

The Platinum Metals Report

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March 2008

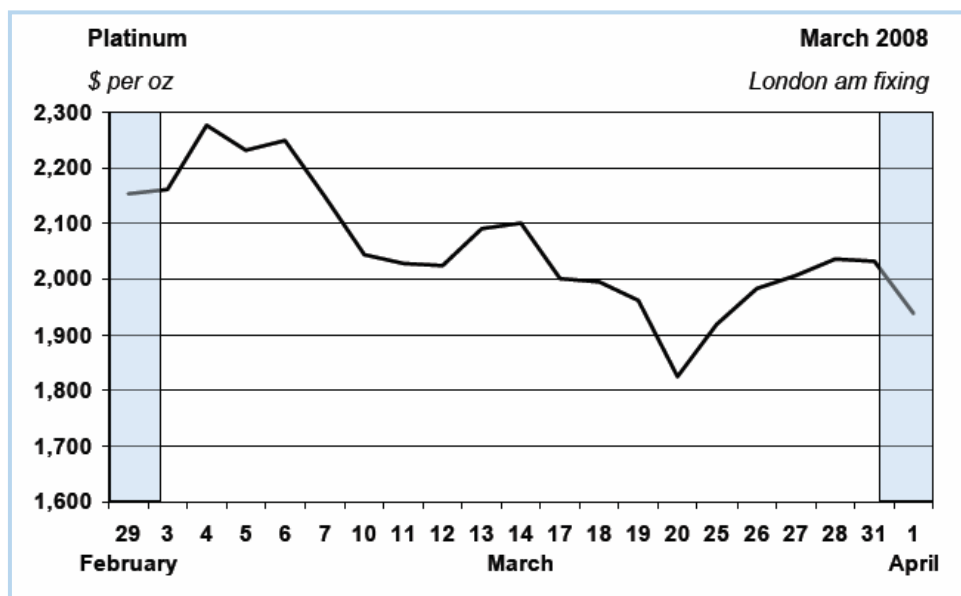
Johnson Matthey

The platinum and palladium prices were extraordinarily volatile during March, even by the standards of recent months. Uncertainty over the power supply situation in South Africa continued to have an impact on prices with analysts and consumers unable to accurately forecast likely production for the whole year. Further uncertainty was added to this situation by concerns over the continuing development of the credit crunch in the USA and in Europe and the volatility which was demonstrated in global commodity and equity markets. Platinum lost ground over the month but found much support close to \$2,000 while palladium lost over \$100. The rhodium price softened slightly but ruthenium and iridium remained on the margins, largely unaffected.

PLATINUM

Platinum started March at \$2,162 and climbed to a new record of \$2,276 early in the month before falling back to close at \$2,040, following a similar trajectory to the gold price. However, the more remarkable aspect of the price performance was the extreme volatility seen not only from one day to another but also intraday: movements of

more than \$100 in a few hours became commonplace. In this wildly turbulent environment, purchasing by jewellery manufacturers and by industrial consumers was less important than the actions of investors.



The platinum price started March in positive fashion, driven by weakness in the US Dollar, moving from \$2,162 to \$2,174 on the 3rd before meeting resistance at \$2,180. Large amounts of forward purchasing were seen in the market with short-term lease rates remaining at markedly low levels considering the tightness in the physical market. The gold price strengthened and oil moved back over the \$100 per barrel mark and investor purchasing drove platinum to a new all-time high and a monthly peak of \$2,276 at the first fix in London on the 4th. The oil price retreated somewhat and investors took the opportunity to book their profits by selling off their positions. Platinum lurched to a

second fix of \$2,189 on the 5th before rebounding in trading in New York, demonstrating the thinness of the market that was to be so evident for most of the month. Platinum fixed at \$2,249 on the following morning.

The situation regarding the South African electricity crisis remained unclear. Two pieces of contradictory news emerged from Eskom in that it might have to restart “load-shedding” (or power cuts) but that it was also set to increase the allocation of the mining companies to 95 per cent of their normal electricity usage. The market interpreted this as bearish for the price and platinum dropped heavily over the following days, even as gold approached the psychological \$1,000 level. Platinum fell below \$2,100 on the 7th and tested \$2,000 under pressure from investor liquidation of positions before rebounding. The respite was brief and platinum reached \$1,947 on the 10th, a fall of over \$300 in only two days. However, sentiment changed rapidly and bargain hunters in this thin market drove platinum up dizzyingly to a close of \$2,039 in New York on the same day.

Platinum moved smoothly higher over the following days, as the dollar weakened. Oil climbed above \$110 per barrel on its own supply issues. Gold kept climbing too and finally reached \$1,000 per ounce on the 13th, propelling platinum back to \$2,100 on the same day, where it stayed until the weekend. At the start of the following week, the precious metals complex came under pressure from the liquidation of fund positions to cover losses in equities. Platinum dropped to \$2,000 on the first fix on the 17th before finding support just below that level for the following two days, with industrial purchasers and buyers on the Shanghai Gold Exchange becoming more active.

Platinum bounced back over \$2,000 in New York trading on the 18th but came under pressure as the US Federal Reserve cut interest rates by 75 basis points, less than had been expected. The dollar strengthened and drove the prices of many commodities lower, including platinum. The following day, the 19th, saw further fund commodity sales on

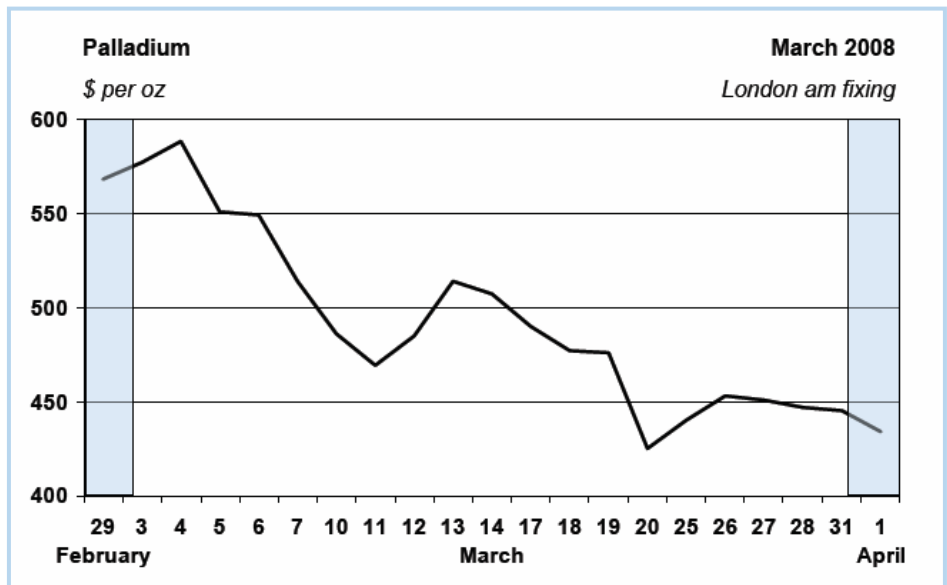
Platinum fixing prices – March 2008			
	<i>High</i>	<i>Low</i>	<i>Average</i>
\$ per oz	2,276.00	1,823.00	2,052.40
£ per oz	1,146.90	920.00	1,024.25
€per oz	1,497.30	1,179.00	1,322.25

concerns that the credit crunch might be intensifying. Platinum fell by over \$70 between the two daily fixes and reached a monthly low of \$1,823 on the 20th, just before most of the major markets closed for the Easter holidays.

When the markets reopened, platinum found good support near \$1,800 and steady industrial buying saw it move quickly higher, fixing at \$1,954 on the second fix of the day. Poor US economic data and a slight strengthening of German business confidence helped the Euro to firm against the dollar, driving platinum back over \$2,000 in New York trading. Having reached that level, the market became rather calmer ahead of the end of the first quarter of the year, and, although platinum still moved up to \$50 a day, it seemed to settle into a range around \$2,000, closing the month at \$2,040.

PALLADIUM

Palladium followed platinum and gold in March, falling from an initial \$568 to a closing fix of \$445. Despite this, it reached its highest level for some years, of \$588, demonstrating continuing high levels of interest in this metal from the investment community. Despite some fund sales to finance losses suffered on the equity markets, palladium finally found good levels of support close to \$450 towards the end of the month.



Despite its weaker supply-demand fundamentals, palladium started the month just as strongly as platinum, rising from an opening \$577 to record a monthly peak of \$588 on the 4th, aided by general public buying on TOCOM and other investor purchasing. Palladium climbed as high as \$595 in the spot market that day before falling back heavily as the oil price fell and profits were taken. The general public were heavy buyers again on TOCOM on the following day but the selling pressure did not diminish: as platinum lost ground rapidly, palladium dropped to \$532 at the afternoon fix in London on the 5th. One bright spot was the announcement on the 6th from Norilsk Nickel that many of the primary pgm producers would soon start to fund widespread promotion of palladium jewellery in China and in North America. However, this did nothing to arrest the slide in the metal's price.

Despite a rise in the gold price, palladium continued to fall after the weekend. Having fallen below \$500 on the 7th, it came to rest at \$463 on the 10th, a loss of more than twenty per cent from its monthly peak less than one week earlier. The price then stabilised and started to turn around, aided by a weakening dollar: palladium followed platinum higher and glided back over \$500 to fix at \$514 on the 13th of March as gold hit

\$1,000 for the first time ever.

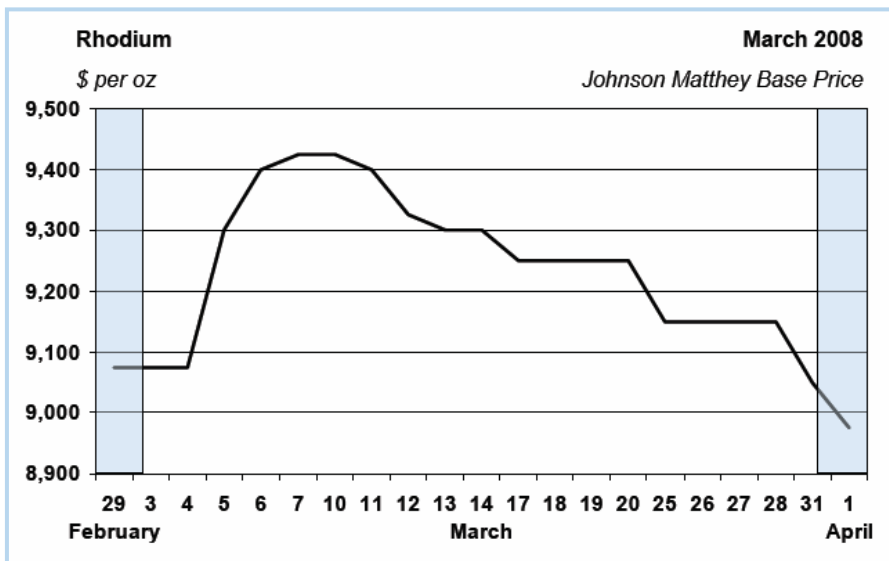
Palladium fixing prices – March 2008			
	High	Low	Average
\$ per oz	588.00	425.00	490.25
£ per oz	296.30	215.05	244.70
€per oz	386.85	274.75	316.00

Palladium did find some support at this level but large sales by funds to cover losses generated in other markets weighed heavily on the price

and it retraced its path, dropping to a monthly low of \$425 on the 20th, just before Easter. With much of the exuberance removed from the market – along with many of the shorter-term investors, the price stabilised once more. It firmed slightly on the 25th, following platinum higher as a weak US Dollar supported all of the precious metal prices. However, palladium ran into firm resistance near the \$450 mark and it ended the month quietly, just below this point, at \$445, almost 23 per cent lower than at the start of the month.

OTHER PLATINUM GROUP METALS

Concerns over the likely level of rhodium supplies from South Africa supported the rhodium price in early March and it rose to a new record level of \$9,425. However, a lack of buying interest encouraged the price to soften from that point on and rhodium actually lost ground during the month. Ruthenium and iridium were unaffected by the chaotic market conditions elsewhere and traded at \$425 and \$450 respectively for the entire month.



Having started February at its highest ever price of \$7,300, and climbed to a Johnson Matthey base price of \$9,075 at the end of that month, rhodium showed yet more strength in early March. There were reasonable levels of consumer purchasing and, with concern over South African supplies very much in evidence, the price drove higher, reaching a new record of \$9,425 per ounce on the 7th.

The climb in the price was rather slower, though, than had been seen in February, reflecting rather thin conditions in terms of both bids and offers. Slowly, the buying diminished in intensity and a few offers of metal emerged. The price turned around and fell back only slowly, demonstrating a degree of residual nervousness in the market, closing the month at \$9,050.

Ruthenium traded at a Johnson Matthey base price of \$425 throughout March. Iridium again remained at \$450 for the entire month.

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