Heraeus

Precious Metals Weekly

2 March 2009

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

Highlights

- **Precious metals on the way down -** ETF-buyers take a break, speculators sell and scrap still flooding the market.
- **Gold falls considerably -** No more ETF-buying for the whole week. Demand in India hits rock bottom, no imports at all in February. Only investment bars still popular. Scrap gold flood in Asia (and not only there) continues.
- **Silver carried along - I**nitial target at $ 13 did not hold. Next line of defence now at $ 12.80, if that gives way, $ 12.20 is on the cards. ETFs see outflows.
- **Platinum shows losses –** But then surprisingly rises again. No big cars—no jobs in South Africa: mines have to lay off tens of thousands. Aquarius-CEO Murray: “The party is over”
- **Palladium falls 10 per cent below $ 200 -** Fall caused by a electronic trading mishap? Sponge still at considerable discount.
- **Little PGMs relatively quiet -** Rhodium business dominated by Asia.

The next edition of our Precious Metals Weekly is planned for the 9th March.

Platinum

All prices for the period from 23 February to 2 March

PT	US$/oz	€/oz	€/gram
High	*1092.00*	*867.00*	*27.87*
Low	*1028.00*	*803.00*	*25.82*
Latest	*1083.00*	*862.00*	*27.71*

The platinum price could not decouple itself from the general trend in the precious metals markets. This meant that in the earlier half of the reporting week it fell and then last Friday recovered some from its lowest levels.

Initially last Monday the white metal dropped from $ 1,080 to $ 1,028 an ounce. It then traded sideways between this level and $ 1,055 an ounce for a while, before on Friday it climbed back up again and by Monday morning was up at almost $ 1,090 an ounce; it's highest in this reporting period.

It is not clear what has been responsible for platinum's surge in the last 24 hours. After all, as far as was possible to read from last weeks open positions on the NYMEX, speculators actually seemed to have sold the metal. Maybe this latest surge is just a delayed reaction to the announcement of production cuts by some of the South African mines (see last weeks report).

Additionally dealers are reporting increased imports into China. And last but not least, perhaps one or the other automobile manufacturer also used the low price levels to cover some of their future requirements.

In the next few days figures for new car registrations in the international markets will be published. Though one cannot expect a real trend-change, it could be that the "wrecking bonus " has for the moment stopped or at least slowed down the slide in one or the other European market. However it is the smaller cars that seem to be benefiting from this "bonus", e.g. in Germany, and this is also one of the reasons why the diesel-engine share is notedly declining. In January in Germany it was only 39 per cent; 1/3rd lower than the level seen in the similar period last year.

Lonmin, the number 3 South African producer explained last week that due to missing demand for platinum metals and the consequential low prices they have to lay off 5,550 workers. At their Limpopo mine production will be shut down at one shaft and the shaft mothballed.

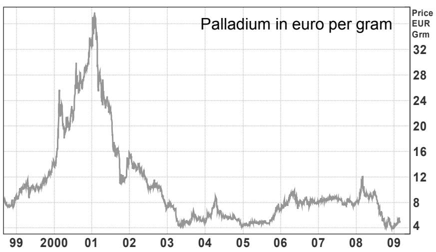
Earlier last month the world's largest platinum producer Anglo Platinum had already announced the slashing of 10,000 jobs.

The CEO of Aquarius Platinum presented a mixed picture for the platinum market and his company at a recent conference in Florida. Stuart Murray, in his speech said that not a day goes by without some disastrous news or the other from the automobile industry. His company will react to this with a hunker down strategy and he is hoping that particularly the jewellery demand in China will bring back at least some demand. Murray commented on the actual situation of the platinum metal markets by saying that "the party (for the producers) in the PGM markets is now definitely over".

Aquarius produced 260,000 ounces of platinum metals in the last six months; 17 per cent more than in the first six months of 2008 but at the same time 6 per cent less than the comparative period of previous year. At the same time production costs have gone up 17 per cent between July and December.

Palladium

PD	US$/oz	€/oz	€/gram
High	*215.00*	*167.00*	*5.37*
Low	*190.00*	*150.00*	*4.82*
Latest	*195.00*	*154.00*	*4.95*



The "price party" palladium had been enjoying since middle January also got over last week. In this period the metal had risen from just above $ 174 to almost $ 220 an ounce.

On the evening of Friday one weeks ago the white metal started then to fall rapidly. Within minutes more than 10 per cent of value had been lost, according to market rumours apparently because of a mistake made in using an electronic trading system. Mistake or not, the metal did not recover from the fall during the course of the following week and at times was trading as low as $ 190 an ounce.

Currently the white metal is changing hands just above this level and it does not look very probable that the metal will quickly climb back to the levels of two weeks ago.

The marginal demand from the automobile industry continues to be reflected in the high discount metal sponge is attracting; at times up to $ 3 an ounce and more (and platinum sponge is still at - $ 5 an ounce).

Rhodium, Iridium, Ruthenium

Little movement was seen in the three rarer platinum metals last week.

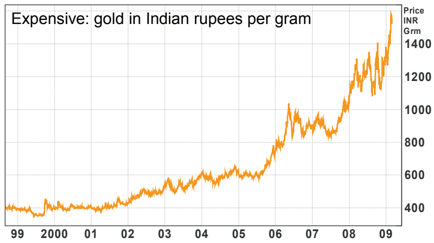
Rhodium has again been attracting Asian demand but with little or no effect on the price and the metal remains therefore hardly changed at $ 1,100 - $ 1,200 an ounce.

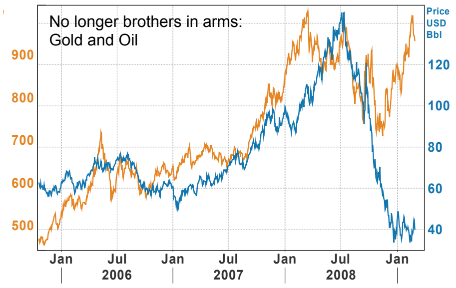
Despite the miserable situation of the international automobile markets we see the chances of the metal falling below $ 1,000 an ounce as relatively low and as such would recommend industrial end-users to make the best of any significant dips towards the $ 1,000 mark and secure some of their future demand by using the forward market.

The slight buying interest in ruthenium in recent days has again left no mark on the price and the metal continues to trade at $ 50 - $ 80 an ounce.

Gold

AU	US$/oz	€/oz	€/gram
High	*998.00*	*784.00*	*25.21*
Low	*927.00*	*729.00*	*23.44*
Latest	*946.00*	*753.00*	*24.21*





Initially last week gold tended to head south as well. With an almost completely dried up ETF demand at levels of around $ 1,000 an ounce and lingering massive scrap-gold sales, mainly in Asia, the remaining demand was not strong enough to keep the price of gold at previous weeks high levels. At $ 990 and again at $ 950 an ounce the metal broke through two chart-points which then triggered the liquidation of speculative positions. Chairman of the US-FED Ben Bernanke did not help gold either when earlier in the week he said that inflationary tendencies had dramatically reduced.

Another factor, more directly related to the market, that could have contributed to the fall in price was the assertion by traders that around the end of last week large volumes of put-options had been bought. This way investors and speculators secure themselves against falling prices but at the same time prompt the sellers of such options (usually banks) to cover themselves in the spot market, in this case by selling gold. With this they (the put buyers) themselves may have contributed to the downslide against which they were insuring themselves.

During this reporting period the metal twice tested the $ 927.50 an ounce mark; a minus of more than 7 per cent from the highs of two Friday’s ago. The latest and again very negative news from the financial world (a.o. AIG and Citigroup) and about the global economy (US-GDP down 6.2 per cent in 4th Quarter 2008) then started to support the metal just before the weekend; the price has since recovered to $ 955 an ounce.

As far as the outlook goes it appears that the recent unhealthy overheating of the gold market has for the moment been stopped. Also the retracement in ETF sales reflects that the metal has now gone into a consolidation phase. Last weeks low is now building up into a probably much watched support point; we believe this will not easily be breached in the short-term. However on the other side it is not an extraordinarily positive sign that last week despite higher oil prices and the negative moves on stock exchanges gold has significantly lost value. In this environment for the next few days the metal will therefore most likely move in the $ 925 and $ 970 an ounce range before it tries to break out and give some indication of the medium-term direction it will be taking.

More bad news from the Indian gold market: thanks to the high “local” prices Indian imports of the yellow metal in February were down to scratch. The existing demand, albeit in total significantly lower, was exclusively met by secondary local metal finding its way back to the market.

Due to the continuing weakness of the rupee one gram of gold in the sub-continent now costs Rs. 1,600 – an all-time high. Since 2005 the price of gold has tripled in rupee terms; against the Euro less than 2.5 times and in US-dollar terms it has “only” doubled.

Already in January imports to India were suffering and were down by 90 per cent to just 1.2 tonnes. Last year the sub-continent, historically the largest physical gold market, imported 402 tonnes; already a minus of 47 per cent compared to the year before. Traders are hoping nonetheless, that despite the dismal start imports during the course of this year will come back up to 2008 levels.

The German speaking clientele is not letting itself get frightened by the relatively high gold price in Euro. Whatever quantities our colleagues at the moment produce in the form of up to 1 kg investment bars, these are promptly swiped up by the investors. To cater to the continually strong demand for the larger bars we have for the moment stopped offering our smallest bars in the 1 to 5 g range.

The - apart from all day to day changes - high gold price is prompting more and more miners to speak of increased production plans: Last week plans were announced by Newmont, Goldcorp (the company plans to increase production by about 50 per cent in the next five years) and Yanacocha (plus 8 per cent in 2009). One will have to wait and see if these plans will actually be realised. In 2008 for example gold production is quite a few countries actually went down; Australia was down to 219 tonnes (a 20 year low) and South Africa to 220 tonnes (an 86 year low). (See also links on page 4)

Silver

AG	US$/oz	€/oz	€/kilo
High	*14.60*	*11.46*	*368.50*
Low	*12.82*	*10.08*	*324.10*
Latest	*13.09*	*10.41*	*334.70*

The silver price also took a beating in the past eight days. Following gold downwards it broke through the first support-level mentioned in our last weeks report, which during the course of the week had climbed up from $ 13.70 to $ 14.08 an ounce.

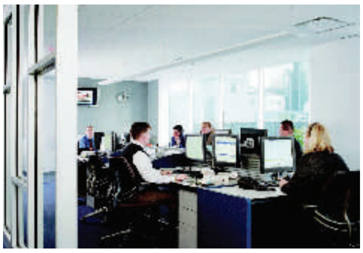
The price then fell quickly down to the next support at $ 13 an ounce. Initially it could not breach this level convincingly enough, thereby triggering fresh buying interest which moved the metal back up to $ 13.30 an ounce.

In the next days we do not anticipate the metal will test the highs of the last two weeks. On the other side, should it not hold on to the $ 12.80 mark, a price of $ 12.20 an ounce could be possible.

Silver ETF stocks at the end of this reporting period, contrary to gold, declined mildly.

Heraeus

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
Reuters Dealing: HLHK

On the Net

- Pt - Lonmin, SA unions agree on job cuts, up to 5 500 face retrenchment
- Pt - SA's Sonjica meets communities over Angloplat's Potgietersrust mine
- PGMs - Norilsk Nickel completed creation of its own arctic fleet
- PGMs - Platmin redefines Grootboom tailings resources
- Au - Barrick Gold takes $773m writedown on Australian mines, reports 4Q08 loss
- Au - Gold's biggest name in the spotlight
- Au - Kinross will focus growth in North, South America
- Au - Sino Gold targets 'significantly' improved output in '09
- Au - What a difference a year makes as CEO O'Brien turns around Newmont
- Au - South African gold output lowest for 86 years
- Au - AngloGold expects decision on Colombia mine soon
- Au - Donlin Creek mine could start up in 2015 – NovaGold chief
- Au - Agnico may boost gold output to 1.6 million ounces
- Ag - 2009 Output expected to be flat - world's no. 1 silver miner disappoints
- Ag - Largest Ag reserve/resource increase in Hecla's history muted by $66.6m loss
- Ag - Mexico's strike-hit Penoles refines silver abroad
- Ag - Idaho's grand dame, the Sunshine silver mine, again falls on hard times
- Economy - Germany says green jobs will shorten recession
- Oil - Oil trades near $40 on signs deepening recession to sap demand

To open the link click on the headline.

Disclaimer

All prices shown are interbank market bid prices, all charts unless stated otherwise are based on

REUTERS
KNOW. NOW.