



Precious Metals Weekly

15 January 2009

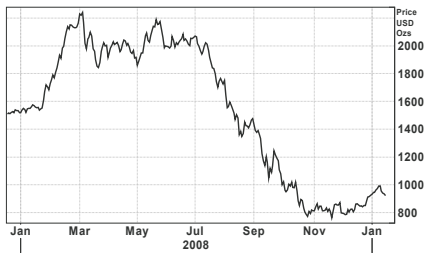
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Highlights

- **Precious metals suffer losses again** – Earlier recovery was only temporary, uncertainty about economy, weak oil and strong US-dollar adds pressure.
- **Gold falls from nearly \$ 900 to almost \$ 800** – Early gains due to new index adjustment? Physical demand continues – in form of ETFs as well as bars.
- **Silver highly volatile** – However still tending to hang onto gold. Mines report increasing production and higher costs. Apex Silver files for creditor protection.
- **Platinum temporarily over \$ 1,000** – And thereby at a 4 month high. Asian demand driving force. Then again significant losses. Impala withdraws Northam bid.
- **Palladium spikes over \$ 200** – But later books significant losses in light of the international automobile industry misery.
- **Rhodium falls to \$ 1,000** – Two-way interest at this level. Ruthenium weakness continues with practically no buying interest around. Iridium unchanged.

All prices for the period from 2 January to 15 January

PT	US\$/oz	€/oz	€/gram
High	1003.00	748.00	24.05
Low	900.00	665.00	21.38
Latest	920.00	700.00	22.51



Platinum

Platinum, at least at the beginning of this reporting period, managed to perform surprisingly well in the current economical climate. On Wednesday previous week the metal was at times trading at \$ 1,003 an ounce; again in four digits. Traders pointed to increased demand from the Far East, which was also reflected by an increase in the Shanghai Gold Exchange turnover, as the main cause for this. With the Chinese New Year around the corner, the jewellery industry was seen as being behind this demand.

However things changed during the course of this week. Continual bad news from the global automobile industry, a significantly stronger US-dollar, a massively falling oil price and consequently falling gold prices lead to platinum also going down hill again. This morning the metal was trading at a mere \$ 907 an ounce in Asia; almost 10 per cent off its last weeks highs. The downward move was most likely accelerated by the price breaking through the important chart support of \$ 930 an ounce. The next strong support is at \$ 880 an ounce, though \$ 900 an ounce mark should be building an important psychologically barrier. At the other end of the trading range testing \$ 1,000 an ounce in the next days should not be on the cards anymore.

Medium term it will be critical to see how industrial demand develops. In that respect, the recent automobile sales figures from China were anything but promising. In December the sales figures fell by almost 8 per cent compared to the same period of previous year. For the full year the Chinese Association of Automobile Manufacturers (CAAM) reported an overall plus of 6.7 per cent. In comparison, 2007 growth rate was about 22 per cent. For 2009 CAAM expects sales to rise by about 5 per cent. Considerably worse off are the USA. After registering 13.2 million new cars in 2008 (and 16.1 million in 2007), many analysts expect 2009 US automobile sales figures in the vicinity of 10.5 million. In

Europe new registrations fell by 7.8 per cent in 2008 – to 14.7 million (from 2007's almost 16 million); in December alone West Europe recorded a minus of almost 20 per cent. Given this negative dynamic, support for platinum metals prices from its most important demand sector is foreseeable going to be missing this year.

Despite this we do not expect a complete collapse in the platinum-metals prices; as we have been seeing for some months now, new production is going to slow down as well.

In the past few days there were a series of announcements from the mining industry: Northam, the 4th largest South African producer, said the profit-per-share in the last half year could have almost halved. Higher costs as well as a capital increase were cited as main reasons.

Impala, the second largest platinum metal producer globally, withdrew in the meantime its bid for Northam and its majority shareholder Mvelaphanda. Impala said that the three firms could not agree on the "Value Proposition" for the tie in light of the present economic environment.

Regarding their own production, and contrary to their earlier projected increase of 5 per cent in 2008/2009, Impala now foresees production to go down; but for the moment they could not say by how much. Also for the financial year 2007/2008 Impala already reported a production minus of 6 per cent.

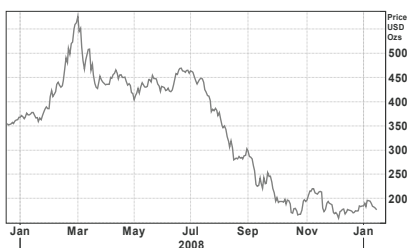
PD	US\$/oz	€/oz	€/gram
High	205.00	149.00	4.79
Low	174.00	131.00	4.21
Latest	175.00	134.00	4.31

Palladium

With no impulses of its own palladium took its cue in the last ten days once again from platinum. It first moved up with its sister metal to \$ 204.50 an ounce; its highest since middle November. The coupling to platinum was also very much there in the other direction too and with platinum coming off massively, palladium lost ground by this morning to a low of \$ 173.50 an ounce.

After this weeks disappointing developments and given the dismal economic environment it is highly unlikely that the metal can reconquer the 200-mark in the near future. On the other hand potential for further losses is also limited as new production (and also recy-

cling) is likely to fall further. Should the price in the foreseeable future fall to \$ 165 an ounce, industrial end users should think of covering (at least) some of their requirements; e.g. by placing purchase orders at \$ 160 and \$ 150 an ounce levels.



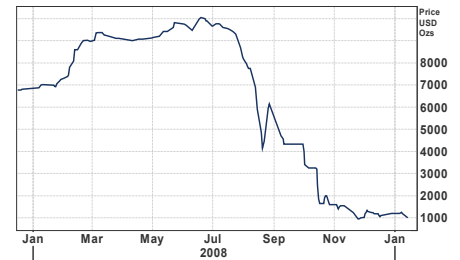
Rhodium, Ruthenium, Iridium

At the start of this reporting period rhodium came under pressure, however at current levels of \$ 950 - \$ 1,050 an ounce there is good two way business. As buyers it is primarily Asian addresses, traders being the main sellers.

Ruthenium has been cheerless with little or no buying interest. Presently it is bid at \$ 40

an ounce but with no serious demand backing it; offer is at around \$ 80 an ounce.

Iridium remains unchanged at \$ 370 - \$ 420 an ounce.



Gold

The last upward move of late December and early January, according to analysts, was perhaps on the account of an increased weightage of gold in important commodity indexes starting 1st January and as such had to be bought up to adjust to this.

With the start of the New Year this phase was over then and the easing oil price as well as a stronger US-dollar again gained the upper hand again, having a negative effect on the price of gold. Also the break of two support chart points - \$ 830 and \$ 815 an ounce – put further pressure on gold as this was seen by speculative oriented market participants as sell signals.

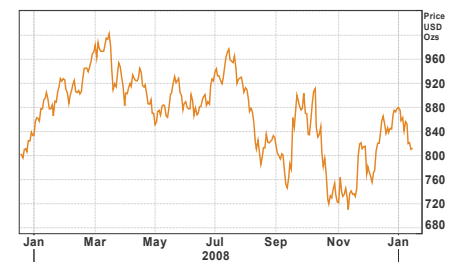
So far the yellow metal has at least managed to stay above the psychologically im-

portant level of \$ 800 an ounce, and this is supported by private investor interest which though is no longer at record levels, but still very much evident.

Delivery periods for investment bars vary; casted bars (100 g – 1 kilo) are available immediately, minted ones (1 g – 100 g) still with certain delays.

Even though the next important chart support level is only at \$ 765 an ounce, we do not expect the yellow metal to fall down so low in the short term. The intact popularity of the metal with investors should be adequate to help stabilise the price at or at least just under the \$ 800 mark.

AU	US\$/oz	€/oz	€/gram
High	884.00	644.00	20.71
Low	806.00	608.00	19.50
Latest	812.00	616.00	19.80



Silver

In the past few days silver price has by and large moved with gold and has been trading between \$ 10.30 and \$ 11.71 an ounce; a trading range of "only" \$ 1.41 an ounce. This does not however allow one to draw conclusions about how severe at times the single moves in the reporting period have been. Almost every single day in the last two weeks has seen price-movements of over 50 cents an ounce; on 5th January the difference between the days high and low was a staggering \$ 1.10 an ounce.

As far as the future is concerned, the metal must now hold the \$ 10.30 an ounce level. Should it fall through, the next technical support – a level that should bring back investor interest – is at \$ 9.80 an ounce.

At the other end it seems highly unlikely that short-term the metal will test the \$ 11.60 mark again. One of the reasons is that any portfolio restructuring by investors, as in the case of gold, should be by and large complete.

Industrial demand in the last two weeks was again cautious. Investor demand for bars has relative to late autumn eased a bit, but is still at a high level. Despite this, while 1 kilo bars are available for immediate delivery, one still has to wait weeks for the equally popular 5 kilo bars.

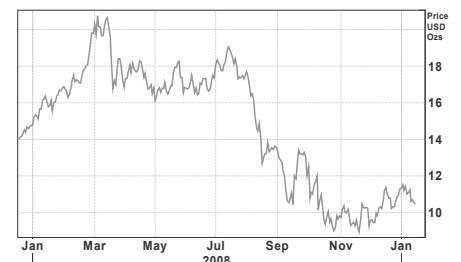
Silver producers are also not being spared by the global crisis: Even though the company had a record production in 2008 (18.7 million ounces; 9 per cent more than 2007), Pan American Silver (PAS) last week gave a profit warning due to falling revenues.

For 2009 the Canadian miner plans to increase production even further to 21.5 million ounces. The average cost of production at PAS in 2008 was \$ 6.1 an ounce, with last quarter costs climbing to \$ 7.75 - \$ 8.25 an ounce and thereby not too far from the actual spot prices.

Clearly worse off than PAS were things at Apex Silver Mines; due to falling silver and zinc prices they have asked for Chapter 11 protection. It remains to be seen, whether the Colorado based mining company can come out of this dilemma; as it was forced to sell its share in one of their prime mines San Cristobal in Bolivia (with 15 million ounces annual production) to a Japanese trading house.

Further news from the mining industry in the last two weeks involved Fresnillo and Endeavour Silver - for details please refer to links on page 4.

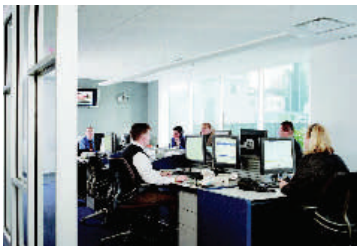
AG	US\$/oz	€/oz	€/Kilo
High	11.71	8.60	276.50
Low	10.30	7.76	249.50
Latest	10.48	7.94	255.30



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