



Precious Metals Weekly

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Wolfgang Wrzesniok-Rossbach - +49 (0) 61 81 35 50 01

Highlights

- **Precious metals with temporary gains** - Gold and silver popular with physical investors, platinum group metals gain on the prospect of shrinking production.
- **Gold reaches all-time high in Euro-terms** – In dollar-terms highest since early October. Barren and ETFs most popular products. Next German politician asking for Bundesbank gold sales burns his fingers. Production rose in 2008 in several countries, so in China, Russia, Ghana
- **Silver depends on gold price moves...** - ...and rises considerably above \$ 12.00. Peru and Mexico both raise output.
- **Platinum scratching at the \$ 1,000-mark** – The physical offtake can't be the reason. January car sales numbers catastrophic again. But at the same time mines reduce output and that attracts speculators.
- **Palladium close to \$ 200** - Norilsk reports 10% production decline for 2008. And less to come this year.
- **Rhodium & Co. more or less unchanged** - Rhodium remains most expensive metal, but platinum closes in. Ruthenium cannot fall much more, can it? Iridium slightly lower.

Platinum

All prices for the period from 22 January to 3 February

PT	US\$/oz	€/oz	€/gram
High	989.00	775.50	24.93
Low	913.00	703.00	22.60
Latest	967.00	750.00	24.11

The marked increase in the Euro/US-dollar rate (and thereby also gold's price) already before last weekend effected all the commodities, including platinum. The metal climbed quickly from under \$ 930 an ounce to over \$ 970 an ounce. After a short breather, when the price corrected downwards a bit, the upward move continued and on last Friday the metal recorded \$ 990 an ounce. However the white metal could not hold onto these gains and is presently trading at \$ 960 an ounce; even then platinum is still almost 3 per cent above its level noted at the time of our previous report.

However the bad news from the automobile industry, the main demand-sector for platinum & Co., has not been subdued due to this. From France the news is that the "wrecking bonus" has hardly had any effect so far and in Germany the media is reporting that to date a mere 2,000 claims have been filed under the German scheme – till now a mere drop in the ocean.

Also so far reported new car registrations world-wide in January were catastrophic: in Spain a minus 41 per cent and Italy down by 33 per cent. Japan sold 28 per cent fewer cars; new car registrations here stood at their lowest in the last 37 years. Figures from the USA will be out later today and the situation there is not looking better either: market observers are expecting things to deteriorate to a new 27 year low.

Consultants Bain & Company reckon that this year global automobile sales will fall by 11 million vehicles. This is 65 per cent of the total West European market volume. According to Bain & Co this industry will have to wait till 2012 before sales figures of 2007 can be achieved again. For platinum metals markets this means reduced annual demand by maybe 40 tonnes, i.e. almost 10 per cent of global annual production. Additionally these metals will have to cope on top with lower demand from the electronic and jewellery sectors.

In view of this development we remain of the opinion that in the short-term the platinum price cannot record sustainable gains. At the

same time we do not expect the metal to collapse to \$ 800 an ounce or lower. This latter due to the reaction of the mining companies who are currently cutting-back production, partly voluntarily, partly due to technical problems but also partly because the higher costs no longer justify profitable production and as such mining companies have already closed some mines or might be doing so in the foreseeable future.

Despite these external factors, since the October lows platinum has technically been in an upward trend: this partly due to the fact that the metal was down at times well below \$ 800 an ounce and thus definitely oversold. At these levels platinum was trading below the average production costs.

As a result of the recent gains the danger seems now increasing that platinum could depart downwards from the aforementioned trend-channel. Should it drop below \$ 950 an ounce, the threat of it testing \$ 900 an ounce cannot be ruled out. In view of the most recent reports from the international automobile markets this would not really come as a complete surprise.

On the other side any (unexpected) gains to above \$ 1,000 an ounce would again send positive signals to the shorter-term oriented dealers and speculators who may then push the metal up to \$ 1,100 an ounce. They should however not hope for any support from the industry and as such gains to such levels will most likely not be sustainable.

The significantly lower prices levels seen in the last year are a massive burden for the mines. Last week Aquarius Platinum reported a half-year loss of \$ 75 - \$ 85 million; a quarter of this is attributed to the (perhaps) temporary closing of their Everest mine. In its last financial year (till June 2008) Aquarius had reported profits of \$ 236 million.

Palladium

Noriisk Nickel, the world's largest palladium producer, this week reported its final 2008 production figures: last year they produced 2.821 million ounces palladium and 659,000 ounces platinum; almost 10 per cent less than previous year. In 2009 they expect a further reduction.

It was this news that has surely supported palladium this week, with the metal climbing up to almost \$ 200 an ounce. Even though palladium's (chart-) technical picture is somewhat better than platinum's, in the end it will however depend on how platinum eventually performs.

PD	US\$/oz	€/oz	€/gram
High	195.00	153.00	4.92
Low	179.00	139.00	4.47
Latest	195.00	151.00	4.85

Rhodium, Ruthenium, Iridium

The rhodium price has remained unchanged since our last report and is still trading at \$ 1,075 - \$ 1,175 an ounce. The two-way turnover itself has been low; certainly this is also a consequence of the subdued economic activity.

No change is in sight for ruthenium which is quoted at \$ 30 - \$ 80 an ounce, but even at these levels it fails to attract bigger buying interest. Iridium now is trading slightly lower at \$ 360 – \$ 410 an ounce.

Gold

Again predominantly driven by a weakening US-dollar the gold price moved upwards and in two waves over the past 10 days reached \$ 930.50 an ounce; it's highest since early October. In euro terms gold actually recorded even an all-time high of € 727 an ounce (€ 23.37 per gram).

Private and institutional investors are standing by "their" yellow metal, however continuing to prefer only its safer, physical form. They have moved the sales volumes at the more popular ETF's to new records in the past 10 days; yesterday evening total gold underlying the SPDR Gold Trust ETF was 853 tonnes – 20 tonnes more than on 23rd January. Similar developments, albeit at lower volumes levels, have been reported by other ETF issuers.

Our investment bars up to 1 kilogram also remain much in demand. All that can be produced in the form of casted as well as minted bars is quickly finding its way via banks and precious metal dealers to the end-customer.

Actually it was not be a surprise anymore that the gold reserves of the Bundesbank, in times when the State coffers are running empty, again attracted attention of one or the other politician. The only surprise in the most recent attack on the reserves was the direction it came from, namely a back-bench Christian Democratic politician. In the past years such demand has been voiced more by the left side of the German political spectrum.

In times where the stability of the European currency system is being more than ever before discussed, the latest effort of voices demanding selling of central bank gold will without doubt fall on deaf ears. And this is arguably the correct reaction: currently the

total gold reserves of the Bundesbank are worth a "mere" € 65 billion and would in any case not make any significant difference given the exorbitant demand for money currently created by the Berlin politicians. Additionally the gold price would not stay at these levels once any announcement of a bigger sale by the Bundesbank is made; to negate this effect and not pull the gold price down they would have to spread the sales over a period of at least 15 years. Given the present financial distress such sales would not bring much in value and in all probability only add to further loss of confidence. The German Ministry of Finance also sees it so and has meanwhile clearly rejected the CDU proposal.

While other central banks also have in recent times reduced their gold sales – e.g. the maximum European sales quota of 500 tonnes per year under the CBGA is far from being used up – supply of "scrap gold" as a source takes on growing importance in the market.

And above all it is also important to see how much new annual production mines will be able to bring to the market. It appears that globally the peak – at 2,645 tonnes – was already reached in 2001; however some individual nations could better on their production. China belongs to this latter group and is meanwhile the largest producer in the world with 282 tonnes in 2008; 4.3 per cent more than in previous year. Russia and Ghana also brought out more gold in 2008 than in 2007; the earlier 164 tonnes (+ 13.3 per cent) and the West African nation 81 tonnes (+ 4 per cent). On the other side, South Africa and a series of other producers have seen gold production going down in 2008.

AU	US\$/oz	€/oz	€/gram
High	931.00	727.00	23.37
Low	843.00	650.00	20.90
Latest	903.00	702.00	22.57

Silver

The white metal continued to get its direction from gold and moved from \$ 11 an ounce to at times over \$ 12.60 an ounce. Looking at the chart further gains cannot be ruled out; a lot depends on whether it can climb over the \$ 12.80 an ounce mark in the foreseeable future.

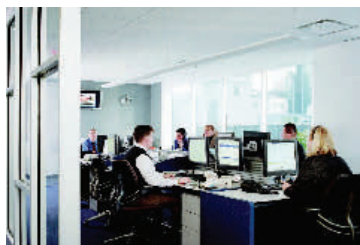
Mexico and Peru, the two largest silver producing countries in the world, recently announced new production figures: world number 1 Peru reported for 2008 new-production of 3,686 tonnes (plus 5.3 per cent) and Mexico produced 234 tonnes in November (a plus of 35 per cent compared to same (strike-torn) period previous year).

AG	US\$/oz	€/oz	€/kilo
High	12.66	9.92	318.90
Low	11.19	8.61	276,80
Latest	12.35	9.61	309,00

On the Net



Heraeus Metallhandelsgesellschaft mbh
Heraeusstr. 12 – 14
63450 Hanau, Germany
 Telefon: + 49 (0) 61 81 / 35-2750
 Fax: + 49 (0) 61 81 / 35-94 44
 E-Mail: trading@heraeus.com
 Web: www.heraeus-trading.com
 Reuters Page: HERH; Dealing: HERA



Heraeus Precious Metals Management LLC
540 Madison Avenue
New York, NY 10022
 Tel: + 1 212 / 752 2180
 Fax: + 1 212 752 7141
 E-Mail: hpm.sales@heraeus.com
 Reuters Dealing: HPMM



Heraeus Ltd
Room 2103, Peninsula Square
18 Sung On Street
Hunghom, Kowloon (Hong Kong)
 Tel.: + 852 2773 1733
 Fax: + 852 2773 1090
 E-Mail: tr.hlh@heraeus.com
 Web: www.heraeus.com.hk
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