries could hurt the fragile global economy. Platinum therefore reverted to its industrial status in the eyes of many investors and the price dropped sharply beneath \$1,800, fixing at \$1,772 on the 21st. Interestingly, there was relatively little liquidation of speculative positions on NYMEX and TOCOM, while platinum ETF

investments actually increased in the week to 25th February. At the sub-\$1,800 level, strong physical buying emerged on the Shanghai Gold Exchange and the price recovered, fixing at \$1,807 on the 28th, down just \$1 in the month.

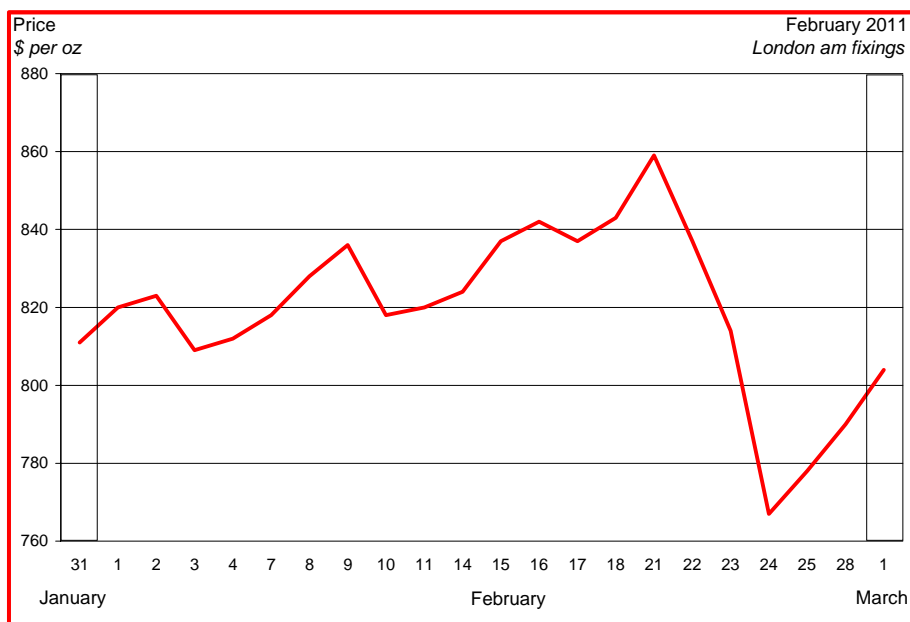


PALLADIUM

Palladium performed strongly for the first three weeks of February, maintaining the \$800 level it had re-gained in late January. Strong US auto sales figures at the start of the month provided palladium with a boost, revealing that US vehicle sales rose 17% in January to ~820,000. Previously troubled General Motors and Chrysler were the main drivers of this increase with sales rises of 22% and 23%, respectively while Ford sales met expectations with a 13% increase. The upward momentum did not last long, and palladium softened slightly with weaker than anticipated new jobs data for January. Reaching 10-year highs the following week, as rising oil prices gave some support to gold and pgms, palladium fell victim to investor nervousness as the troubles in Egypt continued. However, this was only temporary and palladium continued to ride the wave of 'safe haven' sentiment along with gold, reaching a new 10-year high of \$859 in the fix of the 21st.

Palladium am Fixing Prices - January 2011			
	High	Low	Average
\$ per oz	859.00	767.00	820.60
£ per oz	529.75	473.30	508.43
€ per oz	628.15	556.00	601.10

Amid the political turmoil in MENA nations, investor sentiment alternated between palladium being a safe play and an industrial metal likely to be hit by falling demand as higher oil prices hamper economic growth. Sentiment finally came down against palladium and the metal saw the biggest fall of the year, losing \$92, or 12%, between 21st and its fix at \$767 on the 24th. With physical buying re-emerging at this level, palladium recovered to \$790 by month-end: down \$30 in February.



Physical investment demand for palladium continued to be strong throughout February, reaching record levels of 2.36 million oz: while net selling occurred in the European fund, US investors bought palladium, increasing the total figure for ETF investments. During the week of 21st February, despite the sharp drop in palladium price, NYMEX and TOCOM net long positions actually increased.

OTHER PLATINUM GROUP METALS

Rhodium strengthened on 1st February to a new Johnson Matthey Base Price of \$2,500, where it remained until 14th as Chinese buying was balanced by selling elsewhere. Although good buying interest for rhodium continued in China and other parts of Asia, sustained European selling pushed the market lower and rhodium ended the month at \$2,425, down \$75 in the month and lightly traded compared with its sister metals. Iridium spiked in February, opening at \$865 before breaking through \$1,000 on the 17th to close at \$1,075. Strong industrial demand the electrical and electrochemical sectors and a small illiquid market was sufficient to move the iridium price upwards. Ruthenium remained becalmed at \$180.

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